

Tax Planning - What Filing Choices Are There?

Taxes is a share of government from the individuals income and in return tax payer gets better community and social services, better infrastructure, security of himself and other nationals and clean environment. Tax, although sometimes seems to be a burden on the soldiers of the individual, but it is necessarily required by the government for spending on various accounts including the functioning of government. So it is the responsibility of nationals to share one's income with the government in line with the various rules and regulations enacted by government and tax authorities.

Tax laws in United States are complex and always keeps on changing. For an individual, it is necessary to know the exact tax return filing procedure, so he or she can reduce the tax burden. Some of the procedure has been summarized below. One has to critically examine the procedure of filing return, so individual or families obtain the maximum benefits.

(a)INDIVIDUAL TAX FILERS: You must file income tax return under this category if your annual income is above \$ 7900 for the current financial year or you have spend \$ 400 or above on self-development. Further if your annual income is below \$100,000 from wages, salaries, interest (less than \$ 1500) and unemployment compensation, you should file in form no. 1040 EZ

If you are claiming other deductions, such as education expenses, tax credits, deductions relating to IRAS and pensions, you should use form 1040A.

(b)STUDENTS: If your annual income is above \$7900 or you spend more than \$ 400 on self-development, you must file income tax return on form no 1040EZ.

(c)DEPENDENT: If your age is under 19 or 24(for full time students) , you could be claimed dependent only by your parents. In that case, you must file income tax return if your unearned income is above \$ 800 and earned income is above \$ 5000.

(d)MARRIED: Married status is determined on the last day of the financial year, if your spouse died anytime during the year, you can still file joint tax return with him or her, provided you have not remarried.

(e)RETIRED : If your earned income is above \$7900 for the current financial year you will have to file return.

(f)CHILD: If a child earns more than \$5000 or his or her investment income is over \$ 800, he or she is liable to file tax. If he or she is unable to file , parents must file tax after taking security social number.

FILING RETURN FOR OPTIMIZED INCOME:

Filing income tax is one of the art, which requires all permutation and combination to achieve highest rebate. Some of the useful filing method has been summarized below.

(a) MARRIED FILING JOINTLY: When one of the spouse is earning significantly more than the other, joint filing is advisable, unless any one of them want to claim more deductions. In that case, best tax rates are achieved.

(b) MARRIED FILING SEPARATELY: Married couples filing separately are generally in least favorable brackets. There are some situations, when it is advisable to married individuals to file separately.

(c) HEAD OF HOUSEHOLD: For a head of household, the income tax rates are lower and the standard deduction is higher. To qualify one must be unmarried at the end of the financial year, one should have maintained a household for children, parents, qualified relatives, and should have paid at least half of the annual expenditure for home, children, parents' qualified relatives etc.

If you are separated, but still married and you live with your child, the head of household status affords you better rate than the married filing separately status.

(d) WIDOW/WIDOWER STATUS: If some one falls in this category, he or she should file in this category to obtain best tax rates.

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