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Income Tax

This category consists of problems associated federal income tax. The IRS is the agency that manages federal income taxes. The IRS collected more than $2.3 trillion in revenue in 2010. They processed more than 230 million tax returns. The IRS forms requires basic math.

This section contains word problems associated with income tax.
Problem 1: Dependents Deduction

The Cooker family has 2 children that they claimed on their taxes as exemptions. Mr. Cooker and Ms. Cooker will also be claimed as exemptions. The government allows them to claim $3650 for each exemption.

a. What is the total exemption deduction?
Problem 2: Determine Income

The Cooker family had income from two different areas as shown in the table below:

<table>
<thead>
<tr>
<th>Income</th>
<th>Ms. Cooper</th>
<th>Mr. Cooper</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job salary</td>
<td>$100,000</td>
<td>$75,000</td>
</tr>
<tr>
<td>Savings account taxable</td>
<td>$1,000</td>
<td>$500.00</td>
</tr>
<tr>
<td>Interest</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. What was the total family income?
Problem 3: Adjusted Income

The government allows certain deductions to be subtracted from income to obtain an adjusted gross income. The Cooper’s deduction included $500.00 moving expense.

a. Use the income calculated in the previous problem to calculate their adjusted gross income.
Problem 4: Determine Cash Charity

The Cooper family donated cash to charity as shown in the table below:

<table>
<thead>
<tr>
<th>Recipient</th>
<th>Ms. Cooper</th>
<th>Mr. Cooper</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mt. Sinai Church</td>
<td>$550.50</td>
<td>$230.</td>
</tr>
<tr>
<td>Red Cross</td>
<td>$230.75</td>
<td></td>
</tr>
<tr>
<td>United Way</td>
<td></td>
<td>$200.</td>
</tr>
</tbody>
</table>

a. What was the total charity contribution for the family?
Problem 5: Determine Non-cash Charity

The Cooper family donated clothes and household goods to charity:

The clothes were originally purchased for $2300.00. The household goods were originally purchased for $1200.00. They determined that the fair value for the charity contribution was 40% of the original price.

a. What was the total fair market value for the charity?
Problem 6: Itemized Deductions

Mary’s deductions for her 2009 taxes are shown in the table below:

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxes</td>
<td>$20,444</td>
</tr>
<tr>
<td>Interest</td>
<td>$5439</td>
</tr>
<tr>
<td>Charity</td>
<td>$6900</td>
</tr>
<tr>
<td>Misc</td>
<td>$45</td>
</tr>
</tbody>
</table>

a. What is Mary’s total deduction?
Problem 7: Car Mileage

The Cooper family kept mileage records for the IRS tax prep for business, charity and moving miles. For 2010 IRS allowed 50 cents per mile for business, 14 cents per mile for Charity and 16.5 cents per mile for moving.

The Cooper family logged 500 miles for business, 1050 miles for moving and 300 miles for charity for 2010.

a. What was the amount that could be deducted for Business?
b. What was the amount that could be deducted for Moving?
c. What was the amount that could be deducted for Charity?
Income Tax Problem Answers

1a: $14600
2a: $176500
3a: $176,000
4a: $1211.25
5a: $1400
6a: $32828
7a: $250
7b: $173.25
7c: $42