Illinois Department of Revenue

2003 IL-1040 Teacher's Guide and Instructions

An aid to help teachers instruct their students in completing

- U.S. Form 1040EZ, Income Tax Return for Single and Joint Filers With No Dependents, and
- Illinois Form IL-1040, Individual Income Tax Return.

Teacher's Guide and Instructions

The basic tax returns that a student will need to file are the U.S. Form 1040EZ (the most common form used by students) and the Illinois Form IL-1040. Students will need a Form W-2, Wage and Tax Statement, from each of their employers to properly complete these returns. For more information on filing requirements, please see the instructions for U.S. Form 1040EZ on the Internal Revenue Service (IRS) Web site, **www.irs.gov** and the instructions for Form IL-1040 on this Web site, **www.ILtax.com**.

We suggest that you print this guide for reference. Pages 2, 3, and 4 explain in detail how to complete a U.S. Form 1040EZ and an Illinois Form IL-1040, using the suggested income tax exercise below. We have provided examples of Form W-2, U.S. Form 1040EZ, and Illinois Form IL-1040 using the figures from the exercise. These examples may be printed on transparencies. Blank U.S. 1040EZ forms may be downloaded from the IRS Web site, and blank Illinois IL-1040 forms are available on this Web site. You may duplicate these forms to meet your teaching needs.

Distribute the appropriate materials so students can practice completing these tax forms. Remind them that they must complete the federal return and required worksheets before completing the state return since the state taxable income is based on the federal adjusted gross income.

Suggested income tax exercise

Michael J. Taxpayer is a teenager who lives with his parents and works in a sporting goods store while he attends high school. Michael's address is 1090 Lincoln Avenue, Lincoln Land, Illinois 60000. His Social Security number is 100-40-3000, and he earned $14,000 during the year.

Michael worked for only one employer and received no other income, *e.g.*, interest from a savings account. He has both federal and Illinois income tax withheld from his paycheck. *(At the end of the year, employers are required to issue W-2 forms to their employees showing the amount of wages earned and the amount of federal and state income tax withheld for the year. Employees will receive three copies of this form. The employee should attach one copy to their federal return, one copy to their Illinois return, and keep one copy with their income tax records. Employees are required to report the amount of income and withholding shown on their W-2 forms when completing their tax returns. Once the returns are complete, a copy of each Form W-2 must be attached to both the U.S. Form 1040EZ and the Illinois Form IL-1040.* ***Note:*** *If Michael had more than one job and received W-2 forms from each employer, he must combine the amounts on his W-2 forms and file only one federal and one state tax return. He should not file a separate return for each W-2 he receives.)*

Using this information, Michael should complete the U.S. Form 1040EZ, which should then allow him to complete the Illinois Form IL-1040.

Examples included in the Teacher's Package

- ***Example 1*** **includes Form W-2, Wage and Tax Statement.**
- ***Example 2*** **includes the U.S. Form 1040EZ, Income Tax Return, and the Worksheet for dependents who checked "Yes" on Line 5.**
- ***Example 3*** **includes the Illinois Form IL-1040, Individual Income Tax Return.**

Line-By-Line Instructions for completing the

2003 U.S. Form 1040EZ, Income Tax Return for Single and Joint Filers With No Dependents

Complete your U.S. Form 1040EZ using the information given in the suggested income tax exercise.

Print Michael's complete name, address, and Social Security number in the area provided. *(Mailing labels are usually provided by the Internal Revenue Service (IRS) for anyone who received an income tax booklet in the mail. If you receive a label, place it on your return and write your Social Security number in the appropriate area.)*

Line 1 Write the $14,000 in wages Michael received during the year on Line 1 of Form 1040EZ. This amount is shown in Box 1, Wages, tips, other compensation, of the Form W-2 example.

Lines 2 - 3 Since Michael does not have any taxable interest income, Line 2, nor any unemployment compensation, Line 3, leave these lines blank.

Line 4 Write the $14,000 from Line 1 on Line 4. This is Michael's **adjusted gross income**.

Line 5 Check the **"Yes"** box on Line 5, since Michael is claimed as a dependent on his parents' tax return. *(Students who are claimed as dependents on their parents' tax return should complete the "worksheet for dependents who checked "Yes" on Line 5," which is found on the back of the U.S. Form 1040EZ. This worksheet determines the amount of standard deduction to enter on Line 5.)*

Complete the worksheet and write the total amount from Line G, $4,750 on Line 5. This is Michael's standard deduction.

Line 6 Subtract Line 5 from his adjusted gross income, Line 4. This amount, $9,250, is Michael's **taxable income**. Write this amount on Line 6.

Line 7 Write the amount of federal income tax withheld on Line 7. This amount, $1,520, is shown in Box 2 of the Form W-2 example.

Line 8 Since Michael is under the age of 25 and claimed as a dependent on his parents' tax return, he can not take the earned income credit on Line 8.

Line 9 Write the withholding amount of $1,520 on Line 9.

Line 10 We determined the amount of tax that Michael will owe by checking the 2003 Tax Table found in the U.S. 1040 EZ Booklet. Write $1,041, the amount from the tax table, on Line 10.

Line 11a Subtract the tax owed, Line 10, from the amount of tax withheld, Line 9. In this example, Michael will receive a refund of $479. Write this amount on Line 11a.

Michael has established a savings account at his bank. He would like his refund deposited directly into his savings account. He checked with his bank to get the correct routing number and account number. **Note:** Michael will get his refund faster by choosing to have it directly deposited than if he receives a refund check by mail.

