Jonathan Hales

123 Spring Lane

Willow, Texas 77521

May 18th, 2014

Kurt Mullins

Income Tax Return Preparer

408 Welty Street

Pandora, Ohio 45877

Dear Mr. Jonathan Hales,

I’m Kurt Mullins and I’m am sending this letter on your behalf to inform you about your tax return. I will be letting you know how I filled in each area and how I came up with the numbers that are found on your income tax return. This is to ensure you that the job I did on your return is clear and concise. I hope this letter helps you understand how I got what I did.

I started out by filling in your basic information. This information included your name (Jonathan Hales), your address (123 Spring Lane, Willow, Texas 77521) and your social security number (547-87-9876). This is by far the simplest part of the income tax sheet. We next had to figure out how many dependents there were going to be in your tax return. Since you were filing your own return, but your parents can still claim you as a dependent; therefore, you will put zero down for number of dependents because there will be no checkmarks in any of the boxes. This is also because you have no children to claim and are a single taxpayer, which means you don’t meet the criteria for head of household. To be considered for head of household, you have to be unmarried, must not be a widow or widower, pay more than half the costs of keeping up your home for the year, and have a qualifying person live in the taxpayer’s home for more than half the year. Only two of these apply to you, and that is the fact that you’re unmarried and not a widow or widower. All four must apply to be considered head of household. Your wages over the year at your three jobs added up to $4,700. This was an addition of $1,675 from The Colony, $790 from Rock Climbing, LLC. and $2,235 from Community Pool, Inc. (1,675+790+2,235=$4,700). Since you made $4,700 and your parents contributed more than half your wages with a total of $8,500, you still qualify as a dependent of your parents. To be a qualifying child, you do have to meet certain criteria. To be a dependent your parents, you have to pass the relationship test. You pass this test because you are a child of your parents. The next test is the support test. As discussed above, you pass this test because they have supported you more than half of your wages for the year. The next test is the age test, which means that the child is younger than the taxpayer and either under the age of 19 by the end of the year or under the age of 24 at the end of the year and a full-time student. You pass this test because you are under the age of 24 and are a full-time student. The last test is the residency test, which states that the taxpayer lives on the same residence for more than half a year. You lived in the basement of your parents’ house for the entire year, which passes this part of the test. Therefore, all of these criteria are met by you and it means that your parents can still claim dependency for you. The next part of the income tax form that needs to be filled out by you is the gross wages box. This includes all wages, tips, or salaries. As stated above, you only received wages that totaled to the amount of $4,700. The next part that needs to be filled out is the taxable interest box. This box needs to be filled out because you received $15 of taxable interest income from the First Bank of Texas during the year. Therefore, the taxable interest box in the “Income” sub-heading can be filled in with $15. That’s how I got that number. There is nothing in the remaining boxes that you have to fill out because you did not own, manage or control any foreign bank accounts, nor were you a grantor or beneficiary or a foreign trust during the tax year. The next thing I had to do was add up all the income you received during the year. The number I got was $4,715. This was after I added up your gross wages and the interest income ($4,700 gross wages+$15 interest=$4,715 total income). As stated in the parenthesis, this number (4,715) is put in the total income box, which is located in line 22. The next sub-heading is “Adjusted Gross Income”. There were no additions to this income because it all was provided by the parents. Therefore, the (4,715) is carried down to the adjusted gross income box, which is located at number 37. This is where the income tax return form gets a little bit tricky. On the following page, the next sub-heading is “taxes and credits”. First off you carry over the adjusted gross income in number 37 (4,715) to page two. This will then be located in number 38. The next box that needed attention was the itemized deductions and the standard deductions. The two types of deductions are found in the FROM AGI deductions. These are “deductions below the line”. These are more personal in nature than FOR AGI deductions. Itemized deductions include medical/dental expenses, taxes (state and local, real estate, personal property, and other taxes), interest expense, gifts to charity, casualty/theft losses, job expenses/certain miscellaneous deductions and other miscellaneous deductions. In your income tax return, there are no itemized deductions; so, this information is irrelevant to your return. The standard deduction depends on your filing status. Since your single, the standard deduction is $6,100 based on the 2013 rate. To figure out what amount to put in number 40, you take the greatest amount from the itemized deductions and the standard deduction. Obviously, in this case, the standard deduction is greater than the itemized deduction ($6,100>$0). For this reason, I put $6,100 (the standard deduction) in box number 40. In the next box (41), I subtracted the adjusted gross income by the adjusted gross income and got $-1,315 (4,715-6,100=$-1,315). Therefore in box 41, I put the negative amount of $1,315. The next box, in 42, has to deal with exemptions. There is usually an exemption deduction of $3,900 times the number of dependents. Since you have zero dependents and your parents are still able to claim you, this amount in box 42 will equal zero dollars. Box 43 had to do with taxable income. This amount I also put as zero dollars because you can’t tax negative income, so therefore the number needs to be zero to make the rest of calculations go by much easier because zero and $-1,315 are all the same. So box 44 through 46 will also amount to zero dollars because there will be no tax on the income. Box 54 has to deal with tax credits, which you did not have any of during the year. Since line 54 and 46 were both zero, I put zero in for line 55. The next sub-heading is “other taxes”, which there were no other taxes. Since there were no other taxes, I would put zero in box 61. Box 61 equals the total tax which will be zero. The next subheading is “Payments”. The box that was relevant to you was box 62 because it dealt with federal income tax withheld. From Community Pool, Inc., the federal withheld $175 from your paycheck. This will be the amount you will put in line 62. The next box of relevance is box 72. This is the amount added from line 62 through 71. Since there were no other payments this number stayed as $175 and this was your total payments. Line 73 subtracts line 72 from 61 (175-0=175). This amount shows that you overpaid 175 dollars. Since you overpaid 175 dollars you are able to be refunded that amount. Since you wanted to be refunded the overpayment, I put the amount you were to be refunded in box 74a and checked the checking box for you. All you have to do is put your routing and account number in to have the refund direct deposited to your bank account. You will also have to provide your signature to the “sign here” sub-heading (Spilker, Ayers, Robinson, Outslay, Worsham, Barrick, Weaver, 2014).

I hope you found this information to be very helpful. I hope you now have a better understanding on how I came up with the numbers in your income tax return form. I hope you are satisfied with the $175 that will be refunded to you. It was a pleasure doing business with you, and I hope you will inquire me to do/help you through future tax returns.

Sincerely,

Kurt Mullins

Income Tax Return Preparer

References

Spilker, B., Ayers, B., Robinson, J., Outslay, E., Worsham, R., Barrick, J., & Weaver, C. (2014). An introduction to tax. *Taxation of individuals and business entities with connect plus*. (5th ed., ch. 4, pp. 2-30). New York, N.Y: McGraw-Hill/Irwin.