

Teacher's Guide to SC Individual Income Tax



A Note to Teachers

The South Carolina Department of Revenue (SCDOR) strives to promote voluntary compliance, the premise of filing and paying taxes in full at the time they are due without being forced to do so by the SCDOR. To promote voluntary compliance, the SCDOR works to help taxpayers understand state taxes and filing obligations.

The lessons in this guide provide essential tax information specific to South Carolina so students may learn about Individual Income Tax, claim tax credits, and accurately complete a state return. The lessons can be tailored to the level you teach and the time you have available for this subject. These lessons may be used for a math, economics, personal finance, or elective course.

This guide focuses on three main SC Individual Income Tax topics:

- Withholding
- Deductions and tax credits
- Completing a simple return

Each lesson includes lesson layouts, scenario examples, and sample quizzes. Expect the whole unit to take about 3 to 4 days to complete (or 4-6 hours) depending on how many of the exercises you choose to do, if you use the quizzes, and if you add more tax information into the lesson plans.

Videos used for these lessons can be found in the Teacher's Guide playlist on the SCDOR's YouTube channel at youtube.com/@TheSCDOR.

 *Look for lightbulbs throughout each lesson for tips and additional resources.*

SC Standards

Using these lessons, your students will see how math directly relates to the real-world scenario of taxation when they begin working. Taxes help students practice percentages, ratios, and equations. Keep in mind, you may change the exercises to be more complex to meet the standards of your classroom.

Provided below are South Carolina college- and career-ready standards for seventh grade through high school that may be addressed by the lessons in this guide.

Mathematics

- **7.NS.3** Apply the concepts of all four operations with rational numbers to solve real-world and mathematical problems.
- **7.RP.3** Solve real-world and mathematical problems involving ratios and percentages using proportional reasoning (e.g., multi-step dimensional analysis, percent increase/decrease, tax).
- **8.EE.4** Apply the concepts of decimal and scientific notation to solve real-world and mathematical problems.
- **8.NS.3** Extend prior knowledge to translate among multiple representations of rational numbers (fractions, decimal numbers, percentages). Include the conversion of repeating decimal numbers to fractions.
- **FLQE.1** Distinguish between situations that can be modeled with linear functions or exponential functions by recognizing situations in which one quantity changes at a constant rate per unit interval as opposed to those in which a quantity changes by a constant percent rate per unit interval.
- **ACE.1** Create and solve equations and inequalities in one variable that model real-world problems involving linear, quadratic, simple rational, and exponential relationships. Interpret the solutions and determine whether they are reasonable.
- **ASE.1** Interpret the meanings of coefficients, factors, terms, and expressions based on their real-world contexts. Interpret complicated expressions as being composed of simpler expressions.
- **SPCR.8** Use permutations and combinations to solve mathematical and real-world problems, including determining probabilities of compound events. Justify the results.

Economics and Personal Finance

- **EPF.2.ER** Research and analyze the factors that impact personal income and long-term earning potential.
- **EPF.2.IP** Develop a personal finance strategy for investing, protecting, purchasing, and saving resources.
- **EPF.4.IP** Investigate contemporary economic policies, and analyze how political ideologies influenced their implementation.
- **CTE Personal Finance - F** Understanding Taxes

Questions or comments about this guide?

We're here to help! Contact the SCDOR at TeacherGuide@dor.sc.gov.

Take this [quick survey](#) to provide us with your feedback.

Looking for federal tax lessons?

To incorporate federal tax information into your lessons, visit the Understanding Taxes Teacher Site provided by the IRS at apps.irs.gov/app/understandingTaxes/teacher/.

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Key Terms

A list of key terms is provided at the beginning of each lesson. Key terms and definitions below are listed in the order that they appear in the lesson.

