



**Income Tax Basics**

**Taxable Income Calculation**

<b>Gross Income:</b> All income from whatever source derived, including wages, salaries, interest, dividends, rents, and royalties.
<b>Adjusted Gross Income (AGI):</b> Gross income less specific above-the-line deductions (e.g., IRA contributions, student loan interest).
<b>Taxable Income:</b> AGI less itemized deductions or the standard deduction, and less qualified business income (QBI) deduction (if applicable).
<b>Tax Liability:</b> Taxable income multiplied by the applicable tax rate(s) based on the tax bracket.
<b>Tax Credits:</b> Direct reduction of tax liability (e.g., child tax credit, education credits).
<b>Total Tax Due:</b> Tax liability less tax credits.

**Personal Income Tax Rates (Example)**

Tax Rate	Single Filers (Example)
10%	Up to \$10,275
12%	\$10,276 to \$41,775
22%	\$41,776 to \$89,075
24%	\$89,076 to \$170,050
32%	\$170,051 to \$215,950
35%	\$215,951 to \$539,900
37%	Over \$539,900

**Standard Deduction (Example)**

Filing Status	Standard Deduction (Example)
Single	\$12,950
Married Filing Jointly	\$25,900
Head of Household	\$19,400
Married Filing Separately	\$12,950

**Corporate Taxation**

**Corporate Income Tax Calculation**

<b>Gross Income:</b> Total revenue less cost of goods sold (COGS).
<b>Taxable Income:</b> Gross income less allowable deductions (e.g., operating expenses, depreciation, interest expense).
<b>Tax Liability:</b> Taxable income multiplied by the corporate tax rate.
<b>Tax Credits:</b> Direct reduction of tax liability (e.g., research and development credit).
<b>Total Tax Due:</b> Tax liability less tax credits.

**Common Corporate Deductions**

Depreciation	Allowance for the decline in value of assets due to wear and tear, obsolescence, or other factors.
Operating Expenses	Expenses incurred in the normal course of business operations (e.g., salaries, rent, utilities).
Interest Expense	Cost of borrowing money.
Research and Development (R&D) Expenses	Costs associated with developing new products or processes.
Charitable Contributions	Donations to qualified charitable organizations (subject to limitations).
Business Losses	Losses incurred in the operation of a business.

**Corporate Tax Rates (Example)**

A flat rate of 21% applies to corporate taxable income for federal income tax purposes. (This is a simplified example and may vary based on jurisdiction and specific tax laws.)
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## Tax Credits & Deductions

### Personal Tax Credits

Child Tax Credit	Credit for each qualifying child under age 17.
Earned Income Tax Credit (EITC)	Credit for low-to-moderate income individuals and families.
Education Credits	Credits for qualified education expenses (e.g., American Opportunity Tax Credit, Lifetime Learning Credit).
Retirement Savings Contributions Credit (Saver's Credit)	Credit for low-to-moderate income taxpayers who contribute to retirement accounts.
Energy Credits	Credits for investments in energy-efficient property (e.g., residential clean energy credit).

### Personal Tax Deductions

Itemized Deductions	Deductions for specific expenses, such as medical expenses, state and local taxes (SALT), home mortgage interest, and charitable contributions.
Above-the-Line Deductions	Deductions taken before calculating AGI, such as IRA contributions, student loan interest, and health savings account (HSA) contributions.
Qualified Business Income (QBI) Deduction	Deduction for eligible self-employed individuals, small business owners, and certain pass-through entities.

### Corporate Tax Credits

Research and Development (R&D) Credit	Credit for qualified research expenses.
Work Opportunity Tax Credit (WOTC)	Credit for hiring individuals from specific target groups.
Energy Credits	Credits for investments in renewable energy and energy-efficient property.

## Tax Compliance & Planning

### Tax Filing Deadlines

Individual Income Tax	April 15 (unless extended)
Corporate Income Tax	15th day of the 4th month following the end of the corporation's tax year (unless extended)
Estimated Taxes	Quarterly payments due throughout the year

### Tax Planning Strategies

<b>Maximize Retirement Contributions:</b> Contribute to tax-advantaged retirement accounts (e.g., 401(k), IRA) to reduce taxable income.
<b>Tax-Loss Harvesting:</b> Sell investments that have decreased in value to offset capital gains.
<b>Utilize Health Savings Accounts (HSAs):</b> Contribute to an HSA for tax-deductible healthcare savings.
<b>Consider Tax-Efficient Investments:</b> Invest in assets that generate tax-exempt or tax-deferred income.
<b>Properly Time Income and Deductions:</b> Strategically time income and deductions to minimize tax liability.

### Common Tax Forms

Form 1040	U.S. Individual Income Tax Return
Form 1120	U.S. Corporation Income Tax Return
Schedule C (Form 1040)	Profit or Loss From Business (Sole Proprietorship)
Form W-2	Wage and Tax Statement
Form 1099	Information returns for various types of income (e.g., dividends, interest, self-employment income)