

## Independent Living Skill Module I

What consequences could the bounced checks have for Steven?

What should he do?

### **Writing “bad checks” can have serious legal consequences!**

Sometimes checking accounts can be tempting, particularly if you don’t have your spending habits under control.

**C**onsider the following:

Amy opened a checking account one month ago and has always kept track of her spending and deposits. Today, Amy sees a really nice dress on sale for \$39.99, the only one left in her size. When Amy checks her check register, she discovers that she only has \$21.00 in her account and she won’t get paid for another 4 days. She debates whether or not to get the dress anyway, thinking that she could probably get \$18.99 somehow and deposit it before the check clears. What do you think? What would you do in Amy’s situation?

Can you think of any difficulties you might have with managing a checking account? If so, describe them below.

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Can you think of strategies which would help you to handle a checking account responsibly?  
List them below.

**My Strategies Are:**



Remember, if you think that you're not ready for a checking account, you can always pay your bills with money orders. (For more information, refer to the "Money Orders" section in this module.)



### **ACTIVITY**

If appropriate, open a checking account at a bank of your choice.

## **AUTOMATED TELLER MACHINES (ATMs)**

Although ATMs are very popular, convenient, and easy-to-use to both deposit and withdraw money in either checking or saving accounts, they also bear certain risks for those of you who might have difficulty managing money. Because ATM machines allow you access to your money at all times, there may be a greater temptation to spend money in a way you hadn't planned.

Some ATM machines, if they are not affiliated with your bank, will not provide you with your account balance. This makes it difficult to keep track of your money, especially if you forget to record the ATM transaction in your checkbook register. Similarly, many grocery stores now offer customers the opportunity to pay for purchases with their ATM cards, again without giving a balance.

With this in mind, evaluate the advantages and disadvantages an ATM card would have for you.

<b>Advantages</b>	<b>Disadvantages</b>

Would you get an ATM card? Explain your decision.

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If you have decided that you will use Automated Teller Machines, here are a few helpful hints you should keep in mind.

- Choose your secret password very carefully. Don't use your name, initials, phone number, or birth date.
- Never write your password on your ATM card. If you lose the card, anyone who finds it would be able to withdraw your money.
- Don't announce your password to others. Remember, once you tell a secret to someone, it's not a secret anymore.
- Remember to take your receipt after each transaction, even when you're in a hurry. You'll need the receipt to help you balance your monthly statement and, if you have any questions about your transaction, you'll need the receipt to speak to the bank personnel.
- Be sure to enter all your transactions (deposits or withdrawals) in you checkbook/savings register so that you'll always know what your balance is.
- Don't forget your ATM card at the machine after you've finished your transaction!

## MONEY ORDERS

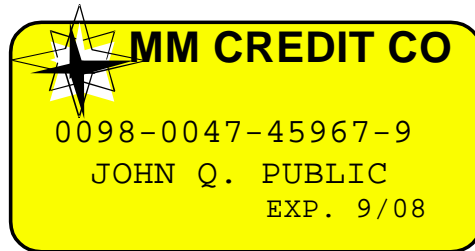
Money orders can be purchased for a fee ranging from \$.75 to \$2.00 at any bank or post office and in many convenient stores. Money orders can be used to pay bills (rent, utilities, etc.) in the same manner as a personal check. The amount of the bill is paid in cash to the teller or salesperson, who then issues the money order in the same amount. The order needs to be signed and dated, and information about the agency you are paying needs to be filled out in the appropriate spaces. After completing your money order, make sure to detach your receipt at the bottom and keep it in a safe place. This is your proof of purchase. If the person/company you were paying states that they never received it, you will have the receipt with its identification number to offer as proof of payment.

