

# EA Exam Preparation 2025

## Part 1: Individuals

VIDEO 5:

### **CALCULATING TAX AND TAX CREDITS**

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PRESENTER: TOM NORTON CPA, EA

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## What We'll Cover

- Calculating Tax
- Other Taxes
- Tax Credits
- Tax Payments

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## EA Tax Training

Free Resources (irs.gov)

- **Publication 17, Your Federal Income Tax**
- **Instructions for Forms 1040 and 1040-SR**
- **Schedule 2 (Form 1040)**
- Publication 556, *Alternative Minimum Tax*
- Publication 972, *Child Tax Credit*
- Publication 970, *Tax Benefits for Education*
- Publication 596, *Earned Income Credit*
- Publication 974, *Premium Tax Credit*

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## EA Tax Training

Flow of the Tax Return

START:	Gross income
LESS:	Adjustments to income
EQUALS:	Adjusted gross income (AGI)
LESS:	Deductions (Standard or Itemized, QBI)
EQUALS:	Taxable income
APPLY:	Tax tables/Schedules
EQUALS:	Income tax
LESS:	Credits
PLUS:	Other taxes
EQUALS:	Total tax
LESS:	Payments
EQUALS:	Amount Due/Overpayment (Refund)

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## Calculating Tax

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## Calculating Tax

- Gross income minus Adjustments = Adjusted Gross Income (AGI).
- AGI minus Deductions = Taxable Income (TI).
- We will take our taxable income and use tax tables and/or tax schedules to determine the tax.
- Tax tables work for taxable income less than \$100,000.

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## EA Tax Training

2024  
Tax Table

See the instructions for line 16 to see if you must use the Tax Table below to figure your tax.

Example. A married couple is filing a joint return. Their taxable income on Form 1040, line 15, is \$25,300. First, they find the \$25,300-\$25,300 taxable income line. Next, they find the column for married filing jointly and read down the column. The amount shown where the taxable income line and filing status column meet is \$2,276. This is the tax amount they should enter in the entry space on Form 1040, line 16.

## Sample Table

At least this much	But less than	Single	Married filing jointly	Married filing separately	Head of household
25,300	25,350	2,295	2,265	2,705	2,695
25,350	25,400	2,297	2,267	2,707	2,697
25,400	25,450	2,299	2,269	2,709	2,699

If line 15 (taxable income) is—						And you are—						If line 15 (taxable income) is—						And you are—						If line 15 (taxable income) is—						And you are—					
At least	But less than	Single	Married filing jointly	Married filing separately	Head of household	Your tax is—	At least	But less than	Single	Married filing jointly	Married filing separately	Head of household	Your tax is—	At least	But less than	Single	Married filing jointly	Married filing separately	Head of household	Your tax is—	At least	But less than	Single	Married filing jointly	Married filing separately	Head of household	Your tax is—	At least	But less than	Single	Married filing jointly	Married filing separately	Head of household		
0	5	0	0	0	0		0	5	0	0	0	0		0	5	0	0	0	0		0	5	0	0	0	0		0	5	0	0	0	0		
5	15	1	1	1	1		15	25	2	2	2	2		15	25	2	2	2	2		15	25	2	2	2	2		15	25	2	2	2	2		
25	50	6	6	6	6		50	75	6	6	6	6		50	75	6	6	6	6		50	75	6	6	6	6		50	75	6	6	6	6		
75	100	9	9	9	9		100	125	11	11	11	11		100	125	11	11	11	11		100	125	11	11	11	11		100	125	11	11	11	11		
100	125	11	11	11	11		125	150	14	14	14	14		125	150	14	14	14	14		125	150	14	14	14	14		125	150	14	14	14	14		
150	175	16	16	16	16		175	200	19	19	19	19		175	200	19	19	19	19		175	200	19	19	19	19		175	200	19	19	19	19		
200	225	21	21	21	21		225	250	24	24	24	24		225	250	24	24	24	24		225	250	24	24	24	24		225	250	24	24	24	24		
250	275	26	26	26	26		275	300	27	27	27	27		275	300	27	27	27	27		275	300	27	27	27	27		275	300	27	27	27	27		
300	325	29	29	29	29		325	350	31	31	31	31		325	350	31	31	31	31		325	350	31	31	31	31		325	350	31	31	31	31		
350	375	34	34	34	34		375	400	36	36	36	36		375	400	36	36	36	36		375	400	36	36	36	36		375	400	36	36	36	36		
400	425	40	40	40	40		425	450	41	41	41	41		425	450	41	41	41	41		425	450	41	41	41	41		425	450	41	41	41	41		
450	475	46	46	46	46		475	500	48	48	48	48		475	500	48	48	48	48		475	500	48	48	48	48		475	500	48	48	48	48		
500	525	51	51	51	51		525	550	54	54	54	54		525	550	54	54	54	54		525	550	54	54	54	54		525	550	54	54	54	54		
550	575	56	56	56	56		575	600	59	59	59	59		575	600	59	59	59	59		575	600	59	59	59	59		575	600	59	59	59	59		
600	625	61	61	61	61		625	650	64	64	64	64		625	650	64	64	64	64		625	650	64	64	64	64		625	650	64	64	64	64		
650	675	66	66	66	66		675	700	69	69	69	69		675	700	69	69	69	69		675	700	69	69	69	69		675	700	69	69	69	69		
700	725	71	71	71	71		725	750	74	74	74	74		725	750	74	74	74	74		725	750	74	74	74	74		725	750	74	74	74	74		
750	775	75	75	75	75		775	800	77	77	77	77		775	800	77	77	77	77		775	800	77	77	77	77		775	800	77	77	77	77		
800	825	81	81	81	81		825	850	84	84	84	84		825	850	84	84	84	84		825	850	84	84	84	84		825	850	84	84	84	84		
850	875	86	86	86	86		875	900	89	89	89	89		875	900	89	89	89	89		875	900	89	89	89	89		875	900	89	89	89	89		
900	925	91	91	91	91		925	950	94	94	94	94		925	950	94	94	94	94		925	950	94	94	94	94		925	950	94	94	94	94		
950	975	96	96	96	96		975	1,000	99	99	99	99		975	1,000	99	99	99	99		975	1,000	99	99	99	99		975	1,000	99	99	99	99		

