

INCOME GENERALLY

1. **Gross Income**

Minus: deductions allowed by § 62

2. **Adjusted Gross Income (AGI)**

Minus the greater of:

- Itemized deductions or
- the standard deduction

Minus personal and dependency exemptions

3. **Taxable Income (TI)**

ABOVE-THE-LINE DEDUCTIONS

- Educator expenses
- Health Savings Account
- **Moving Expenses**
- Self-employment tax (50%)
- **SEP, SIMPLE and Qualified Plans**
- Self-employed Health Insurance
- Penalty on early withdrawal of savings
- Alimony paid

ABOVE-THE-LINE DEDUCTIONS

- **IRA Contributions**
- Student Loan Interest
- Tuition and fees
- Domestic Production Activities Deduction

ITEMIZED DEDUCTIONS

- Medical and Dental Expenses
- Income Tax (State, local, or foreign)
 - Real Property Tax (State, local or foreign)
 - Personal Property Tax (State, local, not foreign)
- Interest Expense (Home mortgage, investment)
- Charitable Contributions
- Personal Casualty and Theft

ITEMIZED DEDUCTIONS (Misc)

- Misc Deductions subject to 2% of AGI
 - Outside salesman expenses
 - Unreimbursed employee expenses
- Misc Deduction NOT subject to 2% of AGI
 - Gambling Loss
 - Estate tax
(related to income in respect of a decedent)
 - Claim of Right

INCOME TAX

$$\begin{array}{r} \text{Taxable income} \\ \underline{\times \text{ Tax rates}} \quad . \\ \text{Income Tax} \\ \underline{- \text{ Tax credits}} \quad . \\ \text{Income Tax Due} \end{array}$$

TAX CREDITS

- Additional Child – Up to \$1,000 per child
- Adoption Expense (Max \$13,460)
- Alternative Motor Vehicle
- Child and Dependent Care
- Child - \$1,000 per child
- Earned Income – Max \$6,269 for 3 children
- American Opportunity (Max \$2,500)
- Lifetime Learning (Max \$2,000)

TAX CREDITS

- Elderly or Disabled
- Foreign Tax (Foreign income taxes paid)
- Minimum Tax
- Personal Energy Property - \$500 lifetime limit
- Residential Energy Efficient Property
- Retirement Saver's (Max \$2,000)
- Small Employer's Health Insurance Premiums