Lesson 1: South Carolina Individual Income Tax Basics

Tax — Required contributions to the government (federal, state, county, city)

Earned Income — Income you receive from services you provide

Federal Income Tax — Tax on income by the federal government and collected by the Internal Revenue Service (IRS)

South Carolina Income Tax — Tax on income by South Carolina state government and collected by the South Carolina Department of Revenue (SCDOR)

Withholding — An amount of money kept from paychecks to pay federal and state income tax

Form W-4 — The form used by employers to withhold the correct amount of taxes from an employee's pay

Filing status — Determines the rate at which income is taxed

Withholding allowance — An exemption that lowers the amount of tax deducted from an employee's paycheck

Wage — An hourly rate of payment to an employee

Salary — A fixed, regular payment to an employee

Tip income — Money given voluntarily to someone performing a service

Form W-2 — The form used to complete Income Tax returns and reports the total income earned and the amount of taxes withheld for the year from an employee's pay

Lesson 2: Deductions and Tax Credits

Federal taxable income — Total (or gross) income for the year, minus any tax deductions, that is reported on your federal income tax return

Tax deduction — A claim that reduces the amount of taxable income before calculating taxes owed

Tax table — A chart that provides the amount of tax due based on income received

Tax liability — Amount of tax owed based on taxable income

Tax credit — A claim that reduces the amount of tax owed (or tax liability)

Refundable credit — A credit that can reduce tax liability to zero with any remaining amount of credit being refunded back to the taxpayer

Nonrefundable credit — A credit that can reduce tax liability to zero but any remaining amount of credit is not refunded back to the taxpayer

Lesson 3: Completing Your Tax Return

Filing extension — A request for more time to file a tax return, generally extending the return due date from April 15 to October 15

1040 — Form used to file federal Individual Income Tax return with the IRS

SC1040 — Form used to file the South Carolina Individual Income Tax return with the SCDOR

Refund — A reimbursement from the federal and/or state government for paying too much in taxes

Lesson 1: South Carolina Individual Income Tax Basics

Objective: Students will understand what taxes are, be able to define common tax terms, and know how withholding taxes from paychecks works.

Resources:

- Copies of the SC W-4 form found at dor.sc.gov/forms (or display for the class to see)
- Copies of the W-2 form found at irs.gov (or display for the class to see)
- Computer with internet access to watch YouTube video
- Copies of Lesson 1 Quiz

Key Terms:

- | | |
|-----------------------------|-------------------------|
| • Tax | • Filing status |
| • Earned income | • Withholding allowance |
| • Federal Income Tax | • Wage |
| • South Carolina Income Tax | • Salary |
| • Withholding | • Tip income |
| • Form W-4 | • Form W-2 |

Lesson Opener

Ask: *What are taxes?*

- Taxes are required contributions to the government and are paid from people's income or business profits. Taxes can be added to the cost of things we buy or things we own, such as our homes and cars.

Say: There are many different types of taxes. We pay taxes that are sent to the federal government, state government, and local governments.

Ask: *What do taxes pay for?*

- *Examples:* roads, bridges, public education, social services, police, libraries, fire safety, public health services, parks

State Objective: After this lesson, you'll be able to define common tax terms and understand withholding and forms W-4 and W-2 that you'll need when you begin working.

Watch

Visit youtube.com/@TheSCDOR to watch *IIT 101: The Basics of Individual Income Tax* in the Teacher's Guide playlist.

Definitions

Ask: What are some examples of income?

- *Examples:* Pay you receive from a job (wages, salaries), interest you make from investments, money you collect from rental properties

Say: Earned income is income you receive from services you provide. Some examples of earned income are wages and salaries. If you have any income, earned or not earned (like interest), you may need to pay income taxes. Individual Income Tax is charged on the wages, salaries, interest, and any other income a person earns throughout the year. Put simply, any money you make, or income you receive, throughout the year is taxed. Money you receive as gifts, such as on your birthday, are generally not considered taxable. Use the federal filing requirements to figure out if you need to file a federal income tax return. If you are a South Carolina resident and you file a federal return, you will also need to file a South Carolina return, called an SC1040.

- There are **federal income taxes** and **South Carolina state income taxes**.
 - Federal income taxes are handled by the Internal Revenue Service (the IRS).
 - State income taxes are handled by the South Carolina Department of Revenue (the SCDOR).
 - For this lesson, we're focusing on state income taxes, but many of the terms you'll learn relate to federal taxes too.