If line 15 (taxable income) is—						And you are—						If line 15 (taxable income) is—						And you are—						If line 15 (taxable income) is—						And you are—					
At least	But less than	Single	Married filing jointly	Married filing separately	Head of household	Your tax is—	At least	But less than	Single	Married filing jointly	Married filing separately	Head of household	Your tax is—	At least	But less than	Single	Married filing jointly	Married filing separately	Head of household	Your tax is—	At least	But less than	Single	Married filing jointly	Married filing separately	Head of household	Your tax is—	At least	But less than	Single	Married filing jointly	Married filing separately	Head of household		
0	5	0	0	0	0		0	5	0	0	0	0		0	5	0	0	0	0		0	5	0	0	0	0		0	5	0	0	0	0		
5	15	1	1	1	1		15	25	2	2	2	2		15	25	2	2	2	2		15	25	2	2	2	2		15	25	2	2	2	2		
25	50	6	6	6	6		50	75	6	6	6	6		50	75	6	6	6	6		50	75	6	6	6	6		50	75	6	6	6	6		
75	100	9	9	9	9		100	125	11	11	11	11		100	125	11	11	11	11		100	125	11	11	11	11		100	125	11	11	11	11		
100	125	11	11	11	11		125	150	14	14	14	14		125	150	14	14	14	14		125	150	14	14	14	14		125	150	14	14	14	14		
150	175	16	16	16	16		175	200	19	19	19	19		175	200	19	19	19	19		175	200	19	19	19	19		175	200	19	19	19	19		
200	225	21	21	21	21		225	250	24	24	24	24		225	250	24	24	24	24		225	250	24	24	24	24		225	250	24	24	24	24		
250	275	26	26	26	26		275	300	27	27	27	27		275	300	27	27	27	27		275	300	27	27	27	27		275	300	27	27	27	27		
300	325	29	29	29	29		325	350	31	31	31	31		325	350	31	31	31	31		325	350	31	31	31	31		325	350	31	31	31	31		
350	375	34	34	34	34		375	400	36	36	36	36		375	400	36	36	36	36		375	400	36	36	36	36		375	400	36	36	36	36		
400	425	40	40	40	40		425	450	41	41	41	41		425	450	41	41	41	41		425	450	41	41	41	41		425	450	41	41	41	41		
450	475	46	46	46	46		475	500	48	48	48	48		475	500	48	48	48	48		475	500	48	48	48	48		475	500	48	48	48	48		
500	525	51	51	51	51		525	550	54	54	54	54		525	550	54	54	54	54		525	550	54	54	54	54		525	550	54	54	54	54		
550	575	56	56	56	56		575	600	59	59	59	59		575	600	59	59	59	59		575	600	59	59	59	59		575	600	59	59	59	59		
600	625	61	61	61	61		625	650	64	64	64	64		625	650	64	64	64	64		625	650	64	64	64	64		625	650	64	64	64	64		
650	675	66	66	66	66		675	700	69	69	69	69		675	700	69	69	69	69		675	700	69	69	69	69		675	700	69	69	69	69		
700	725	71	71	71	71		725	750	74	74	74	74		725	750	74	74	74	74		725	750	74	74	74	74		725	750	74	74	74	74		
750	775	75	75	75	75		775	800	77	77	77	77		775	800	77	77	77	77		775	800	77	77	77	77		775	800	77	77	77	77		
800	825	81	81	81	81		825	850	84	84	84	84		825	850	84	84	84	84		825	850	84	84	84	84		825	850	84	84	84	84		
850	875	86	86	86	86		875	900	89	89	89	89		875	900	89	89	89	89		875	900	89	89	89	89		875	900	89	89	89	89		
900	925	91	91	91	91		925	950	94	94	94	94		925	950	94	94	94	94		925	950	94	94	94	94		925	950	94	94	94	94		
950	975	96	96	96	96		975	1,000	99	99	99	99		975	1,000	99	99	99	99		975	1,000	99	99	99	99		975	1,000	99	99	99	99		

If line 15 (taxable income) is—						And you are—						If line 15 (taxable income) is—						And you are—						If line 15 (taxable income) is—						And you are—					
At least	But less than	Single	Married filing jointly	Married filing separately	Head of household	Your tax is—	At least	But less than	Single	Married filing jointly	Married filing separately	Head of household	Your tax is—	At least	But less than	Single	Married filing jointly	Married filing separately	Head of household	Your tax is—	At least	But less than	Single	Married filing jointly	Married filing separately	Head of household	Your tax is—	At least	But less than	Single	Married filing jointly	Married filing separately	Head of household		
0	5	0	0	0	0		0	5	0	0	0	0		0	5	0	0	0	0		0	5	0	0	0	0		0	5	0	0	0	0		
5	15	1	1	1	1		15	25	2	2	2	2		15	25	2	2	2	2		15	25	2	2	2	2		15	25	2	2	2	2		
25	50	6	6	6	6		50	75	6	6	6	6		50	75	6	6	6	6		50	75	6	6	6	6		50	75	6	6	6	6		
75	100	9	9	9	9		100	125	11	11	11	11		100	125	11	11	11	11		100	125	11	11	11	11		100	125	11	11	11	11		
100	125	11	11	11	11																														

(Continued.)

\* This column must also be used by a qualifying surviving spouse.

Need more information or forms? Visit IRS.gov.

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## EA Tax Training

## 2024 Tax Table — Continued

If line 15 (taxable income) is—						And you are—						If line 15 (taxable income) is—						And you are—								
At least	But less than	Single	Married filing jointly	Married filing separately	Head of household	Your tax is—	At least	But less than	Single	Married filing jointly	Married filing separately	Head of household	Your tax is—	At least	But less than	Single	Married filing jointly	Married filing separately	Head of household	Your tax is—						
<b>93,000</b>							<b>96,000</b>							<b>99,000</b>												
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96,000	96,000	16,119	16,119	16,119	16,119	14,483	99,000	99,000	16,428	16,428	16,428	16,428	14,792						
93,000	93,000	15,810	15,810	15,810	15,810	13,633	96																			

## EA Tax Training

## 2024 Tax Computation Worksheet—Line 16



See the instructions for line 16 to see if you must use the worksheet below to figure your tax.

**Note.** If you are required to use this worksheet to figure the tax on an amount from another form or worksheet, such as the Qualified Dividends and Capital Gain Tax Worksheet, the Schedule D Tax Worksheet, Schedule J, Form 8615, or the Foreign Earned Income Tax Worksheet, enter the amount from that form or worksheet in column (a) of the row that applies to the amount you are looking up. Enter the result on the appropriate line of the form or worksheet that you are completing.

**Section A—**Use if your filing status is **Single**. Complete the row below that applies to you.

Taxable income. If line 15 is—	(a) Enter the amount from line 15.	(b) Multiplication amount	(c) Multiply (a) by (b).	(d) Subtraction amount	Tax. Subtract (d) from (c). Enter the result here and on the entry space on line 16.
At least \$100,000 but not over \$100,225	\$	> 22% (0.22)	\$	\$ 4,947.00	\$
Over \$100,225 but not over \$191,000	\$	> 24% (0.24)	\$	\$ 6,957.50	\$
Over \$191,000 but not over \$245,725	\$	> 32% (0.32)	\$	\$ 13,112.50	\$
Over \$245,725 but not over \$609,350	\$	> 35% (0.35)	\$	\$ 29,612.25	\$
Over \$609,350	\$	> 37% (0.37)	\$	\$ 48,812.25	\$

**Section B—**Use if your filing status is **Married filing jointly** or **Qualifying surviving spouse**. Complete the row below that applies to you.

Taxable income. If line 15 is—	(a) Enter the amount from line 15.	(b) Multiplication amount	(c) Multiply (a) by (b).	(d) Subtraction amount	Tax. Subtract (d) from (c). Enter the result here and on the entry space on line 16.
At least \$100,000 but not over \$201,000	\$	> 20% (0.20)	\$	\$ 9,201.00	\$
Over \$201,000 but not over \$383,800	\$	> 24% (0.24)	\$	\$ 13,913.00	\$
Over \$383,800 but not over \$487,400	\$	> 32% (0.32)	\$	\$ 44,627.00	\$
Over \$487,400 but not over \$731,200	\$	> 35% (0.35)	\$	\$ 59,290.50	\$
Over \$731,200	\$	> 37% (0.37)	\$	\$ 73,874.50	\$

**Section C—**Use if your filing status is **Married filing separately**. Complete the row below that applies to you.

Taxable income. If line 15 is—	(a) Enter the amount from line 15.	(b) Multiplication amount	(c) Multiply (a) by (b).	(d) Subtraction amount	Tax. Subtract (d) from (c). Enter the result here and on the entry space on line 16.
At least \$100,000 but not over \$100,225	\$	> 22% (0.22)	\$	\$ 4,947.00	\$
Over \$100,225 but not over \$191,000	\$	> 24% (0.24)	\$	\$ 6,957.50	\$
Over \$191,000 but not over \$245,725	\$	> 32% (0.32)	\$	\$ 13,112.50	\$
Over \$245,725 but not over \$609,350	\$	> 35% (0.35)	\$	\$ 29,612.25	\$
Over \$609,350	\$	> 37% (0.37)	\$	\$ 48,812.25	\$

**Section D—**Use if your filing status is **Head of household**. Complete the row below that applies to you.

Taxable income. If line 15 is—	(a) Enter the amount from line 15.	(b) Multiplication amount	(c) Multiply (a) by (b).	(d) Subtraction amount	Tax. Subtract (d) from (c). Enter the result here and on the entry space on line 16.
At least \$100,000 but not over \$100,000	\$	> 20% (0.20)	\$	\$ 4,947.00	\$
Over \$100,000 but not over \$191,000	\$	> 24% (0.24)	\$	\$ 6,957.50	\$
Over \$191,000 but not over \$245,700	\$	> 32% (0.32)	\$	\$ 13,107.00	\$
Over \$245,700 but not over \$609,300	\$	> 35% (0.35)	\$	\$ 29,610.00	\$
Over \$609,300	\$	> 37% (0.37)	\$	\$ 48,807.00	\$

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Need more information or forms? Visit [IRS.gov](https://www.irs.gov).

