

UNDERSTANDING YOUR STATE TAXES

INTRODUCTION TO TEACHERS

The State of California developed Understanding Your State Taxes to help you teach your students how to file their state income tax returns. Along with this publication you will need the Internal Revenue Service's Understanding Taxes publication, a comprehensive curriculum that explains taxation in general. The IRS publication teaches students how to fill out federal income tax Form 1040A and Form 1040EZ.

Understanding Your State Taxes is designed for use in conjunction with Lesson 3, "From W-4 to 1040A," of the IRS curriculum (IRS Website: www.irs.gov/prod/taxi/taxformkit.html). We have divided the publication into two sections. Section I is the Teacher's Guide and Section II is the Student's Material. The information is covered in three lessons: Lesson One explains our role as taxpayers, and notes the types of taxes levied in the State of California. Lesson Two explains who must file a return and explains the Forms W-4, DE-4, and W-2. Lesson Three is devoted to filling out the California Resident Income Tax Return Form 540 2EZ.

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Section I

Teacher's Guide

TEACHER'S GUIDE

PRE/POST TEST ANSWER SHEET

The following questions are drawn from the lessons in the Understanding Your State Taxes publication. Please administer them at the beginning of the session and then again at the end. They are intended to help you measure students' knowledge of the California state tax system before and after instruction.

This is your answer key. You will find the master Pre/Post Test Sheets on pages SM-16 and SM-17.

1. T F You must first complete your federal income tax return before you complete your California income tax return.
2. T F Once you have filed a California income tax return, you will automatically receive blank tax forms the next year.
3. T F The personal income tax is the largest single source of revenue for the State of California.
4. T F Since California has a system of voluntary compliance with its tax laws, there are no penalties if you choose not to file an income tax return.
5. T F The personal income tax is the only state tax that California residents have to pay.
6. T F The federal filing status has nothing to do with state income tax.
7. T F If employed, students may always claim the full standard deduction on their income tax.
8. T F If you had state income tax withheld from your paycheck, you should file a state tax return, even if you have less than \$11,302 of income.
9. T F If you file a federal Form W-4, your employer will automatically use that information to withhold state income tax, unless you file a Form DE-4.
10. T F Generally, the information you provide on the federal Form W-4 will result in an appropriate amount of state income tax being withheld.
11. T F If you cannot claim a personal exemption, you must use the worksheet to calculate your standard deduction.
12. If your parents *can* claim you as a dependent but *do not*, can you claim the personal exemption credit?

NO

13. What California agency collects the state income tax in California?

The California Franchise Tax Board

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14. If you are single, what is the maximum you can earn before you have to file a California income tax return? \$11,302
15. What is a Form W-4? The form used by employees to inform their employers how much federal withholding to take out of their paychecks.
16. What is a Form W-2? The form used by employers to inform their employees , the Internal Revenue Service and the California Franchise Tax Board how much was withheld for taxes during the year.
17. Define "federal adjusted gross income." The amount of adjusted gross income shown on your federal return.
18. What is a "personal exemption"? The credit allowed to each individual to offset the tax on income used for his/her support. Students cannot take this credit if they can be claimed as dependents on their parents' return.

TEACHER'S GUIDE

LESSON ONE —

YOUR ROLE AS A TAXPAYER

PURPOSE

To understand how taxpayers benefit from California's system of voluntary compliance with the state income tax laws.

OBJECTIVES

Students will be able to:

- List benefits and services received through taxes collected by the State of California.
- Define voluntary compliance.
- Identify who administers the state income tax and who must file a state return.

STUDENT'S MATERIALS

- Handout – Governor's Budget Summary.
- Quiz.

KEY VOCABULARY

Voluntary Compliance – A system of taxation that relies on individual citizens to report their income, calculate their tax liability, and file a tax return on time.

Noncompliance – Failure to report income, calculate tax liability correctly, or file a tax return on time.

State Personal Income Tax – A state tax based on the amount of taxable income that people receive annually. Taxable income is less than total income because of tax deductions.

Sales Tax – A tax charged on sales of certain products and services. The tax is collected by the seller and held in trust until paid to the state.

SERVICES, BENEFITS, AND HOW THEY ARE FINANCED BY STATE TAXES

Take your students through the following exercise:

Visually inspect this classroom and, as you do, make a mental list of at least five items that have been provided for your use by the school district. Quickly put them into order of expense by replacement cost. Most of these items have been provided for you through monies raised by taxation.

In California, there are many state-owned beachfront parks. During the summer, millions of people visit those parks daily. Estimate what it costs to provide lifeguards, trash pick-up, parking, sanitary services, and supervision for those parks for just one day.

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Schools and public parks are just two of the services financed in large part by the taxes we pay in California. Put yourselves into groups of two to four and list as many types of taxes as you can that help provide these and other services to the residents of this state.

After the students have finished, list some of the taxes they have named on the board, then proceed to the Handout – Governor’s Budget Summary, for a discussion of state revenues and expenditures.

Explain to the students that the handout shows a breakdown of the revenues collected by the State of California and how they are spent. Note that the California personal income tax is by far the greatest single source of revenue for the state. Also point out how much money is allocated for education.

In your discussion, highlight these major types of taxes the state collects:

- **State Personal Income Tax –** Like the federal income tax, this tax is imposed on wages, tips, interest, dividends, pensions, capital gains, and other types of income. It is the largest single source of revenue in California and was first imposed in 1936.
- **Sales Tax –** The California sales tax applies to many products and services, including automobiles, stereos, clothing, soft drinks, admissions to movies and concerts, and video rentals. The tax is collected and held in trust by the vendor until paid to the state.
- **Bank and Corporation Taxes –** Banks and corporations must pay taxes on the income that they earn doing business in California.

STATE INCOME TAX

Point out that the remainder of the lessons in this unit will be devoted to the state income tax and how to file state returns.

Explain that the Franchise Tax Board (FTB) administers the state income tax laws. Emphasize the following points:

- Like the federal income tax system, the California state tax system operates on the concept of voluntary compliance.
- Individuals must file a state income tax return if they are single with an income of more than \$11,302, or married with a joint income of more than \$22,605.
- Both the state and the federal governments audit returns for accuracy and impose penalties for noncompliance.

LESSON ONE – ADDITIONAL ACTIVITIES

1. Referring to the handout of state revenues, note the key areas where California allocates its monies (e.g., education, health and welfare, etc.). Have students reallocate the revenues based on their own sense of priorities. Explain that they should consider the good of the entire state in their planning. Discuss their choices and the reasons for them.
2. Referring to the handout of state revenues, have students determine whether or not to change the breakdown of revenues – for example, lower personal income tax and raise sales tax. They may even wish to consider new taxes to replace those currently imposed. Once again, have them consider the good of the state as a whole, and the consequences of their choices. You can divide the class into “special interest” groups (e.g., computer industry, small business, etc.), and have each group defend its proposed tax structure.

ANSWERS TO LESSON ONE QUIZ (Page SM-2)

1. F.
2. T.
3. F.
4. The California Franchise Tax Board.
5. More than \$11,302.
6. \$11,421.80. Yes, you will have to file a state income tax return.
7. No. Their combined earnings will not exceed \$22,605.
8. A system of taxation that relies on individual citizens to report their income, calculate their tax liability, and file a tax return on time.

TEACHER'S GUIDE

LESSON TWO —

FORM W-4 AND FORM W-2

PURPOSE

To understand how the Form W-4 and Form W-2 are used for state income taxes.

OBJECTIVES

Students will be able to:

- Identify which forms are used for computing withholding for state income taxes.
- Explain how the information shown on the Form W-2 affects state income tax.

STUDENT'S MATERIALS

- Activity – Form W-2.
- Quiz.

KEY VOCABULARY

Income Tax Withholding – Money that an employer withholds from an employee's wages to be applied against the employee's income tax liability.

Form W-4 – The form used by employees to inform their employers how much federal and state withholding to take out of their paychecks.

Form DE-4 – The form an employee completes if he or she wishes the number of allowances for California income tax withholding to be different from that claimed for federal income tax withholding.

Form W-2 – The form used by employers to inform employees, the Internal Revenue Service, and the California Franchise Tax Board how much was withheld for taxes during the year.