Say: Now we're going to talk about how taxes relate to jobs. Let's say you started your first job, and you're earning \$12.75 an hour. You worked 20 hours your first week. How much money did you earn that week? (*Answer: \$255*) When you get your paycheck, you won't have \$255. Your employer withholds a certain amount of your paycheck and sends that money to the IRS and the SCDOR.

For tax purposes, **withholding** refers to the amount of money kept from your paycheck that your employer sends to the IRS and the SCDOR to pay your federal and state income taxes.

Ask: How does your employer know how much money to withhold from your paycheck?

- When you first begin a job, your employer will give you two Form **W-4s** to complete: one that is sent to the IRS and one that is sent to the SCDOR.
- A W-4 is a document called the Employee's Withholding Certificate. The information you report on a W-4 determines how much money should be withheld from your paycheck.
- It's important to know how to complete this form to avoid overpaying your taxes throughout the year or owing a large amount later when you fill out your tax return.
- On the W-4 sent to the IRS, you'll report:
 - Your **filing status**, which determines the rate that your income is taxed
 - * *Usually your filing status will be single or married filing jointly.*
 - Adjustments for more than one job, dependents, additional income types, or other deductions
 - * *It is common for someone who is not married and has no children to have no adjustments.*
 - On the SC W-4, you'll report the number of **withholding allowances**.
 - * *Each allowance reduces the amount withheld, so you'll get more in your paycheck.*
 - * *It is common for someone who is not married and has no children to claim zero or one allowance.*

💡 Display a copy of the current tax year's Form W-4 for students to see while talking about the W-4. Walk through completing it or explain it in general terms. The federal W-4 can be found at [IRS.gov](https://www.irs.gov). The SC W-4 can be found at dor.sc.gov/forms.

Ask: What are wages?

- Wages are payments received by employees for the work they do.

Ask: What's the difference between wages and salaries?

- Usually, wages refer to pay based on an hourly pay rate. Salaries are a fixed sum of money paid for a specific period of time, usually based on a year.

Ask: What is tip income? Do you have to report tips as part of your taxable income?

- Tip income is money given voluntarily to someone performing a service, like a waiter or waitress.
- Usually, if you receive tips, you report the amount of tips you received to your employer for tax purposes.
- Yes, all tips are taxable.

Say: Wages, salaries, and tips are all forms of income, and you have to pay taxes on this income.

Introduce Form W-2: Before January 31 of each year, your employer will give you a form called a W-2.

- The W-2 shows you how much income you made that was reported by your employer. It also provides the amount of taxes that were withheld from your paycheck.
- If you have more than one job, you'll receive a W-2 from each employer.

💡 *Show an image of a blank Form W-2. The federal W-2 can be found at [IRS.gov](https://www.irs.gov).*

Say: Most of the boxes on the W-2 have explanations of the information that is provided.

- It provides identifying information of the employer and employee.
- The form also shows the wages, salaries, and any tips the employee earned.
- It provides the federal income taxes, Social Security taxes, and Medicare taxes that were withheld throughout the year.
- At the bottom of the form, it reports the amount of state income taxes withheld as well.

Say: You need the W-2 to file your Individual Income Tax return.

Exercises

Calculate wages and tip income:

You work as a server at a local restaurant and make \$3 an hour. On Monday, you worked for six hours and made \$36 in tips. You were off Tuesday and Wednesday. On Thursday, you worked five hours and made \$47 in tips. On Friday, you worked seven hours and made \$171 in tips. How much money did you make for the week in income?

Answer: \$308 (\$54 in hourly wages and \$254 in tips)

Understand income reported on Form W-2:

You work a full-time job and are paid a salary of \$49,678 for the year. You also have a part-time job and work eight hours on Saturdays and are paid \$9.50 an hour. You earned \$5,252 in tips for the year from your part-time job. If you worked 52 Saturdays that year, how many W-2s would you receive and how much income will be reported on each one?

