

MONEY 101 EDUCATION

6.93a – TAXATION segment – ASSIGNMENT # 3

This week, we completed Maria's:

- Schedule C – Profit or Loss from Business
- Form 8829 – Business Use of Your Home
- Schedule SE – Self Employment Taxes.

Some of the above information gets transferred to

- Schedule 1 - Additional Income and Adjustments
- Schedule 2 - Additional Taxes



ASSIGNMENT

To reinforce how to calculate self-employment tax:

1. **READ 6.34 – Understanding Self-Employment Tax**
2. **COMPLETE EXERCISE 6.35 – you will be completing two for SE – one for Maria and one for Sally**

Then, we move to the first page of FORM 1040.

3. **COMPLETE Maria's IRS form 1040, page 1 through line 15. This will be done in steps**

STEP A – enter income to arrive at line 11 Adjusted Gross Income:

Print the first page of IRS 1040 and enter the proper information to line 12

Enter on the appropriate line Maria's

- Line 1 - W-2 – Box 1 Federal taxable wages (see attached 1.11c) = \$ 35,616.65
- Line 2 - 1099 reported – Bank Interest Income from Savings Account = \$ 44
- Line 8 - Profit or Loss from Business (transferred from Schedule 1 line 15) = \$ 6,848
- Calculate line 9 by adding the above together

Enter Line 10, the deductible portion of Maria's self-employment tax. Hint: the amount comes from

- Schedule 1 line 26 = \$ 484

Calculate and enter Line 11 – Adjusted Gross Income

STEP B - LOOK UP THE STANDARD DEDUCTION CHART FOR THE TAX YEAR.

You can look at the 1040 instruction book or google it. Assume that Maria is Single,

Calculate Line and enter LINE 13 - Maria's Standard Deduction.

STEP C - READ 6.36a - LEARN ABOUT THE QUALIFIED BUSINESS INCOME (QBI) and complete the exercise, including filling out form 8895.

Enter Maria's QBI and on IRS 1040, page 1 line 14.

Calculate and enter Maria's IRS 1040 page 1 line 15 TAXABLE INCOME

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SALLY's FORM SE.

MARIA's 1040 PAGE 1 filled out through line 15

MARIA's Form 8895 Qualified Business Income

TO COMPLETE THIS ASSIGNMENT, YOU NEED to refer to:

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- IRS 1040 Instruction book (to look up standard deduction)
 - IRS 1040 (page 1)
 - IRS 1040 Schedule 1 - Additional Income and Adjustments
 - IRS 1040 Schedule 2 - Additional Taxes
 - IRS 1040 Schedule 8995 (QBI), which you will fill out for Maria
 - IRS 1040 Schedule SE – which you fill out for both Maria and Sally
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- 6.34 Understanding Self-Employment Tax
 - 6.35a EXERCISE Calculate Maria and Sally's Self Employment Tax
 - 6.36a Understanding QBI and EXERCISE Calculate Maria's Qualified Business Incentive deduction