SAMPLE:

<b>MONEY ORDER</b>		789-0154-6249
First Federal Bank	Boston, MA	
		VOID IF OVER \$1000
Forty Three dollars and Twenty Five cents		\$ 0043.25
Pay To: _____		
Company Name		/ Address
Signature: _____		Date _____
KEEP THE YELLOW COPY FOR YOUR RECORDS		

## UNDERSTANDING CREDIT AND CHARGE CARDS

Credit and charge cards are different from checking accounts. Checking accounts use only your money (i.e., you must have enough money in your account to cover any incoming checks), while credit and charge cards are a form of a loan from the credit company to you. While this type of loan seems to make shopping more convenient, keep in mind that it also bears certain risks (like overspending.) In addition, many credit institutions have a yearly membership fee. Some credit and charge card accounts also include an additional “service charge” or interest fee for certain kinds of transactions. It is important to understand how and when these additional fees are included.




In order to get a credit or charge card from a bank, service, or store, you must fill out an application form. Approval will be based upon a number of considerations, including your present income, length of employment, the balance and activity in your checking or savings account, and your credit history (Have you ever had credit/charge cards before? Did you pay your bills on time? Have you bounced checks?). Approval is not automatic. If you have just begun full-time employment or do not have a credit history, your application might not be approved. You can always re-apply, however, at a later date.

A credit card allows you to borrow only up to a certain amount, called your “credit limit.” When you purchase something with a credit card, the credit card company is actually paying for you. At the end of the month, the credit card sends you a statement telling you how much money you owe them. If you have a charge card from a particular store, similar loaning and billing procedures are followed.

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This is an example of a credit card statement:

 <b>MM CREDIT CO</b> P.O. Box 008 Boston, MA 02116	<i>Return top portion with your check or money order.</i>										
	Due Date: <b>6/30/05</b>										
Your Name Street Address City, State Zip	Amount Enclosed:										
<table border="1"> <tr> <td>Account Number</td> <td>Exp. Date</td> <td>Credit Line</td> <td>Available Credit</td> </tr> <tr> <td>382-792-730-6</td> <td>9/08</td> <td>\$500</td> <td>\$377.67</td> </tr> </table>	Account Number	Exp. Date	Credit Line	Available Credit	382-792-730-6	9/08	\$500	\$377.67			
Account Number	Exp. Date	Credit Line	Available Credit								
382-792-730-6	9/08	\$500	\$377.67								
Total Account Balance:	<b>\$122.33</b>	Total Minimum Payment:	<b>\$40.00</b>								
<b>DETAILED TRANSACTION SUMMARY FOR PERIOD OF 5/01/95 to 5/31/95</b>											
<b>Date</b>	<b>Amount</b>	<b>Merchant ID#</b>	<b>Bank</b>								
05/11/05	\$46.12	LA Boutique	458875344								
05/21/05	\$76.21	Al Cleaners	842196002								
<b>Monthly Percentage Rate 1.5%</b>											

The total balance is the amount of money you owe the credit card company for charging things during a specific period. The total minimum payment is the part of the total balance that **must** be paid by the payment date. The available credit lets you know how much more you can borrow before reaching your credit line. “Credit line” means the same thing as “credit limit,” and you can’t charge more than your limit. If you do, the credit card company may cancel your card. Transaction date, amount, and merchant ID# show when and where you used your card, and how much you charged.

You have two ways to pay off your credit card charges:

1. You can pay the total balance (\$122.33) all at once and be finished with it.
2. You can pay anywhere between the total minimum payment (\$40.00) and the total balance (\$122.33), and pay the rest over several months.

**Option 1** is good, but you may not have that much money available. You may only be able to pay a little bit at a time, which is your second option. When you use **Option 2**, however, the credit card company charges interest. They charge you for the privilege of putting off payment until later. In the end, you’re paying for your loan ( the things you charged) *and* the interest on the loan, which means that your total payment will exceed the amount of the original loan.

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Which option should you use? **Option 1** means you end up paying back only the money you borrowed. **Option 2** means paying only a small amount of money at any given time but paying back extra money on interest.

Try to pay off your loans from the credit card company as soon as possible. If you wait, you can end up paying a lot of excess interest.



### ACTIVITY

Go to a department store and a bank to research additional information about credit and charge cards.