WITHHOLDING

Explain that residents of California who earn more than a certain amount each year must pay state income tax. In California, as in the federal system, these taxes are generally prepaid in the form of "tax withholding" – money that an employer takes out of an employee's wages. This money is sent to the state and applies against the employee's tax liability.

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Point out that when students file a federal Form W-4 (discussed in Lesson 2 of the federal Understanding Taxes publication) – unless they indicate otherwise – the employer will automatically use that same information to withhold state income tax. If they discover that they are being either over or under withheld on their state income taxes, they may file a state Form DE-4 (Employee's Withholding Allowance Certificate) to establish separately the amount of their state withholding. This form should be available from their employer.

It is important to have the correct amount of both federal and state income tax withheld because:

- If you do not have enough withheld, penalties could be assessed.
- If you have too much withheld, neither the federal nor the state government will pay you interest the way a savings account would.

THE FORM W-2

Proceed to the federal Form W-2. Use the Activity – Form W-2 to note which information is pertinent to the student's state tax return.

Emphasize that:

- The Form W-2 contains information about both federal and state withholding.
- Two sections on the Form W-2 are important for state income tax purposes:
 - #1 Shows your total salary or earnings for the year.
 - #18 Shows how much was withheld for the payment of state personal income taxes.

- An employee should receive a Form W-2 for each job held during the year by January 21 of the following year.
- Each Form W-2 will have three copies of the form – one to file with your federal income tax return, one to file with your state income tax return, and one to keep for your records.

ANSWERS TO LESSON TWO ACTIVITY – Form W-2 (Page SM-4)

1. \$867.03.
2. \$22,465.86.
3. \$4,819.31 (\$2,345.97 + \$1,606.31 + \$867.03).

ANSWERS TO LESSON TWO QUIZ (Page SM-5)

1. F.
2. T.
3. T.
4. D.
5. Yes.
6. If you wish the number of allowances for California income tax withholding to be different from that claimed for federal income tax withholding.

TEACHER'S GUIDE

LESSON THREE —

STATE TAX RETURNS

PURPOSE

To understand the California Resident Income Tax Returns Form 540 2EZ and Form 540A.

OBJECTIVES

Students will be able to:

- Determine who should file a California Form 540 2EZ and identify the information they need to correctly fill one out.
- List the criteria that must be met to file either a California Form 540 2EZ or Form 540A.
- Fill out a California Form 540 2EZ.

STUDENT'S MATERIALS

- Handout – The Form 540 2EZ Versus the Form 540A.
- Handout – 2000 California 2EZ Table.
- Handout – California Resident Income Tax Return 2000 Form 540 2EZ.
- Handout – Instructions for Form 540 2EZ.
- Activity – Worksheet 1.
- Activity – Worksheet 2.
- Activity – Worksheet 3 (Optional).
- Quiz.

KEY VOCABULARY

Federal Adjusted Gross Income – The amount of adjusted gross income shown on your federal return.

Federal Filing Status – Filing status claimed on your federal return.

Personal Exemption – The credit allowed to each individual to offset the tax on income used for his/her support. Students cannot take this credit if they can be claimed as a dependent on their parents' return.

Standard Deduction – An amount deducted from an individual's total income before determining his/her taxable income.

Form 540 2EZ and Form 540A – Two of the income tax forms a taxpayer can use to compute and report his/her state income tax liability for the year.

WHO SHOULD FILE

Remind the class that individuals must file an income tax return if they earned a salary of more than \$11,302 as a single person, or \$22,605 as a married couple. But even if they did not earn that amount, they need to file in order to receive a refund of the money paid in withholding.

Tell the students that they should always ask themselves two questions:

Did I make over \$11,302 during the last calendar year?

Did I have state withholding taken out of my paycheck?

If they answered "yes" to either of the above questions, then they should file a state income tax return.

For most students, the amount of withholding will be greater than the amount owed in taxes. That means they will receive a refund.

THE FORM 540 2EZ OR FORM 540A

The income tax returns filed by most taxpayers in California are the Form 540 2EZ and Form 540A. Most students will file the Form 540 2EZ. This is the simplest and easiest of the forms.

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Explain that the decision as to whether to use the Form 540 2EZ or the Form 540A is based on:

- Filing status.
- The types of income you have.
- Whether or not you itemize deductions.

Go over the Handout – The Form 540 2EZ Versus the Form 540A. Emphasize that most students would file a Form 540 2EZ because:

- They usually have no dependents.
- Their income is less than \$50,000, and was only from wages, salaries, tips, taxable interest, taxable scholarships or fellowship grants, and unemployment compensation.
- They generally take the standard deduction.

THE CALIFORNIA RESIDENT INCOME TAX RETURN FORM 540 2EZ

Review the Handout – California Resident Income Tax Return 2000 Form 540 2EZ.

You can go over the blank form once very briefly using the step-by-step discussion provided below and then go over it again using the information from the Activity – Worksheets 1, 2, and 3, beginning on page SM-12.

Explain that the state tax law is very similar to the federal tax law. Therefore, the state return is designed so that the taxpayer starts with amounts taken directly from the federal return. All the taxpayer has to do is make a few adjustments, claim his/her state credits, and compute the state tax.

Point out certain key things to remember about filing a state return:

- Your state return begins with your federal adjusted gross income (AGI).

- You must use the same filing status on your state return as you did on your federal return. To use the Form 540 2EZ, you must have filed your federal return using the single, married filing joint, head of household, or qualifying widow(er) filing status.
- You cannot claim a personal exemption credit if you can be claimed as a dependent by someone else, such as your parents.
- You may not be eligible to take the full standard deduction if you can be claimed, as a dependent on your parents' return.
- You must file between January 1 and April 15.
- The earlier you file, the faster you will get your refund, if you have one coming.

FORM 540 2EZ – SPECIFIC LINE INSTRUCTIONS

Using the Handout – California Resident Income Tax Return 2000 Form 540 2EZ, take the class through a discussion to emphasize those areas which affect a typical student.

LABEL HERE – *As a new taxpayer, you won't have a mailing label; therefore, you should either type or print the information in this section in ink. Use your full name, address, and social security number. Once you have filed a California income tax form, you will automatically be sent a new tax forms booklet each year. The booklet will include a peel-off label with your name and address pre-printed. You may cross out any errors and print the correct information on the label and attach it to the top of your tax return. It is important not to put the label on your return until you are positive the return is correct.*

FILING STATUS - Line 6 – *Another important question is whether or not you can claim a personal exemption. As a student, the answer is generally "no"; therefore, you would fill in the circle on line 6. As discussed earlier, the rule is that you cannot claim a personal exemption credit for yourself if you CAN BE claimed as a dependent by someone else, on their tax return, even if they choose not to claim you.*

TOTAL WAGES - Line 8 – *Enter total wages shown on your Form W-2.*

TAX DUE - Line 12 – *Compute your tax by using the 2000 California 2EZ Table and the Dependent Tax Worksheet (found in the Instructions for Form 540 2EZ) and enter the amount here.*

TAX WITHHELD - Line 15 – *Enter the amount of state withholding shown on your Form W-2.*

CONTRIBUTIONS - Line 20 – *You are allowed to make voluntary contributions to certain organizations. The amount contributed will be taken out of your refund or, if you have tax due, your tax will be increased by the amount that you contribute.*

Ask the students to go to side two, above line 20, and take a quick look at the organizations to which they can make contributions.

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Double check all your computations and **sign the form**. Be sure to attach copies of all your Forms W-2. If you owe tax, attach your check or money order.

Emphasize to the students that when they sign the return, they are verifying its accuracy.

USING THE TAX TABLE

Provide each of the students with the Handout – 2000 California 2EZ Table.

Have the students use the tax table to determine what the tax is on different levels of income.

FILLING OUT THE FORM 540 2EZ

As an in-class exercise, pass out blank Forms 540 2EZ and fill them out with the students, using the information on the Activity – Worksheets 1, 2, and 3.

Students will need:

- A blank Form 540 2EZ (front and back).
- A 2000 California 2EZ Table.
- Activity – Worksheets 1, 2, and 3.
- Instructions for Form 540 2EZ.