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## EA Tax Training

## Tax Rate Schedule Example

- Single taxpayer with \$150,000 of taxable income.
- Calculation:
  - \$150,000 × 24% = \$36,000
  - \$36,000 - \$6,957.50 = \$29,042.50 tax.

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## EA Tax Training

## Tax Brackets 2024

Taxable Income				Tax Rate
Single	MFJ/QSS	MFS	HOH	
\$0 to \$11,600	\$0 to \$23,200	\$0 to \$11,600	\$0 to \$16,550	10%
\$11,601 to \$47,150	\$23,201 to \$94,300	\$11,601 to \$47,150	\$16,551 to \$63,100	12%
\$47,151 to \$100,525	\$94,301 to \$201,050	\$47,151 to \$100,525	\$63,101 to \$100,500	22%
\$100,526 to \$191,950	\$201,051 to \$383,900	\$100,526 to \$191,950	\$100,501 to \$191,950	24%
\$191,951 to \$243,725	\$383,901 to \$487,450	\$191,951 to \$243,725	\$191,951 to \$243,700	32%
\$243,726 to \$609,350	\$487,451 to \$731,200	\$243,726 to \$365,600	\$243,701 to \$609,350	35%
\$609,351 or more	\$731,201 or more	\$365,601 or more	\$609,351 or more	37%

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## EA Tax Training

Tax Rate Schedule Example

- MFJ taxpayer with \$731,201 of taxable income.
- Calculation:
  - $\$731,201 \times 37\% = \$270,544$
  - $\$270,544 - \$73,874.50 = \$196,670$  tax.
- Effective tax rate is  $\$196,670 / \$731,201 = 26.9\%$

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## EA Tax Training

Calculating Tax

- The tax tables and rate schedules are only for ordinary income.
- Long-term capital gains are computed separately
  - Includes qualified dividends

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## EA Tax Training

**Capital Gains Tax Rates 2024**

Taxable Income				Capital Gains Tax Rate*	Marginal Ordinary Rates
Single	MFJ/QSS	MFS	HOH		
\$0 to \$47,025	\$0 to \$94,050	\$0 to \$47,025	\$0 to \$63,000	0%	10% to 12%
\$47,026 to \$518,900	\$94,051 to \$583,750	\$47,026 to \$291,850	\$63,001 to \$551,350	15%	22% to 35%
\$518,901 or more	\$583,751 or more	\$291,851 or more	\$551,351 or more	20%	35% to 37%
*Exceptions: 1. Net capital gain from selling collectibles taxed at ordinary rates, up to a maximum of 28% 2. Taxable part of a sale of section 1202 qualified small business stock taxed at a maximum 28% rate 3. The portion of any unrecaptured section 1250 gain is taxed at a maximum 25% rate					

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## EA Tax Training

Kiddie Tax

- Unearned income (i.e. investment income) of minor children in excess of \$2,600
- Taxed at parents' tax rate
- Child's standard deduction is the greater of \$1,300 or earned income plus \$450, not to exceed \$14,600
- Two possible ways to report:
  1. Child files own tax return and attaches Form 8615
  2. Parents include the child's unearned income on their return, and attach Form 8814

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## EA Tax Training

Kiddie Tax

- Form 8615 is filed for any child who meets all of the following conditions:
  1. More than \$2,600 of **unearned** income
  2. Required to file a tax return
  3. Either:
    - a) Under 18 at the end of 2024 (including 1/1/25)
    - b) Was 18 but didn't have earned income that was more than half of their support, or
    - c) Was a full-time student age 19-24 who didn't have earned income that was more than half their support
  4. At least one of the child's parents was alive on 12/31/24
  5. The child doesn't file a joint return

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## Kiddie Tax

▪ **Example:** David is 16, single, a dependent of his parents, and earned \$5,000 in wages and \$3,600 in dividends for gross income of \$8,600. He claims a standard deduction of \$5,450, resulting in taxable income of \$3,150. David pays tax at his parents' rate on \$1,000 (\$3,600 - \$2,600). The remaining \$2,150 is taxed at David's tax rate.

## Kiddie Tax

- May be able to report on parent's return instead (Form 8814)
  - Child under age 19 (or under 24 and full-time student)
  - Child's gross income less than \$13,000
  - Child's only income is from interest, dividends, capital gain distributions, and Alaska Permanent Fund Dividends
  - Child does not file a joint return
  - No federal income tax was withheld from the child's income
  - No estimated payments were made for the child
  - Taxpayer is the qualifying parent

## Kiddie Tax

- Qualifying parent (one of the following):
  - Parents file MFJ, or
  - If MFS, or unmarried and living together (Single), the parent with the higher taxable income, or
  - The custodial parent if living apart, divorced or separated
    - Custodial parent who is remarried qualifies if MFJ, or has higher taxable income than new spouse if MFS

## Other Taxes

Other Taxes

- Alternative minimum tax (AMT)
- Excess advance premium tax credit
- Self-employment tax
- Additional Medicare tax
- Uncollected social security and Medicare tax
- Household employment taxes (different video)
- Repayment of first-time homebuyer credit
- Net investment income tax
- Additional taxes on retirement plan distributions (different video)

SCHEDULE 2 (Form 1040) Additional Taxes Attach to Form 1040, 1040-SR, or 1040-NR. Department of the Treasury Internal Revenue Service Go to www.irs.gov/Form1040 for instructions and the latest information. Name(s) shown on Form 1040, 1040-SR, or 1040-NR Your social security number

OMB No. 1545-0074 2024 Attachment Section No. 02

Part I Tax

1 Additions to tax:

a Excess advance premium tax credit repayment. Attach Form 8962. 1a

b Repayment of new clean vehicle credit(s) transferred to a registered dealer from Schedule A (Form 8936), Part II. Attach Form 8936 and Schedule A (Form 8936). 1b

c Repayment of previously owned clean vehicle credit(s) transferred to a registered dealer from Schedule A (Form 8936), Part IV. Attach Form 8936 and Schedule A (Form 8936). 1c

d Recapture of net EPE from Form 4255, line 2a, column (i). 1d

e Excessive payments (EP) from Form 4255. Check applicable box and enter amount. 1e

0 Line 1a, column (n) 00 Line 1c, column (n)

00 Line 1d, column (n) 00 Line 2a, column (n)

f 20% EP from Form 4255. Check applicable box and enter amount. See instructions. 1f

0 Line 1a, column (o) 00 Line 1c, column (o)

00 Line 1d, column (o) 00 Line 2a, column (o)

y Other additions to tax (see instructions): 1y

4 Add lines 1a through 1y. 1e 4

2 Alternative minimum tax. Attach Form 6251. 2

3 Add lines 1z and 2. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 17. 3

Part II Other Taxes

4 Self-employment tax. Attach Schedule SE. 4

5 Social security and Medicare tax on unreported tip income. Attach Form 4137. 5

6 Uncollected social security and Medicare tax on wages. Attach Form 8919. 6

7 Total additional social security and Medicare tax. Add lines 5 and 6. 7

8 Additional tax on IRAs or other tax-favored accounts. Attach Form 5329 if required. If not required, check here. 8

9 Household employment taxes. Attach Schedule H. 9

10 Repayment of first-time homebuyer credit. Attach Form 5405 if required. 10

11 Additional Medicare Tax. Attach Form 8959. 11

12 Net investment income tax. Attach Form 8960. 12

13 Uncollected social security and Medicare or RRTA tax on tips or group-term life insurance from Form W-2, box 12. 13

14 Interest on tax due on installment income from the sale of certain residential lots and timeshares. 14

15 Interest on the deferred tax on gain from certain installment sales with a sales price over \$150,000. 15

16 Recapture of low-income housing credit. Attach Form 8611. 16

(continued on page 2)