As stated in the beginning of this section, although there are advantages to credit and charge cards, they also bear risks.

**C**onsider the following:

Susan has been working full-time as a nurse's aid for the past twelve months. She is on a fairly tight budget and, after paying for rent, utilities, food, and transportation, Susan has approximately \$100 a month for miscellaneous expenses. A few months ago, Susan was approved for a credit card with a \$500 credit line. As soon as she got the card, Susan went shopping and charged \$200 for clothes. Two days later, Susan bought a new TV for \$280. When Susan got her statement in the mail three and a half weeks later, she was a little surprised. She had not anticipated that she had to pay for all these items and interest as well. Actually, it almost felt as if the items she charged were free, since charging did not have an influence on her cash flow.

How do you think Susan will pay the money back?

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How long do you think it will take her to pay off her credit card balance?

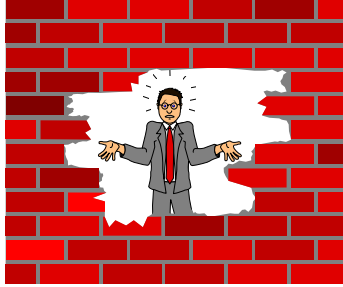
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Do you think Susan would have bought the items if she had not had a charge card?

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Many people get themselves into dangerous “credit holes,” meaning they buy much more than they can afford because it seems so simple to use the credit card now and pay later. Most of these people can never pay off the debt they owe, and the high interest rate on credit cards makes things worse. Some people spend years paying off debts that they have created through careless charging.

While credit and charge cards can be helpful in establishing a good credit history, necessary to apply for larger bank loans or to finance a car for example, they can negatively impact your ability to get credit if they are misused. You should be aware of the long range effects of bad credit.

**C**onsider the following:

Susan struggled for quite some time to pay off the charges for her purchases. She was late with her payments several times and actually missed one or two. Now, three years later, Susan (who has gotten a promotion and a raise at work) is shopping for a used car. After looking around she finds a car she likes and can afford, with reasonable monthly payments. She then applies at the car dealership for financing. The salesperson checks Susan’s credit history through one of the computerized credit rating companies and informs her that her loan has been disapproved.

What do you think has happened?

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After evaluating all the information, do you feel that credit and charge cards are a good option for you now or in the future? Explain your choice.

If you think that credit cards are a good option for you, remember to be very cautious when using them and never charge more than you can afford!

## UNDERSTANDING YOUR PAYCHECK

Most employers pay their employees by check and, for many people, receiving that check is a very satisfying experience! Some people, however, are confused about why their check is less than they expected.

To avoid unwelcome surprises, you should know that there are a number of deductions that are taken from your paycheck. Your check stub (attached to your check) will identify your **gross pay**, which is the total amount of money that you earned, and your “take-home pay” or **net income**, the amount that is left for you after all the deductions are taken.

The standard payroll deductions are:

- Federal income tax
- State income tax
- Social Security/Retirement

Other possible deductions:

- Health and hospital insurance
- Life insurance
- Union dues

***Keep your check stubs!!! They are an important record of your earnings and deductions.***

PAYROLL CHECK	<b>CARSON'S DEPARTMENT STORE</b> 123 Elm Street Anytown, MA 01234	51-42 321
<i>Pay to the Order of</i>	<b>JESSE SMITH</b>	
		<b>\$ 145.62</b>
	<b>ONE HUNDRED FORTY FIVE AND SIXTY CENTS</b>	
BOSTON NATIONAL BANK Boston, Massachusetts 0:075341 2090 : 231112 : 1		<i>Ροβερτ Ω. Χαρσον</i> Robert W. Carson. President

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Below is a sample payroll check stub. Often, a paycheck stub will also include year-to-date totals on all earnings and deductions, a breakdown of the hourly wage(s), and other necessary information.

