



Lesson Plan

Standard Deduction and Tax Computation

Time Required: 15-45 minutes

Introduction	Objectives	Topics
<p>This is the first of eight lessons that cover the Tax and Credits section of the return. This lesson teaches students how to subtract the appropriate standard deduction from taxpayers' adjusted gross income to figure their taxable income.</p>	<p>Determine the standard deduction amount for most taxpayers.</p> <p>Determine the standard deduction amount for taxpayers claimed as dependents.</p> <p>Identify how taxable income and income tax are computed and reported.</p>	 <p>Deductions</p> <p>Age and Blindness</p> <p>Taxpayers who can be Claimed as Dependents</p> <p>Standard Deduction vs. Itemizing</p> <p>Determining Taxable Income and Tax</p>

Key Terms

Adjusted Gross Income (AGI): The taxpayer's total adjusted gross income (AGI) is the amount that is used to compute some limitations, such as the medical and dental deduction on Schedule A and the credit for child and dependent care expenses.

Exemptions (Personal or Dependency): Amount that taxpayers can claim for themselves, their spouses, and eligible dependents. The total is subtracted from adjusted gross income before tax is figured on the remaining income (taxable income).

Itemized Deduction: Itemized deductions allow taxpayers to reduce their taxable income based on specific personal expenses. If the total itemized deductions are greater than the standard deduction, it will result in a lower taxable income and lower tax.

Married Filing Jointly: Filing status for taxpayers who are married to each other or live together in a common law marriage and combine their income and deductions on the same tax return. The status also applies to taxpayers who are separated but not divorced and to taxpayers whose spouse died during the tax year and has not remarried, as long as one tax return is used for both individuals.

Married Filing Separately: Filing status for taxpayers who are married to each other or live together in a common law marriage and report their own incomes and deductions on separate returns.

Standard Deduction: An amount, provided by law and based on filing status, age, blindness, and dependency that taxpayers can deduct from their adjusted gross income before tax is determined.

Teacher Tips

Guidelines for Lesson

Guideline	Instructor Notes	Presentation Aids
Lesson background info	Review the online demo of TaxSlayer on applying the standard deduction.	TaxSlayer® Demo: From the Practice Lab, select: <ul style="list-style-type: none"> • TaxSlayer IRS training • Click the appropriate demo
Provide details and engage the students	<p>Discuss all tips and cautions in detail.</p> <p>Ask students to read and/or role-play examples.</p> <p>Review answers to each exercise; ask students how they arrived at their answers.</p>	<p>Visuals:</p> <p>Pub 4491: Standard Deduction and Tax Computation</p>

Topic-specific Tips

Topic Name	Instructor Notes	Presentation Aids
Introduction	<p>Review lesson objectives.</p> <p>State that this lesson covers the standard deduction; itemized deductions are covered in the next lesson.</p> <p>Review list of references.</p> <p>State the presentation time.</p> <p>Review Key Terms for the lesson.</p>	<p>Visuals:</p> <p>Form 13614-C, Page 1, Part I and II</p> <p>Form 1040, Page 2, Tax and Credits section</p> <p>Pub 17, Chapter 20, Standard Deduction</p> <p>Pub 4012, Deductions tab</p>

Deductions	<p>Refer students to Pub 4012, Standard Deduction for Most People, during the exercises. Point out the footnote below chart.</p> <p>Refer to Pub 4012, Interview Tips and discuss the steps for persons not eligible for the standard deduction.</p> <p>Ask: What are the factors that determine the amount of the standard deduction for a taxpayer? Answer: Filing status, whether the person is 65 or older or blind, and if the person can be claimed as a dependent.</p> <p>Point out that TaxSlayer automatically calculates the standard deduction based on information collected on the Basic Information section.</p> <p>Review the Tax Topics and Tax Map.</p> <p>Display Standard Deduction Worksheet – Line 40 from either Pub 17 or Form 1040 Instructions.</p> <p>Go through the ITA multiple times with different answers.</p>	<p>Visuals: Pub 4012, Deductions tab:</p> <ul style="list-style-type: none">• Standard Deduction for Most People• Persons Not Eligible for the Standard Deduction Interview Tips <p>Pub 17, Chapter 20, Standard Deduction</p> <p>Form 1040 Instructions, Standard Deduction Worksheet – Line 40</p> <p>Internet: Tax Topics: Standard Deduction</p> <p>Tax Map: Persons not eligible for the standard deduction</p> <p>Interactive Tax Assistant: How Much is My Standard Deduction?</p>
Age and Blindness	<p>Point out that Single or Head of Household taxpayers are entitled to a higher standard deduction of up to \$1,550 if they are 65 or older or blind at the end of the year.</p> <p>Display TaxSlayer Form 1040, page 2 and point out which boxes are automatically checked, based on entries in the Basic Information section.</p> <p>Refer students to Pub 4012, Standard Deduction Chart for People 65 or Older or Who Are Blind Chart</p>	<p>Visuals: Pub 4012, Deductions tab and Preparing the Return tab:</p> <ul style="list-style-type: none">• Standard Deduction Chart for People 65 or Older or Who Are Blind• Basic Information section• Schedule A - Itemized Deductions <p>TaxSlayer Demo: Basic Information section Form 1040, line 39</p>

Taxpayers who can be Claimed as Dependents

Display Form 13614-C and point out the check box for a dependent being claimed by another taxpayer.

Point out that TaxSlayer will automatically calculate a dependent's standard deduction, as long as the box indicating that the taxpayer can be claimed as a dependent on another person's tax return has been checked on the Basic Information section.

