

10B

Reading a Form 1040

L4.1.10 • PART B • THE YEARLY INCOME STATEMENT YOU FILE

I CAN**complete the key lines of a Form 1040 from a W-2 and explain the refund-or-owe line**

A Form 1040 is the yearly income statement you file with the IRS. Below are the lines that matter for a first job, with sample numbers. Fill the blanks and finish with the number that decides whether money comes back to you or goes out.

LINE	WHAT IT MEANS	SAMPLE	YOUR ANSWER
Wages (from your W-2, box 1)	What you were paid	\$24,000	\$24,000
Interest and other income	Savings interest, side work	\$120	
Total income	Add the two above		
Standard deduction (single)	Income the law does not tax	\$15,000	
Taxable income	Total income minus the deduction		
Tax	From the tax table (assume 10% of taxable income)		
Federal tax withheld (W-2, box 2)	What your employer already sent	\$1,300	
Refund or amount owed	Withheld minus tax (positive = refund)		

Was too much or too little withheld? What would you change on your W-4, and why is a big refund not the win it feels like?

Answers and talking points

What a good answer looks like, and one question to ask when the pencils go down.

Line	Sample	Answer
Wages (W-2, box 1)	\$24,000	\$24,000
Interest and other income	\$120	\$120
Total income	add the two	\$24,120
Standard deduction (single)	\$15,000	\$15,000
Taxable income	total – deduction	\$9,120
Tax (assume 10%)	10% of taxable	\$912
Federal tax withheld (box 2)	\$1,300	\$1,300
Refund or amount owed	withheld – tax	\$388 refund

9-12

Work the chain in order — one slip carries all the way down

Work it in order; one slip carries down. **The most common error is taxing the whole \$24,120** — a student who gets \$2,412 of tax has skipped the standard deduction, and that deduction is the line teaching that not all income is taxed. The second most common is reading the last line backwards: **withheld minus tax**, so positive means a refund.

Ask: “Which line did the law decide, and which did your employer decide?” The deduction is Congress; the withholding follows the W-4 they filled in.

9-12

Why a big refund is not the win it feels like

A refund is **your own money coming back**, without interest. The \$388 here is small, which is close to right. **A \$3,000 refund means about \$250 a month was unavailable all year** — money that could have paid down a card at 24%. Withholding follows the **Form W-4** and can be changed at any time, so **owing a small amount is not a mistake** — it is the sign the withholding was close.

Ask: “Would you rather have \$250 a month now, or \$3,000 next April?” Nearly everyone picks the monthly money once it is put that way.

Want the rest of the unit?

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