<b>CARSON'S DEPARTMENT STORE</b>		Date of Issue: 10 July 2005	
<b>NAME: JESSE SMITH</b>		Pay Period: 7/1/05 - 7/8/05	
<b>EMP. #: 504</b>		Check #: 324	
<b>SS#: 001-01-0011</b>			
Regular Hours: 30	<b>GROSS EARNINGS:</b>	<b>\$202.25</b>	
Overtime Hours: 0	Current		
	<u><b>Deductions</b></u>		
Hourly Rate: \$6.75	Federal Tax	34.38	
Overtime Rate: \$8.00	State Tax	8.10	
	FICA	14.15	
	<b>NET EARNINGS</b>	<b>\$145.62</b>	

Jesse's net pay, his take home pay, is \$145.62. Although he earned \$202.25 for the week of July first through eighth, his employer is required to deduct \$34.38 for Federal tax, \$8.10 for State tax, and \$14.15 for F.I.C.A. (Social Security). This leaves Jesse with \$145.62 for himself.



### ACTIVITY

Take a look at your paycheck and answer the following questions

What is your gross income?

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How much do you pay in Federal taxes?

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How much do you pay in State taxes?

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How much do you pay to F.I.C.A.?

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Do you have any other deductions? If so, describe.

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What are your net earnings?

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## **THE W-4 FORM**

When you start a job, you are asked to complete a W-4 Form so your employer can withhold the correct amount of Federal income tax. Read the instructions and fill in the sample on this and the following pages. Complete State Form M-4 (see page 92) only if you claim a different number of exemptions for Massachusetts and United States income taxes. If you have questions call, your local Internal Revenue Service Office, or call 1-800-424-3676 (toll free).

### Form W-4 (2005)

**Purpose.** Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. Because your tax situation may change, you may want to refigure your withholding each year.

**Exemption from withholding.** If you are exempt, complete only lines 1, 2, 3, 4, and 7 and sign the form to validate it. Your exemption for 2005 expires February 15, 2006. See Pub. 505, Tax Withholding and Estimated Tax.

**Note.** You cannot claim exemption from withholding if (a) your income exceeds \$800 and includes more than \$250 of unearned income (for example, interest and dividends) and (b) another person can claim you as a dependent on their tax return.

**Basic Instructions.** If you are not exempt, complete the Personal Allowances Worksheet below. The worksheets on page 2 adjust your withholding allowances based on itemized deductions, certain credits, adjustments to income, or two-

earner/two-job situations. Complete all worksheets that apply. However, you may claim fewer (or zero) allowances.

**Head of household.** Generally, you may claim head of household filing status on your tax return only if you are unmarried and pay more than 50% of the costs of keeping up a home for yourself and your dependent(s) or other qualifying individuals. See line E below.

**Tax credits.** You can take projected tax credits into account in figuring your allowable number of withholding allowances. Credits for child or dependent care expenses and the child tax credit may be claimed using the Personal Allowances Worksheet below. See Pub. 919, How Do I Adjust My Tax Withholding? for information on converting your other credits into withholding allowances.

**Nonwage income.** If you have a large amount of nonwage income, such as interest or dividends, consider making estimated tax payments using Form 1040-EE, Estimated Tax for Individuals. Otherwise, you may owe additional tax.

**Two earners/two jobs.** If you have a working spouse or more than one job, figure the total number of allowances you are entitled to claim on all jobs using worksheets from only one Form W-4. Your withholding usually will be most accurate when all allowances are claimed on the Form W-4 for the highest paying job and zero allowances are claimed on the others.

**Nonresident alien.** If you are a nonresident alien, see the instructions for Form 8233 before completing this Form W-4.

**Check your withholding.** After your Form W-4 takes effect, use Pub. 919 to see how the dollar amount you are having withheld compares to your projected total tax for 2005. See Pub. 919, especially if your earnings exceed \$125,000 (single) or \$175,000 (married).

**Recent name change?** If your name on line 1 differs from that shown on your social security card, call 1-800-772-1213 to initiate a name change and obtain a social security card showing your correct name.

