

Name: _____

Period: _____

Tax Planning and Strategies

Chapter 4 Study Guide

1. It can be said that capital gains income is better than interest income because of taxes and timing. Why?
2. Briefly explain each filing status.
3. What are the three primary types of taxable income, as defined by the IRS?

What is the formula for determining taxable income?

4. List the six most common itemized deductions.
5. What are the distinct advantages of filing tax returns electronically?
6. What are the five general tax reduction strategies?
7. What is the difference between a:
Deduction

Exemption

Tax Credit
8. List the three tax forms and who should use them.

9. When should you use a tax accountant or professional preparer?
10. Sukeeta, a young mother, is preparing to file her 2010 income tax return. Her husband, who was killed in a boating accident in the summer of 2010, always handled the tax filing. Assuming she does not itemize deductions, which filing status should she use? Why?

Which tax form should she use?

11. Bee and Barney Mayberry have \$71,500 in gross income and enough allowable deductions to itemize. Determine the best income tax form for them to use if they are filing jointly. Explain the major reason they can't use the other forms.
12. Mrs. Hubbard, a mother of two, has been selected for an audit. Advise her on what to do to prepare for the audit and what to do if the audit does not turn out favorably.
13. Harry and Harriet Potter are in their golden years. Discuss the best tax reduction method for them to use in reducing their estate taxes.
14. Talk to your parents about their taxes. Do they follow any of the five tax reduction strategies presented in this chapter? Talk to them about the benefit of following one or more of these strategies. Summarize your discussion in 1-2 paragraphs.

Parent Signature

Date