IRS

Standard Deduction and Tax Computation

Standard Deduction for— • Single or Married filing separately, $12,950 • Married filing jointly or Qualifying widow(er), $25,900 • Head of household, $19,400 • If you checked any box under *Standard Deduction*, see instructions.	**5a**	Pensions and annuities . . **5a**	**b** Taxable amount	**5b**
	6a	Social security benefits . . **6a**	**b** Taxable amount	**6b**
	c	If you elect to use the lump-sum election method, check here (see instructions) . . . . . ☐		
	7	Capital gain or (loss). Attach Schedule D if required. If not required, check here . . . . . ☐		**7**
	8	Other income from Schedule 1, line 10		**8**
	9	Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your **total income**		**9**
	10	Adjustments to income from Schedule 1, line 26		**10**
	11	Subtract line 10 from line 9. This is your **adjusted gross income**		**11**
	12	**Standard deduction or itemized deductions** (from Schedule A)		**12**
	13	Qualified business income deduction from Form 8995 or Form 8995-A		**13**
	14	Add lines 12 and 13		**14**
	15	Subtract line 14 from line 11. If zero or less, enter -0-. This is your **taxable income**		**15**

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form **1040** (2022)

About Standard Deduction and Tax Computation

- TaxSlayer: Basic Information section
- Additional resources listed in L&LT "References" tab
- Review all tips and cautions
- Read all examples and sample interviews
- We will review answers to each exercise in the lesson

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Objectives – Standard Deduction and Tax Computation

- Determine the standard deduction for most taxpayers
- Determine the standard deduction for taxpayers claimed as dependents
- Identify how taxable income and income tax are computed and reported
- Time Required: 20 minutes

Topics

- Deductions
- Age and Blindness
- Taxpayers who can be Claimed as Dependents
- Standard Deduction vs. Itemizing
- Kiddie Tax
- Qualified Business Income Deduction
- Determining Taxable Income and Tax

Key Terms

Definitions are always available in the L&LT online Glossary.

- Adjusted Gross Income (AGI)
- Exemptions (Personal or Dependency)
- Itemized Deduction
- Kiddie Tax
- Married Filing Jointly
- Married Filing Separately
- Qualified Business Income (QBI)
- Standard Deduction

Deductions

- Use interview techniques and other tools to determine if the standard deduction or itemizing will result in the largest possible deduction for the taxpayer
- Pub 4012, Tab F, Deductions
  - Standard Deduction for Most People chart
  - Interview Tips for persons not eligible for the Standard Deduction

Standard Deduction Chart for Most People*

If the taxpayer's filing status is...	Your standard deduction is ...
Single or married filing separate return	$12,950
Married filing joint return or qualifying widow(er) with dependent child	$25,900
Head of household	$19,400

*Don't use this chart if the taxpayer was born before January 2, 1958, or is blind, or if someone can claim the taxpayer as a dependent (or their spouse if married filing jointly). (See the chart on the following page.)

Deductions

- Taxpayers who cannot take standard deduction and must itemize:
  - Filing as Married Filing Separately and the spouse itemizes
  - Nonresident or dual-status alien (not married to U.S. citizen at the end of the year)
- Standard deduction is automatically calculated based on entries in the Basic Information section.

Age and Blindness

- Standard deduction is higher for a taxpayer or spouse 65 or older, or if one or both spouses are blind
- Use Pub 4012, Tab E, Adjustments, [Standard Deduction Chart for People 65 or Older or Who Are Blind Chart](), as a guide to computing the standard deduction
- Taxpayers can take the higher standard deduction if one spouse is 65 or older, or is blind, and if:
  - Taxpayer files a joint return
  - Taxpayer files a separate return and can claim an exemption for the spouse

Standard Deduction Chart for People Who Were Born Before January 2, 1957, or Were Blind

Don't use this chart if someone can claim you, or your spouse if filing jointly, as a dependent. Instead, use the worksheet above.

- ☐ You were born before January 2, 1957
- ☐ You are blind
- ☐ Spouse was born before January 2, 1957
- ☐ Spouse is blind

Blind is defined in Tab R, Glossary and Index

Enter the total number of boxes checked . . . . ▶ ☐

IF your filing status is . . .	AND the number in the box above is . . .	THEN your standard deduction is . . .
Single	1 2	$14,250 15,950
Married filing jointly	1 2 3 4	$26,450 27,800 29,150 30,500
Qualifying widow(er)	1 2	$26,450 27,800
Married filing separately	1 2 3 4	$13,900 15,250 16,600 17,950
Head of household	1 2	$20,500 22,200

Taxpayers Who Can be Claimed as Dependents

- A lower standard deduction is offered for an individual who can be claimed as a dependent on another person's tax return
- Form 13614-C has a check box for a dependent being claimed by another taxpayer
- Use Form 1040 Instructions, Standard Deduction Worksheet to calculate the deduction

Standard Deduction Worksheet for Dependents—Line 12 *Keep for Your Records*

Use this worksheet **only** if someone can claim you, or your spouse if filing jointly, as a dependent.