**Personal Allowances Worksheet (Keep for your records.)**

A Enter "1" for yourself if no one else can claim you as a dependent. A \_\_\_\_\_

B Enter "1" if: B \_\_\_\_\_

- You are single and have only one job; or
- You are married, have only one job, and your spouse does not work; or
- Your wages from a second job or your spouse's wages (or the total of both) are \$1,000 or less.

C Enter "1" for your spouse. But, you may choose to enter "-0-" if you are married and have either a working spouse or more than one job. (Entering "-0-" may help you avoid having too little tax withheld.) C \_\_\_\_\_

D Enter number of dependents (other than your spouse or yourself) you will claim on your tax return D \_\_\_\_\_

E Enter "1" if you will file as head of household on your tax return (see conditions under Head of household above) E \_\_\_\_\_

F Enter "1" if you have at least \$1,500 of child or dependent care expenses for which you plan to claim a credit F \_\_\_\_\_  
(Note. Do not include child support payments. See Pub. 503, Child and Dependent Care Expenses, for details.)

G **Child Tax Credit** (including additional child tax credit): G \_\_\_\_\_

- If your total income will be less than \$54,000 (\$79,000 if married), enter "2" for each eligible child.
- If your total income will be between \$54,000 and \$84,000 (\$79,000 and \$119,000 if married), enter "1" for each eligible child plus "1" additional if you have four or more eligible children.

H Add lines A through G and enter total here. (Note. This may be different from the number of exemptions you claim on your tax return.) H \_\_\_\_\_

For accuracy, complete all worksheets that apply. ▶

- If you plan to itemize or claim adjustments to income and want to reduce your withholding, see the Deductions and Adjustments Worksheet on page 2.
- If you have more than one job or are married and you and your spouse both work and the combined earnings from all jobs exceed \$35,000 (\$25,000 if married) see the Two-Earner/Two-Job Worksheet on page 2 to avoid having too little tax withheld.
- If neither of the above situations applies, stop here and enter the number from line H on line 5 of Form W-4 below.

Cut here and give Form W-4 to your employer. Keep the top part for your records.

Form <b>W-4</b> Department of the Treasury Internal Revenue Service	<b>Employee's Withholding Allowance Certificate</b> ▶ Whether you are entitled to claim a certain number of allowances or exemption from withholding is subject to review by the IRS. Your employer may be required to send a copy of this form to the IRS.	OMB No. 1545-0010 <b>2005</b>
1 Type or print your first name and middle initial <span style="float:right">Last name</span>		2 Your social security number
Home address (number and street or rural route)		3 <input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Married, but withhold at higher Single rate. Note. If married, but legally separated, or spouse is a nonresident alien, check the "Single" box.
City or town, state, and ZIP code		4 If your last name differs from that shown on your social security card, check here. You must call 1-800-772-1213 for a new card. <input type="checkbox"/>
5 Total number of allowances you are claiming (from line H above or from the applicable worksheet on page 2)		5 _____ 6 \$ _____
7 I claim exemption from withholding for 2005, and I certify that I meet both of the following conditions for exemption. <ul style="list-style-type: none"> <li>• Last year I had a right to a refund of all federal income tax withheld because I had no tax liability and</li> <li>• This year I expect a refund of all federal income tax withheld because I expect to have no tax liability.</li> </ul> If you meet both conditions, write "Exempt" here <span style="float:right">▶</span>		7 _____
Under penalties of perjury, I declare that I have examined this certificate and to the best of my knowledge and belief, it is true, correct, and complete.		
Employee's signature (Form is not valid unless you sign it.) <span style="float:right">▶</span>		Date <span style="float:right">▶</span>
8 Employer's name and address (Employer: Complete lines 8 and 10 only if sending to the IRS.)		9 Office code (optional)
		10 Employer identification number (EIN)

**Deductions and Adjustments Worksheet**

**Note.** Use this worksheet *only* if you plan to itemize deductions, claim certain credits, or claim adjustments to income on your 2005 tax return.