Answer: You would receive two W-2s. One would report the total income from your full-time job (\$49,678) and the other would report the income from your part-time job (\$9,204).

Assign jobs, pay for wages, and determine income:

Assign each student a class job (i.e., board cleaner engineer, chair stacker extraordinaire, supply coordinator, laptop tech pro) and an hourly wage for that job. Assign number of hours worked for each job (i.e., hours in class per day or week) and ask students to calculate how much they would make for the week, then the year.

Assign jobs and determine income:

In groups or individually, let students pick between the four jobs provided below. Give students their scenario, and ask them to calculate how much income is earned for a week, then the year. Review the answers for each scenario with the class.

- You work at the local car wash 3 days a week, every week out of the year. Each shift is 6 hours long. You make \$12.50 per hour. How much money do you make a week? What about in a year?

Answer: \$225 per week | \$11,700 a year

- You work at the local cell phone repair shop 5 days a week, every week out of the year. Each shift is 8 hours long. You make \$17.50 per hour. How much money do you make a week? What about in a year?

Answer: \$700 per week | \$36,400 a year

- You are the assistant manager of a popular shoe store in the mall. You work 4 days a week, every week out of the year. Each shift is 8 hours long. You make \$22.50 per hour. How much money do you make a week? What about in a year?

Answer: \$720 per week | \$37,440 a year

- You have a summer job working in a warehouse. You work 4 days a week, 12 weeks out of the year. Each shift is 10 hours long. You make \$18.75 per hour. How much money do you make a week? What about in a year?

Answer: \$750 per week | \$9,000 a year

Create a classroom restaurant:

As a class, assign students to be owners, managers, cooks, servers, and customers at a restaurant. Each position should receive a specific wage or salary. (Example: owner makes \$55,000 a year, manager makes \$26 an hour, cooks make \$11 an hour, servers make \$3 an hour) Give customers play money to pay for their meals and to tip the servers and/or cooks. Based on hours worked for each position and the amount of tips the servers received, how much income did each position earn?

💡 *Make this exercise as elaborate as you would like based on the standards and goals of your class. The class may create their own restaurant (name it, decide what's on the menu, determine how much the meals cost, etc.). The owner may determine what everyone is paid. The customers can calculate how much to tip based on a certain percentage of the cost of their meal.*

Lesson 1: IIT Basics and Withholding Quiz

Name: _____

Write the letter for the correct definition beside each tax term below.

Earned income _____

A. The amount of money held from a paycheck to pay income taxes

Form W-2 _____

B. Tax charged on wages, salaries, and other income an individual earns

Individual Income Tax _____

C. Payment received for work you've done, either for an employer or a business you own

Withholding _____

D. Optional or extra payments that employees receive from customers

Form W-4 _____

E. Used to complete Income Tax returns and reports the total income earned and the amount of taxes withheld for the year

Tip income _____

F. Used by employers to withhold the correct amount of taxes from an employee's pay

Put a checkmark by all the items below that are reported on Form W-2.

____ Employer identifying information

____ Federal taxes withheld

____ Number of hours worked for the year

____ Employee identifying information

____ State taxes withheld

____ Property taxes paid for the year

Calculate the total amount of income that should be reported on Form W-2.

You earned \$41,627 in wages for the year. You made \$7,289 in tips for the year. For your birthday, you were given \$50 from your grandmother, \$25 from your aunt, \$60 from your parents, and a \$20 gift card to your favorite store from your best friend. What amount of income is reported on your Form W-2?

Answer: _____

Lesson 1: IIT Basics and Withholding Quiz ANSWER KEY

Write the letter for the correct definition beside each tax term below.

Earned income C

Form W-2 E

Individual Income Tax B

Withholding A

Form W-4 F

Tip income D

A. The amount of money held from a paycheck to pay income taxes

B. Tax charged on wages, salaries, and other income an individual earns

C. Payment received for work you've done, either for an employer or a business you own

D. Optional or extra payments that employees receive from customers

E. Used to complete Income Tax returns and reports the total income earned and the amount of taxes withheld for the year

F. Used by employers to withhold the correct amount of taxes from an employee's pay

Put a checkmark by all the items below that are reported on Form W-2.

