

# Tax Fundamentals

## Common Terms

### 1. Gross Income

As defined by the IRS is all “income from whatever source”, including

- ✓ Earned Income like wages, salaries, tips
- ✓ Unearned Income like interest and dividends
- ✓ Passive Income like rental properties and limited partnerships

### 2. Adjusted Gross Income (AGI)

Total reported income minus specific deductions

### 3. Taxable Income

Adjusted Gross Income minus either Itemized Deductions or Standard Deduction

Tax Rate	2019 Tax Brackets	
	Joint Return	Single
10%	\$0 - \$19,400	\$0 - \$9,700
12%	\$19,401 - \$78,950	\$9,701 - \$39,475
22%	\$78,951 - \$168,400	\$39,476 - \$84,200
24%	\$168,401 - \$321,450	\$84,201 - \$160,725
32%	\$321,451 - \$408,200	\$160,726 - \$204,100
35%	\$408,201 - \$612,350	\$204,101 - \$510,300
37%	\$612,351+	\$510,301+

## Five Common Tax Mistakes

1. Missing a tax break
2. Not taking advantage of employer sponsored retirement plans and HSA accounts
3. Not staying current on tax law changes
4. Not filing on time
5. Not filing your return at all

Internal Revenue Service  
<http://www.irs.gov>

U.S. Department of the Treasury  
<https://home.treasury.gov/>

Benefits website: <http://CatBenefitsCenter.com>

Benefits Center: 877-228-4010 Mon-Fri, 8AM – 6PM CT

Investment Advisors: 877-228-4010 and select “Investment advice” Mon-Fri 8AM–8PM CT

## Useful Forms

### Form 1040 US Individual Income Tax Return

Form 1040 U.S. Individual Income Tax Return 2018. The form includes sections for Filing Status, Personal Exemption, Dependents, and Sign Here. It is a comprehensive document for reporting individual income and taxes.

### Form W4 Employee's Withholding Allowance Certificate

Form W-4 Employee's Withholding Allowance Certificate 2019. This form is used by employees to provide information to their employers for determining the correct amount of federal income tax withholding.

### Form W2 Wage and Tax Statement

Form W-2 Wage and Tax Statement 2019. This form is used by employers to report the wages, salaries, and other compensation paid to an employee, along with the amount of taxes withheld.

## Credit versus Deduction

Credit – subtracted from amount you owe

Deduction – reduces your taxable income

Credits have a direct impact on your tax liability versus deductions

<sup>1</sup>For a distribution to be qualified in a Roth account, the participant must be 59½ years old or older, and the first contribution must be at least 5 years old

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