ANSWERS TO LESSON THREE QUIZ (Page SM-15)

1. F.
2. T.
3. T.
4. F.
5. T.
6. T.
7. F.
8. F.
9. T.
10. C.
11. \$12, \$112, \$196.

California Resident Income Tax Return 2000		FORM 540 2EZ
L Your first name Joe	Initial Last name Student	
B If a joint return, spouse's first name	Initial Last name	
L Number and street (include PO box or rural route) 1211 Arty Avenue		AC PMB no.
HE City Modesto		A State CA
R ZIP Code 97786		RP
Your social security number 1 2 3 4 5 6 7 8 9		If joint return, spouse's social security number

Filing Status. Fill in the circle for your filing status. See instructions.

1 Single
 2 Married filing joint
 4 Head of household. **Stop!** See instructions.
 5 Qualifying widow(er) with dependent child. (Year spouse died ____.)
 6 If another person can claim you (or your spouse, if married) as a dependent on their return, fill in this circle ● 6 ○

7 Number of dependents. (Do not include yourself or your spouse) ... ● 7 ○

Name: _____

8 Total wages (Form W-2, box 17) ● 8 **1 0 4 6 2**

9 Total interest income (Form 1099-INT, box 1) 9

10 Unemployment compensation . ● 10 _____

11 Add line 8 and line 9. **Caution:** Do not include line 10 ● 11 **1 0 4 6 2**

12 Using the table for your filing status, enter the tax for the amount on line 11 12 (If you filled in the circle on line 6, **STOP** See instructions) **9 9**

13 Nonrefundable renter's credit. See instructions ● 13 _____

14 Subtract line 13 from line 12. If zero or less, enter -0- ● 14 **9 9**

15 Total tax withheld (Form W-2, box 18) ■ 15 **2 6 2**

16 Overpaid tax. If line 15 is more than line 14, subtract line 14 from line 15 ■ 16 **1 6 3**

17 Tax due. If line 15 is less than line 14, subtract line 15 from line 14 17 _____

18 Transfer overpaid tax from Side 1, line 16 ... 18 **1 6 3**

19 Transfer tax due from Side 1, line 17 19

Voluntary Contributions. See instructions. Code Amount

Alzheimer's Disease/Related Disorders Fund ◀ 52 ▶	
California Fund for Senior Citizens ◀ 53 ▶	
Rare and Endangered Species Preservation Program ◀ 54 ▶	
State Children's Trust Fund for the Prevention of Child Abuse ◀ 55 ▶	
California Breast Cancer Research Fund ◀ 56 ▶	
California Firefighters' Memorial Fund ◀ 57 ▶	
California Mexican American Veterans' Memorial ◀ 58 ▶	
Emergency Food Assistance Program Fund ◀ 59 ▶	
California Peace Officer Memorial Foundation Fund ◀ 60 ▶	
Birth Defects Research Fund ◀ 61 ▶	
National World War II Veterans Memorial Trust Fund ◀ 62 ▶	
California Lung Disease and Asthma Research Fund ◀ 63 ▶	

20 Add all contributions entered above ● 20

21 Refund or no amount due. Subtract line 20 from line 18. ■ 21 **1 6 3**

22 Amount you owe. If there is an amount on line 19, add line 19 and line 20 ■ 22

Direct Deposit
Fill in the boxes to have your refund directly deposited.

Account Type: Checking ● Savings ● Routing number →

Account number →

Caution: Do not attach a voided check or a deposit slip!

Under penalties of perjury, I declare that, to the best of my knowledge and belief, the information on this return is true, correct, and complete. It is unlawful to forge a spouse's signature.

Sign here You: Joe Student Spouse: _____ Date: 3-14-00

Daytime phone number (101) 151-4111

Paid preparer: _____ (Paid preparer's SSN/PTIN) _____ FEIN _____

Answers To Lesson Three Activity – Worksheet 1 (Page SM-12)

Instructions for Form 540 2EZ

Line 8 – Wages

Enter the amount from Form W-2, box 17. If you have more than one W-2, add all amounts shown in box 17. The picture on page 4 shows where this information is located on your Form W-2.

Line 9 – Interest Income

Enter interest income shown on Form 1099-INT, box 1. If your total interest income is more than \$400, you cannot use this form. Go to www.ftb.ca.gov and e-file or see the back cover for downloading or ordering forms.



Do not include amounts shown on Form 1099-INT, box 3, Interest on U.S. Savings Bonds and Treasury Obligations. It is not taxed by California.

Line 10 – Unemployment Compensation

Enter unemployment compensation from federal Form 1099-G. This type of income is not taxed by California and will not be included in the total for line 11.

Line 12 – Tax

Did you fill in the circle for line 6?

Yes Complete the Dependent Tax Worksheet below.

No Follow the instructions below.

Use the California 2EZ table for your filing status to complete this line. The 2EZ tables in this booklet give you credit for the standard deduction for your filing status, your personal exemption credit, and dependent exemption credits. There are three different tables. Make sure you use the right one. If your filing status is:

- Single, use the purple table, page 15.
- Married filing joint or qualifying widow(er), use the orange table, page 19.
- Head of household, use the green table, page 27.

Dependent Tax Worksheet

Is the amount on line 11 less than or equal to:

- \$9,361 if single
- \$18,572 if married filing joint or qualifying widow(er)
- \$13,172 if head of household

Yes Stop here. You cannot use Form 540 2EZ because you will not be able to figure the correct amount of tax using the California 2EZ Tables. Please e-file (page 3) or TeleFile (page 4).

No If you can be claimed as a dependant by another taxpayer, your personal exemption credit amount is zero. You will need to adjust the tax from the 2EZ Table for this amount as follows:

- Using the amount from Form 540 2EZ, line 11, and your filing status, look up the tax in 2EZ Table.

If your filing status is:

- Single, use the purple table, page 15.
- Married filing joint or qualifying widow(er), use the orange table, page 19
- Head of household, use the green table, page 27

- If single or head of household, enter \$75
 - If married and both spouses can be claimed by another taxpayer, enter \$150
 - If married and only one spouse can be claimed, enter \$75
 - If qualifying widow(er), enter \$150

- Add line 1 and line 2. Enter here and on Form 540 2EZ, line 12

1 24

2 75

3 99

Line 13 – Nonrefundable Renter's Credit

If you paid rent on your principal California residence in 2000, you may be eligible for a credit to reduce your tax. See page 7 for more information.

Line 15 – Tax Withheld

Enter the amount from Form W-2, box 18. If you have more than one Form W-2, add all amounts shown in box 18. The picture on page 4 shows where this information is located on your Form W-2.

Line 20 – Voluntary Contributions

You may contribute part or all of your refund to the funds listed on Form 540 2EZ, Side 2. See page 8 for descriptions of the funds.

Line 21 – Refund or No Amount Due

If you did not enter an amount on line 20, enter the amount from line 18 on line 21. This amount will be refunded to you. If it is less than \$1, attach a written request to your Form 540 2EZ to receive the refund.

If you would like your refund to be deposited directly into your bank account, see Direct Deposit on page 6.

If you entered an amount on line 20, subtract it from the amount on line 18. If the result is zero or more, enter the result on line 21. Assemble your return as shown on this page and mail it in the envelope provided. Be sure to attach the green label to the front of the envelope. The address is: FRANCHISE TAX BOARD, PO BOX 942840, SACRAMENTO CA 94240-0000

If line 20 is more than line 18, your contributions are more than your overpaid tax available. Subtract the amount on line 18 from the amount on line 20, enter the result on line 22, and follow the instructions for line 22.

Line 22 – Amount You Owe

See page 9 and page 10, Paying Your Taxes.

Assemble your return as shown below and mail it in the envelope provided. Be sure to attach the white label to the front of the envelope. The address is: FRANCHISE TAX BOARD, PO BOX 942867, SACRAMENTO CA 94267-0001

Direct Deposit

It's fast, safe, and convenient to have your refund directly deposited into your bank account. See the picture on page 6 for locating the bank information.

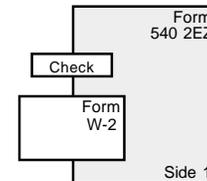
Sign Your Return

You must sign your return on Side 2. If you file a joint return, your spouse must sign it also.

Note: If you file a joint return, both you and your spouse are generally responsible for tax and any interest or penalties due on the return. If one spouse does not pay the tax, the other spouse may have to. See Innocent Spouse Relief on page 31.

If you pay a person to prepare your return, that person must sign on Side 2 and include the social security number (or PTIN) or FEIN. A paid preparer must give you two copies of your return: one to file with the Franchise Tax Board and one to keep for your records.