☒ Employer identifying information

☒ Federal taxes withheld

☐ Number of hours worked for the year

☒ Employee identifying information

☒ State taxes withheld

☐ Property taxes paid for the year

Calculate the total amount of income that should be reported on Form W-2.

You earned \$41,627 in wages for the year. You made \$7,289 in tips for the year. For your birthday, you were given \$50 from your grandmother, \$25 from your aunt, \$60 from your parents, and a \$20 gift card to your favorite store from your best friend. What amount of income is reported on your Form W-2?

Answer: \$48,916

Lesson 2: Deductions and Tax Credits

Objectives: Students learn about deductions and tax credits and how they reduce the amount of taxes owed.

Resources:

- Copies of SC1040TT found at dor.sc.gov/forms (or display for the class to see)
- Computer with internet access to watch YouTube video and to access SCDOR's website
- Copies of Lesson 2 Quiz

Key Terms:

- Federal taxable income
- Tax credit
- Tax deduction
- Refundable credit
- Tax table
- Nonrefundable credit
- Tax liability

Lesson Opener

Say: In our previous tax lesson, we learned about how we have to pay taxes on our income. We learned about the Form W-4 you'll complete when beginning a new job, and about the Form W-2 that shows how much money you've paid in taxes that were withheld from your paycheck. You may be thinking that if the IRS and the SCDOR have your W-2, then they should also know the amount of taxes you owe or what your refund amount should be. So if they know how much income you made, why do you have to complete a tax return? You have information that tax agencies don't have that could reduce or increase the taxes you owe. Can anyone give me an example?

- *Examples:* Number of dependents in the family, income earned that isn't reported on the W-2, qualifications for tax credits

State Objective: After this lesson, you'll know more about taxable income, tax deductions, tax liability, and how tax credits can lower tax liability.

Definitions

Say: To better understand how deductions and credits relate to the taxes you owe, we first need to understand how South Carolina Income Tax relates to federal Income Tax.

- South Carolina has a simplified Income Tax structure that generally follows federal Income Tax laws. Your federal taxable income is the starting point in determining your South Carolina taxable income.

Ask: So, what is federal taxable income?

- We already discussed what types of income are taxable. Federal taxable income is your gross income for the year, minus any allowable tax deductions, that is reported on your federal Income Tax return.

Say: There are a number of **deductions** you can claim on your tax return. So, what is a tax deduction?

- A tax deduction is claimed on your tax return and reduces the amount of your taxable income before you calculate the tax you owe. In the case of South Carolina Individual Income Tax, deductions are taken from your federal taxable income to determine your South Carolina taxable income amount.

Say: Your South Carolina taxable income is your federal taxable income minus any state deductions. Once you know your South Carolina taxable income, you can determine the amount of tax that you should pay on that income. To figure this out, you need the South Carolina Individual Income Tax Tables, called the SC1040TT.

💡 *Display a copy of the most recent state tax tables found at dor.sc.gov/forms (search SC1040TT).*

Say: There are federal and state tax tables, but for our purposes we're looking at South Carolina's tax tables. A **tax table** is a chart that provides the amount of tax due based on income you received. To use this tax table, you need to know the amount of your South Carolina taxable income.

💡 *Go through various taxable income amounts (i.e., \$3,098, \$55,431, \$79,852, etc.) and show how the income amount matches to the tax amount that should be paid.*

Say: Once you see the amount of tax owed based on your taxable income, sometimes referred to as **tax liability**, keep in mind that you've paid some or all of this amount from the withholdings that were kept from your paycheck. But we're not quite done. Your South Carolina tax can be reduced by tax credits.

Ask: Does anyone know what a tax credit is?

