

Talking About Taxes

Dear Student,

You've been learning about taxes in school, and now it's time to get some input from people who have firsthand experience—your families. Review the following scenarios at home with your parents, and gain their input on what they would advise based on their own experiences as a taxpayer.

Scenario 1

Casey has started working at a camping store. **Casey estimates total gross pay for the position will amount to \$9,000.** Casey will be paid weekly, and should have about **\$17 withheld each paycheck** for federal income taxes. Casey has asked for **\$50 to be withheld each paycheck** in order to get a “nice refund” later. Casey’s parents say this is giving the government an interest-free loan and Casey should have only **\$17 withheld.** What are the pros and cons of each argument? Discuss with your parents and record your answers.

Scenario 2

It's late March, and Casey's federal income tax forms are **due April 15.** Other than earnings from the camping store, Casey has no other income and Casey would like to complete the tax form without help. A friend advises paying an accountant to prepare the return for a fee of \$125. Casey is taking a financial class and has filled out federal tax forms as a class project. What do you think Casey should do?

ANSWER Scenario 1: There is no one right answer. It is true that overwithholding is like giving the government an interest-free loan, since it can earn interest on the early payment and Casey cannot. However, for some people, overwithholding is a type of “forced savings” that they might not have the discipline to do otherwise.
Scenario 2: There is no one right answer. Some people feel more secure paying a fee to a credentialed professional to prepare their taxes, or to use less-expensive tax preparation software. Another option, and one that does not involve a fee, is to research and learn more by visiting free online resources, such as at usa.gov/help-with-taxes. If a taxpayer has earnings from only one job and no other income or deductions, such as Casey, preparing the tax form should be straightforward.