

Standard Deduction and Tax Computations

As an AARP Foundation Tax-Aide Counselor, this lesson helps you determine standard deductions.

Learning Objectives

- Determine the standard deduction amount for most taxpayers
- Determine the standard deduction amount for taxpayers claimed as dependents
- Identify how taxable income and income tax are computed and reported

Getting Started:



Study the associated IRS VITA/TCE Training Guide Chapter 20.



Open [Pub 4012 Volunteer Resource Guide](#) **Tab F**.

Hints from NTTC Modifications to the IRS Training Guide

Kiddie tax example:

Morgan (age 19) is a full-time student and earned \$7,900 working at the local mall, which was less than half of her support. She received a scholarship of \$6,500. Her tuition and fees for the year were \$2,000. She decides to include only \$4,500 of the scholarship as income on her return. Morgan's gross income (all earned for the filing threshold) exceeds the filing threshold so she must file a return.

She will be required to complete Form 8615 to figure the tax because the \$4,500 scholarship income is unearned income for the kiddie tax and more than the kiddie tax ceiling amount.

Qualified business income (QBI) deduction – add the following

Combined qualified business income includes:

- Net profit from Schedule C (remember a net loss makes the return out of scope)
- Qualified REIT dividends (a new 199A box on Form 1099-DIV)
- Qualified publicly traded partnership income (subject to K-1 scope limitations)
- Qualified cooperative dividends (out of scope)

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The applicable QBI threshold is based on taxable income before the QBI deduction and reduced for any net capital gains (net capital gain is the excess of net long-term gains over net short term losses). For 2018, the threshold is \$315,000 for MFJ and \$157,500 for all other filing statuses. Taxpayers with income over the threshold should be referred to a professional tax preparer.

Clarify Summary

The kiddie tax is in scope when it applies. Scope is not limited to students with taxable scholarships.

Open [TaxSlayer Practice Lab](#) and login.

Practice Lab

Find and review the **Entering Standard and Itemized Deductions video**.

Learning Review

Use the Standard Deduction Chart in the Volunteer Resource Guide, Tab F, Deductions to complete the following exercises.

1: Roderick is 64 and blind. Can he claim an additional deduction?	Yes or No
2: Leticia died in May just before reaching her 65th birthday. Does she qualify as age 65?	Yes or No

Feedback:

Please email: selfstudy@aarpdfntaxaide.org. Appreciate suggestions and comments.

Answers to Learning Review

1: Yes. Roderick is entitled to an additional standard deduction amount for blindness.
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2: No
