





Lesson Plan

Standard Deduction and Tax Computation

Time Required: 15-45 minutes

| Introduction | Objectives | Topics |
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| This is the first of eight lessons that cover the Tax and Credits section of the return. This lesson teaches students how to subtract the appropriate standard deduction from taxpayers' adjusted gross income to figure their taxable income. | <p>Determine the standard deduction amount for most taxpayers.</p> <p>Determine the standard deduction amount for taxpayers claimed as dependents.</p> <p>Identify how taxable income and income tax are computed and reported.</p> |   <p>Deductions</p> <p>Age and Blindness</p> <p>Taxpayers who can be Claimed as Dependents</p> <p>Standard Deduction vs. Itemizing</p> <p>Determining Taxable Income and Tax</p> <p>Kiddie Tax</p> <p>Qualified Business Income (QBI)</p> |

Key Terms

Adjusted Gross Income (AGI): The taxpayer's total adjusted gross income (AGI) is the amount that is used to compute some limitations, such as the medical and dental deduction on Schedule A and the credit for child and dependent care expenses.

Exemptions (Personal or Dependency): Amount that taxpayers can claim for themselves, their spouses, and eligible dependents. The total is subtracted from adjusted gross income before tax is figured on the remaining income (taxable income).

Itemized Deduction: Itemized deductions allow taxpayers to reduce their taxable income based on specific personal expenses. If the total itemized deductions are greater than the standard deduction, it will result in a lower taxable income and lower tax.

Kiddie Tax: For children under age 18 and certain older children, unearned income over a certain amount is taxed using the tax rates applicable to trusts and estates.

Married Filing Jointly: Filing status for taxpayers who are married to each other or live together in a common law marriage and combine their income and deductions on the same tax return. The status also applies to taxpayers who are separated but not divorced and to taxpayers whose spouse died during the tax year and has not remarried, as long as one tax return is used for both individuals.

Married Filing Separately: Filing status for taxpayers who are married to each other or live together in a common law marriage and report their own incomes and deductions on separate returns.

Qualified Business Income (QBI): For taxable years beginning after December 31, 2017 and before January 1, 2026, there is a deduction for "pass through" businesses. Sole proprietors are categorized as "pass through" businesses.

Standard Deduction: An amount, provided by law and based on filing status, age, blindness, and dependency that taxpayers can deduct from their adjusted gross income before tax is determined.

Teacher Tips

Guidelines for Lesson

| Guideline | Instructor Notes | Presentation Aids |
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| Lesson background info | Review the online demo of TaxSlayer on applying the standard deduction. | TaxSlayer® Demo: From the Practice Lab, select: <ul style="list-style-type: none"> • TaxSlayer IRS training • Click the appropriate demo |
| Provide details and engage the students | <p>Discuss all tips and cautions in detail.</p> <p>Ask students to read and/or role-play examples.</p> <p>Review answers to each exercise; ask students how they arrived at their answers.</p> | <p>Visuals:</p> <p>Pub 4491: Standard Deduction and Tax Computation</p> |

Topic-specific Tips

| Topic Name | Instructor Notes | Presentation Aids |
|--------------|--|---|
| Introduction | <p>Review lesson objectives.</p> <p>State that this lesson covers the standard deduction; itemized deductions are covered in the next lesson.</p> <p>Review list of references.</p> <p>State the presentation time.</p> <p>Review Key Terms for the lesson.</p> | <p>Visuals:</p> <p>Form 13614-C, Page 1</p> <p>Form 1040, Tax and Credits section</p> <p>Pub 17, Chapter 20, Standard Deduction</p> <p>Pub 4012, Tab F, Deductions</p> |

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| Deductions | <p>Refer students to Pub 4012, Standard Deduction for Most People, during the exercises. Point out the footnote below chart.</p> <p>Refer to Pub 4012, Interview Tips and discuss the steps for persons not eligible for the standard deduction.</p> <p>Ask: What are the factors that determine the amount of the standard deduction for a taxpayer? Answer: Filing status, whether the person is 65 or older or blind, and if the person can be claimed as a dependent.</p> <p>Point out that TaxSlayer automatically determines the greater of standard or itemized deduction from the information entered. If the taxpayer qualifies to use the standard deduction, there is no need to do anything.</p> <p>Review the Tax Topics and Tax Map.</p> <p>Go through the ITA multiple times with different answers.</p> | <p>Visuals: Pub 4012, Tab F, Deductions:</p> <ul style="list-style-type: none">• Standard Deduction for Most People• Persons Not Eligible for the Standard Deduction Interview Tips <p>Pub 17, Chapter 20, Standard Deduction</p> <p>Internet: Tax Topics: Standard Deduction</p> <p>Tax Map: Persons not eligible for the standard deduction</p> <p>Interactive Tax Assistant: How Much is My Standard Deduction?</p> |
| Age and Blindness | <p>Point out that Single or Head of Household taxpayers are entitled to a higher standard deduction if they are 65 or older or blind at the end of the year.</p> <p>Refer students to Pub 4012, Standard Deduction Chart for People 65 or Older or Who Are Blind Chart</p> | <p>Visuals: Pub 4012, Tab F, Deductions and Tab K, Finishing the Return:</p> <ul style="list-style-type: none">• Standard Deduction Chart for People 65 or Older or Who Are Blind• Basic Information section• Schedule A - Itemized Deductions <p>TaxSlayer Demo: Entering Standard and Itemized Deductions, On the Deductions page, click Begin on the standard deduction line.</p> |

