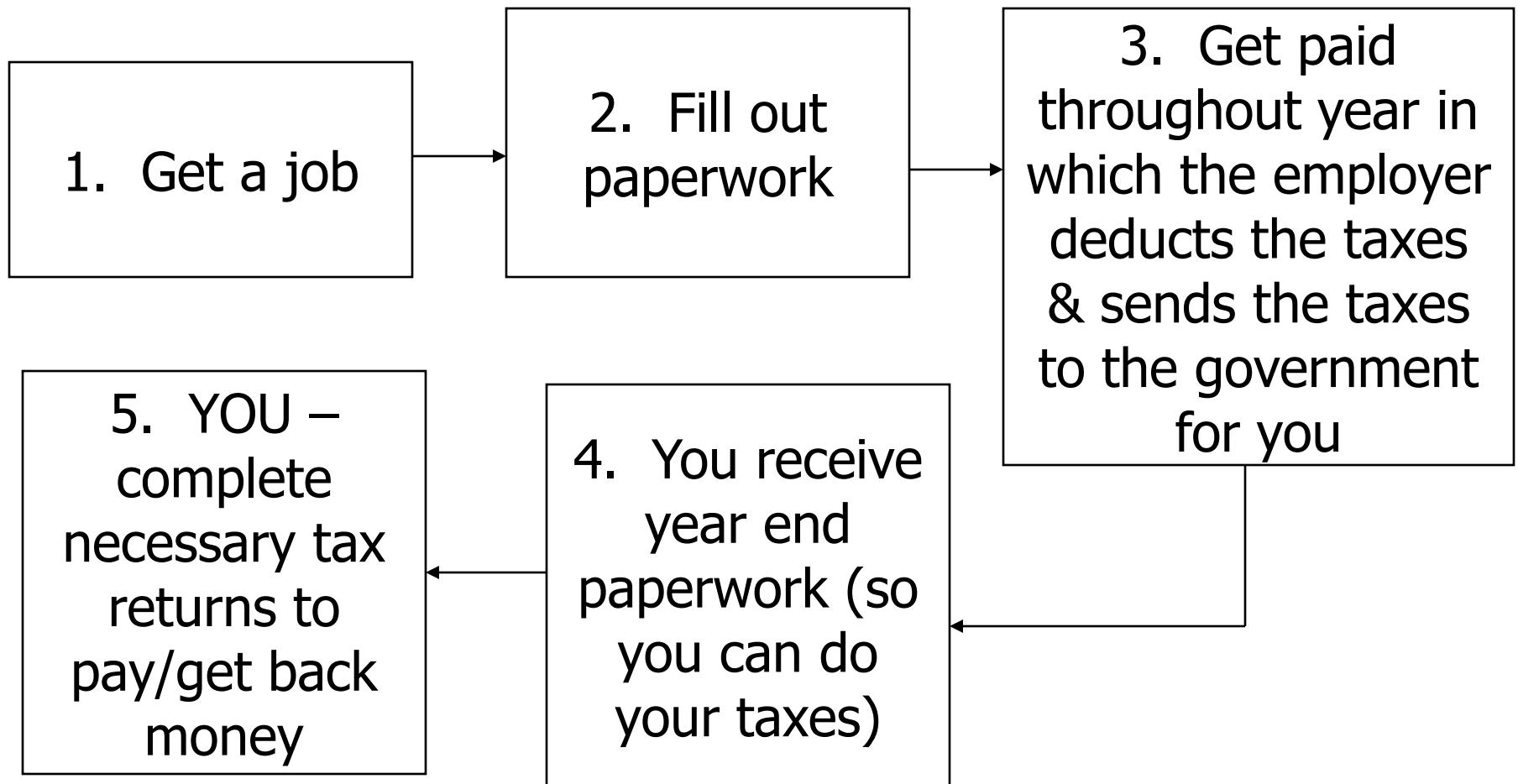


Steps of paying & filing for income taxes





Step 1: Get a job (Iowa)

- Employers are required to withhold taxes from your paycheck
 - Federal income tax (FIT)
 - State income tax (SIT)
 - FICA (Social security 6.2% and medicare 1.45%)



Step 2: Fill out paperwork

- Complete necessary forms so employer will withhold correct amount of income tax from your paycheck
- Federal: Form W-4
 - Personal information
 - Allowances
 - Marital status
- State: IA-W4
 - Same as federal information but in a different format




Step 3: Work & get paid

- Employers will deduct the taxes from your paycheck (based on your W-4)
 - FIT (federal income tax)
 - SIT (state income tax)
 - FICA (social security & medicare)
- If you claimed exempt on W-4 – you will have no tax taken out for FIT
- Gross pay – pay before taxes
- Net pay – pay after taxes



Step 4: Year end paperwork

- Employers will send you a W-2
 - Wage and Tax Statement
 - Recap of yearly income & taxes deducted
 - Postmarked by January 31 for the previous year
 - Amounts on W-2 should match the year-to-date totals on the very last check of the year
 - Will receive copies for your tax return
 - Should receive a W-2 from each employer

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- If you earned any interest, banks/financial institutions will send you a 1099-INT
 - Statement showing interest earned on savings/investments
 - Postmarked by January 31 for the previous year
 - This is known as miscellaneous income or interest income



Step 5: File tax returns

■ FEDERAL

- Will use W-2's from employers and 1099-INT's you received
- Restrictions on what type of tax return you will use Examples: Form 1040, Form 1040A, *1040EZ
 - *used by most students
- Postmarked by April 15 of current year
- Purpose: determine if you will get a refund (overpaid tax) or will have to pay (underpaid tax)

- For 2007 – if your gross income is under \$5350 (single person) – you should receive all of your FIT money back
- Able to have refund check sent to you or automatically deposited into a bank account
- To get refund back faster, file electronically
- One of the most common errors: mathematical errors so triple-check all calculations (could delay tax refund if you are getting one)
- Can download current tax forms from IRS website www.irs.gov
- If mailing, attach W-2's to tax return

■ STATE - IOWA

- Will use W-2's from employers and 1099-INT's you received
- Restrictions on what type of tax return you will use Examples: IA 1040 Long Form, *IA 1040 Short Form
 - *used by most students
- Postmarked by April 30 of current year
- Can download tax forms from the website:
<http://www.state.ia.us/tax/index.html>