Assembling Your Return



Answers To Lesson Three Activity - Worksheet 3 (Page SM-14)

California Resident Income Tax Return 2000		FORM 540 2EZ	
L Your first name Rebecca	P Initial/Last name Scholastic		
B If a joint return, spouse's first name	Initial/Last name		
E Number and street (include PO box or rural route) 8233 Easy Street	Apt. no. 14	PMB no.	
H City Sausalito	State CA	ZIP Code 95564	
R Your social security number 1 2 3 4 5 6 7 8 9	If joint return, spouse's social security number		
RP			

Filing Status. Fill in the circle for your filing status. See instructions.

1 Single
 2 Married filing joint
 4 Head of household. **Stop!** See instructions.
 5 Qualifying widow(er) with dependent child. (Year spouse died _____.)
 6 If another person can claim you (or your spouse, if married) as a dependent on their return, fill in this circle **6**

7 Number of dependents. (Do not include yourself or your spouse) . . . **7**

Name: _____ Name: _____

8 Total wages (Form W-2, box 17) **8** **1 1 8 3 0**

9 Total interest income (Form 1099-INT, box 1) **9**

10 Unemployment compensation . . . **10**

11 Add line 8 and line 9. **11** **1 1 8 3 0**

Caution: Do not include line 10. **11**

12 Using the table for your filing status, enter the tax for the amount on line 11 **12** **1 2 5**

(If you filled in the circle on line 6, **STOP.** See instructions)

13 Nonrefundable renter's credit. See instructions **13**

14 Subtract line 13 from line 12. If zero or less, enter -0- **14** **1 2 5**

15 Total tax withheld (Form W-2, box 18) **15** **2 9 6**

16 Overpaid tax. If line 15 is more than line 14, subtract line 14 from line 15 **16** **1 7 1**

17 Tax due. If line 15 is less than line 14, subtract line 15 from line 14 **17**

18 Transfer overpaid tax from Side 1, line 16 **18** **1 7 1**

19 Transfer tax due from Side 1, line 17 **19**

Voluntary Contributions. See instructions. Code Amount

Alzheimer's Disease/Related Disorders Fund **52** **10.00**

California Fund for Senior Citizens **53**

Rare and Endangered Species Preservation Program **54**

State Children's Trust Fund for the Prevention of Child Abuse **55**

California Breast Cancer Research Fund **56**

California Firefighters' Memorial Fund **57**

California Mexican American Veterans' Memorial **58**

Emergency Food Assistance Program Fund **59**

California Peace Officer Memorial Foundation Fund **60**

Birth Defects Research Fund **61**

National World War II Veterans Memorial Trust Fund **62**

California Lung Disease and Asthma Research Fund **63**

20 Add all contributions entered above **20** **1 0**

21 Refund or no amount due. Subtract line 20 from line 18 **21** **1 6 1**

22 Amount you owe. If there is an amount on line 19, add line 19 and line 20 **22**

Direct Deposit
 Fill in the boxes to have your refund directly deposited.

Account Type: Checking Savings Routing number **1 6 1**

Account number **1 0**

Caution: Do not attach a voided check or a deposit slip!

Under penalties of perjury, I declare that, to the best of my knowledge and belief, the information on this return is true, correct, and complete. It is unlawful to forge a spouse's signature.

Sign here You: Rebecca Scholastic Spouse: _____ Date: _____

Daytime phone number () _____

Paid preparer Paid preparer's SSN/PTIN _____ FEIN _____

Instructions for Form 540 2EZ

Line 8 – Wages

Enter the amount from Form W-2, box 17. If you have more than one W-2, add all amounts shown in box 17. The picture on page 4 shows where this information is located on your Form W-2.

Line 9 – Interest Income

Enter interest income shown on Form 1099-INT, box 1. If your total interest income is more than \$400, you cannot use this form. Go to www.ftb.ca.gov and e-file or see the back cover for downloading or ordering forms.



Do not include amounts shown on Form 1099-INT, box 3, Interest on U.S. Savings Bonds and Treasury Obligations. It is not taxed by California.

Line 10 – Unemployment Compensation

Enter unemployment compensation from federal Form 1099-G. This type of income is not taxed by California and will not be included in the total for line 11.

Line 12 – Tax

Did you fill in the circle for line 6?

Yes Complete the Dependent Tax Worksheet below.

No Follow the instructions below.

Use the California 2EZ table for your filing status to complete this line. The 2EZ tables in this booklet give you credit for the standard deduction for your filing status, your personal exemption credit, and dependent exemption credits. There are three different tables. Make sure you use the right one. If your filing status is:

- Single, use the purple table, page 15.
- Married filing joint or qualifying widow(er), use the orange table, page 19.
- Head of household, use the green table, page 27.

Dependent Tax Worksheet

Is the amount on line 11 less than or equal to:

- \$9,361 if single
- \$18,572 if married filing joint or qualifying widow(er)
- \$13,172 if head of household

Yes Stop here. You cannot use Form 540 2EZ because you will not be able to figure the correct amount of tax using the California 2EZ Tables. Please e-file (page 3) or TeleFile (page 4).

No If you can be claimed as a dependant by another taxpayer, your personal exemption credit amount is zero. You will need to adjust the tax from the 2EZ Table for this amount as follows:

1. Using the amount from Form 540 2EZ, line 11, and your filing status, look up the tax in 2EZ Table.

If your filing status is:

- Single, use the purple table, page 15.
- Married filing joint or qualifying widow(er), use the orange table, page 19
- Head of household, use the green table, page 27

2. If single or head of household, enter \$75
- If married and both spouses can be claimed by another taxpayer, enter \$150
- If married and only one spouse can be claimed, enter \$75
- If qualifying widow(er), enter \$150

3. Add line 1 and line 2. Enter here and on Form 540 2EZ, line 12

1 50

2 75

3 125

Line 13 – Nonrefundable Renter’s Credit

If you paid rent on your principal California residence in 2000, you may be eligible for a credit to reduce your tax. See page 7 for more information.

Line 15 – Tax Withheld

Enter the amount from Form W-2, box 18. If you have more than one Form W-2, add all amounts shown in box 18. The picture on page 4 shows where this information is located on your Form W-2.

Line 20 – Voluntary Contributions

You may contribute part or all of your refund to the funds listed on Form 540 2EZ, Side 2. See page 8 for descriptions of the funds.

Line 21 – Refund or No Amount Due

If you did not enter an amount on line 20, enter the amount from line 18 on line 21. This amount will be refunded to you. If it is less than \$1, attach a written request to your Form 540 2EZ to receive the refund.

If you would like your refund to be deposited directly into your bank account, see Direct Deposit on page 6.

If you entered an amount on line 20, subtract it from the amount on line 18. If the result is zero or more, enter the result on line 21. Assemble your return as shown on this page and mail it in the envelope provided. Be sure to attach the green label to the front of the envelope. The address is: FRANCHISE TAX BOARD, PO BOX 942840, SACRAMENTO CA 94240-0000

If line 20 is more than line 18, your contributions are more than your overpaid tax available. Subtract the amount on line 18 from the amount on line 20, enter the result on line 22, and follow the instructions for line 22.

Line 22 – Amount You Owe

See page 9 and page 10, Paying Your Taxes.

Assemble your return as shown below and mail it in the envelope provided. Be sure to attach the white label to the front of the envelope. The address is: FRANCHISE TAX BOARD, PO BOX 942867, SACRAMENTO CA 94267-0001

Direct Deposit

It’s fast, safe, and convenient to have your refund directly deposited into your bank account. See the picture on page 6 for locating the bank information.

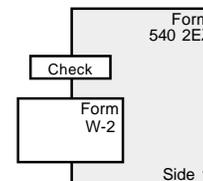
Sign Your Return

You must sign your return on Side 2. If you file a joint return, your spouse must sign it also.

Note: If you file a joint return, both you and your spouse are generally responsible for tax and any interest or penalties due on the return. If one spouse does not pay the tax, the other spouse may have to. See Innocent Spouse Relief on page 31.

If you pay a person to prepare your return, that person must sign on Side 2 and include the social security number (or PTIN) or FEIN. A paid preparer must give you two copies of your return: one to file with the Franchise Tax Board and one to keep for your records.