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| Taxpayers who can be Claimed as Dependents | <p>Display Form 13614-C and point out the check box for a dependent being claimed by another taxpayer.</p> <p>Point out that TaxSlayer will automatically calculate a dependent's standard deduction, as long as the box indicating that the taxpayer can be claimed as a dependent on another person's tax return has been checked on the Basic Information section.</p> <p>Review Pub 4012, Standard Deduction Worksheet for Dependents</p> | <p>Visual:</p> <p>Form 13614-C, Page 1</p> <p>Form 1040 Instructions, Standard Deduction Worksheet</p> <p>Pub 4012, Tab F, Deductions, Standard Deduction Worksheet for Dependents</p> |
| Standard Deduction vs. Itemizing | <p>Prompt students to give examples of the types of expenses that would warrant itemizing deductions, such as:</p> <ul style="list-style-type: none">• Large out-of-pocket medical and dental expenses• State and local income taxes, sales tax, real estate taxes, and/or personal property taxes• Mortgage interest• Gifts to charity• Certain other miscellaneous deductions <p>Emphasize that TaxSlayer calculates both types of deductions and automatically selects the method with the lower tax.</p> <p>Review the Tax Map.</p> | <p>Visuals:</p> <p>Pub 4012, Tab F, Deductions:</p> <ul style="list-style-type: none">• Persons Not Eligible for the Standard Deduction Interview Tips• Schedule A - Itemized Deductions <p>Internet:</p> <p>Tax Map: Electing to Itemize</p> <p>TaxSlayer Demo:</p> <p>On the Deductions page, click Compare Deductions to see how TaxSlayer compares the standard vs. itemized deduction to determine which is better.</p> |
| Kiddie Tax | <p>Emphasize For children under age 18 and certain older children, unearned income over a certain amount is taxed using the tax rates applicable to trusts and estates.</p> <p>Point out students that opt to include scholarship income more than the ceiling amount will be required to complete Form 8615 to figure the tax and this is out of scope.</p> | <p>Visuals:</p> <p>Pub 4012, Tab F, Deductions</p> |

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| Qualified Business Income (QBI) | <p>Discuss For taxable years beginning after December 31, 2017 and before January 1, 2026, there is a deduction for "pass through" businesses. Sole proprietors are categorized as "pass through" businesses.</p> <p>Point out taxpayers considered sole proprietors may take up to 20% of their business income as a deduction on the return.</p> | <p>Visuals: Pub 4012, Tab F, Deductions</p> |
| Determining Taxable Income and Tax | <p>Emphasize that the amounts for taxable income, AGI, and the standard or itemized deductions play an important role in determining the taxpayer's tax liability, and diligent care should be taken to ensure that they be figured correctly.</p> <p>Point out that the tax is automatically calculated based on previous entries. It is important to enter all income, deduction, and credit information correctly for the tax to be computed accurately. The tax software also calculates the exemption amount and applies any limitations in determining the tax.</p> <p>Demo the tax software using an example with Form 1040 entries.</p> | <p>Visuals: Pub 4012, Tab F, Deductions, Schedule A - Itemized Deductions</p> <p>TaxSlayer Demo: Show Form 1040 entries for income, deduction, and credit information that affect the calculation of the final tax amount.</p> |
| Skills Workout | <p>Review the Skills Workout exercises with the class.</p> | <p>Visuals: L&LT Standard Deduction and Tax Computation: Click the Certification Warm Up icon to review the exercises</p> |

| References | |
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| Form 13614-C | Form 13614-C , Intake/Interview & Quality Review Sheet, Page 1 |
| Form 1040 | Form 1040 , Tax and Credits section |
| Pub 4012 | Pub 4012 , Volunteer Resource Guide, Tab F, Deductions Persons Not Eligible for the Standard Deduction Interview Tips Standard Deduction for Most People Standard Deduction Chart for People 65 or Older or Who Are Blind Schedule A - Itemized Deductions |
| Pub 17 | Pub 17 , Chapter 10, Standard Deductions |
| Optional | |
| Form 1040-SR | U.S. Individual Tax Return for Seniors |
| Pub 501 | Exemptions, Standard Deduction, and Filing Information , Standard Deduction chapter |

Recommended Classroom Activities



**Skills
Workout**



**Certification
Warm Up**



**Media: Videos
& Audio**



**TaxSlayer
Tutorial**



Job Aids



**Practice
Lab**



Skills Workout: Link & Learn Taxes Standard Deduction and Tax Computation

Click on Skills Workout to access Link & Learn Taxes Standard Deduction and Tax Computation.



Certification Warm Up – Exercises

Click on Certification Warm Up to access the exercises in Link & Learn Taxes Standard Deduction and Tax Computation.



Media: Video & Audio for Lesson

There is no media associated with this lesson.



TaxSlayer Tips and Resources for Lesson

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| TaxSlayer Training Video | Entering Standard and Itemized Deductions |
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| Practice Lab Tutorial |
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| From the Practice Lab : |
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1. Enter the universal password (if you do not have the password, you can request it from your site coordinator or SPEC relationship manager).
 2. Sign in to Practice Lab or create an account.
 3. Select the appropriate tutorial.
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Job Aids

ITA and FAQs for Lesson

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| Interactive Tax Assistant | How Much is My Standard Deduction? |
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| https://www.irs.gov/help/ita/interactive-tax-assistant-ita |
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| Tax Map |
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| Persons not eligible for the standard deduction |
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| https://taxmap.irs.gov/taxmap/ts0/personsnoteligible_o_67bd84b3.htm |
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| Electing to Itemize |
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| https://taxmap.irs.gov/taxmap/ts0/electingtoitemizef_o_3770207f.htm |
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| Tax Topics |
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| Standard Deduction |
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| http://www.irs.gov/taxtopics/tc551.html |
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Practice Lab

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| Practice Lab |
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| https://vita.taxslayerpro.com/IRSTraining/ |
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