1. Check if: ☐ You were born before January 2, 1956. ☐ You are blind. ☐ Spouse was born before January 2, 1956. ☐ Spouse is blind. } Total number of boxes checked . . . . **1.** ______

2. Is your **earned income*** more than $750?
☐ **Yes.** Add $350 to your earned income. Enter the total.
☐ **No.** Enter $1,100. } . . . . **2.** ______

3. Enter the amount shown below for your filing status.
- Single or married filing separately—$12,400
- Married filing jointly—$24,800
- Head of household—$18,650 } . . . . **3.** ______

4. Standard deduction.

a. Enter the **smaller** of line 2 or line 3. If born after January 1, 1956, and not blind, **stop here** and enter this amount on Form 1040 or 1040-SR, line 12. Otherwise, go to line 4b . . . . **4a.** ______

b. If born before January 2, 1956, or blind, multiply the number on line 1 by $1,300 ($1,650 if single or head of household) . . . . **4b.** ______

c. Add lines 4a and 4b. Enter the total here and on Form 1040 or 1040-SR, line 12 . . . . **4c.** ______

** **Earned income** includes wages, salaries, tips, professional fees, and other compensation received for personal services you performed. It also includes any taxable scholarship or fellowship grant. Generally, your earned income is the total of the amount(s) you reported on Form 1040 or 1040-SR, line 1, and Schedule 1, lines 3 and 6, minus the amount, if any, on Schedule 1, line 14.*

Standard Deduction vs. Itemizing

- Examples of types of expenses that generally warrant itemizing deductions:
  - Large out-of-pocket medical and dental expenses
  - State and local income taxes, sales tax, real estate taxes, and/or personal property taxes
  - Mortgage interest
  - Gifts to charity
  - Certain other miscellaneous deductions

SCHEDULE A
(Form 1040 or 1040-SR)

Department of the Treasury
Internal Revenue Service (99)

Itemized Deductions

▶ Go to *www.irs.gov/ScheduleA* for instructions and the latest inform
▶ Attach to Form 1040 or 1040-SR.
Caution: If you are claiming a net qualified disaster loss on Form 4684, see the instruc

Name(s) shown on Form 1040 or 1040-SR

Medical and Dental Expenses		**Caution:** Do not include expenses reimbursed or paid by others.	
	1	Medical and dental expenses (see instructions)	1
	2	Enter amount from Form 1040 or 1040-SR, line 8b — 2	
	3	Multiply line 2 by 10% (0.10)	3
	4	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-	
Taxes You Paid	5	State and local taxes.	
	a	State and local income taxes or general sales taxes. You may include either income taxes or general sales taxes on line 5a, but not both. If you elect to include general sales taxes instead of income taxes, check this box ▶ ☐	5a
	b	State and local real estate taxes (see instructions)	5b
	c	State and local personal property taxes	5c
	d	Add lines 5a through 5c	5d
	e	Enter the smaller of line 5d or $10,000 ($5,000 if married filing separately)	5e
	6	Other taxes. List type and amount ▶	6
	7	Add lines 5e and 6	

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DO NOT F

Kiddie Tax

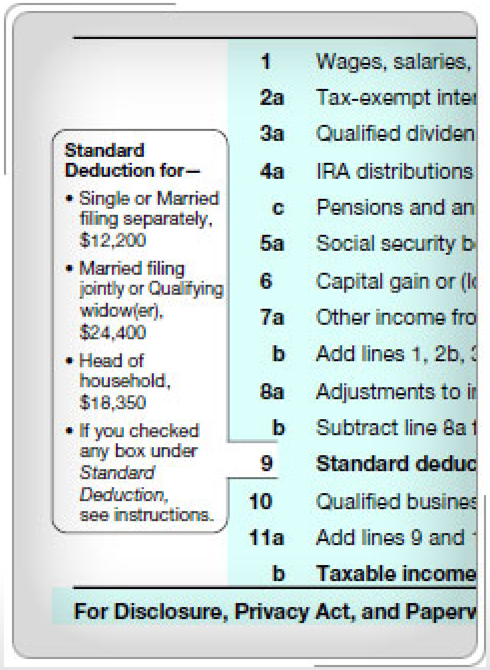
- Certain children under age 18 and certain older children, who have unearned income over a certain amount may be taxed using tax rates applicable to trusts and estates
- If the child’s unearned income is more than the ceiling amount, and the child is required to file a tax return, Form 8615 must be used to figure the child’s tax.
- Form 8615 must be filed if the following are true:
  - The child's unearned income was more than the ceiling amount.
  - The child is required to file a return for the tax year.
  - The child either:
    - Was under age 18 at the end of the year,
    - Was age 18 at the end of the year and did not have earned income that was more than half of his or her support, or
    - Was a full-time student at least age 19 and under age 24 at the end of the tax year and did not have earned income that was more than half of the child's support.
  - At least one of the child's parents was alive at the end of the tax year.
  - The child does not file a joint return for the tax year

Qualified Business Income

- For taxable years beginning after December 31, 2017 and before January 1, 2026, there is a deduction for "pass through" businesses. Sole proprietors are categorized as "pass through" businesses.
- A sole proprietor will be able to take up to 20% of qualified business income (QBI) as a deduction on the tax return
- The calculations on Schedule C and Schedule SE are not affected by the deduction
- Taxable income is not reduced below zero by the 20% deduction
- The 20% deduction is limited for higher incomes
- The deduction will also be limited for specified service trades or businesses

Determining Taxable Income and Tax

- Taxable income is determined by taking the adjusted gross income (AGI) and subtracting:
  - Standard or itemized deductions
  - Deduction for qualified business income (QBI)
- A separate worksheet is used to calculate tax for taxpayers with:
  - Capital gains
  - Qualifying dividends
  - Foreign earned income



Summary

This lesson covered:

- How to identify those who can take the standard deduction and how the deduction is affected by filing status, age, blindness, and status as a dependent
- Tax computation is based on taxable income
- Students that opt to include scholarship income more than the ceiling amount will be required to complete Form 8615 to figure the tax.
- Taxpayers considered sole proprietors may take up to 20% of their business income as a deduction on the return.