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 7147087 Schedule 2 (Form 1040) 2024

EA Tax Training

Schedule 2 (Form 1040) 2024

Page 2

Part II Other Taxes (continued)

17	Other additional taxes:		
a	Recapture of other credits. List type, form number, and amount:	17a	
b	Recapture of federal mortgage subsidy, if you sold your home see instructions	17b	
c	Additional tax on HSA distributions. Attach Form 8889	17c	
d	Additional tax on an HSA because you didn't remain an eligible individual. Attach Form 8889	17d	
e	Additional tax on Archer MSA distributions. Attach Form 8883	17e	
f	Additional tax on Medicare Advantage MSA distributions. Attach Form 8883	17f	
g	Recapture of a charitable contribution deduction related to a fractional interest in tangible personal property	17g	
h	Income you received from a nonqualified deferred compensation plan that fails to meet the requirements of section 409A	17h	
i	Compensation you received from a nonqualified deferred compensation plan described in section 457A	17i	
j	Section 72(m)(5) excess benefits tax	17j	
k	Golden parachute payments	17k	
l	Tax on accumulation distribution of trusts	17l	
m	Excise tax on insider stock compensation from an expatriated corporation	17m	
n	Look-back interest under section 167(g) or 460(b) from Form 8697 or 8866	17n	
o	Tax on non-effectively connected income for any part of the year you were a nonresident alien from Form 1040-NR	17o	
p	Any interest from Form 8621, line 16f, relating to distributions from, and dispositions of, stock of a section 1291 fund	17p	
q	Any interest from Form 8621, line 24	17q	
z	Any other taxes. List type and amount:	17z	
18	Total additional taxes. Add lines 17a through 17z.	18	
19	Recapture of net EPE from Form 4255, line 1d, column (i)	19	
20	Section 965 net tax liability installment from Form 965-A	20	
21	Add lines 4, 7 through 16, 18, and 19. These are your <b>total other taxes</b> . Enter here and on Form 1040 or 1040-SR, line 23, or Form 1040-NR, line 23b	21	

Schedule 2 (Form 1040) 2024

EA Tax Training

Alternative Minimum Tax (AMT)

- The alternative minimum tax (AMT) is a separate, additional income tax.
- The AMT is designed to make sure taxpayers with a high economic income, but not high taxable income, pay at least a minimum amount of tax.
- Form 6251

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## Calculating AMT

Regular Taxable Income  
 + Preferences  
 +/- Adjustments  
 = Tentative AMTI  
 - Exemption amount  
 = AMTI  
 x AMT Tax Rates  
 - AMT Foreign tax credit  
 = AMT  
 - Regular Tax  
 = Additional tax

## AMT Preferences

- Preferences are items that receive special treatment for regular tax purposes. They are added back for AMT. Examples:
  - Private activity bond interest
  - Seven percent of any Section 1202 gain on sale a qualified small business stock
  - Oil and gas depletion in excess of basis
  - Intangible drilling costs differences

## AMT Adjustments

- Adjustments are modifications to regular tax items. Can add to or subtract from income for AMT. Examples:
  - The standard deduction is added back.
  - State, local and foreign income, sales and property taxes are added back.
  - Investment interest expense is computed differently, and can result in higher or lower deductible expense.
  - Incentive Stock Options are taxed at time of exercise for AMT (unless stock is sold in same year option is exercised).
  - Depreciation is computed differently, which could result in a higher or lower deduction for AMT.
  - Dispositions of property often result in a different gain or loss, due to differences in depreciation and other items affecting basis. The \$3,000 limit on capital losses still applies.

## AMT Exemption Amount 2024

- Single: \$85,700
- MFJ/QSS: \$133,300
- MFS: \$66,650
- HOH: \$85,700

## AMT Exemption Phase-Out

- Single/HOH: AMTI of \$609,350 to \$952,150
- MFJ/QSS: AMTI of \$1,218,700 to \$1,751,900
- MFS: AMTI of \$609,350 to \$875,950

## AMT Tax Rates

- Single/MFJ/QSS/HOH:
  - \$0 to \$232,600 x **26%** = Tax
  - \$232,601 and over x **28%** minus \$4,652 = Tax
- MFS:
  - \$0 to \$116,300 x **26%** = Tax
  - \$116,301 and over x **28%** minus \$2,207 = Tax
- Long-term capital gains: Same as regular tax

## Common AMT Triggers

- Gross income is significantly higher than taxable income.
- Significant long-term capital gains.
- Exercising of incentive stock options.
- Tax-exempt interest from private activity bonds.

## AMT Example

- Harold is 63 years old and single, takes the standard deduction of \$14,600, and has regular taxable income of \$130,000. This results in regular tax of \$24,243. He has tax exempt interest from private activity bonds of \$40,000. His AMTI is  $\$130,000 + \$14,600 + \$40,000 = \$184,600$  – his exemption of \$85,700 = \$98,900. The resulting AMT is  $\$98,900 \times 26\% = \$25,714$ . He must pay additional income tax of  $\$25,714 - \$24,243 = \$1,471$ .



**EA Tax Training**

## Credit for Prior Year AMT

- Some of the AMT adjustments are really timing differences.
  - For example, depreciation differences
- You may get a credit for these items in future years in order to avoid unfairly paying tax twice on the same items.
  - Can only get the credit in a year in which AMT does not apply
  - Can carry forward indefinitely
- Use Form 8801 to calculate the credit.

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**EA Tax Training**

## Excess Advance Premium Tax Credit

- Some taxpayers get a credit for health insurance premiums paid for Marketplace (ACA/Obamacare) plans.
- You can estimate your income and therefore the credit, and get the credit paid in advance as a reduction in your monthly premiums.
- Use Form 8962 to compare the estimated amount of the credit vs. the actual amount of the credit based on your actual income.
  - Should receive Form 1095-A with the information needed.
- If the estimated credit was higher than the actual credit allowed, you pay the difference as an additional tax.

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## Self-Employment Tax

- Net earnings from self-employment of \$400 or more
  - Schedule C or F
  - Partnership K-1
  - Certain church employee income of \$108.28 or more
- Replaces social security and Medicare withholding from a W-2 job
  - Represents both employee's and employer's share
- Rate is 15.3% (12.4% Social security and 2.9% Medicare)
- Half is deductible as an adjustment to income

## Self-Employment Tax

- "Net" earnings means self-employment income x 92.35%
  - $\$434 \text{ profit} \times .9235 = \$400$  of net earnings from self-employment.
- **Example:** Leo has a Schedule C business with \$60,000 of revenue and \$23,000 of expenses. His profit therefore is \$37,000. His net earnings from self employment are  $\$37,000 \times .9235 = \$34,170$ . Leo will owe self-employment tax of  $\$34,170 \times 15.3\% = \$5,228$ .

**EA Tax Training**

## Self-Employment Tax

- Like FICA withholding, only the first \$168,600 of income is subject to the 12.4% Social Security tax.
- All self-employment income is subject to the 2.9% Medicare tax
- Schedule SE

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## SE Tax Optional Methods

- Taxpayers with a loss or a small amount of income may use an optional method, in order to get credit toward Social Security, or to increase certain credits and deductions
- Must meet certain criteria, which are different for farm vs. nonfarm income
- Use 2/3 of gross income from the business instead of net income.

