

First Job? H&R Block Answers 6 Common Tax Questions

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KANSAS CITY, MO, Jun 17, 2009 (MARKETWIRE via COMTEX) -- Whether it's a first summer job or a college graduate entering the workforce, going from little or no income to a regular paycheck can feel like winning the lottery. But, even at a young age, taxes may have to be withheld. H&R Block (NYSE: HRB) answers six common tax questions for those entering the ranks of the employed.

1. I make minimum wage at my job on the golf course. What's withheld?

The amount of money withheld from each paycheck can come as a surprise to first-time filers. Generally, employers are required to deduct and withhold:

- Federal and state income taxes
- Local taxes (if any)
- Payroll taxes, such as Social Security (FICA) and Medicare, which reduce a paycheck by 7.65 percent

Employers must send the taxes withheld to the appropriate taxing agency and match the amount of payroll taxes deducted on behalf of the employee.

2. I have to complete a W-4 for my new job. What should I put on the form?

The information submitted on the W-4 determines the amount of federal income tax withheld. So, employees should state the number of exemptions they're claiming and signify their withholding status of single, married or head of household. In general:

- Claiming one allowance is adequate for young filers.
- If they want more money withheld, zero allowances should be claimed.
- A separate withholding statement should be completed for the state.

Remember, the more allowances claimed, the less tax withheld, resulting in what could be a bigger bill at tax time.

3. Do I have to file taxes?

Young single workers earning below \$9,350 are not required to file a tax return. However, even if their income is below the filing threshold, they should still file a return to claim a refund of any taxes paid. Keep in mind:

- Teenagers are typically claimed as dependents on their parents' returns unless they earn enough to provide more than half their own support.
- If a teenager qualifies as a dependent, they can't claim a personal exemption on their own return, even if their parents choose not to claim that exemption.
- For 2009, a dependent is entitled to a standard deduction of the greater of \$950, or earned income plus \$300, but not to exceed \$5,700.

4. Is anyone exempt?

In certain instances, a first-time filer may be exempt from income tax withholding. Exemption may be claimed if an employee didn't have a tax liability the year before and doesn't anticipate owing additional taxes for the current year.

Example: A high school student earned \$2,000 working in an ice cream shop last summer. They withheld \$100, had no federal tax liability and filed only to claim a refund on the \$100 withholding.

If the student works again this summer, expects to make the same money and has no other sources of income, they can check the box on the W-4 claiming exemption from withholding for the year.

However, a dependent can't claim exemption from withholding if they have more than \$300 of unearned income through sources such as interest and dividends.

5. I work in a restaurant and get tips for my job. Do I have to report these?

All tips received are subject to federal income tax. The value of any non-cash tips received, such as tickets or passes, also is taxable.

However, if the total tips received for a month are less than \$20, these don't have to be reported to the employer that month -- but they're still taxable. A daily tip record should be kept and all tips reported to the employer so tips are accurately represented on the tax return.

6. I'm a budding entrepreneur with a lawn care business. Do I have to pay taxes?

As more young filers start their own businesses, it's critical they understand there's no tax break for youth. They have to meet the same filing obligations as their older counterparts.

-- Since there's no employer to withhold taxes in a paycheck, self-employed individuals typically pay taxes by making quarterly estimated payments.

-- In most cases, self-employed workers with income greater than \$400, must file a tax return and be responsible for the employee's and employer's share of FICA and Medicare taxes.

To learn more about tax tips for first-time filers, visit www.hrblock.com.

About H&R Block

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