- A **tax credit** reduces the amount of tax you owe or increases your tax refund. There are several tax credits offered by the federal and state governments, but you must meet certain requirements to qualify.
- The amount of a tax credit reduces the amount of tax you owe in the tax table we just looked at.
- Tax credits are either refundable or nonrefundable.

Ask: Can you tell me what it means for a credit to be refundable or nonrefundable?

- **Refundable credits** can reduce your tax liability to zero. After your tax liability is zero, any remaining amount of the refundable credit is given to you in your tax refund.
- **Nonrefundable credits** can reduce your tax liability to zero, but any remaining funds will not be refunded back to you.

Watch

Visit youtube.com/@TheSCDOR to watch *IIT 101: Deductions and Tax Credits* in the Teacher's Guide playlist.

💡 To incorporate more federal tax information in your lesson, visit youtube.com/irsvideos for tax credit related videos.

Exercises

Research common deductions in South Carolina:

In groups or individually, ask students to research different state tax deductions. South Carolina deductions can be found in the SC1040 Instructions at dor.sc.gov/forms. (Search *SC1040 Instr* in the Form Number box.) Show students how to find the instructions or have copies of the deductions section available for them. Let students present their findings to the class.

Determine South Carolina tax amount:

Have students use the most recent state tax tables (SC1040TT) to determine the South Carolina tax amount for the following taxable income amounts: \$4,230, \$21,358, \$11,000, \$43,220, \$89,461, \$97,347.

Answer (based on 2023 tax tables):

Taxable income amount	Tax Due
\$4,230	\$27
\$21,358	\$696
\$11,000	\$232
\$43,220	\$2,098
\$89,461	\$5,055
\$97,347	\$5,560

Look at tax credits offered in South Carolina:

Have students visit dor.sc.gov/taxcredits. Individually or in groups, students can choose a tax credit to research. Ask them to summarize information about the credit: how much is the credit worth, what are the eligibility requirements, how is the credit claimed, is the credit refundable or nonrefundable. Have them share their summaries with the class.

Compare impact of deductions and credits on tax liability:

Divide class into three groups and give each group one of the scenarios provided below. Have the groups research the deduction or credit mentioned in their scenario and then determine the taxpayer's tax liability using the most recent state tax tables (SC1040TT). Which scenario results in the lowest tax liability?

Jim has \$30,000 of federal taxable income.

Scenario 1: Jim qualifies for a South Carolina dependent exemption deduction with one dependent.

Scenario 2: Jim qualifies for a \$1,000 nonrefundable Abandoned Building Revitalization Credit.

Scenario 3: Jim qualifies for a \$1,500 refundable Tuition Tax Credit.

Answer (based on 2023 tax tables):

Scenario 1	\$30,000- \$4,610 (one dependent exemption) = \$25,390 in state taxable income \$952 in taxes due
Scenario 2	Students must first use the tax tables to find the tax liability of \$30,000 (\$1,253). \$1,253- \$1,000 (nonrefundable credit amount) = \$253 in taxes due
Scenario 3	Students must first use the tax tables to find the tax liability of \$30,000 (\$1,253). \$1,253- \$1,500 (refundable credit) = -\$247 (which results in money back to Jim as a refund)

Lesson 2: Deductions and Tax Credits Quiz

Name: _____

Write the letter for the correct definition beside each tax term below.

Tax Liability _____

A. A credit that can reduce your tax liability below zero

Tax Credit _____

B. An amount of money that can be used to reduce your tax liability

Deduction _____

C. A chart that provides the amount of tax due based on income received

Refundable Credit _____

D. The amount of tax owed based on your taxable income

Nonrefundable Credit _____

E. A credit that cannot reduce your tax liability below zero

Tax Tables _____

F. Subtractions from your taxable income to lower the amount of taxes that you owe

Name two examples of South Carolina tax credits.

Name two examples of South Carolina tax deductions.

Calculate the refund or balance due.

Trey's South Carolina taxable income is \$52,786, with a South Carolina tax of \$2,706. He paid in \$2,430 of withholding throughout the year and is claiming a \$1,276 refundable credit. What is Trey's refund or balance due?

Calculate the refund or balance due.

