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TAXES — When to file a Federal Tax Return

Did you know when or if you need to file a federal tax return?

TELL ME MORE

The major consideration for whether you **MUST** prepare and file a federal tax return is whether you are filing as a:

1. **DEPENDENT** – You are or could be a dependent on someone else's tax return.
2. **NON-DEPENDENT** - You are **NOT** a dependent on someone else's tax return and you will be filing a tax return yourself.

The rules for determining whether someone else can claim you as a dependent or if you can claim yourself can be complicated but generally, if you provide more than half of your own support or live on your own and earn over \$3,400, chances are you will be a **NON-DEPENDENT** and can file on your own. If you have a question regarding your specific situation, you should email your question to Les Schalla, the "CONTENT EXPERT" on tax preparation which you will see when you log on to the OFA Portal.

FILING AS A DEPENDENT

The rules for when you **MUST** file a tax return are different if you are filing a tax return and someone else is or can claim you as a dependent on their tax return. Review the definition of gross income, earned income and unearned income (at the bottom of this topic) before reading on.

For 2007, if you are single or married you must file a federal tax return if any of the following rules apply:

Rule #1 – Your unearned income is more than \$850

Rule #2 – Your earned income is more than \$5,350

Rule #3 – If your gross income was more than the larger of:

- \$850 or
- Your earned income (up to \$5,050) plus \$300

Examples:

1. If you are single with no earned income and your unearned income is \$900, you **MUST** file a federal tax return. See Rule #1.
2. If you are single and your earned income is \$4,900 and you had no unearned income, you do **NOT** have to file a return. See Rule #1 and Rule #2.



The Bottom Line:

*It is important to understand if you **MUST** file a federal tax return as well as when you **SHOULD** file a federal tax return. In order to make these decisions, you need to know if anyone else can claim you as a dependent or if you can claim yourself. The good news is that the majority of tax returns that are filed result in a refund, so the chances are good that you will be one of those that will be getting a check from your good friends at the IRS.*

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3. If you are married and your gross income and earned income was \$700 you do NOT have to file a return. See Rule #2 and Rule #3.
4. If you are married and your gross income was \$700 and your unearned income was \$872, you MUST file a return. See Rule #1 and Rule #3.

* = There are other considerations if you're filing as a dependent and you are married. If this is your situation, email specific questions to the "CONTENT EXPERT" tax professional.

FILING AS A NON-DEPENDENT (Filing on your own)

Rule # 1 = For 2007, a single taxpayer MUST fill a federal tax return if their gross income was equal to or more than \$8,750
Rule # 2 = For 2007, a married taxpayer MUST fill a federal tax return if their combined gross incomes were equal to or more than \$17,500.

* = There are other considerations if you're filing as a dependent and you are married. If this is your situation, email specific questions to the "CONTENT EXPERT" tax professional.

Examples:

1. If you are single and your gross income was \$8,000, you do NOT have to file a return. See Rule #1.
2. If you are single and your gross income was \$8,750, you MUST file a return. See Rule #1.
3. If you are married and your combined gross income was \$8,455, you do NOT have to file a return. See Rule #2.
4. If you are married and your combined gross income was \$17,901, you MUST file a return. See Rule #2.

WHEN YOU SHOULD FILE A TAX RETURN

Even if you do not have to file a tax return because your income level was too low, you SHOULD file a tax return if your W2 had any federal tax withholdings that were taken out of your pay (box #2 on your W-2). You will get a refund of the entire amount of your withholdings so that is a great reason to file even if you do not have to. Also, if you qualified for an Earned Income Credit (See TAX TOPIC # 09), your refund will probably be even higher.

DEFINITIONS

GROSS INCOME:

Gross Income includes salaries/wages, tips, and interest (from a bank account, or CD). Gross Income also includes unemployment compensation.

EARNED INCOME:

Earned Income is that part of Gross Income that you earned from services you performed (Salaries/Wages and Tips).

UNEARNED INCOME:

Unearned Income is that part of Gross Income that you DID NOT earn from services performed. This includes interest from a bank account or interest from a CD.