- 1 Enter an estimate of your 2005 itemized deductions. These include qualifying home mortgage interest, charitable contributions, state and local taxes, medical expenses in excess of 7.5% of your income, and miscellaneous deductions. (For 2005, you may have to reduce your itemized deductions if your income is over \$145,950 (\$72,975 if married filing separately). See Worksheet 3 in Pub. 919 for details.) . . . . . 1 \$ \_\_\_\_\_
- 2 Enter:  $\left\{ \begin{array}{l} \$10,000 \text{ if married filing jointly or qualifying widow(er)} \\ \$ 7,300 \text{ if head of household} \\ \$ 5,000 \text{ if single or married filing separately} \end{array} \right\}$  . . . . . 2 \$ \_\_\_\_\_
- 3 Subtract line 2 from line 1. If line 2 is greater than line 1, enter "-0-" . . . . . 3 \$ \_\_\_\_\_
- 4 Enter an estimate of your 2005 adjustments to income, including alimony, deductible IRA contributions, and student loan interest . . . . . 4 \$ \_\_\_\_\_
- 5 Add lines 3 and 4 and enter the total. (Include any amount for credits from Worksheet 7 in Pub. 919) . . . . . 5 \$ \_\_\_\_\_
- 6 Enter an estimate of your 2005 nonwage income (such as dividends or interest) . . . . . 6 \$ \_\_\_\_\_
- 7 Subtract line 6 from line 5. Enter the result, but not less than "-0-" . . . . . 7 \$ \_\_\_\_\_
- 8 Divide the amount on line 7 by \$3,200 and enter the result here. Drop any fraction . . . . . 8 \_\_\_\_\_
- 9 Enter the number from the **Personal Allowances Worksheet**, line H, page 1 . . . . . 9 \_\_\_\_\_
- 10 Add lines 8 and 9 and enter the total here. If you plan to use the **Two-Earner/Two-Job Worksheet**, also enter this total on line 1 below. Otherwise, stop here and enter this total on Form W-4, line 5, page 1 . . . . . 10 \_\_\_\_\_

**Two-Earner/Two-Job Worksheet (See *Two earners/two jobs* on page 1.)**

**Note.** Use this worksheet *only* if the instructions under line H on page 1 direct you here.

- 1 Enter the number from line H, page 1 (or from line 10 above if you used the **Deductions and Adjustments Worksheet**) . . . . . 1 \_\_\_\_\_
- 2 Find the number in **Table 1** below that applies to the **LOWEST** paying job and enter it here . . . . . 2 \_\_\_\_\_
- 3 If line 1 is more than or equal to line 2, subtract line 2 from line 1. Enter the result here (if zero, enter "-0-") and on Form W-4, line 5, page 1. Do not use the rest of this worksheet . . . . . 3 \_\_\_\_\_

**Note.** If line 1 is less than line 2, enter "-0-" on Form W-4, line 5, page 1. Complete lines 4-9 below to calculate the additional withholding amount necessary to avoid a year-end tax bill.

- 4 Enter the number from line 2 of this worksheet . . . . . 4 \_\_\_\_\_
- 5 Enter the number from line 1 of this worksheet . . . . . 5 \_\_\_\_\_
- 6 Subtract line 5 from line 4 . . . . . 6 \_\_\_\_\_
- 7 Find the amount in **Table 2** below that applies to the **HIGHEST** paying job and enter it here . . . . . 7 \$ \_\_\_\_\_
- 8 Multiply line 7 by line 6 and enter the result here. This is the additional annual withholding needed . . . . . 8 \$ \_\_\_\_\_
- 9 Divide line 8 by the number of pay periods remaining in 2005. For example, divide by 26 if you are paid every two weeks and you complete this form in December 2004. Enter the result here and on Form W-4, line 6, page 1. This is the additional amount to be withheld from each paycheck . . . . . 9 \$ \_\_\_\_\_