Krystle and Rob are a married couple filing jointly. Based on their South Carolina taxable income, their tax is \$800. They qualify for a \$1,200 nonrefundable credit and had \$400 of withholding during the year. What is their refund or balance due?

Lesson 2: Deductions and Tax Credits Quiz ANSWER KEY

Write the letter for the correct definition beside each tax term below.

Tax Liability D

Tax Credit B

Deduction F

Refundable Credit A

Nonrefundable Credit E

Tax Tables C

- A.** A credit that can reduce your tax liability below zero
- B.** An amount of money that can be used to reduce your tax liability
- C.** A chart that provides the amount of tax due based on income received
- D.** The amount of tax owed based on your taxable income
- E.** A credit that cannot reduce your tax liability below zero
- F.** Subtractions from your taxable income to lower the amount of taxes that you owe

Name two examples of South Carolina tax credits.

Various; answers could include Tuition Tax Credit, New Jobs Tax Credit, Milk Credit, Classroom Teacher Expenses Credit, etc.

Name two examples of South Carolina tax deductions.

Various; answers could include dependents under the age of 6, contributions to the SC College Investment Program, retirement deductions, etc.

Calculate the refund or balance due.

Trey's South Carolina taxable income is \$52,786, with a South Carolina tax of \$2,706. He paid in \$2,430 of withholding throughout the year and is claiming a \$1,276 refundable credit. What is Trey's refund or balance due?

\$1,000 refund

Calculate the refund or balance due.

Krystle and Rob are a married couple filing jointly. Based on their South Carolina taxable income, their tax is \$800. They qualify for a \$1,200 nonrefundable credit and had \$400 of withholding during the year. What is their refund or balance due?

\$400 refund

Lesson 3: Completing Your Tax Return

Objectives: Students learn when and how to file an Individual Income Tax return and what filing extensions are.

Resources:

- Paper for students to take notes and complete exercises
- Copies of SC1040 and SC1040TT (or display for the class to see)
- Computer with internet access to watch YouTube video
- Copies of Lesson 3 Quiz

Key Terms:

- Filing extension
- 1040
- SC1040
- Refund

Lesson Opener

Say: In our previous lessons, we learned about income and how taxes are usually automatically withheld from paychecks. We discussed W-2s and reviewed how deductions and tax credits can lower tax liability.

State Objective: Now we're putting everything we learned together to complete a simple state tax return. After this lesson, you'll know when tax returns are due, what a filing extension is, and how to complete a simple state tax return.

Definitions

Say: Individual Income Tax returns are normally due by April 15 each year. If April 15 falls on a weekend, returns are due by the next business day.

Ask: *Let's say you aren't ready to file your return by the due date. What are your options?*

- You can request a **filing extension** which gives you until October 15 to file your return. A filing extension is also due by April 15. The extension is only a delay in filing your return. If you owe any taxes, you still need to pay by April 15.

Say: It's important to note that you need to complete your federal tax return before filing your South Carolina return. Remember, the taxable income reported on your federal return is the starting point in determining your state tax liability.

- Use the **1040** form to file your federal taxes with the IRS.
- The state tax return that you file is called the **SC1040**. Your state return is filed with the SCDOR.
- There are many ways to file your tax return. The most common and easiest way to file is online with free to low-cost options. You can also pay a tax preparer to file your return. The last option is to file by paper.

Say: Once you file your return, you'll find out if you owe taxes or if you're getting a refund. When you pay taxes through your paycheck with withholding, you may have paid too much, which means you'll get a **refund** as a reimbursement for paying too much in taxes. If you didn't pay enough through your withholdings, you'll owe taxes when you submit your return.

Say: We're going to learn how to complete a state tax return. We'll be using the paper form, so you can see the process in determining your tax liability and refund amount. Keep in mind, over 90% of state returns are now filed online. When you file online, you have step-by-step guidance to make it easier to properly complete the form. We're looking at the paper return so that you understand the foundation of how much you paid in taxes and how much your refund is.