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## Additional Medicare Tax

- Certain high-income taxpayers must pay an additional .9% of their income into Medicare, in addition to the 2.9% everyone pays.
- Only wages and self-employment income above certain amounts are subject to the extra tax:
  - S/HOH/QSS:           Amounts over \$200,000
  - MFJ:                    Amounts over \$250,000
  - MFS:                    Amounts over \$125,000

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## Uncollected SS and Medicare Tax

- Taxpayers who receive more than \$20 per month in tips, must report those tips to their employer. The employer then includes them in the employee's W-2.
- If any tips are not reported, the employee must report them on their tax return, using Form 4137. You pay both income tax and Social Security and Medicare tax on the tips.
- You must also use Form 4137 for any allocated tips in box 8 of Form W-2.

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## First Time Homebuyer Credit Repayment

- In 2008, there were credits given to taxpayers who purchased a home. Those credits generally must be paid back over 15 years, from 2010 through 2025.
- If lived in the home for all of 2024, just enter the amount on Schedule 2 Other Taxes.
- If you sold the home or stopped using it as your principal residence in 2024, use Form 5405 to compute the amount to include.

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**EA Tax Training**

## Net Investment Income Tax

- Certain high-income taxpayers must pay an additional 3.8% tax on their net investment income.
- Investment income includes interest, dividends, capital gains, rents, royalties, etc.
- Net investment income means investment income reduced by investment expenses incurred to produce the income, such as interest, investment advisory fees, and tax preparation fees.

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## EA Tax Training

Net Investment Income Tax

- Only taxpayers whose AGI (modified by adding back the net foreign earned income exclusion) is above the statutory "threshold amounts" are subject to the additional tax.
- MAGI threshold amounts:
  - S/HOH: \$200,000
  - MFJ/QSS: \$250,000
  - MFS: \$125,000
- Amount subject to tax is the lesser of net investment income or the amount MAGI exceeds the threshold amount.

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## EA Tax Training

Net Investment Income Tax

- **Example:** Veronica and Vince live and work in the United States and file MFJ. Their AGI is \$275,000, and they have net investment income of \$40,000. They must pay an additional 3.8% tax on \$25,000 (\$275,000 AGI - \$250,000 threshold amount). The additional tax is \$950.

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## Tax Credits

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## Tax Credits

- Child and dependent care credit
- Child tax credit and Credit for other dependents
- Earned Income Credit (EIC)
- Education credits
- Foreign tax credit (later video)
- Adoption credits
- ACA premium tax credit
- Health coverage tax credit
- Energy credits
- Retirement savings contribution credit
- Credit for the elderly and disabled

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## Tax Credit vs. Tax Deduction

- A tax credit is a dollar-for-dollar reduction in the amount of tax owed.
  - For example, you compute your tax and it is \$3,000. If you have a \$1,000 tax credit, your tax is now \$2,000.
- A tax deduction reduces the amount of income subject to tax, indirectly lowering your tax, but not dollar-for-dollar.
  - For example, you file MFJ and your taxable income is \$20,000, resulting in a tax of \$2,000. If you had a \$1,000 deduction, your taxable income would be \$19,000, resulting in a tax of \$1,900.
- Therefore, tax credits are preferred over tax deductions.

## Refundable vs. Nonrefundable Credits

- Usually, we think of a credit as reducing an amount of tax you owe. For example, you owe \$3,000 and have a \$1,000 credit, so now you only owe \$2,000.
- But what if you only owe, say, \$600 in tax, and have a \$1,000 credit?
- Some credits are **refundable**, which means in the above example, your tax is zero, and the government will send you \$400.
- Other credits are **nonrefundable**, which means your entire \$600 tax bill would be wiped out, and you would owe nothing, but the government would not send you the extra \$400.



**EA Tax Training**

## Child Tax Credit (CTC)

- \$2,000 credit for each child under age 17 at end of the year.
  - Nonrefundable; however, may be eligible for Additional Child Tax Credit
- Phase-out: Credit is reduced by \$50 for each \$1,000 of MAGI above:
  - MFJ: \$400,000
  - All others: \$200,000
- MAGI means AGI plus excluded income from Puerto Rico, American Samoa, and foreign earned income.
- Enhanced credit in 2021 in response to Covid-19 expired.

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## Child Tax Credit (CTC)

- Qualifying Child:
  - Son, daughter, stepchild, foster child, brother, sister, stepbrother, stepsister, half brother, half sister, or a descendant of any of them (e.g. grandchild, niece, nephew).
  - Under age 17 at end of the year.
  - Didn't provide more than half their own support.
  - Lived with you for more than half the year.
  - Claimed as a dependent on your return.
  - Child doesn't file MFJ (or does so only to get a refund of tax withheld or estimated tax).
  - U.S. citizen, U.S. national, or U.S. resident alien.
  - Must have a SSN.

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## Additional Child Tax Credit (ACTC)

- ACTC makes \$1,700 of the \$2,000 CTC refundable.
- Applies to taxpayers whose CTC is greater than the amount of tax they owe.
- Must have at least \$2,500 of earned income, or 3 or more qualifying dependents.
- Not allowed if you file Form 2555/2555EZ to exclude foreign earned income.

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## Credit for Other Dependents (ODC)

- Child tax credit is limited to those under 17, and who meet the other tests.
- Credit for Other Dependents is available for a wider range of dependents, including children over 17.
- Maximum credit is \$500 per eligible dependent.

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## Credit for Other Dependents (ODC)

- Qualifying person for ODC:
  - Claimed as a dependent on your return.
  - Can't be used by you to claim the CTC or ACTC.
  - U.S. citizen, U.S. national, or U.S. resident alien.
  - Must have SSN, ITIN or ATIN.
- Phase-out: Credit is reduced by \$50 for each \$1,000 of MAGI above:
  - MFJ: \$400,000
  - All others: \$200,000

## Child and Dependent Care Credit

- Nonrefundable credit for expenses paid for the care of a child or other qualifying person while you worked or looked for work.
- Can claim the credit on up to \$3,000 of eligible expenses for one qualifying person, and up to \$6,000 for two or more.
- The credit is 20% to 35% of eligible expenses, depending on AGI.
- Form 2441
  - Also to exclude dependent care benefits received from income.

## Child and Dependent Care Credit

- A Qualifying person is any of the following:
  1. A qualifying child under age 13 whom you can claim as a dependent. If the child turned 13 during the year, the child qualifies for the part of the year before they turned 13.
  2. Your disabled spouse who wasn't physically or mentally able to care for themselves and lived with you for more than half the year.
  3. Any disabled person who wasn't physically or mentally able to care for themselves and lived with you for more than half the year and whom you can claim as a dependent or could claim as a dependent except:
    - a) They had gross income of more than \$5,050
    - b) They filed a joint return, or
    - c) You (or your spouse if MFJ) could be claimed as a dependent on someone else's return.

## Child and Dependent Care Credit

- Credit for dependent care expenses paid so you could work or look for work.
  - Child support payments do not qualify
  - Any amounts reimbursed by a social service agency do not qualify
- Includes household services needed to care for the person, such as the services of a maid, cook, babysitter, cleaning person, etc. (but not a chauffeur, bartender, or gardener).

## Child and Dependent Care Credit

- To qualify:
  - Any filing status, except MFS (with some exceptions)
  - Care was provided so you could work or look for work
  - Care was for one or more qualifying persons
  - The person who provided the care wasn't your spouse, the parent of the qualifying child, or a person you can claim as a dependent. If your child provided the care, they must have been 19 or older by the end of the year, and not your dependent.
  - You report the required information about the care provider(s) on Form 2441 (name, address, SSN, amount paid)

## Child and Dependent Care Credit

- MFS usually does not qualify, unless:
  - Lived apart from your spouse for last 6 months of the year
  - Your home was the qualifying person's main home for more than 6 months of the year.
  - You paid more than half the cost of keeping up that home.