**Table 1: Two-Earner/Two-Job Worksheet**

Married Filing Jointly						All Others	
If wages from HIGHEST paying job are—	AND, wages from LOWEST paying job are—	Enter on line 2 above	If wages from HIGHEST paying job are—	AND, wages from LOWEST paying job are—	Enter on line 2 above	If wages from LOWEST paying job are—	Enter on line 2 above
\$0 - \$40,000	\$0 - \$4,000	0	\$40,001 and over	30,001 - 36,000	6	\$0 - \$6,000	0
	4,001 - 8,000	1		36,001 - 45,000	7	6,001 - 12,000	1
	8,001 - 18,000	2		45,001 - 50,000	8	12,001 - 18,000	2
	18,001 and over	3		50,001 - 60,000	9	18,001 - 24,000	3
				60,001 - 65,000	10	24,001 - 31,000	4
\$40,001 and over	\$0 - \$4,000	0	65,001 - 75,000	11	31,001 - 45,000	5	
	4,001 - 8,000	1	75,001 - 90,000	12	45,001 - 60,000	6	
	8,001 - 18,000	2	90,001 - 100,000	13	60,001 - 75,000	7	
	18,001 - 22,000	3	100,001 - 115,000	14	75,001 - 80,000	8	
	22,001 - 25,000	4	115,001 and over	15	80,001 - 100,000	9	
	25,001 - 30,000	5			100,001 and over	10	

**Table 2: Two-Earner/Two-Job Worksheet**

Married Filing Jointly		All Others	
If wages from HIGHEST paying job are—	Enter on line 7 above	If wages from HIGHEST paying job are—	Enter on line 7 above
\$0 - \$60,000	\$480	\$0 - \$30,000	\$480
60,001 - 110,000	900	30,001 - 70,000	900
110,001 - 160,000	900	70,001 - 140,000	900
160,001 - 280,000	1,060	140,001 - 320,000	1,060
280,001 and over	1,120	320,001 and over	1,120

**Privacy Act and Paperwork Reduction Act Notice.** We ask for the information on this form to carry out the Internal Revenue laws of the United States. The Internal Revenue Code requires this information under sections 3402(f)(2)(A) and 6109 and their regulations. Failure to provide a properly completed form will result in your being treated as a single person who claims no withholding allowances; providing fraudulent information may also subject you to penalties. Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation, to cities, states, and the District of Columbia for use in administering their tax laws, and using it in the National Directory of New Hires. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

You are not required to provide the information requested on a form that is subject to

the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by Code section 6103.

The time needed to complete this form will vary depending on individual circumstances. The estimated average time is: Recordkeeping, 45 min.; Learning about the law or the form, 12 min.; Preparing the form, 58 min. If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to: Internal Revenue Service, Tax Products Coordinating Committee, SEW:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, IR-6406, Washington, DC 20224. Do not send Form W-4 to this address. Instead, give it to your employer.

# Independent Living Skill Module I

FORM  
M-4

## MASSACHUSETTS EMPLOYEE'S WITHHOLDING EXEMPTION CERTIFICATE

Rev. 7/98



Print full name .....  
Print home address .....

Social Security No.  
City.....

State

Zip Code

**EMPLOYEE:**

File this form or Form W-4 with your employer. Otherwise, Massachusetts Income Taxes will be withheld from your wages without exemptions.

**EMPLOYER:**

Keep this certificate with your records. If the employee is believed to have claimed excessive exemptions, the Massachusetts Department of Revenue should be so advised.

**HOW TO CLAIM YOUR WITHHOLDING EXEMPTIONS**

1. Your personal exemption. Write the figure "1". If you are age 65 or over or will be before next year, write "2".
2. IF MARRIED and if exemption for spouse is allowed, write the figure "4". If your spouse is age 65 or over or will be before next year and if otherwise qualified, write "5". See Instruction C .....
3. Write the number of your qualified dependents. See Instruction D .....
4. Add the number of exemptions which you have claimed above and write the total.....
5. Additional withholding per pay period under agreement with employer \$ \_\_\_\_\_
  - A.  Check if you will file as head of household on your tax return.
  - B.  Check if you are blind.      C.  Check if spouse is blind and not subject to withholding.
  - D.  Check if you are a full-time student engaged in seasonal, part-time or temporary employment whose estimated annual income will not exceed \$8,000.

