



LAES has developed a series of immigrant issue instructional modules entitled "Tierra de Oportunidad" for orientation to our complex society.

Dealing with Taxes

Planning

In order to have the appropriate information at income tax time, it is important to keep records. Some records are proof of expenses. They help you keep track of what you spend. Records can be: receipts, bank statements, canceled checks, account's statement.

Other records are papers that prove ownership. For example, your car title proves you own your car. Your rental agreement or lease is proof of your housing arrangements with your landlord.

It is important to keep records all the time, not just at income tax time. Knowing what records to keep will help you plan for income tax time.

It is good to keep your records in one safe place in your home. Use a file box, or a special drawer. In this place you should keep separate envelopes for different records, for example:

- Personal records: marriage license, birth certificates, passports,
- Medical records: vaccinations or other medical conditions,
- Education records: school certificates and awards, and
- Legal records: other legal papers that you might have.
- Work records: paycheck stubs, policies and insurances

You can also have envelopes for:

- Child care expenses Housing expenses Transportation expenses
- Bank statements Loan payments Medical expenses

Keep most of your expense records for about five years.

Tax Deductions

Certain expenses can be deducted from your gross income. These deductions can be subtracted from your total taxable income lowering the amount of tax you have to pay. They are the tax deductible items for you or your dependents:

Medical:	<p>money paid to doctors, dentists, medical laboratories, hospitals or pharmacies.</p> <p>money paid for hearing aids, eyeglasses, false teeth, etc.</p> <p>money spent when you travel to get medical care.</p>
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Taxes:	<p>money paid for sales tax on car, mobile home.</p> <p>money paid for local and state income taxes.</p> <p>money paid for property or real estate taxes.</p>
Work:	<p>travel expenses to look for a job,</p> <p>tools or special clothing needed for a job</p> <p>education and training to keep your job money paid to belong to a union at work money paid to an agency to find you a job</p>
Other:	<p>money or things given to a church or charity</p> <p>money paid to a tax preparer to get your forms filled out</p> <p>money given to a political party</p> <p>repairs done on a property that you rent to someone else</p>

There are certain types of income that you do not have to report on your tax return, because they are not taxed. But you should keep records anyway.

You do not have to report the following kinds of income:

Social security veteran's benefits worker's compensation

unemployment benefits Medicare food stamps

child support health insurance life insurance benefits

Tax Credits

Some expenses are not tax deductible but you get a tax credit for them. You subtract the tax credits from the tax you owe. The most common is: Child or Dependent Care Expenses.

You need to fill out a special form to claim this credit.

If you have expenses for a child or another dependent, you may be able to get a tax credit. The child and dependent care tax credit is used by many families. You may file for it if:

- A) You have a child under fifteen who needs to be taken care of while you work or are looking for work.
- B) You have a spouse or other dependents who cannot be left at home alone while you work or look for work.

Tax Adjustments

Adjustments are amounts you can subtract from your gross income before you figure your tax. You may claim adjustments even if you do not itemize deductions. There are several different types of adjustments, one of the most common is: Moving Expense Adjustment.

You can claim moving expenses if you moved to take a new job or needed to move to keep your job. To qualify for an adjustment for moving expenses:

- A) Your new work place must be 35 miles from your old home.

B) You must work full time for 39 weeks in the year after you move.

You must keep good records of all moving expenses:

the cost of moving household items,

travel costs for you and your dependents as you move,

the cost of looking for a new house or an apartment,

the cost of selling your old home or renting a new place,

the cost of breaking the old lease and paying a deposit on the new place.

Spending

The Federal Government will spend over \$1.6 trillion which we divided into eight large categories.

* The largest Federal program is Social Security, which provides monthly benefits to more than 43 million retired and disabled workers, their dependents, and survivors. It accounts for 22 percent of all Federal spending.

* Medicare, which provides health care coverage for over 37 million elderly Americans and people with disabilities, consists of Part A (hospital insurance) and Part B (insurance for physician costs and other services). Since its birth in 1965, Medicare has accounted for an ever-growing share of spending. In 1997, it will comprise 11 percent.

* Medicaid provides health care services to over 36 million Americans, including the poor, people with disabilities, and senior citizens in nursing homes. Unlike Medicare, the Federal Government shares the costs of Medicaid with the States, paying between 50 and 83 percent of the total (depending on each State's requirements). Federal and State costs are growing rapidly. Medicaid accounts for six percent of the Federal budget.

* Other means-tested entitlements provide benefits to people and families with incomes below certain minimum levels that vary from program to program. The major means-tested entitlements are Food Stamps and food aid to Puerto Rico, Aid to Families with Dependent Children, Supplemental Security Income, Child Nutrition, the Earned Income Tax Credit, and veterans' pensions. This category will account for an estimated six percent of the budget in 1997.

* The remaining entitlements, which mainly consist of Federal retirement and insurance programs and payments to farmers, comprise six percent of the budget.

* National defense discretionary spending will total an estimated \$259 billion in 1997, comprising 16 percent of the budget and 3.3 percent of GDP.

* Non-defense discretionary spending --a wide array of programs that include education, training, science, technology, housing, transportation, and foreign aid --has shrunk as a share of the budget from 23 percent in 1966 to an estimated 17 percent in 1997.

* Interest payments, primarily the result of previous budget deficits, averaged seven percent of Federal spending in the 1960s and 1970s. But, due to the large budget deficits that began in the 1980s, that share quickly doubled to 15 percent, where it stands today.

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