## Earned Income Credit (EIC)

- “The EIC is a tax credit for certain people who work and have earned income under \$66,819. A tax credit usually means more money in your pocket. It reduces the amount of tax you owe. The EIC may also give you a refund.” (Publication 596 for 2024)

## Earned Income Credit (EIC)

- Rules for everyone:
  - AGI limits
  - Valid SSN
  - MFS special rules
  - U.S. citizen or resident alien
  - Cannot file Form 2555 (excluding foreign earned income)
  - Investment income must be \$11,600 or less
  - Must have earned income

## EIC: Rules for Everyone

- AGI limits- Both your adjusted gross income (AGI) and earned income must be less than:
  - \$59,899 (\$66,819 for MFJ) if you have three or more qualifying children who have valid SSNs,
  - \$55,768 (\$62,688 for MFJ) if you have two qualifying children who have valid SSNs,
  - \$49,084 (\$56,004 for MFJ) if you have one qualifying child who has a valid SSN, or
  - \$18,591 (\$25,511 for MFJ) if you don't have a qualifying child who has a valid SSN.

## EIC: Rules for Everyone

- Special rules for MFS:
  - Generally you must file jointly if married in order to claim the EIC; however there is a special provision for certain people who file MFS.
  - You can take the EIC if you file MFS and:
    - You had a qualifying child live with you for more than half of the year, and either
    - You lived apart from your spouse for the last 6 months of the year, or
    - You are legally separated and didn't live in the same household as your spouse at the end of the year.

## EIC: Rules for Everyone

- Valid SSN: You (and your spouse), and anyone you're claiming for the EIC must have a valid SSN.
- You must be a U.S. citizen or resident alien for the entire year
  - If you were a nonresident alien for any part of the year, and are married to a U.S. citizen or resident alien, you can claim the EIC if you file jointly and choose to be treated as a U.S. resident, meaning you are taxed on worldwide income.
- You cannot File form 2555, Foreign Earned Income.
- Your investment income must be \$11,600 or less
  - Includes interest, dividends, capital gains, royalties, rental of personal property, passive activity income.

## EIC: Rules for Everyone

- You must have earned income:
  - Wages, salaries, tips, etc. earned as an employee
  - Net earnings from self-employment
  - Non-taxable combat pay
  - Minister's non-taxable housing allowance
  - Taxable strike and lockout benefits
  - Disability retirement plan payments (but not disability insurance payments)



**EA Tax Training****EIC: Rules if You Have a Qualifying Child**

- Your child must meet the Relationship, Age, Residency, and Joint Return tests.
- Qualifying child cannot be used by more than one person to claim the EIC
- You cannot be the qualifying child of another taxpayer

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**EA Tax Training****EIC: Rules if You Have a Qualifying Child**

- Child must meet the relationship, age, residency and joint return tests
  - Relationship: Son, daughter, stepchild, foster child, or a descendant of any of them (e.g. grandchild); or Brother, sister, half brother, half sister, stepbrother, stepsister, or a descendant of any of them (e.g. your niece or nephew)
  - Age:
    - Under age 19 and younger than you (or your spouse);
    - Under 24 at the end of the year, a student, and younger than you (or your spouse); or
    - Permanently and totally disabled at any time during the year, regardless of age.

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**EA Tax Training****EIC: Rules if You Have a Qualifying Child**

- Child must meet the relationship, age, residency and joint return tests
  - Residency: Your child must have lived with you in the U.S. for more than half of the year.
    - Does not have to be a traditional "home." For instance, can be a homeless shelter.
    - Exceptions for birth/death during the year, temporary absences, etc.
  - Joint return: The child cannot have filed a joint return for the year, unless it was just to obtain a refund of tax withheld or paid in as estimates.
  - Any married child must be your dependent to qualify for the EIC
    - Or could have been your dependent, except their other parent claimed them.

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**EA Tax Training****EIC: Rules if You Have a Qualifying Child**

- Qualifying child cannot be used by more than one person to claim the EIC
  - Same tie-breaker rules as for dependent (Video 1)
  - See next slide
- You cannot be the qualifying child of another taxpayer

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## Qualifying Child of Two or More People

- Tiebreaker rules
  - If only one person is the child's parent, the parent wins
  - If both parents try to claim the child, it goes to the one the child lived with for most of the year
  - If the child lived with each parent equally, the parent with the higher AGI wins
  - If neither parent can treat the child as a qualifying child, the person with the highest AGI wins
  - If no parent claims the child, the person with the highest AGI wins, as long as their AGI is higher than any of the parents who can claim the child

## Earned Income Credit (EIC)

- Rules if you do not have a qualifying child:
  - You must meet the age requirements
    - At least 25 but under 65 at end of year (either spouse if MFJ)
  - You cannot be the dependent of another person
  - You cannot be a qualifying child of another taxpayer
  - You must have lived in the U.S. more than half the year

## Education Credits

- American Opportunity Credit (AOC)
  - Usually best for undergraduates
- Lifetime Learning Credit (LLC)
  - Usually best for graduate school and ongoing education after first 4 years
- Can be taken by the student, if the student is not a dependent on someone else's tax return;
- Otherwise, taken by the person who claims the student as a dependent (e.g. parent).
- Cannot take both credits for the same student in the same year.

## Education Credits

- Phased out if MAGI is between \$80,000 and \$90,000 (\$160,000 and \$180,000 MFJ). Cannot claim if MAGI is higher.
  - Modified Adjusted Gross Income (MAGI)
    - For most people, same as AGI
    - If have excluded foreign income or Puerto Rican income, must add it back.
- Cannot file MFS.
- Expenses deemed to be paid by the person claiming the credit.
- Must be an accredited postsecondary education institution.

**EA Tax Training**

## American Opportunity Credit (AOC)

- Up to \$2,500 per qualifying student
  - 100% of first \$2,000 of education expenses
  - 25% of the next \$2,000
- Up to 40% (\$1,000) is refundable
  - Not refundable for full-time students under 24 who earn less than half the amount of their support, have a living parent, yet are not claimed as a dependent by someone else (See Form 8863 instructions)

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## American Opportunity Credit (AOC)

- Student qualifications:
  1. Has not completed 4 years of college (freshman through senior years).
  2. AOC not previously claimed for this student for a total of 4 tax years.
  3. For at least one academic period (e.g. semester) student was enrolled at least half-time in a program that leads to a degree or certificate
  4. Never convicted of a felony for possession or distribution of a controlled substance.
  5. Filer and student issued a SSN/TIN.
  6. Received a 1098-T from the school.
  7. Provide the school's employer identification number (EIN) on Form 8863.

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## AOC: Qualified Expenses

- Amounts paid for tuition and fees required for the student's enrollment or attendance at an eligible education institution. It doesn't matter whether the expenses were paid in cash, by check, by credit card, or with borrowed funds.
- Includes amounts paid for tuition, fees and course materials, which include books, supplies, and equipment needed for a course of study, whether or not the materials are purchased from the educational institution as a condition of enrollment or attendance.
- Includes nonacademic fees, such as student activity fees, athletic fees, or other expenses unrelated to the course of instruction, **only if** the fee must be paid to the institution as a condition of enrollment or attendance.

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## AOC: Non-Qualified Expenses

- Fees for personal expenses are never qualified education expenses. Examples are room and board, insurance, medical expenses, transportation, etc.
- Fees for any course or activity involving sports, games, or hobbies, or any noncredit course, are not allowed unless part of the student's degree program.

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## Lifetime Learning Credit (LLC)

- Credit is 20% of qualified expenses, up to a maximum credit of \$2,000.
- Can claim on multiple students, but \$2,000 is the maximum in total.
- No limit on number of years, felony drug convictions okay.

## LLC: Qualified Expenses

- Amounts paid for tuition and fees required for the student's enrollment or attendance at an eligible education institution. It doesn't matter whether the expenses were paid in cash, by check, by credit card, or with borrowed funds.
- Amounts paid for books, supplies and equipment **only if** required to be paid to the institution as a condition of enrollment or attendance.
- Includes nonacademic fees, such as student activity fees, athletic fees, or other expenses unrelated to the course of instruction, **only if** the fee must be paid to the institution as a condition of enrollment or attendance.

