



Individual Income Tax: Figuring your Taxes and Credits

Course #31059B

Taxes

2 Credit Hours

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INDIVIDUAL INCOME TAX: FIGURING YOUR TAXES AND CREDITS

This course explains key tax credits available to individuals, including the child tax credit, education credits, earned income credit, and premium tax credit. It also covers nonrefundable and refundable credits, AMT adjustments, the tax on unearned income for children, and credits for the elderly or disabled.

LEARNING ASSIGNMENTS AND OBJECTIVES

As a result of studying each assignment, you should be able to meet the objectives listed below each individual assignment.

SUBJECTS

How to Figure Your Tax
Tax on Unearned Income of Certain Children
Child and Dependent Care Credit
Credit for the Elderly or the Disabled
Child Tax Credit / Credit for Other Dependents
Education Credits
Earned Income Credit (EIC)
Premium Tax Credit (PTC)
Other Credits

Study the course materials

Complete the review questions at the end of each chapter

Answer the exam questions 1 to 10

Objectives:

- Recognize various alternative minimum tax adjustments and preference items.
- Recall the rules related to the tax on unearned income of certain children.
- Recall how to figure the child and dependent care credit.
- Identify who qualifies to take the credit for the elderly or disabled.
- Recall the limits of the child tax credit.
- Identify the requirements for and benefits of the American opportunity credit and the lifetime learning credit.
- Recall the limit of investment income to qualify for the earned income credit.
- Recognize who is eligible to claim the premium tax credit.
- Identify various nonrefundable and refundable credits available for income tax purposes.

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EXAM OUTLINE

- **TEST FORMAT:** The final exam for this course consists of 10 multiple-choice questions and is based specifically on the information covered in the course materials.
- **ACCESS FINAL EXAM:** Log in to your account and click Take Exam. A copy of the final exam is provided at the end of these course materials for your convenience, however you must submit your answers online to receive credit for the course.
- **LICENSE RENEWAL INFORMATION:** This course qualifies for **2** CPE hours.
- **PROCESSING:** You will receive the score for your final exam immediately after it is submitted. A score of 70% or better is required to pass.
- **CERTIFICATE OF COMPLETION:** Will be available in your account to view online or print. If you do not pass an exam, it can be retaken free of charge.

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CHAPTER 1: HOW TO FIGURE YOUR TAX

Chapter Objective

After completing this chapter, you should be able to:

- Recognize various alternative minimum tax adjustments and preference items.

I. INTRODUCTION

After you have figured your income and deductions as explained in *Parts One* through *Five*, your next step is to figure your tax. This chapter discusses:

- The general steps you take to figure your tax, and
- An additional tax you may have to pay called the alternative minimum tax (AMT).

II. FIGURING YOUR TAX

Your income tax is based on your taxable income. After you figure your income tax and any alternative minimum tax, subtract your tax credits and add any other taxes you may owe. The result is your total tax. Compare your total tax with your total payments to determine whether you are entitled to a refund or must make a payment.

This section provides a general outline of how to figure your tax.

Tax. Most taxpayers use either the Tax Table or the Tax Computation Worksheet to figure their income tax. However, there are special methods if your income includes any of the following items.

- A net capital gain (see course 31053B).
- Qualified dividends taxed at the same rates as a net capital gain (see course 31051B and 31053B).
- Lump-sum distributions.
- Farming and fishing income (see Schedule J (Form 1040)).
- Tax for certain children who have unearned income
- Parents' election to report child's interest and dividends.
- Foreign earned income exclusion or the housing exclusion.

Credits. After you figure your income tax and any alternative minimum tax (discussed later), determine if you are eligible for any tax credits. Eligibility information for these tax credits is discussed in chapters 3 through 37 and your form instructions.

III. ALTERNATIVE MINIMUM TAX

This section briefly discusses an additional tax you may have to pay.

The tax law gives special treatment to some kinds of income and allows special deductions and credits for some kinds of expenses. Taxpayers who benefit from the law in these ways may have to pay at least a minimum amount of tax through an additional tax. This additional tax is called the alternative minimum tax (AMT).

In 2025, you may have to pay the alternative minimum tax if your taxable income for regular tax purposes, combined with certain adjustments and tax preference items, is more than:

- \$137,000 if your filing status is married filing joint (or qualifying surviving spouse),
- \$88,100 if your filing status is single or head of household, or
- \$68,500 if your filing status is married filing separate.

These amounts will be indexed annually for inflation.

Adjustments and tax preference items. The more common adjustments and tax preference items include:

- Addition of *standard deduction* (if claimed),
- Addition of *itemized deductions* claimed for state and local taxes and certain interest,
- Subtraction of any *refund of state and local taxes* included in gross income,
- Changes to accelerated *depreciation* of certain property,
- Difference between *gain or loss* on the sale of property reported for regular tax purposes and AMT purposes,
- Addition of certain income from *incentive stock options*,
- Change in certain *passive activity loss* deductions,
- Addition of certain *depletion* that is more than the adjusted basis of the property,
- Addition of part of the deduction for certain *intangible drilling costs*, and
- Addition of *tax-exempt interest* on certain private activity bonds.

CHAPTER 1: TEST YOUR KNOWLEDGE

The following question is designed to ensure that you have a complete understanding of the information presented in the chapter (assignment). It is included as an additional tool to enhance your learning experience and does not need to be submitted in order to receive CPE credit.

We recommend that you answer the question and then compare your response to the suggested solution on the following page before answering the final exam question(s) related to this chapter (assignment).

1.

You may have to calculate and pay the alternative minimum tax (AMT) if your taxable income for regular tax purposes, combined with certain adjustments and tax preference items, exceeds a specified amount. Which of the following is not a tax preference item or an adjustment:

- A. changes to accelerated depreciation of certain property
- B. deductions for intangible drilling costs
- C. tax-exempt interest on certain private activity bonds
- D. interest income from savings accounts