



# About Refund and Amount of Tax Owed

- Additional resources listed in L&LT “Partner Resources” tab
- Review all tips and cautions in the lesson
- Read all examples and sample interviews
- We will review answers to each exercise

# Objectives – Refund and Amount of Tax Owed

- Identify the section and lines of Form 1040 for the refund or amount owed
- Report the correct refund amount or amount owed
- Identify the refund options available, including the purchase of savings bonds
- Describe the different payment options for an amount owed
- Revise the amount of tax withheld or make estimated tax payments to avoid underpayment of taxes
- Identify the purpose and determine how to complete the Third Party Designee portion of the tax return
- Time Required: 30 minutes

# Topics



- Refund or Tax Due
- U.S. Savings Bonds
- Amount Owed
- Estimated Tax Penalty
- Adjusting Tax Withholding
- Third Party Designees
- Avoiding Common Errors

# Key Terms

Definitions are always available in the L&LT online Glossary.

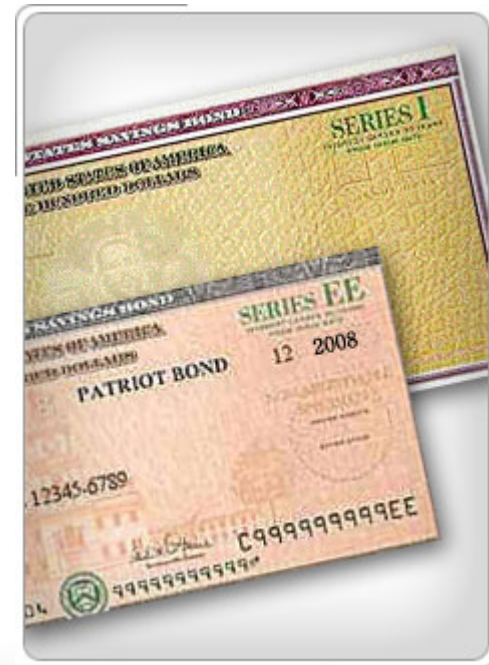
- Form 2210
- Form 9465
- Form W-4
- Form W-4P
- Form W-4R
- Tax Liability (or total tax bill)
- Withholding Allowance
- Withholding Tax

# Refund or Tax Due

- The taxpayer's total tax appears in the Other Taxes section of Form 1040
- The taxpayer's total tax payments already made (including refundable credits) appears in the Payments section of Form 1040
- If payments made exceed the amount of tax liability, the amount of the overpayment appears in the Refund section of Form 1040
- [Form 8888](#), Allocation of Refund, is used to deposit a refund into up to three bank accounts
- For more information, review Pub 4012, Tab K, Finishing the Return:
  - [Pointers for Direct Deposit of Refunds](#)
  - [Balance Due Returns](#)
- Double-check accuracy of routing and account numbers for direct deposit refunds

# U.S. Savings Bonds

- Taxpayers may purchase U.S. savings bonds with their tax refunds for themselves or for co-owners, such as children or grandchildren
- Bonds are available in multiples of \$50 and the total cannot exceed \$5,000
- [Form 8888](#) is used to buy savings bonds
- Series I bonds are sold at face value and accrue interest until redeemed or until they reach their final maturity in 30 years
- Series I bonds pay interest based on a combination of a fixed rate and a semiannual inflation rate
- Refund status can be checked at “Where’s My Refund” feature on [www.irs.gov](http://www.irs.gov), or calling 1-800-829-1954



# Amount Owed

- Payment options for taxes owed are:
  - Check or money order submitted with Form 1040-V, Payment Voucher
  - Electronic funds withdrawal
  - Credit card
  - Electronic Federal Tax Payment System (EFTPS)
  - IRS Direct Pay
  - Cash at a retail partner
  - Pay by mobile device
- Review Pub 4012, Tab K, Finishing the Return, [Balance Due Returns](#)
- Taxpayers who cannot pay the full amount owed may request one of the following agreements:
  - Pay in full within 180 days with no fee
  - Monthly installment payments using [Form 9465](#), Installment Agreement Request, with a fee



# Estimated Tax Penalty

- Estimated tax penalty may apply for underpayment of estimated taxes
- Most taxpayers must make estimated tax payments if they expect to owe at least \$1,000 in tax (after subtracting withholding and credits)
- [Form 2210](#), Underpayment of Estimated Tax by Individuals, Estates, and Trusts, is used to calculate estimated tax penalty (out of scope)
- Estimated tax penalty is reported on Form 1040, line 38
- Leave line 38 blank; if a penalty is due, the IRS will figure the amount and send the taxpayer a notice