**EMPLOYER: DO NOT withhold if Box D is checked.**

I certify that the number of withholding exemptions claimed on this certificate does not exceed the number to which I am entitled.

(Date)

(Signed)

**THIS FORM MAY BE REPRODUCED**

**THE COMMONWEALTH OF MASSACHUSETTS • DEPARTMENT OF REVENUE**

**A. NUMBER** — If you claim **MORE** than the correct number of exemptions, civil and criminal penalties may be imposed. You may claim a smaller number of exemptions. If you do not file a certificate, your employer must withhold on the basis of no exemptions.

If you expect to owe more income tax than will be withheld, you may either claim a smaller number of exemptions or enter into an agreement with your employer to have additional amounts withheld.

You should claim the total number of exemptions to which you are entitled to prevent excessive overwithholding — unless you have a significant amount of other income.

**IF YOU WORK FOR MORE THAN ONE EMPLOYER AT THE SAME TIME, YOU MUST NOT CLAIM ANY EXEMPTIONS WITH EMPLOYERS OTHER THAN YOUR PRINCIPAL EMPLOYER.**

If you are married and if your spouse is subject to withholding, each may claim a personal exemption.

**B. CHANGES** — You may file a new certificate at any time if the number of exemptions **INCREASES**. You **MUST** file a new certificate within 10 days if the number of exemptions previously claimed by you **DECREASES**. For example, if during the year your dependent son's income indicates that

you will not provide over half of his support for the year, you must file a new certificate.

**C. SPOUSE** — If your spouse is not working or if she or he is working but not claiming the personal exemption or the age 65 or over exemption, generally you may claim those exemptions in line 2. However, if you are planning to file separate annual tax returns, you should not claim withholding exemptions for your spouse or for any dependents that will not be claimed on your annual tax return.

If claiming a wife or husband, write "4" in line 2. Using "4" is the withholding system adjustment for the \$4,400 exemption for a spouse.

**D. DEPENDENT(S)** — You may claim an exemption in line 3 for each individual who qualifies as a dependent under the Federal Income Tax Law. In addition, if one or more of your dependents will be under age 12 at year end, add "1" to your dependents total for line 3.

**YOU ARE NOT ALLOWED TO CLAIM "FEDERAL WITHHOLDING DEDUCTIONS AND ADJUSTMENTS" UNDER THE MASSACHUSETTS WITHHOLDING SYSTEM.**

**IF YOU HAVE INCOME NOT SUBJECT TO WITHHOLDING, YOU ARE URGED TO HAVE ADDITIONAL AMOUNTS WITHHELD TO COVER YOUR TAX LIABILITY ON SUCH INCOME. SEE LINE 5.**

**IF YOU CLAIM THE SAME NUMBER OF EXEMPTIONS FOR MASSACHUSETTS AND U.S. INCOME TAXES, COMPLETE U.S. FORM W-4 ONLY.**  
150M 7/97 CRP0198

## FILING TAXES

Everybody who earns money (unless it is tax free) has to file for taxes. If you fail to do so, you might be prosecuted by the IRS (Internal Revenue Service, an agency responsible for tax collection). At the end of each year, your employer will send you a W-2 form, which lists the amount of money you have earned and the deductions taken out of your paycheck during that year.

To file your taxes, you will need to obtain the W-2 form and both a federal and a state income tax form. These are usually available, along with an instructional brochure, at a post office or bank and often mailed directly to your residence. You can either file your own taxes (utilizing the information on your W-2 and by following the instructions provided in the instructional brochure) or seek out professional help. In any event, be aware of the deadlines associated with filling taxes! Depending on your status, you will either get a refund by mail or you may have to pay out additional taxes that were not collected through your paychecks.



### ACTIVITY

Obtain an instructional booklet and the appropriate forms and practice filing taxes with your social worker, foster parent, or group care staff.