Ask: What is the upper limit of the standard deduction for someone who can be claimed as a dependent by another taxpayer? **Answer:** Either \$1,050 or the person's earned income plus \$350 (not to exceed the regular standard deduction amount).

Review Pub 4012, Standard Deduction Worksheet for Dependents

Visual:

[Form 13614-C](#), Page 1, Part I

[Form 1040 Instructions](#), Standard Deduction Worksheet – Line 40

- Pub 4012, Deductions tab, [Standard Deduction Worksheet for Dependents](#)

Internet:

FAQ: [If I claim my daughter as a dependent because she is a full-time college student, can she claim herself as a dependent when she files her return?](#)

TaxSlayer Demo:

Show Basic Information section check box for being claimed as a dependent.

Standard Deduction vs. Itemizing

Prompt students to give examples of the types of expenses that would warrant itemizing deductions, such as:

- Large out-of-pocket medical and dental expenses
- State and local income taxes, sales tax, real estate taxes, and/or personal property taxes
- Mortgage interest
- Gifts to charity
- Certain other miscellaneous deductions

Emphasize that TaxSlayer calculates both types of deductions and automatically selects the method with the lower tax.

Review the Tax Map.

Visuals:

Pub 4012, Deductions tab:

- [Persons Not Eligible for the Standard Deduction Interview Tips](#)
- [Schedule A - Itemized Deductions](#)

Internet:

Tax Map: [Electing to Itemize](#)

TaxSlayer Demo:

Show how to enter Form 1040 to Schedule A for Itemized Deductions.

Determining Taxable Income and Tax	<p>Emphasize that the amounts for taxable income, AGI, exemption amount, and standard or itemized deductions play an important role in determining the taxpayer's tax liability, and diligent care should be taken to ensure that they be figured correctly.</p> <p>Point out that, for taxpayers with certain types of income (e.g., capital gains, qualifying dividends, or foreign earned income), a separate worksheet is used to calculate the tax (instead of the tax tables).</p> <p>Demo the tax software using an example with Form 1040 entries.</p>	<p>Visuals: Pub 4012, Deductions tab, Schedule A - Itemized Deductions</p> <p>TaxSlayer Demo: Show Form 1040 entries for income, deduction, and credit information that affect the calculation of the final tax amount.</p>
Skills Workout	<p>Review the Skills Workout exercises with the class.</p>	<p>Visuals: Link & Learn Taxes: Standard Deduction and Tax Computation lesson Skills Workout click the Certification Warm Up exercises</p>
Practice	<p>Ask students to select the problem based on their certification course of study.</p> <p>Verify they have correctly completed the Tax and Credits section of Form 1040</p>	<p>Visuals: Publication 4491-W Basic Comprehensive Problem and Practice Exercises Publication 4491-W Advanced Comprehensive Problem and Practice Exercises</p>

References

Form 13614-C	Form 13614-C , Intake/Interview & Quality Review Sheet, Page 1, Part I
Form 1040	Form 1040 , Page 2, Tax and Credits section
Pub 4012	<p>Pub 4012, Volunteer Resource Guide, Deductions tab Persons Not Eligible for the Standard Deduction Interview Tips Standard Deduction for Most People Standard Deduction Chart for People 65 or Older or Who Are Blind Schedule A - Itemized Deductions</p>

Pub 4491-W	Pub 4491-W – Basic-International comprehensive problem, practice exercise(s) or supplements for applying the standard deduction in the Tax and Credits section of Form 1040
Pub 17	Pub 17 , Chapter 20, Standard Deductions
Optional	
Pub 501	Exemptions, Standard Deduction, and Filing Information , Standard Deduction chapter

Recommended Classroom Activities



**Skills
Workout**



**Certification
Warm Up**



**Media: Videos
& Audio**



**TaxSlayer
Tutorial**



Job Aids



**Practice
Lab**



[Skills Workout: Link & Learn Taxes Standard Deduction and Tax Computation](#)

Click on Skills Workout to access Link & Learn Taxes Standard Deduction and Tax Computation.



[Certification Warm Up – Exercises](#)

Click on Certification Warm Up to access the exercises in Link & Learn taxes Standard Deduction and Tax Computation.



[Media: Video & Audio for Lesson](#)

There is no media associated with this lesson.



[TaxSlayer Tips and Resources for Lesson](#)

Practice Lab Tutorial

1. Link to the [Practice Lab](#).
 2. Enter the universal password (if you do not have the password, you can request it from your site coordinator or SPEC relationship manager).
 3. Sign in to Practice Lab or create an account.
 4. Select the appropriate tutorial.
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Job Aids

ITA and FAQs for Lesson

Interactive Tax Assistant	How Much is My Standard Deduction? http://www.irs.gov/uac/How-Much-is-My-Standard-Deduction%3F
Tax Map	Persons not eligible for the standard deduction http://taxmap.ntis.gov/taxmap/ts0/personsnoteligible_o_67bd84b3.htm Electing to Itemize http://taxmap.ntis.gov/taxmap/ts0/electingtoitemizef_o_3770207f.htm
Tax Topics	Standard Deduction http://www.irs.gov/taxtopics/tc551.html
FAQs	If I claim my daughter as a dependent because she is a full-time college student, can she claim herself as a dependent when she files her return? http://www.irs.gov/Help-&-Resources/Tools-&-FAQs/FAQs-for-Individuals/Frequently-Asked-Tax-Questions-&-Answers/Filing-Requirements,-Status,-Dependents,-Exemptions/Dependents-&-Exemptions/Dependents-&-Exemptions-11



Practice Lab

Practice Lab	https://vita.taxslayerpro.com/IRSTraining/
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