Assembling Your Return



Section II

Student's Materials

NOTES

STUDENT'S MATERIALS

LESSON ONE — QUIZ

Based on the information you have received about California state taxes, answer the following questions:

1. T F A person who is single and who earned *exactly* \$11,302 last year must file a California income tax return.
2. T F The State of California uses its revenues to help pay for roads, parks, and schools.
3. T F The personal income tax is the only tax that California residents have to pay.
4. What California agency collects the income tax revenues in California? _____

5. If you are single, what is the maximum you can earn before you have to file a California income tax return?

6. You are a high school senior at Martin Luther King Jr. High School in Los Angeles. You make \$9.55 an hour at a service station near your home, and average 23 hours work a week all year long. What will your yearly earnings be? According to the law, will you have to file a California income tax return?

7. Just out of high school, Charles Burt and Joan Florent have married. Charles will work this summer as a lifeguard and Joan will work as a swimming instructor. He will make \$6,876.50, and she will earn about one and a half times as much. Will they be required to file a California income tax return? Why or why not?

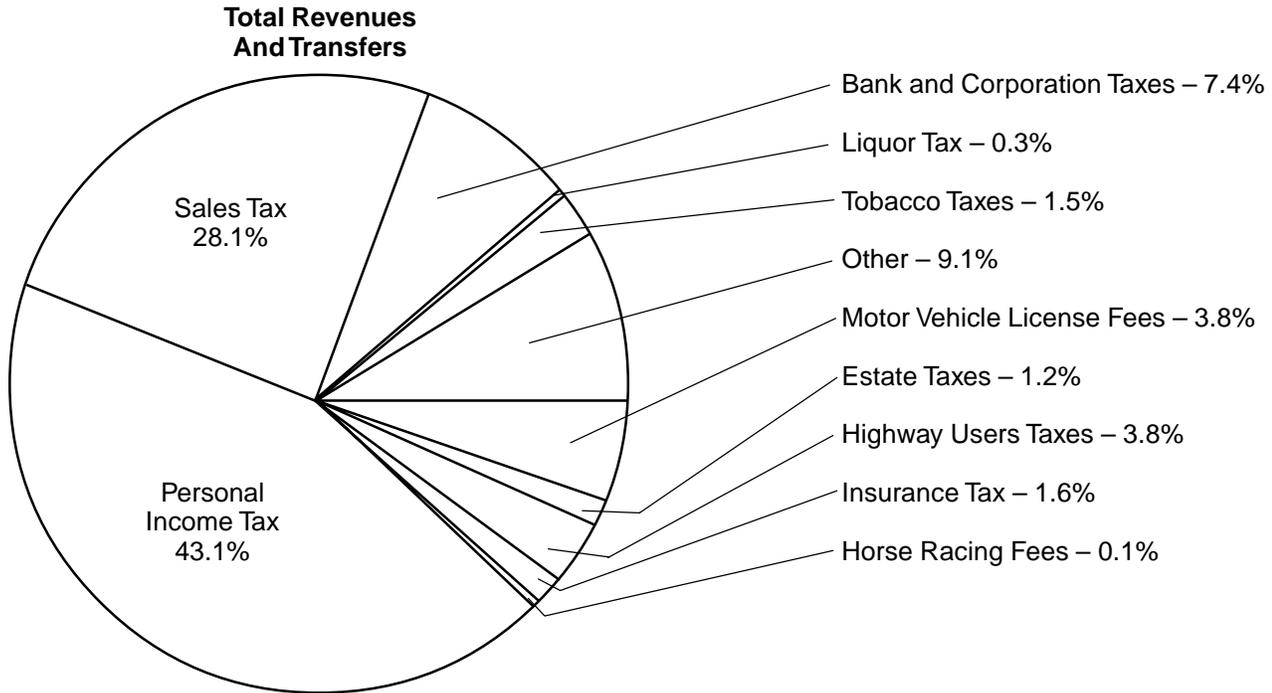
8. Define "voluntary compliance." _____

LESSON ONE —

GOVERNOR'S BUDGET SUMMARY

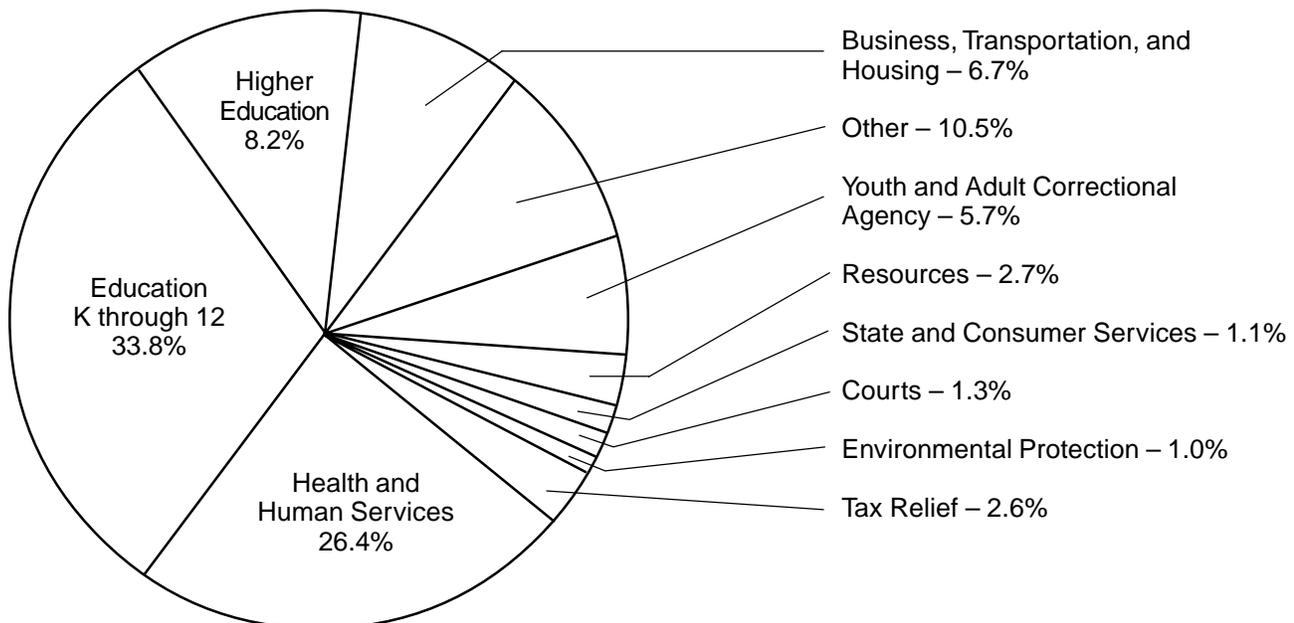
Estimated Revenues

2000-2001 Fiscal Year



Estimated Expenditures

2000-2001 Fiscal Year



STUDENT'S MATERIALS

LESSON TWO — ACTIVITY

WORKSHEET #1

a Control number	22222	Void <input type="checkbox"/>	For Official Use Only ▶ OMB No. 1545-0008				
b Employer identification number			1 Wages, tips, other compensation 22,465.86	2 Federal income tax withheld 2,345.97			
c Employer's name, address, and ZIP code Garden National Bank 3655 51st Street Russian River, CA 93544			3 Social security wages 22,465.86	4 Social security tax withheld 1,606.31			
			5 Medicare wages and tips	6 Medicare tax withheld			
			7 Social security tips None	8 Allocated tips 0			
d Employee's social security number	123-45-6789		9 Advance EIC payment 0	10 Dependent care benefits			
e Employee's name (first, middle initial, last) Elizabeth R. Smith 8014 Withrow Court Fair Oaks, CA 95628			11 Nonqualified plans	12 Benefits included in box 1			
			13 See instrs. for box 13	14 Other			
f Employee's address and ZIP code			15 Statutory employee <input type="checkbox"/>	Deceased <input type="checkbox"/>	Pension plan <input type="checkbox"/>	Legal rep. <input type="checkbox"/>	Deferred compensation <input type="checkbox"/>
16 State Employer's state I.D. no. CA	17 State wages, tips, etc.	18 State income tax 867.03	19 Locality name	20 Local wages, tips, etc.	21 Local income tax		

Form **W-2 Wage and Tax Statement 2000**

Department of the Treasury—Internal Revenue Service

For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.

