

Chapter 7

cafeteria plan	A portion of pre-tax wages set aside for the payment of certain medical, childcare, parental care, and nonreimbursed medical insurance expenses.
dependent	A person reported on a taxpayer's income tax form that a taxpayer supports financially.
exemption	Information included on tax forms that lowers taxes; exemptions include dependents as well as the taxpayer.
flat tax	A tax that is the same percentage or rate for everyone, such as sales tax.
flexible spending account (FSA)	An employee-sponsored cafeteria plan in which employees choose to deposit funds that will be used in a specified 12-month period of time. This is a "use it or lose it" plan; if all of the money in the plan is not spent by the end of the 12-month period, the money cannot be returned to the employee.
Form 1040	A tax form used by people that have other types of income such as royalties, alimony, or prizes; also called the long form.
Form 1040A	A short form that taxpayers can use to report their earnings and pay their taxes.
Form 1040EZ	A short form that taxpayers can use to report their earnings and pay their taxes. This form has certain requirements.
Form 1099	A form used to report other income made from interest on bank accounts, interest from stocks and royalties.
Form W-2	A form used to report the withholding data; a Wage and Tax Statement given to employees to compute federal, state, and local income taxes; a copy of the W-2 is submitted along with tax forms.
Form W-4	A form that is filled out by a new employee that gives directions to the government on how much money in taxes to deduct from that employee's pay.
gross pay	The total pay, which is the sum of an employee's hourly pay and overtime pay.
head of household	Special status for unmarried taxpayers who support other people besides themselves and their children.
income tax	Taxes that are based on the amount of taxable income that you earn.
Internal	Government agency that collects federal taxes.

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itemize	When deductions are listed on a tax form.
married filing jointly	Filing status for married taxpayers who chose to fill out one income tax return together.
married filing separately	Filing status for married taxpayers who chose to fill out separate income tax returns.
net pay	The amount of money a worker takes home after deductions.
pay stub	A list of wages and the amounts deducted from a paycheck that can be detached from the actual paycheck.
paycheck	A form of payment to the employees for their work.
progressive tax system	A tax that increases as income increases; the percentage or rate goes up.
property tax	Taxes that are based on the assessed value of property owned.
proportional tax	The same as a flat tax; a tax that is the same percentage or rate such as sales tax.
qualifying widow(er)	Filing status for a taxpayer who is a widow or widower and meets specific guidelines.
regressive tax schedule	A tax rate schedule that decreases as income increases.
sales tax	A percentage paid to the government of sales on products or services.
Schedule A?Itemized Deductions	A form used to list or itemize deductions: deductions are subtracted from a taxpayer's income before the amount of tax owed is looked up on the tax table.
Schedule B?Interest and Dividend Income - single	A form used to report interest income and income from dividends.
single	Filing status for unmarried taxpayers that is indicated on tax forms which determine the tax rate paid.
standard	An allowable reduction on income tax forms that is based on the

deduction	filing status; these amounts are set by the government and may change from year to year.
take-home pay	The amount of money a worker takes home after deductions.
tax	The amount of money a person must pay to the government to benefit from government services.
tax avoidance	When a taxpayer uses a tax rule to lower the amount of tax due.
tax bracket	Where each line of the tax schedule has an increasing percent based on increasing income.
tax credit	An amount subtracted from the income tax owed; the most popular credits are the Child Care Tax Credit and the Earned Income Credit.
tax deferred contribution	When money is placed in a qualified retirement account, the taxes are deferred until the taxpayer makes a withdrawal from the account after retirement.
tax evasion	When a taxpayer lies about information on a tax return form in an attempt to avoid paying taxes.
taxable income	Earnings that are taxable.
voluntary compliance	When taxpayers cooperate with the taxpaying process.
withholding tax	Federal, state, and local income taxes that are withheld by employers, who then send them to the government.