



*“They may not be fun,
but you rest easy
when your taxes
are in order.”
—Janet*

5 simple steps for your taxes

Some tax basics to get you started,
from your friends at Project Money

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5 simple steps for your taxes

If you have a job or other types of income, you probably have to pay income taxes to the IRS and to state government too. Taxes are not fun, but it is the law. It is how our governments pay for many of the things we all use like roads. Also, if you do not pay on time, there can be fees (“penalties”) that keep growing until you pay them.

REMEMBER

April 15, 2005 is the deadline for:

- 2004 federal taxes to the IRS
- 2004 California state taxes to the “Franchise Tax Board”

Getting your taxes done does not have to be as hard as you think. Just follow these five steps. And there are a lot of people and free programs that can help you along the way. You may even be able to get an extra refund if you qualify for the “Earned Income Tax Credit.”

1 Get your information together.

- the W-2 forms from all the jobs you had in 2004 (which shows how much tax you’ve already paid)
- any 1099 forms for other kinds of income
- Social Security numbers for everyone in the household
- last year’s tax returns
- other papers for your situation, such as what you paid a child care provider (and their tax i.d.), school tuition or gifts to charity

2 Decide what kind of tax filer you are.

Do you want to use the short form or long form? Do it yourself or get help?

- The short form (1040EZ) is good if your taxes are simple. You will want to use the long form (1040) if you want to deduct things like a mortgage, state taxes or education expenses.
- Many people choose to file their own taxes if they are using the short form or if they are comfortable with the deductions and credits they plan to claim on the long form.
- You can choose to send in your taxes:
 - with the paper form
 - online (which is free for both federal and state)
 - by telephone (if you use the 1040EZ and do not have any dependents)

- If you want someone to assist you, look at “Who Can Help” on the back cover. Remember, even if someone helps you, you are still responsible for whatever gets sent in on your taxes.

3 Check the deductions and credits you can take.

Don’t pay more tax than you have to.

Everyone gets a deduction for themselves and their dependents. If you kept records of what you spent, here are some other things you can claim to bring your tax bill down:

- child tax credit (up to \$1,000 per child)
- child and dependent care
- being elderly or disabled
- school tuition
- retirement contribution
- mortgage
- state income taxes

“Pay what you’re supposed to pay. Don’t try to take shortcuts. It will come back to haunt you.”
—Cornell

AN EXTRA REFUND?

Do you qualify for the Earned Income Tax Credit? You might if you are in a working family with two children and earned less than about \$35,000 (or \$31,000 with one child) -- or if you are single with no children and earned less than \$12,000. One of the free tax preparers can help you see if you can get an extra refund from the government!

4 Fill out the forms.

Having all your paperwork together makes it easier to fill out the forms – either on paper or online. You will see if you are getting a refund back or if you have to pay more taxes. Don't forget to sign the form!

Be sure to make a copy of both your federal and state taxes before you send them in. It's a good idea to keep a record of your tax papers for at least three years.

5 Send in your taxes by April 15th.

Be sure to include payment if you still owe money. If you're getting a refund back, you can send your tax forms in sooner!

If you cannot get the tax paperwork together by the April 15 deadline, you can send in a Form 4868 to ask for a four month extension. If you owe, you will still need to send in a check with an estimate of what you think you owe to avoid paying penalties or interest. If you are getting a refund, there is no penalty for the extension.

If you cannot pay what you owe, still contact the IRS:

- If you owe money but cannot pay it, you should still send in a tax return and ask for a payment plan. You will still pay interest for being late, but it will cost less than if you do not file.

“The IRS can help you set up a payment plan. They send you a report each month.”
—Shaneika

- If you have not filed your taxes for several years, do not be afraid! You can work out a payment plan with the IRS. A tax advisor can help you come up with a plan that will work for you and the IRS. Call 1-800-829-3676.

For more information about taxes and other ways to manage your money, visit www.projectmoney.org.

WHO CAN HELP ME FILE?

Do not worry if you feel taxes are too much to handle. There are plenty of free programs out there ready to help you!

- VITA (Volunteer Income Tax Assistance) Program VITA is free tax help for households that earn less than \$35,000 per year. To find a location near you, call 1-800-358-8832 or 1-800-829-1040.
- TCE (Tax Counseling for the Elderly) Program offers free tax help to people age 60 and older. Call the IRS for locations: 1-800-829-3676.
- The IRS provides a Free File program, which allows you to receive free tax preparation and filing for forms 1040 and 1040EZ online through different private tax preparation companies. This program is for federal taxes only. Understand that you do not need to buy any additional services from these companies.
- For state income taxes, there is a free program called “CalFile” offered by the Franchise Tax Board if you have a return that does not include a small business.
- You can also hire Professional Tax Preparers to help you file your taxes. If you do, make sure they are qualified to help someone in your situation.

Note: no matter who fills out your tax form, you are still responsible for whether it is correct or not. If there are mistakes that cause penalties, you will have to pay for them.

CREDITS

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