Copy A For Social Security Administration—Send this entire page with Form W-3 to the Social Security Administration; photocopies are not acceptable.

Cat. No. 10134D

Do NOT Cut, Fold, or Staple Forms on This Page — Do NOT Cut, Fold, or Staple Forms on This Page

ANSWER THE FOLLOWING QUESTIONS, BASED ON THE FORM W-2 ABOVE.

- How much state income tax did Elizabeth have withheld? _____
- What were her wages, tips, and other compensation? _____
- What was the **total** amount of tax withheld from her salary? _____

STUDENT'S MATERIALS

LESSON TWO – QUIZ

1. T F Your employer will not send you a Form W-2 at the end of the year unless you request it.
2. T F The information on a Form W-2 shows both the federal income tax that you had withheld and the state income tax that you had withheld.
3. T F You will receive three copies of each Form W-2: a copy for your federal income tax return, a copy for your state income tax return, and a copy for your records.
4. It is important to claim the correct amount of state withholding because:
 - A. It can keep you from having to pay a large sum when you file your return.
 - B. The state and federal governments do not pay interest on amounts withheld.
 - C. There are state and federal penalties for underwithholding.
 - D. All of the above.

5. Do you need to file a copy of your Form W-2 with your state income tax return? _____

6. When should you file a state Form DE-4? _____

STUDENT'S MATERIALS

LESSON THREE — HANDOUTS

THE FORM 540 2EZ VERSUS THE FORM 540A

You may File a Form 540 2EZ if:

You must File a Form 540A if:

FILING STATUS

You were single, married, head of household, or qualifying widow(er), and had 0-3 dependents.

You had more than three dependents.

INCOME

Your taxable income was \$50,000 or less and was ONLY from wages, salaries, tips, taxable interest of \$400 or less, taxable scholarships or fellowship grants, and unemployment compensation reported on Form 1099-G.

You had income from additional sources such as dividends and social security.

TAX CREDITS

You claim personal exemption credits and/or up to three dependent exemptions.

You claim credits other than the personal exemption credits or 0-3 dependent credits.

ITEMIZED DEDUCTIONS

None allowed.

You itemized your deductions on your federal return and need to make an adjustment or adjustments for state, local, and foreign taxes.

STUDENT'S MATERIALS

HANDOUT

2000 California 2EZ Table

Single

This table gives you credit for \$2,811 for your standard deduction, \$75 for your personal exemption credit, and \$235 for each dependent exemption you are entitled to claim. To Find Your Tax:

- Read down the column labeled "If Your Income is . . ." to find the range that includes your income from Form 540 2EZ, line 11.
- Read across the columns labeled "Number of dependents" to find the tax amount that applies to you. Enter the tax amount on Form 540 2EZ, line 12.

Caution: Do not use these tables for TeleFile, Form 540A, Form 540, or Form 540NR.

If Your Income is... At Least But not over		Number of Dependents					
0	1	2	3	0	1	2	3
0	9,361	0	0	0	0		
9,362	9,461	2	0	0	0		
9,462	9,561	4	0	0	0		
9,562	9,661	6	0	0	0		
9,662	9,761	8	0	0	0		
9,762	9,861	10	0	0	0		
9,862	9,961	12	0	0	0		
9,962	10,061	14	0	0	0		
10,062	10,161	16	0	0	0		
10,162	10,261	18	0	0	0		
10,262	10,361	20	0	0	0		
10,362	10,461	22	0	0	0		
10,462	10,561	24	0	0	0		
10,562	10,661	26	0	0	0		
10,662	10,761	28	0	0	0		
10,762	10,861	30	0	0	0		
10,862	10,961	32	0	0	0		
10,962	11,061	34	0	0	0		
11,062	11,161	36	0	0	0		
11,162	11,261	38	0	0	0		
11,262	11,361	40	0	0	0		
11,362	11,461	42	0	0	0		
11,462	11,561	44	0	0	0		
11,562	11,661	46	0	0	0		
11,662	11,761	48	0	0	0		
11,762	11,861	50	0	0	0		
11,862	11,961	52	0	0	0		
11,962	12,061	54	0	0	0		
12,062	12,161	56	0	0	0		
12,162	12,261	58	0	0	0		
12,262	12,361	60	0	0	0		
12,362	12,461	62	0	0	0		
12,462	12,561	64	0	0	0		
12,562	12,661	66	0	0	0		
12,662	12,761	68	0	0	0		
12,762	12,861	70	0	0	0		
12,862	12,961	72	0	0	0		
12,962	13,061	74	0	0	0		
13,062	13,161	76	0	0	0		
13,162	13,261	78	0	0	0		
13,262	13,361	80	0	0	0		
13,362	13,461	82	0	0	0		
13,462	13,561	84	0	0	0		
13,562	13,661	86	0	0	0		
13,662	13,761	88	0	0	0		
13,762	13,861	90	0	0	0		
13,862	13,961	92	0	0	0		
13,962	14,061	94	0	0	0		
14,062	14,161	96	0	0	0		
14,162	14,261	98	0	0	0		
14,262	14,361	100	0	0	0		
14,362	14,461	102	0	0	0		
14,462	14,561	104	0	0	0		
14,562	14,661	106	0	0	0		
14,662	14,761	108	0	0	0		
14,762	14,861	110	0	0	0		
14,862	14,961	112	0	0	0		
14,962	15,061	114	0	0	0		
15,062	15,161	116	0	0	0		
15,162	15,261	118	0	0	0		
15,262	15,361	120	0	0	0		
15,362	15,461	122	0	0	0		
15,462	15,561	124	0	0	0		
15,562	15,661	126	0	0	0		
15,662	15,761	128	0	0	0		
15,762	15,861	132	0	0	0		
15,862	15,961	136	0	0	0		
15,962	16,061	140	0	0	0		
16,062	16,161	144	0	0	0		
16,162	16,261	148	0	0	0		
16,262	16,361	152	0	0	0		
16,362	16,461	156	0	0	0		
16,462	16,561	160	0	0	0		
16,562	16,661	164	0	0	0		
16,662	16,761	168	0	0	0		
16,762	16,861	172	0	0	0		
16,862	16,961	176	0	0	0		
16,962	17,061	180	0	0	0		
17,062	17,161	184	0	0	0		
17,162	17,261	188	0	0	0		
17,262	17,361	192	0	0	0		
17,362	17,461	196	0	0	0		
17,462	17,561	200	0	0	0		
17,562	17,661	204	0	0	0		
17,662	17,761	208	0	0	0		
17,762	17,861	212	0	0	0		
17,862	17,961	216	0	0	0		
17,962	18,061	220	0	0	0		
18,062	18,161	224	0	0	0		
18,162	18,261	228	0	0	0		
18,262	18,361	232	0	0	0		
18,362	18,461	236	1	0	0		
18,462	18,561	240	5	0	0		
18,562	18,661	244	9	0	0		
18,662	18,761	248	13	0	0		
18,762	18,861	252	17	0	0		
18,862	18,961	256	21	0	0		
18,962	19,061	260	25	0	0		
19,062	19,161	264	29	0	0		
19,162	19,261	268	33	0	0		
19,262	19,361	272	37	0	0		
19,362	19,461	276	41	0	0		
19,462	19,561	280	45	0	0		
19,562	19,661	284	49	0	0		
19,662	19,761	288	53	0	0		

HANDOUT

FORM
540 2EZ

California Resident Income Tax Return 2000

L A B E L	Your first name	Initial	Last name	P	
	If a joint return, spouse's first name	Initial	Last name		
H E R E	Number and street (include PO box or rural route)		Apt. no.	PMB no.	A C R P
	City		State	ZIP Code	
Your social security number		If joint return, spouse's social security number			R P
<input type="text"/> <input type="text"/> <input type="text"/> - <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>		<input type="text"/> <input type="text"/> <input type="text"/> - <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>			

Filing Status. Fill in the circle for your filing status. See instructions.