## LLC: Non-Qualified Expenses

- Fees for personal expenses are never qualified education expenses. Examples are room and board, insurance, medical expenses, transportation, etc.
- Fees for any course or activity involving sports, games, or hobbies, or any noncredit course, are not allowed unless part of the student's degree program or helps the student acquire or improve job skills.

## AOC and LLC: Adjusted Qualified Expenses

- Qualified expenses are reduced by tax free educational assistance received, such as scholarships, fellowship grants (including Pell grants); employer provided educational assistance, Veteran's educational assistance.



Table 2-1. Overview of the American Opportunity Credit for 2024

## EA Tax Training

Maximum credit	Up to \$2,500 credit per eligible student
Limit on modified adjusted gross income (MAGI)	\$180,000 if married filing jointly; \$90,000 if single, head of household, or qualifying surviving spouse
Refundable or nonrefundable	40% of credit may be refundable; the rest is nonrefundable
Number of years of postsecondary education	Available <b>ONLY</b> if the student had not completed the first 4 years of postsecondary education before 2024 (generally, the freshman through senior years, determined by the eligible educational institution, not including academic credit awarded solely because of the student's performance on proficiency examinations)
Number of tax years credit available	Available <b>ONLY</b> for 4 tax years per eligible student
Type of program required	Student must be pursuing a program leading to a degree or other recognized education credential
Number of courses	Student must be enrolled at least half-time for at least one academic period that begins during 2024 (or the first 3 months of 2025 if the qualified expenses were paid in 2024)
Felony drug conviction	As of the end of 2024, the student had not been convicted of a felony for possessing or distributing a controlled substance
Qualified expenses	Tuition, required enrollment fees, and course materials that the student needs for a course of study whether or not the materials are bought at the educational institution as a condition of enrollment or attendance
Payments for academic periods	Payments made in 2024 for academic periods beginning in 2024 or beginning in the first 3 months of 2025
TIN needed by filing due date	Filers and students must have been issued a TIN by the due date of their 2024 return (including extensions)
Educational institution's EIN	You must provide the educational institution's employer identification number (EIN) on your Form 8863

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Table 3-1. Overview of the Lifetime Learning Credit for 2024

## EA Tax Training

Maximum credit	Up to \$2,000 credit per <b>return</b>
Limit on modified adjusted gross income (MAGI)	\$180,000 if married filing jointly; \$90,000 if single, head of household, or qualifying surviving spouse
Refundable or nonrefundable	Nonrefundable—credit limited to the amount of tax you must pay on your taxable income
Number of years of postsecondary education	Available for all years of postsecondary education and for courses to acquire or improve job skills
Number of tax years credit available	Available for an unlimited number of tax years
Type of program required	Student doesn't need to be pursuing a program leading to a degree or other recognized education credential
Number of courses	Available for one or more courses
Felony drug conviction	Felony drug convictions don't make the student ineligible
Qualified expenses	Tuition and fees required for enrollment or attendance (including amounts required to be paid to the institution for course-related books, supplies, and equipment)
Payments for academic periods	Payments made in 2024 for academic periods beginning in 2024 or beginning in the first 3 months of 2025

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## Adoption Credits

- Credit for qualified adoption expenses for adopting a qualified U.S. or foreign child.
- Child must be under 18 or disabled.
- Credit allowed for up to \$16,810 of expenses, per child.
- Credit phases out at MAGI between \$252,150 and \$292,150.
- Generally not available if MFS (though there are exceptions).
- IRS Form 8839 and instructions.

## Adoption Credits

- For U.S. child adoptions, qualified expenses can be taken in the year after incurred, even if adoption is not final (and even if never becomes final).
- For foreign child adoptions, qualified expenses (no matter what year incurred) can be taken in the year the adoption becomes final.
- For any qualifying adoption, qualified expenses paid during or after the year the adoption is finalized are allowable in the year of payment.
- All of these expenses combined are subject to the \$16,810 limit.
- Non-refundable credit, but excess can be carried forward up to five years.

**EA Tax Training**

## Adoption Credits

- In addition to the credit, if you received adoption benefits from your employer, you can generally exclude those from income (up to the \$16,810 limit) in the year the adoption is finalized.
- Can still take the credit for expenses in excess of the amount received from your employer.

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## ACA Premium Tax Credit (PTC)

- Credit for certain people enrolled in a qualified health plan through the Affordable Care Act ("Obamacare") Marketplace.
- Refundable credit meant to reimburse part of the premiums paid for the health insurance.
- Should receive Form 1095-A to help compute the credit.
- File Form 8962 to claim.

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## ACA Premium Tax Credit (PTC)

- Generally must earn at least 100% of the Federal Poverty Level
- Cannot have access to insurance through an employer.
- Cannot be eligible for Medicare, Medicaid, Tricare and other government-type health insurance programs.
- Must be enrolled in and paying toward a Marketplace ACA plan.
- Must file a tax return.
- Generally not allowed if MFS.

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## ACA Premium Tax Credit (PTC)

- Can get advance payments toward the credit to correspond with premium payments.
- Advance payments will be reconciled with amount actually allowed on Form 8962.
- The higher your income, the lower your PTC.

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## Energy Credits

- Residential
  - Energy Efficient Home Improvement Credit
  - Residential Clean Energy Credit
- Vehicle
  - New all electric, plug-in hybrid, and fuel cell electric vehicles
  - Used all electric, plug-in hybrid, and fuel cell electric vehicles
- All are nonrefundable

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## Energy Efficient Home Improvement Credit

- Exterior doors, windows, skylights and insulation materials
- Central air conditioners, water heaters, furnaces, boilers and heat pumps
- Biomass stoves and boilers
- Home energy audits
- Must meet certain standards (see [energy.gov](https://www.energy.gov))
- Credit is 30% of cost up to a maximum credit of \$1,200.
  - \$600 limit for windows
  - \$250 limit per door, up to \$500
  - \$600 per item for central A/C, certain hot water heaters, furnaces, etc.
  - \$150 home energy audit
- Heat pumps, biomass stoves and boilers have a separate annual credit limit of \$2,000.
- No lifetime limit.
- Nonrefundable, cannot be carried over to future years.

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## Residential Clean Energy Credit

- Solar, wind and geothermal power generation
- Solar water heaters
- Fuel cells
- Battery storage
- Credit is 30% of cost
- No annual or lifetime limit.
- Nonrefundable, but excess credit can be carried over to future years

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**EA Tax Training**

## New Clean Vehicle Credit

- New, all electric, plug-in hybrid, and fuel cell electric vehicles purchased in 2024 may be eligible for an income tax credit of up to \$7,500.
- The availability of the credit will depend on several factors, including the vehicle's MSRP, its final assembly location, battery component and/or critical minerals sourcing, and your MAGI.
- MSRP cannot exceed:
  - \$80,000 for vans, SUVs and pickups
  - \$55,000 for other vehicles
- Nonrefundable and cannot be carried over to future years.

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## Previously-Owned Clean Vehicle Credit

- Used, all electric, plug-in hybrid, and fuel cell electric vehicles purchased in 2024 may be eligible for an income tax credit of 30% of the sales price, up to a maximum credit of \$4,000.
- Available once every 3 years.
- The availability of the credit will depend on several factors, including the vehicle's MSRP, its final assembly location, battery component and/or critical minerals sourcing, and your MAGI.
- Must be bought from a dealer, and be at least two model years old (2022 or earlier).
- Sales price cannot exceed \$25,000
- Nonrefundable and cannot be carried over to future years.

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## Energy Credits- Vehicles

- For new vehicles, MAGI cannot exceed:
  - MFJ/QSS: \$300,000
  - HOH: \$225,000
  - S/MFS: \$150,000
- For used vehicles, MAGI cannot exceed:
  - MFJ/QSS: \$150,000
  - HOH: \$112,500
  - S/MFS: \$75,000
- Can use MAGI from current or previous year, whichever is lower.

