



Tax Tips You Can Use Mar 2008

## **THE BASIC FEDERAL TAX FORMS**

By Kathleen Crawford, EA

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Tax preparers in Oregon are required to be licensed and as part of that process, they are required to take at least 30 hours of continuing education each year. One of the classes offered each year is “The Basics”. This course goes back over the critical basic information that goes into each person’s tax return. The next few articles are some federal tax basics for the readers of this newspaper. In this article, I will discuss the basic federal tax forms. The next few articles will cover how the income tax return is organized, the difference between the standard and itemized deductions, credits and other topics.

An individual who receives sufficient taxable income needs to file a federal 1040 income tax form. There are three variations of this form. The so-called “long form” is the regular 1040. The “short form” is the 1040S and the shortest form is the 1040EZ. The form a taxpayer uses depends on the amount and sources of income, deductions, adjustments and credits. A taxpayer can use a different form from year to year depending on the circumstances.

Anyone can use the 1040 long form and most people must use that form. In general, a person or family can use the 1040S if their taxable income is less than \$100,000, and their income is only from wages, Social Security, IRA’s, pensions, interest, ordinary dividends, capital gain distributions and/or unemployment. In addition, to use the 1040S, the taxpayer must not itemize her deductions, must use the regular tax tables and have only the basic income adjustments and credits. There are several other requirements, but those affect a very limited number of people. It is important to note that if a taxpayer has self-employment income, receives a taxable state tax refund or if any of the dividends are “qualified”, then a 1040 long form must be used.

A form 1040EZ can only be used only by single individuals or married couples. The taxpayer must not have dependents. Income is limited to \$100,000 and must come from wages, tips, unemployment, taxable scholarships and/or taxable interest of less than \$1500. In addition, the taxpayer must not claim any adjustments or credits except the earned income credit. This form is aimed at young people in their first jobs.

In my office, the 1040EZ is seldom used. Typically, that is because clients have complicated tax situations. However, I personally find the form confusing and hard to explain. It is supposed to be simple, but even the simplest return must conform to our complicated tax law. I have several clients who have their family return prepared professionally, but get the booklets and prepare their teenager’s return by hand using the 1040EZ. Of the returns brought in for me to review, I find many of them filled out incorrectly. The errors are often because the deduction from income is understated, causing the child to pay too much tax.

As a tax preparer, of course I recommend that everyone use a professional and not prepare their own tax returns. For taxpayers who do prepare their own returns, particularly those who do so by hand with paper and pencil, it is very important to read and follow the instructions carefully. Taxpayers must do what every Oregon tax preparer is taught from the beginning: Read The Form!

The fine print is that this article is for information only. Please call Kathy or a tax professional for questions about your individual tax situation. The Jacksonville Tax Lady can be reached at 541-899-7926 or at 610 North Fifth Street.

