

Tax Basics for Individuals — Workbook

This workbook turns the course into action. Each section mirrors a course module with exercises, fill-in worksheets, and checklists you can use on your own real numbers. Work through it alongside your latest pay stubs and tax forms, and use the templates at the end to build a reusable filing system.

How Income Tax Actually Works

Build your personal tax map and learn to separate your marginal rate from your effective rate.

Exercise: Trace Your Own Five Steps

Using last year's return or a recent pay stub, walk your own numbers through the five-step flow from total income to refund or balance due. Estimate where you do not have exact figures.

- What was your total income from all sources last year?

- What adjustments (IRA, HSA, student loan interest) reduced it to AGI?

- Did you take the standard deduction or itemize, and what was your taxable income?

- After credits and comparing to withholding, did you get a refund or owe?

Worksheet: Marginal vs Effective Rate Calculator

Fill in your taxable income, then compute the tax slice by slice using the current single or joint bracket schedule. Divide total tax by total income to find your true effective rate.

Filing status

Taxable income

Tax on 10 percent slice

Tax on 12 percent slice

Tax on 22 percent slice (if applicable)

Total tax

Marginal rate (top bracket reached)

Effective rate (total tax divided by total income)

Checklist: Filing Status Decision Check

- Confirmed my marital status as of December 31
- Checked whether I qualify for Head of Household by paying over half a household's costs
- Ran the qualifying child tests for anyone I plan to claim
- Ran the qualifying relative tests for any non-child dependent
- Verified no one else is claiming the same dependent

Reading Your Income Documents

Decode every form that arrives in January and account for income that comes with no form.

Worksheet: W-2 Box-by-Box Breakdown

Copy the figures from each W-2 you received. If Box 1 is smaller than your salary, list the pre-tax items (401k, health premiums) that explain the gap.

Employer name

Box 1 federal wages

Box 2 federal tax withheld

Box 3 Social Security wages

Box 12 codes and amounts

Box 17 state tax withheld

Pre-tax items explaining the Box 1 gap

Exercise: Hunt Down Every Dollar of Income

List all income you received last year, including amounts with no tax form. Mark which ones the IRS already knows about because a copy was filed.

- Which 1099 forms did you receive (NEC, INT, DIV, G, K)?

- Did you have any cash, tips, or side income under 600 dollars with no form?

- Do you have self-employment income that belongs on Schedule C?

- If net self-employment profit exceeds 400 dollars, have you accounted for self-employment tax?

Checklist: Above-the-Line Adjustment Sweep

- Considered a traditional IRA contribution before the filing deadline
- Maximized HSA contributions if I have a high-deductible health plan
- Gathered student loan interest paid (Form 1098-E)
- Captured self-employed health insurance and retirement contributions
- Listed educator expenses if I am a teacher

Deductions and Credits That Save Real Money

Decide between standard and itemized, then claim every credit you legally qualify for.

Worksheet: Standard vs Itemized Break-Even

Total your itemized categories and compare them to your standard deduction for your filing status. Take whichever is larger and note the difference.

Standard deduction for my filing status

State and local taxes (capped at 10,000)

Mortgage interest

Charitable contributions

Medical expenses above 7.5 percent of AGI

Total itemized

Winner (standard or itemized) and the dollar difference

Exercise: Claim Every Credit You Are Owed

Go through the credit list and mark each one you might qualify for, then note the form needed to claim it.

- Do your earned income and family size qualify you for the EITC?

 - How many children under 17 qualify you for the Child Tax Credit?

 - Did you or a dependent pay college tuition eligible for the AOTC or Lifetime Learning Credit?

 - Did you pay for childcare so you could work, and did you contribute to retirement on a low income (Saver's Credit)?
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Checklist: Tax-Advantaged Account Check

- Captured my full employer 401k match
- Funded an HSA if eligible for the triple tax advantage
- Chose traditional vs Roth based on current versus expected future bracket
- Confirmed contributions are within annual limits to avoid the 6 percent excess penalty
- Noted that IRA and HSA contributions can be made up to the April deadline

Filing, Withholding, and Dealing With the IRS

Tune your withholding, file accurately and on time, and respond correctly to any IRS notice.

Worksheet: W-4 Withholding Tune-Up

Use a recent pay stub and the IRS Tax Withholding Estimator to check whether you are on track. Compare projected withholding to projected tax and adjust line 4c if needed.

Federal tax withheld year to date

Projected annual withholding

Projected total tax for the year

Projected refund or balance due

Safe harbor target (90 percent this year or 100/110 percent last year)

Extra per-paycheck withholding to add on line 4c

Checklist: Pre-Filing Document Checklist

- Collected all W-2s and 1099s
- Gathered 1098-T tuition and 1098 mortgage interest statements
- Collected childcare receipts and charitable donation acknowledgments
- Decided how to file (Free File, Direct File, software, or preparer)
- Set up direct deposit details for a faster refund

Exercise: Handle an IRS Notice Calmly

Practice the response process so a real letter does not cause panic. Use a hypothetical CP2000 for a forgotten 1099-INT.

- Where on the notice are the notice number and the response deadline?

- How would you compare the IRS figures to your own records?

- If the IRS is correct, would you pay in full or request an installment agreement?

- If you made an error, which form (1040-X) would you file to amend?

Your Action Plan

1. Pull your most recent pay stub and last year's tax return into one folder
2. Run the IRS Tax Withholding Estimator and adjust your W-4 if your projected refund or balance is far from zero
3. List every income source and confirm you have or will receive a form for each taxable one
4. Total your potential itemized deductions and compare them to your standard deduction
5. Identify every credit you qualify for, especially the EITC and Child Tax Credit, and note the required forms
6. Open or top up tax-advantaged accounts (IRA, HSA) before the April deadline to cut last year's tax
7. Choose your filing method and gather all supporting documents into a checklist

8. File electronically with direct deposit, then save a copy of the return for at least three years
9. If self-employed, set aside 25 to 30 percent of each payment and schedule quarterly estimated payments
10. Create a simple system to open and respond to any IRS notice within its deadline

