

Good Tax Questions-Part I

By Charles Clar

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All About Taxes <http://all-about-life.com/page463954.htm>

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This feature deals with USA tax laws and how you can use them to your advantage. It is made available on a more or less weekly basis.

Good Tax Questions-Part I

As we move into the second half of 2001, it's a good time to review some tax basics.

Question: How can you avoid an underpayment penalty if you owe tax on April 15 of next year?

Answer: By December 31 you must pay at least either 90% of the total estimated tax you owe for this year (2001), or 100% of what you owed last year (2000). If you're entitled to a refund, you're safe from any penalties.

Question: What is the W-4 form?

Answer: It is the form you complete to tell your employer how much tax to withhold from your paycheck. You can modify the amount at any point in the year, for any reason.

Question: Is counting on a big tax refund a good, sensible way to save money throughout the year?

Answer: Getting a refund means you've loaned the government your own money, and it's being paid back without any interest. You'd be better off adjusting your withholding, getting more in your paycheck, and investing the excess.

Question: What is your adjusted gross income (AGI) and why is it important?

Answer: Your AGI, which consists of all your income - including wages, tips, net self employment earnings, and investment income - is almost always the determining factor in what tax breaks you're eligible for and the size of the loan you can qualify for.

As always, PLEASE make sure you read and understand the fine print. It wouldn't be taxes in America otherwise!

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