



MAKING CENTS

TIME FOR TAX TIPS FOR TEENS

-John P. Napolitano, CFP®, CPA, PFS, MST



Many of you are probably doing the annual tax-time shuffle, trying to get all those documents in order in advance of April. So it's a good time to pass on a few tips to your kids about the reality of income taxes - particularly if they are already on the receiving end of a paycheck.

You probably already gave your child a lesson in deductions when the teen received a first paycheck and wanted to know why someone named FICA was dipping into the earnings. Now, during pre-filing season, may be a good time to give another pay stub lesson.

If your teen had earned income of more than \$5,350 or unearned income of more than \$850 in 2007, she will have to file an income tax form, based on earnings spelled out in the W-2 form she should have received from her employer or the 1099-INT or DIV that she received from her savings or investments. These forms had to be mailed out by Jan. 31.

Even if the amount earned falls below the minimum for filing, it may still be a good idea for your teen to do so. Let's say she worked for a few months during the summer at the local grocery store and only took in a small amount. If federal income taxes were deducted from that small paycheck, she may be due a refund.

The only way she's going to receive it is by filing. Besides, it will be a learning activity to prepare her for future years when filing will be a necessity.

Your teen may be a fledgling entrepreneur and have a self-employed gig or two - baby- or pet-sitting, for example, or seasonal yard work or snow shoveling. Sorry, that doesn't leave your child off the hook when it comes to paying taxes. If more than \$400 was earned from self-employment activities, a Schedule C form must be filled out. Your child will also have to file if she earned more than \$108.28 from a church or other organization that's exempt from Social Security taxes.

Your child should also be made aware that there are two main categories of taxable income: earned income and unearned income. Salaries, wages, tips and some scholarships fall under the first category, while the latter includes taxable interest, like the kind earned in a savings account.

This lesson in tax forms might be easier if you and your child explore the IRS Web site together at www.irs.gov. The site provides a fountain of information and will help both you and your working teen get a clearer picture of how the tax filing process works.

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