- 1 Single
 - 2 Married filing joint
 - 4 Head of household. **Stop!** See instructions.
 - 5 Qualifying widow(er) with dependent child. (Year spouse died _____.)
 - 6 If another person can claim you (or your spouse, if married) as a dependent on their return, fill in this circle **6**
 - 7 **Number of dependents. (Do not include yourself or your spouse)** **7**
- Name: _____ Name: _____ Name: _____

8 Total wages (Form W-2, box 17)	8	<input checked="" type="radio"/>	<input type="text"/>
9 Total interest income (Form 1099-INT, box 1)	9		<input type="text"/>
10 Unemployment compensation	10	<input checked="" type="radio"/>	<input type="text"/>
11 Add line 8 and line 9. Caution: Do not include line 10	11	<input checked="" type="radio"/>	<input type="text"/>
12 Using the table for your filing status, enter the tax for the amount on line 11 (If you filled in the circle on line 6, STOP . See instructions)	12		<input type="text"/>
13 Nonrefundable renter's credit. See instructions	13	<input checked="" type="radio"/>	<input type="text"/>
14 Subtract line 13 from line 12. If zero or less, enter -0-	14	<input checked="" type="radio"/>	<input type="text"/>
15 Total tax withheld (Form W-2, box 18)	15	<input checked="" type="radio"/>	<input type="text"/>
16 Overpaid tax. If line 15 is more than line 14, subtract line 14 from line 15	16	<input checked="" type="radio"/>	<input type="text"/>
17 Tax due. If line 15 is less than line 14, subtract line 15 from line 14	17		<input type="text"/>

HANDOUT

Instructions for Form 540 2EZ

Qualifying to use Form 540 2EZ

Check the table to make sure you qualify to use Form 540 2EZ. If you find that you cannot use this form, see page 3 for information about e-file, page 4 for information about TeleFile, or see the back cover for downloading or ordering Form 540A, Form 540, or Form 540NR.

Residency:	California resident entire year
Filing status:	<ul style="list-style-type: none"> • Single • Married filing joint • Head of household • Qualifying widow(er)
Dependents:	0 – 3 dependents allowed
Types of Income:	<ul style="list-style-type: none"> • Wages, salaries, and tips • Taxable scholarship and fellowship grants (only if reported on Form W-2) • Interest (only if \$400 or less) • Unemployment compensation
Total income:	<ul style="list-style-type: none"> • \$50,000 or less (single or head of household) • \$100,000 or less (married filing joint or qualifying widow(er)) <p>Total income includes wages, salaries, tips, taxable scholarship or fellowship grants and interest.</p> <p>Note: If you can be claimed as a dependent by another taxpayer, and your total income is less than or equal to \$9,361 if single; \$18,572 if married filing joint or qualifying widow(er); or \$13,172 if head of household, you cannot use Form 540 2EZ. You can e-file (page 3) or TeleFile (page 4).</p>
Adjustments to income:	No deductions from total income such as student loan interest deduction, IRA deduction, etc.
Standard deduction only	
Payments:	Withholding only
Exemptions:	<ul style="list-style-type: none"> • Personal exemption • Up to 3 dependent exemptions
Credits:	Nonrefundable renter's credit only

Law Changes for 2000

Note: The following new credits and exclusions **cannot** be claimed on TeleFile or Form 540 2EZ. You must use Form 540 and you can e-file it via our website. If you want to file a paper form, download it from our website or see the back cover, code 900.

Refundable Child and Dependent Care Expense Credit – Taxpayers with California adjusted gross income of \$100,000 or less may claim a refundable credit equal to a percentage of the allowable federal credit.

Note: You can also claim this credit on Form 540A!

Teacher Retention Credit is available to credentialed teachers who hold a preliminary or professional clear credential as determined by the Commission on Teacher Credentialing, who teach at a "Qualified Educational Institution." Get form FTB 3505.

Natural Heritage Preservation Credit is available for 55% of the fair market value of any qualified contribution. Get form FTB 3503.

Long-Term Caregiver Credit is available for \$500 per qualified individual for providing long-term care. Get form FTB 3504.

Exclusion of Interest Received for the Refund of Smog Impact Fee – Taxpayers who did not deduct the smog impact fee when it was paid may exclude from California gross income the interest received on the refund.

Exclusion for Compensation for Erroneous Convictions – Any amount received by an individual as compensation for an erroneous conviction and incarceration for a crime is excluded from California gross income.

Exclusion for Individuals Who Were Forced to Perform Slave or Forced Labor During World War II – Any amount paid by the German Foundation known as the Remembrance, Responsibility, and the Future, or any other source of humanitarian reparations made for purposes of redressing the injustice done to persons who were required to perform slave or forced labor during World War II is excluded from California gross income.

Exclusion for Assigned Lottery Winnings – Amounts received by a California lottery prizewinner from another person as a result of the assignment (transfer) by the prizewinner of the right to receive future lottery winning payments are excluded from California gross income.

Form Changes

Dependent of Another Taxpayer – Beginning this year you may use Form 540 2EZ, if you can be claimed as a dependent by another taxpayer and your income is more than \$9,361 if single; \$18,572 if married filing joint or qualifying widow(er); or \$13,172 if head of household.

Unemployment Compensation – Beginning this year you may use Form 540 2EZ if you received unemployment compensation in 2000. This type of income is not taxable to California but you must record the amount you received on Form 540 2EZ, line 10.

Things you need to know before you complete Form 540 2EZ

Use blue or black ink to complete Form 540 2EZ.

The California 2EZ tables in this booklet are very different from other tables you may have used and do not work for TeleFile or any other California tax forms. There are three separate tables, one for each filing status. The tax amounts have been reduced for the standard deduction for your filing status, your personal exemption credit, and dependent exemption credits to which you are entitled.

Use the label from inside the label holder on the cover of this booklet to speed processing and prevent common errors that can delay refunds. After completing your return, sign it and attach the mailing label. Make corrections to the label by crossing out any errors and printing the correct or missing information in black or blue ink.

Enter your social security number(s) in the space(s) provided. This information is not pre-printed on your label.

Specific Line Instructions

Instructions based on Internal Revenue Code (IRC) as of January 1, 1998, and California Revenue and Taxation Code (R&TC).

Line 1 through Line 5 – Filing Status

See page 6 for the requirements for each of the filing statuses. Then fill in the circle on Form 540 2EZ for the filing status that applies to you.

Line 6 – Can you be claimed as a dependent?

If your parent (or someone else) can claim you (or your spouse, if married) as a dependent on his or her tax return, even if he or she chooses not to, fill in the circle on line 6.

Line 7 – Dependents

Enter the names of the dependents you are entitled to claim. Up to 3 dependents are allowed on Form 540 2EZ. If you are entitled to claim 4 or more dependents, you must e-file or use Form 540A or Form 540.



You may be eligible for the new refundable child and dependent care expenses credit. See Law Changes for 2000.

HANDOUT (continued)

Instructions for Form 540 2EZ

Line 8 – Wages

Enter the amount from Form W-2, box 17. If you have more than one W-2, add all amounts shown in box 17. The picture on page 4 shows where this information is located on your Form W-2.

Line 9 – Interest Income

Enter interest income shown on Form 1099-INT, box 1. If your total interest income is more than \$400, you cannot use this form. Go to www.ftb.ca.gov and e-file or see the back cover for downloading or ordering forms.



Do not include amounts shown on Form 1099-INT, box 3, Interest on U.S. Savings Bonds and Treasury Obligations. It is not taxed by California.

Line 10 – Unemployment Compensation

Enter unemployment compensation from federal Form 1099-G. This type of income is not taxed by California and will not be included in the total for line 11.

Line 12 – Tax

Did you fill in the circle for line 6?

Yes Complete the Dependent Tax Worksheet below.

No Follow the instructions below.

Use the California 2EZ table for your filing status to complete this line. The 2EZ tables in this booklet give you credit for the standard deduction for your filing status, your personal exemption credit, and dependent exemption credits. There are three different tables. Make sure you use the right one. If your filing status is:

- Single, use the purple table, page 15.
- Married filing joint or qualifying widow(er), use the orange table, page 19.
- Head of household, use the green table, page 27.

Dependent Tax Worksheet

Is the amount on line 11 less than or equal to:

- \$9,361 if single
- \$18,572 if married filing joint or qualifying widow(er)
- \$13,172 if head of household

Yes Stop here. You cannot use Form 540 2EZ because you will not be able to figure the correct amount of tax using the California 2EZ Tables. Please e-file (page 3) or TeleFile (page 4).