<b>Refund</b>	34	If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you overpaid . . . . .	34
	35a	Amount of line 34 you want refunded to you. If Form 8888 is attached, check here . . . . . <input type="checkbox"/>	35a
Direct deposit? See instructions.	▶ b	Routing number <input type="text"/>	▶ c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings
	▶ d	Account number <input type="text"/>	
	36	Amount of line 34 you want applied to your 2021 estimated tax . . . ▶	36
<b>Amount You Owe</b> For details on how to pay, see instructions.	37	Subtract line 33 from line 24. This is the amount you owe now . . . . . ▶ <b>Note:</b> Schedule H and Schedule SE filers, line 37 may not represent all of the taxes you owe for 2020. See Schedule 3, line 12e, and its instructions for details.	37
	38	Estimated tax penalty (see instructions) . . . . . ▶	38

# Avoiding a Balance Due Next Year

- Taxpayers use [Form W-4](#), [Form W-4P](#), [Form W-4R](#), or [Form W-4V](#) to adjust withholding amounts
- Refer to [Pub 17](#), Tax Withholding and Estimated Taxes section for more information
- Use the decision tree in [Pub 17](#), Tax Withholding and Estimated Taxes, to help determine if a taxpayer should make estimated tax payments
- Use worksheets in [Form 1040-ES](#), Estimated Tax for Individuals, to compute the amount of estimated tax

<b>Form 1040-ES</b> Department of the Treasury Internal Revenue Service		<b>2021 Estimated Tax</b>		<b>Payment Voucher 1</b> OMB No. 1545-0074	
File only if you are making a payment of estimated tax by check or money order. Mail this voucher with your check or money order payable to "United States Treasury." Write your social security number and "2021 cash. Enclose, but do not staple				<b>Calendar year – Due April 15, 2021</b> Amount of estimated tax you are paying	
<b>Form W-4P</b> Department of the Treasury Internal Revenue Service		<b>Withholding Certificate for Pension or Annuity Payments</b> ▶ For Privacy Act and Paperwork Reduction Act Notice, see page 6.			OMB No. 1545-0074 <b>2021</b>
Pay online at <a href="http://www.irs.gov/efpay">www.irs.gov/efpay</a>  <b>Simple. Fast. Secure.</b>	<b>Print or type</b>	Your first name and middle initial	Last name		Your social security number
		If joint payment, complete	Your first name and middle initial		Claim or identification number (if any) of your pension or annuity contract
		Spouse's first name and middle initial	Home address (number and street or rural route)		
		Address (number, street, and city, town, or post office.	City or town, state, and ZIP code		

# Third Party Designees

- Taxpayers may choose to authorize another person to discuss their tax return with the IRS
- Volunteer tax preparers must never be designated as the third party designee

<b>Third Party Designee</b> (Other than paid preparer)	Do you want to allow another person (other than your paid preparer) to discuss this return with the IRS? See instructions.			<input type="checkbox"/> Yes. Complete below.
				<input type="checkbox"/> No
	Designee's name ▶	Phone no. ▶	Personal identification number (PIN) ▶	<input type="text"/>
<b>Sign Here</b>  Joint return? See instructions. Keep a copy for your records.	Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.			
	Your signature	Date	Your occupation	If the IRS sent you an Identity Protection PIN, enter it here (see inst.) <input type="text"/>
	Spouse's signature. If a joint return, <b>both</b> must sign.	Date	Spouse's occupation	If the IRS sent your spouse an Identity Protection PIN, enter it here (see inst.) <input type="text"/>
	Phone no.	Email address		

# Avoiding Errors

- Errors in bank account information may result in significant delays or misdirected funds
- Double- and triple-check bank routing and account numbers for direct deposit and electronic funds withdrawal

<b>Refund</b>	34	If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you <b>overpaid</b> . . . . . ▶	34	
	35a	Amount of line 34 you want <b>refunded to you</b> . If Form 8888 is attached, check here . . . . ▶ <input type="checkbox"/>	35a	
	▶ b	Routing number	▶ c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings	
	▶ d	Account number		
Direct deposit? See instructions.	36	Amount of line 34 you want <b>applied to your 2021 estimated tax</b> . . . ▶	36	
<b>Amount You Owe</b>	37	Subtract line 33 from line 24. This is the <b>amount you owe now</b> . . . . . ▶	37	
		<b>Note:</b> Schedule H and Schedule SE filers, line 37 may not represent all of the taxes you owe for 2020. See Schedule 3, line 12e, and its instructions for details.		
For details on how to pay, see instructions.	38	Estimated tax penalty (see instructions) . . . . . ▶	38	

## Out of Scope for this Lesson:

- Form 2210, Underpayment of Estimated Tax by Individuals, Estates, and Trusts

# Summary

This lesson explained:

- If total tax payments are greater than the tax liability, this is an overpayment and the taxpayer can:
  - Receive a refund by check or direct deposit, or
  - Apply any portion of the overpayment to the next year's estimated tax
- Form 8888 is used to split the refund in up to three different accounts
- Taxpayers can use their refund to buy U.S. savings bonds for themselves or others
- If tax payments are less than amount owed, taxpayers have several options to pay the balance due, including an installment plan
- Taxpayers who owe taxes must pay by due date of the return to avoid interest and possible penalties
- Revising Form W-4 can increase or decrease withholding amounts