Line 11b Write 250250025, his routing number, on Line 11b.

Line 11c Mark the "Savings" box on 11c, and write 20202086, the account number, on Line 11d.

Michael must sign and date his return, attach the federal copy of his W-2 forms, and mail them to the Internal Revenue Service by April 15, 2004.

Step-By-Step Instructions for completing the

2003 IL-1040, Individual Income Tax Return

Complete your Illinois Form IL-1040 using the information given in the suggested income tax exercise.

Step 1

Complete Michael's personal information.

A Write Michael's Social Security number at the top of the Form IL-1040.

B Print or type Michael's complete name and address. *(The state provides preprinted labels for anyone who received an income tax booklet in the mail. The labels are printed on the first Form IL-1040 in the booklet. If you do not receive a booklet in the mail, you must write your personal information on the lines provided at the top of the form.)*

C Check the **"Single or head of household"** box, since Michael's filing status is single.

Step 2

Figure Michael's income.

1 Write Michael's **federal adjusted gross income**, on his Form IL-1040, Line 1. This amount, $14,000, is found on his U.S. Form 1040EZ, Line 4.

2 - 3 The Form IL-1040 example shows that Michael has no additions to his adjusted gross income. Therefore, leave Lines 2 and 3 blank.

4 Write the $14,000 on Line 4. This is his **income**.

Step 3

Figure Michael's base income.

5 - 10 The Form IL-1040 example shows that Michael has no subtractions to his adjusted gross income. Leave Lines 5 through 10 blank.

11 Write the $14,000 on Line 11. This is Michael's **Illinois base income**.

Step 4

Figure Michael's exemptions.

12 You must use the exemption calculation to determine Michael's exemption allowance.

Line a – Since Michael was claimed as a dependent on his parents' tax return, he is not entitled to an exemption on his U.S. Form 1040EZ. Write "0" on Line 12a.

Line b – Now, you must determine if Michael is entitled to an Illinois exemption. *(Taxpayers whose Illinois base income, Line 11, is less than or equal to $2,000 are entitled to one exemption. They should write "1" on Line 12b. However, if Line 11 is greater than $2,000, they are not entitled to an exemption on Line 12b.)*

Write "0" on Line 12b since Michael's Illinois base income is greater than $2,000.

Lines c and d – Since the options on Line 12c and 12d do not pertain to Michael, leave Lines 12c and 12d blank. Michael's total exemption allowance is "0."

Step 5

Figure Michael's net income.

Michael is an Illinois resident and must complete Line 13.

13 Since Michael has no exemption allowance on Line 12, write $14,000 on Line 13. This is his **net income**.

14 This line is for nonresidents and part-year residents. Michael should skip Line 14, and go to Step 6, Line 15.

Step 6

Figure Michael's tax.

15 Multiply Michael's net income on Line 13 by the 2003 tax rate of 3 percent (.03) to determine that his **tax** amount is $420. Write this amount on Line 15.

Step-By-Step Instructions continued

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16 Write the amount from Line 15.

Step 7
Figure Michael's payments and credits.

17 Write the $480 in Illinois "state income tax" that was withheld from his pay on Line 17. This amount is shown in Box 17 on the Form W-2 example and represents Michael's total income tax withheld for Illinois.

18 - 23 The Form IL-1040 example shows that Michael did not have any other payments and credits. Leave Lines 18 through 23 blank.

24 Write the $480 tax withheld on Line 24. This is the total of Michael's payments and credits.

Step 8
Figure Michael's overpayment or his tax due.

25 Since Line 24 is greater than Line 16, subtract Line 16 from Line 24. The result is $60. Write this amount on Line 25. This is Michael's **overpayment**.

26 Leave this line blank. Michael does not owe tax.

Step 9
Figure Michael's penalty.

27 Michael was not required to make estimated payments because his employer withheld sufficient state income tax from his pay. He does not owe a penalty. Leave this line blank.

Do not check either box on Line 27a or Line 27b since Michael did not file Form IL-2210, and he did not receive his income from farming.

Step 10
Figure Michael's donations.

28 *(If you wish to donate to any of the charitable funds, you must write that amount on the line next to the fund. Contributions may be in any amount, $1 or more, and will decrease an overpayment or increase a balance due.)*

Leave this line blank. Michael did not wish to donate to any of the charitable funds.

29 Since Michael does not have an amount on Line 27 or Line 28, write "0" on Line 29.

Step 11
Figure Michael's refund or the amount he owes.

30 Write the $60 overpayment from Line 25 on Line 30.

31 Michael does not want any portion of his overpayment applied to his 2004 estimated tax. Leave this line blank. *(Students are cautioned not to put an amount on Line 31 unless they have income that is not subject to withholding. This line is for taxpayers who want to apply any overpayment to their future tax instead of receiving a refund.)*

32 Write the $60 overpayment from Line 30 on Line 32. This is Michael's **refund**.

33 Since Michael has established a savings account with his bank, he would like to deposit his refund directly into his savings account. **Note:** Michael will get his refund faster by choosing to have it directly deposited than if he receives a refund check by mail.

Write his routing number, 250250025, in the spaces provided. Mark the "Savings" box and write his account number, 20202086, in the spaces provided.

34 Leave this line blank.

Step 12
Sign and date Michael's return.

Michael J. Taxpayer must sign and date his return, attach the state copy of his W-2 forms, and mail them to the Illinois Department of Revenue by April 15, 2004. Our mailing address is printed at the bottom of Form IL-1040.