No If you can be claimed as a dependant by another taxpayer, your personal exemption credit amount is zero. You will need to adjust the tax from the 2EZ Table for this amount as follows:

1. Using the amount from Form 540 2EZ, line 11, and your filing status, look up the tax in 2EZ Table.	
If your filing status is:	
• Single, use the purple table, page 15.	} 1 _____
• Married filing joint or qualifying widow(er), use the orange table, page 19	
• Head of household, use the green table, page 27	
2. If single or head of household, enter \$75	} 2 _____
• If married and both spouses can be claimed by another taxpayer, enter \$150	
• If married and only one spouse can be claimed, enter \$75	
• If qualifying widow(er), enter \$150	
3. Add line 1 and line 2. Enter here and on Form 540 2EZ, line 12	3 _____

Line 13 – Nonrefundable Renter's Credit

If you paid rent on your principal California residence in 2000, you may be eligible for a credit to reduce your tax. See page 7 for more information.

Line 15 – Tax Withheld

Enter the amount from Form W-2, box 18. If you have more than one Form W-2, add all amounts shown in box 18. The picture on page 4 shows where this information is located on your Form W-2.

Line 20 – Voluntary Contributions

You may contribute part or all of your refund to the funds listed on Form 540 2EZ, Side 2. See page 8 for descriptions of the funds.

Line 21 – Refund or No Amount Due

If you did not enter an amount on line 20, enter the amount from line 18 on line 21. This amount will be refunded to you. If it is less than \$1, attach a written request to your Form 540 2EZ to receive the refund.

If you would like your refund to be deposited directly into your bank account, see Direct Deposit on page 6.

If you entered an amount on line 20, subtract it from the amount on line 18. If the result is zero or more, enter the result on line 21. Assemble your return as shown on this page and mail it in the envelope provided. Be sure to attach the green label to the front of the envelope. The address is: FRANCHISE TAX BOARD, PO BOX 942840, SACRAMENTO CA 94240-0000

If line 20 is more than line 18, your contributions are more than your overpaid tax available. Subtract the amount on line 18 from the amount on line 20, enter the result on line 22, and follow the instructions for line 22.

Line 22 – Amount You Owe

See page 9 and page 10, Paying Your Taxes.

Assemble your return as shown below and mail it in the envelope provided. Be sure to attach the white label to the front of the envelope. The address is: FRANCHISE TAX BOARD, PO BOX 942867, SACRAMENTO CA 94267-0001

Direct Deposit

It's fast, safe, and convenient to have your refund directly deposited into your bank account. See the picture on page 6 for locating the bank information.

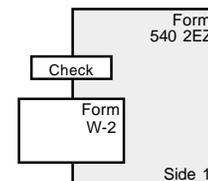
Sign Your Return

You must sign your return on Side 2. If you file a joint return, your spouse must sign it also.

Note: If you file a joint return, both you and your spouse are generally responsible for tax and any interest or penalties due on the return. If one spouse does not pay the tax, the other spouse may have to. See Innocent Spouse Relief on page 31.

If you pay a person to prepare your return, that person must sign on Side 2 and include the social security number (or PTIN) or FEIN. A paid preparer must give you two copies of your return: one to file with the Franchise Tax Board and one to keep for your records.

Assembling Your Return



STUDENT'S MATERIALS

LESSON THREE — ACTIVITY

WORKSHEET 1

Based on the information given below and the 2000 California 2EZ Table, fill out a Form 540 2EZ for the following individual:

Joe Student

Joe Student is a junior at Modesto High School. He lives at home with his parents who are entitled to claim him as a dependent. Joe works as a caddy at a local golf course nearly every weekend and most of the summer. As a regular employee, Joe earned \$10,462.13 this past calendar year. He is not married nor does he have any children.

Joe has already filled out the federal income tax return Form 1040EZ.

Home Address: 1211 Any Avenue
Modesto, California 97786
SS# 123-45-6789

Yearly Earnings: \$10,462.13

Federal Filing Status: Single

Federal Adjusted Gross Income: \$10,462.13

State Withholding: \$261.55

STUDENT'S MATERIALS

LESSON THREE — ACTIVITY

WORKSHEET 2

Based on the information given below and the 2000 California 2EZ table, fill out a Form 540 2EZ for the following individual:

Mark P. Goodstudent

Mark P. Goodstudent works in Jack's Surf Shop in Huntington Beach. Even though his job is part-time, it gives him enough money to go to his local community college. His Form W-2 shows that \$243.18 was withheld in California income tax. Mark has lived in an apartment with a roommate since February 1. His parents cannot claim him as a dependent. He has been interested in California native wildlife since he began surfing on the coast nearly nine years ago. He will contribute \$5 to the Rare & Endangered Species Preservation Program. Mark's federal adjusted gross income is \$10,113.22

Use this information to fill out a Form 540 2EZ for Mark P. Goodstudent.

Employer: Jack's Surf Shop
 84765 Atlantic Coast Highway
 Huntington Beach, CA 96788

Home Address: 4460 Quick Boulevard #62
 Huntington Beach, CA 96789
 SS# 123-45-6789

STUDENT'S MATERIALS

LESSON THREE — ACTIVITY

WORKSHEET 3 (OPTIONAL)

Based on the information given below and the 2000 California 2EZ table, fill out a Form 540 2EZ for the following individual:

Rebecca Scholastic

Rebecca Scholastic of 8233 Easy Street #14, Sausalito, California attends a high school for the performing arts and has been working in a singing group for the past year. She has earned \$11,830 in wages. She lives at home and her parents can claim her as a dependent. Her federal filing status is "single." Her grandmother recently died of Alzheimer's disease, and Rebecca has decided to contribute \$10 to the fund.

Home Address: 8233 Easy Street #14
Sausalito, California 95564
SS# 123-45-6789

Federal Adjusted Gross Income: \$11,830

State Withholding: \$295.75

STUDENT'S MATERIALS

LESSON THREE — QUIZ

1. T F The first year that an individual files income tax returns, he or she must use the Form 540 2EZ.
2. T F You must first complete your federal income tax return before you complete your California income tax return.
3. T F Once you have filed a California income tax return, you will automatically receive blank tax forms the next year.
4. T F Your filing status does NOT have to be the same on your California tax return as it is on your federal return.
5. T F If more state income tax has been withheld from your earnings than is owed to the State of California, you may receive a refund.
6. T F Most students qualify to file the Form 540 2EZ.
7. T F If your parents *can* claim you as a dependent but *do not*, you can claim the personal exemption credit.
8. T F Whether you file in February or April, you will receive your refund at the same time.
9. T F Even if you are not required to file a state return, you may wish to file because you may be able to claim a refund of the state income tax withheld from your earnings.
10. You may file California Form 540 2EZ if:
 - A. Your only income is from wages and interest.
 - B. You take the standard deduction.
 - C. All of the above.
11. For a single taxpayer, what is the state tax (from the tax table), on taxable income of \$9,873, \$14,960, and \$17,460?

STUDENT'S MATERIALS

P RE/POST TEST

1. T F You must first complete your federal income tax return before you complete your California income tax return.
2. T F Once you have filed a California income tax return, you will automatically receive blank tax forms the next year.
3. T F The personal income tax is the largest single source of revenue for the State of California.
4. T F Since California has a system of voluntary compliance with its tax laws, there are no penalties if you choose not to file an income tax return.
5. T F The personal income tax is the only state tax that California residents have to pay.
6. T F The federal filing status has nothing to do with state income tax.
7. T F If employed, students may always claim the full standard deduction on their income tax.
8. T F If you had state income tax withheld from your paycheck, you should file a state tax return, even if you have less than \$11,302 of income.
9. T F If you file a federal Form W-4, your employer will automatically use that information to withhold state income tax, unless you file a Form DE-4.
10. T F Generally, the information you provide on the federal Form W-4 will result in an appropriate amount of state income tax being withheld.
11. T F If you cannot claim a personal exemption, you must use the worksheet to calculate your standard deduction.
12. If your parents *can* claim you as a dependent but *do not*, can you claim the personal exemption credit?

13. What California agency collects the state income tax in California? _____

STUDENT'S MATERIALS

PRE/POST TEST (continued)

14. If you are single, what is the maximum you can earn before you have to file a California income tax return? _____

15. What is a Form W-4? _____

16. What is a Form W-2? _____

17. Define "federal adjusted gross income." _____

18. What is a "personal exemption"? _____
