

# PFL Academy

Teacher Guide: Chapter 2.3 — Understanding Tax Filing Requirements

## OVERVIEW

TIME	MATERIALS	PREREQUISITES
45-50 Minutes	Student Activity Packet, Sample Tax Forms (W-2, 1099)	L-06 & L-07 Tax Basics

## LESSON FLOW

### 5 min THE CHALLENGE

- Read Ava and Ben's scenarios.
- Discussion: "Has anyone had taxes withheld from a paycheck? Did you file to get it back?"

### 10 min CORE CONCEPTS

- Display 2023 filing thresholds. Emphasize the \$400 self-employment trigger.
- Show sample W-2 and 1099 forms. Identify key fields on each.
- Explain the difference between "required to file" vs. "should file to get refund."
- Cover April 15 deadline and extension process.

### 25-30 min APPLY IT

- **Part A (10 min):** Filing determination. Emphasize Ava's situation—she SHOULD file even though not required.
- **Part B (8 min):** Form matching. Quick check of understanding different income types.
- **Part C (7-12 min):** Penalty calculations. Reinforce the cost of procrastination.

### 10 min CHECK YOUR UNDERSTANDING

- Complete in class or assign as homework.
- Review Q3 (self-employment trigger) to ensure students understand the \$400 rule.

## DIFFERENTIATION

### Support

- Provide a decision flowchart: "Do I need to file?"
- Use highlighted sample forms with key fields circled.
- Create a filing threshold reference card.
- Walk through penalty calculation as a class before individual work.

### Extension

- Research what "Schedule C" requires for self-employment income.
- Calculate the true cost of late filing including interest over time.
- Explore free tax filing resources (IRS Free File, VITA programs).

## ANSWER KEY

### Part A: Who Needs to File?

**Ava:** SHOULD file. Income (\$4,500) is below threshold (\$13,850), so not required. But filing will recover the \$450 in withheld taxes as a refund.

**Ben:** REQUIRED. Two reasons: (1) Total income \$37,000 exceeds threshold, and (2) Self-employment income \$5,000 exceeds \$400 trigger. Must file Schedule C and Schedule SE for self-employment tax.

**Maya:** SHOULD file. Income \$11,500 is below threshold, so not required. But filing will recover the \$920 withheld. At her income level, she likely owes minimal or no tax.

### Part B: Match the Tax Form

1. W-2 (employee wages)
2. 1099-INT (interest income)
3. 1099-NEC (non-employee compensation/freelance)
4. 1099-DIV (dividend income)

### Part C: Deadline and Penalty Analysis

Chris's Penalties:

Failure-to-file:  $5\% \times 3 \text{ months} \times \$2,000 = \$300$

Failure-to-pay:  $0.5\% \times 3 \text{ months} \times \$2,000 = \$30$

TOTAL PENALTY: \$330

Plus interest on the unpaid amount (compounded daily)

**4.** Chris could have: (1) Filed on time even if couldn't pay—failure-to-file penalty is 10× higher than failure-to-pay; (2) Requested an extension (Form 4868) for more time to file; (3) Set up an IRS payment plan for the taxes owed.

### Check Your Understanding

1. B (W-2)
2. To recover taxes withheld from paychecks (refund), claim refundable tax credits like EITC, prevent identity theft by filing first, and establish a filing history.
3. YES, required. Even though wage income (\$12,000) is below threshold, self-employment income (\$600) exceeds the \$400 trigger for self-employment tax.
4. April 15 (adjusted if weekend/holiday). If you can't file, request an automatic extension using Form 4868 for until October 15. Note: Extension is to file, not to pay—taxes still due April 15.
5. *Responses vary. Look for: identification of likely W-2 (employment) or 1099-NEC (gig work), awareness of filing threshold vs. should-file scenarios, understanding of refund opportunity.*

## COMMON MISCONCEPTIONS

Misconception	Clarification
"I made under the threshold, so I don't need to do anything."	If taxes were withheld, you're leaving money on the table! File to claim your refund. Also, any self-employment income over \$400 requires filing regardless of total income.
"An extension means I don't owe anything until October."	An extension is only to FILE, not to PAY. Taxes owed are still due April 15. Interest and failure-to-pay penalties accrue on unpaid amounts.

"I only need to report income if I receive a form for it."

ALL income is taxable and must be reported, whether or not you receive a W-2 or 1099. Cash payments, tips, and small gig earnings all count.