

Form 1040-WJ

| | | Typical Taxpayer Scenarios | | | |
|------|--|----------------------------|------------------|-------------------|-------------------|
| Line | Income: | A | B | C | D |
| 1 | Wages, salaries, tips, etc. from Form W-2 | \$ - | \$ 50,000 | \$ 100,000 | \$ 250,000 |
| 2 | Taxable Interest and dividend Income | \$ 600 | \$ 600 | \$ 1,165 | \$ 5,700 |
| 3 | Alimony Received | | | \$ 12,000 | |
| 4 | Retirement Income (pensions, annuities, IRA) | \$ 8,000 | | | |
| 5 | Unemployment Compensation | | | \$ 900 | |
| 6 | Social Security/Disability Benefits | \$ 10,000 | \$ 6,000 | | |
| 7 | Class 1 Income - Lines 1 through 6 | \$ 18,600 | \$ 56,600 | \$ 114,065 | \$ 255,700 |
| 8 | Business income or (loss) | | | | \$ (4,400) |
| 9 | Capital gain or (loss) | | | \$ 4,000 | \$ 4,900 |
| 10 | Farm income or (loss) | | | | |
| 11 | Rental income, royalties, partnerships, trusts | | | | \$ 3,500 |
| 12 | Other income | | | | \$ 2,000 |
| 13 | Class 2 total income - Lines 8 through 12 | \$ - | \$ - | \$ 4,000 | \$ 6,000 |
| 14 | Total Income - combine Line 7 and Line 13 | \$ 18,600 | \$ 56,600 | \$ 118,065 | \$ 261,700 |
| | Deductions: | | | | |
| 15 | State, local and property taxes paid | \$ 85 | \$ 2,500 | \$ 4,800 | \$ 8,500 |
| 16 | Charitable Contributions | \$ 150 | \$ 150 | \$ 255 | \$ 3,250 |
| 17 | Home mortgage interest paid | \$ - | \$ 850 | \$ 8,400 | \$ 14,600 |
| 18 | Enter 5% of line 14 | \$ 930 | \$ 2,830 | \$ 5,903 | \$ 13,085 |
| 19 | Allowable home mortgage deduction Subtract line 18 from line 17 | \$ - | \$ - | \$ 2,497 | \$ 1,515 |
| 20 | Misc itemized deductions | \$ 250 | \$ 250 | \$ 365 | \$ 13,100 |
| 21 | Enter 5% of line 14 | \$ 930 | \$ 2,830 | \$ 5,903 | \$ 13,085 |
| 22 | Allowable misc deductions subtract line 21 from line 20 | \$ - | \$ - | \$ - | \$ 15 |
| 23 | Combine lines 15 16 19 22 This is your allowable deduction | \$ 235 | \$ 2,650 | \$ 7,552 | \$ 13,280 |
| | Tax Calculation: | | | | |
| 24 | Class 1 income from Line 7 | \$ 18,600 | \$ 56,600 | \$ 114,065 | \$ 255,700 |
| 25 | Class 1 Income credit | \$ (18,600) | \$ (20,000) | \$ (20,000) | \$ (20,000) |
| 26 | Class 2 income from Line 13 | \$ - | \$ - | \$ 4,000 | \$ 6,000 |
| 27 | Taxable Income | \$ - | \$ 36,600 | \$ 98,065 | \$ 241,700 |
| 28 | Tier 1 Taxable Income | \$ - | \$ 36,600 | \$ 50,000 | \$ 50,000 |
| 29 | Tier 2 Taxable Income | \$ - | \$ - | \$ 48,065 | \$ 191,700 |
| 30 | Tier 1 Tax - Enter 15% of line 28 | \$ - | \$ 5,490 | \$ 7,500 | \$ 7,500 |
| 31 | Tier 2 Tax - Enter 20% of line 29 | \$ - | \$ - | \$ 9,613 | \$ 38,340 |
| 32 | Combine lines 30 and 31 This is your total tax bill | \$ - | \$ 5,490 | \$ 17,113 | \$ 45,840 |
| | Effective Tax Rate | 0.0% | 9.7% | 14.5% | 17.5% |