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## New or Used Clean Vehicle Credit

### ▪ **New for 2024**

- If you purchased a new or used clean vehicle from a registered dealer and reduced the amount you paid by transferring the credit to the dealer, you must:
  - File a tax return
  - Attach Form 8936 and Schedule A (Form 8936) to report the transfer of the credit and reconcile your eligibility on your return

## Retirement Savings Contribution Credit

- Credit for low to middle income taxpayers age 18 or over who make voluntary contributions to an IRA, 401(k), 403(b), etc. retirement plan.
- Credit is 10%, 20%, or 50% of the amount contributed, depending on income.
- Maximum AGI:
  - S/MFS/QSS: \$38,250
  - HOH: \$57,375
  - MFJ: \$76,500
- Nonrefundable



**EA Tax Training**

## Credit for the Elderly and Disabled

- Must be either 65 or older or disabled, and meet certain income limits.
- “Disabled” means:
  - Permanently and totally disabled before you retired, and
  - Receive taxable disability income, and
  - Younger than your employer's mandatory retirement age.
- Prepare Schedule R.
- Check box to have IRS compute the credit for you.
- Credit is nonrefundable.
- Usually small (less than \$200)

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## Credit for the Elderly and Disabled

- AGI cannot equal or exceed:
  - S/HOH/QSS: \$17,500
  - MFJ, one spouse: \$20,000
  - MFJ, both spouses: \$25,000
  - MFS (must live apart): \$12,500
- Nontaxable social security, pensions, annuities and disability cannot equal or exceed:
  - S/HOH/QSS: \$5,000
  - MFJ, one spouse: \$5,000
  - MFJ, both spouses: \$7,500
  - MFS (must live apart): \$3,750

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## Tax Payments

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## Tax Payments

- Withholding
- Estimated payments
- Applied from prior year return
- Refundable credits

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## Withholding

- Form W-2
- Form 1099

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## Estimated Payments

- Form 1040-ES
- For when you have income, and no tax is withheld
- Avoids underpayment and late payment penalties
- Payments are made “quarterly”
  - April 15
  - June 15
  - September 15
  - January 15

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## Estimated Payments

- Estimates are required if:
  - You expect to owe \$1,000 or more after all withholding, and
  - You expect your withholding and refundable credits to be less than the smaller of:
    - 90% of the tax shown on this year's tax return, or
    - 100% of the tax shown on last year's tax return

## Penalty for Underpayment

- If you underpay throughout the year, and don't meet an exception, you will be charged interest and penalties.
- In most cases you can let the IRS compute it for you.
- Can compute yourself on Form 2210, *Underpayment of Estimated Tax by Individuals, Estates, and Trusts*.

EA Tax Training

**1040-ES**  
Individual Income Tax Return

**24 Estimated Tax**

The only if you are making a payment of estimated tax by check or money order. Mail this voucher with your check or money order payable to **United States Treasury**. Write your social security number and 1040-ES from 1040-ES on your check or money order. Do not send cash. Deposits that do not appear on this voucher, your payment with this voucher.

Payable to: **U.S. Treasury**  
Single, Tax, Sec.

**Payment Voucher 4** OMB No. 1545-0045

**Calendar year—Due Jan. 15, 2025**

Amount of estimated tax you are paying by check or money order

Your last name and middle initial \_\_\_\_\_ Your last name \_\_\_\_\_ Your social security number \_\_\_\_\_

If paid payment, complete for spouse  
Spouse's first name and middle initial \_\_\_\_\_ Spouse's last name \_\_\_\_\_ Spouse's social security number \_\_\_\_\_

Address (number, street, and apt. no.) \_\_\_\_\_  
City, town, or post office. If you have a foreign address, also complete spaces below. State \_\_\_\_\_ ZIP code \_\_\_\_\_

Foreign country name \_\_\_\_\_ Foreign postal code \_\_\_\_\_ Foreign postal code \_\_\_\_\_

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see Instructions.

Form 1040-ES (2024)

**1040-ES** **24 Estimated Tax** **Payment Voucher 3** OMB No. 1545-0045

**Calendar year—Due Sept. 15, 2024**

Amount of estimated tax you are paying by check or money order

Your last name and middle initial \_\_\_\_\_ Your last name \_\_\_\_\_ Your social security number \_\_\_\_\_

If paid payment, complete for spouse  
Spouse's first name and middle initial \_\_\_\_\_ Spouse's last name \_\_\_\_\_ Spouse's social security number \_\_\_\_\_

Address (number, street, and apt. no.) \_\_\_\_\_  
City, town, or post office. If you have a foreign address, also complete spaces below. State \_\_\_\_\_ ZIP code \_\_\_\_\_

Foreign country name \_\_\_\_\_ Foreign postal code \_\_\_\_\_ Foreign postal code \_\_\_\_\_

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see Instructions.

Form 1040-ES (2024)

**1040-ES** **24 Estimated Tax** **Payment Voucher 2** OMB No. 1545-0045

**Calendar year—Due Jan. 15, 2025**

Amount of estimated tax you are paying by check or money order

Your last name and middle initial \_\_\_\_\_ Your last name \_\_\_\_\_ Your social security number \_\_\_\_\_

If paid payment, complete for spouse  
Spouse's first name and middle initial \_\_\_\_\_ Spouse's last name \_\_\_\_\_ Spouse's social security number \_\_\_\_\_

Address (number, street, and apt. no.) \_\_\_\_\_  
City, town, or post office. If you have a foreign address, also complete spaces below. State \_\_\_\_\_ ZIP code \_\_\_\_\_

Foreign country name \_\_\_\_\_ Foreign postal code \_\_\_\_\_ Foreign postal code \_\_\_\_\_

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see Instructions.

Form 1040-ES (2024)

**1040-ES** **24 Estimated Tax** **Payment Voucher 1** OMB No. 1545-0045

**Calendar year—Due April 15, 2024**

Amount of estimated tax you are paying by check or money order

Your last name and middle initial \_\_\_\_\_ Your last name \_\_\_\_\_ Your social security number \_\_\_\_\_

If paid payment, complete for spouse  
Spouse's first name and middle initial \_\_\_\_\_ Spouse's last name \_\_\_\_\_ Spouse's social security number \_\_\_\_\_

Address (number, street, and apt. no.) \_\_\_\_\_  
City, town, or post office. If you have a foreign address, also complete spaces below. State \_\_\_\_\_ ZIP code \_\_\_\_\_

Foreign country name \_\_\_\_\_ Foreign postal code \_\_\_\_\_ Foreign postal code \_\_\_\_\_

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see Instructions.

Form 1040-ES (2024)

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## Applied from Prior Year Return

- If you have a refund due, you can elect to either receive a refund, apply the overpayment to next year's taxes, or a combination of both.
- Applying the overpayment can eliminate or reduce the amount of the first (and possibly subsequent) quarter estimated payment.

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## Flow of the Tax Return

START:	Gross income
LESS:	Adjustments to income
EQUALS:	Adjusted gross income (AGI)
LESS:	Deductions (Standard or Itemized, QBI)
EQUALS:	Taxable income
APPLY:	Tax tables/Schedules
EQUALS:	Income tax
LESS:	Credits
PLUS:	Other taxes
EQUALS:	Total tax
LESS:	Payments
EQUALS:	<b>Amount Due/Overpayment (Refund)</b>

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## Amount Due

- Amount due can be paid:
  - Direct debit from bank account
  - Check (mailed)
  - Direct Pay online at irs.gov
  - Credit or debit card online
  - Cash at an IRS Taxpayer Assistance Center, or retail partner (up to \$1,000)
  - Etc.

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## Overpayment/Refund

- Overpayment/Refund
  - Direct deposit
  - Receive check
  - Receive prepaid debit card
  - Mobile payment apps (some)
  - Apply to next year's taxes
  - Part refunded, part applied to next year's taxes
- Can no longer purchase U.S. savings bonds (**new for 2024**)

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**End of Video 5. See you in Video 6!**

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