

# **Tax Terminology and Resources**

## **Terminology**

### **Tax Return**

A tax return is a document you fill out and file with the IRS every year reporting your income, expenses, and other important tax information. This is how you receive a refund for the overpayment of taxes throughout the year.

### **Adjusted Gross Income (AGI)**

Adjusted gross income (AGI) is your total income over the course of 1 year, including wages, tips, interest, dividends, and capital gains, minus certain deductions. To calculate it, you subtract all allowable tax adjustments, like retirement account contributions, moving expenses, student loan interest, and all other adjustments from your gross income. This number is most important because the IRS uses your AGI to calculate if you qualify for other tax credits or deductions, figure out your tax liability, and determine your tax bracket.

### **Dependent**

A dependent is a child, relative, or other individual who relies on you, the taxpayer, for financial support. Dependents are claimed as a tax exemption on your federal income tax return. There are rules and qualifications for who is considered a dependent, so make sure you double-check the guidelines before claiming another person as a dependent on your tax forms.

### **Filing Status**

Your filing status determines what tax forms you'll fill out and is an important factor when calculating your taxable income.

The filing status options are:

- Single
- Married Filing Jointly
- Married Filing Separately
- Head of Household
- Qualifying Widower

### **Federal Income Tax**

Federal income tax is the money collected by the government and the IRS that's applied to all earnings made by each citizen in the U.S.

### **State Income Tax**

In addition to federal income tax, most states collect their own income tax on your earnings or income each year.

### **Tax Credits**

A tax credit is a dollar-for-dollar reduction of the amount you owe. After you calculate your tax return, you can use credits to reduce the amount that you owe to the IRS. Tax credits are better than tax deductions because they directly impact the amount of money you have to pay back, rather than reducing the amount of taxed income.

### **Tax Deductions**

Tax deductions are expenses the IRS allows you to subtract from your AGI to arrive at your taxable income. They are items or expenses subtracted from your income to reduce the amount.

### **Withholding**

Withholding is the portion of your paycheck that your employer takes out and sends directly to the government each pay period as partial payment of your income tax.

### **Charitable Contribution**

A charitable contribution is a type of itemized deduction you can claim for potential tax breaks. Charitable contributions can earn you an itemized tax deduction when you donate to a qualifying non-profit organization, charity, or private foundation.

## **Information to Know**

### **Tax Return Deadline**

The deadline to file your federal taxes is usually April 15 of each year, unless the IRS states otherwise. For example, in 2022 the deadline was adjusted to April 18 because April 16 is a holiday and falls on a Saturday, so IRS and other offices will be closed on Friday, April 15 so the holiday can be observed. The IRS starts accepting income tax returns on January 31 for the previous year.

Information credited to: chime.com

For more information on taxes, visit: <https://www.chime.com/blog/basic-tax-terms-you-should-know/#tax-terminology:-why-it-matters>

## **Additional Tax Resources**

### **Resources to Help You Prepare Your Tax Return and Resolve Tax Disputes**

<https://www.irs.gov/newsroom/resources-to-help-you-prepare-your-tax-return-and-resolve-tax-disputes>

### **Turbo Tax Resources**

<https://turbotax.intuit.com/resources/>

### **H&R Block Tax Center**

<https://www.hrblock.com/tax-center/>