Watch

Visit youtube.com/@TheSCDOR to watch *South Carolina Individual Income Tax Overview* in the Teacher's Guide playlist.

💡 To incorporate more federal tax information in your lesson, visit youtube.com/irsvideos to watch "First Time Filing a Tax Return."

Exercises

Complete a South Carolina Individual Income Tax return:

Using the following scenario, work through completing a state tax return with the class. You may display the background information on a screen or pass out copies for students to use. Then use the answer key of step-by-step instructions to work through how Emily T. Jahnna will accurately complete the SC1040.

Using the background information and sample W-2 below, complete the SC1040.

Background: Emily worked part-time as a sales clerk for Many Miles Shoe Shop. Emily is a 16 year old resident of South Carolina. In January, Emily received copies of Form W-2 from her employer. After completing her federal Individual Income Tax return, Emily's federal taxable income was \$2,812.

Emily's phone number is 803-555-5000.

Emily lives in Richland County, which has the county code of 40.

a Employee's social security number xxx-xx-0000		Safe, accurate, FAST! Use		Visit the IRS website at www.irs.gov/efile		
b Employer identification number (EIN) 00-0000000		1 Wages, tips, other compensation 16,662		2 Federal income tax withheld 833		
c Employer's name, address, and ZIP code Many Miles Shoe Shop 1234 Road Street Columbia, SC 29214		3 Social security wages 16,662		4 Social security tax withheld 1,033		
		5 Medicare wages and tips 16,662		6 Medicare tax withheld 257		
		7 Social security tips		8 Allocated tips		
		9		10 Dependent care benefits		
d Control number		11 Nonqualified plans		12a See instructions for box 12		
e Employee's first name and initial Last name Suff. Emily T. Jahna 123 Road Street Columbia, SC 29214		13 Statutory employee Retirement plan Third-party sick pay		12b		
		14 Other		12c		
				12d		
f Employee's address and ZIP code						
15 State SC	Employer's state ID number	16 State wages, tips, etc. 16,662	17 State income tax 112	18 Local wages, tips, etc.	19 Local income tax	20 Locality name

Answer Key:

Complete the SC1040 using the information below to walk through completing a paper form with your class. Visit dor.sc.gov/forms and search *SC1040* to download a form. (Use the 2023 forms SC1040 and SC1040TT to match the tax tables used in previous lessons.)

Name, Address, County Code: Emily prints her name, Social Security number, mailing address and county code (40) on the return.

Filing Status: Emily is single.

Dependents: Emily has no dependents and leaves the dependent area of the form blank.

Line 1: Since the South Carolina tax return begins with your federal taxable income, Emily finds that information on her federal return and inputs \$2,812 on line 1 of her state return.

Line 2: Emily has no additions to her income, so she enters 0 on line 2.

Line 3: Emily adds line 1 and line 2.

Line 4: Emily does not have any subtractions so she enters 0 on line 4.

Line 5: Emily subtracts line 4 from line 3 and enters the difference on line 5.

Line 6: Using the most recent tax tables found at dor.sc.gov/forms (SC1040TT), Emily looks for the amount from line 5 to find her state tax. She enters that amount on line 6.

Lines 7 – 9: Emily leaves these spaces blank because they do not apply to her.

Line 10: Emily adds line 6 through line 9 and enters the total on line 10.

Line 11 – 14: Emily does not qualify for any non-refundable tax credits, so she leaves lines 11 – 13 blank and enters 0 on line 14.

Line 15: Emily subtracts line 14 from line 10 and enters the difference (0) on line 15.

Line 16: Emily refers to her Form W-2 and finds that her employer withheld \$112 for South Carolina income tax from her wages. She enters this amount on line 16.

Lines 17 – 22: Emily leaves these lines blank since she is not paying estimated taxes, didn't file for an extension, and does not qualify for refundable credits.

Line 23: Emily adds the amounts from line 16 through line 22 and enters \$112 on line 23.

Line 24: Emily compares line 23 to line 15 and determines she is due a refund. She enters 112 on line 24.

Line 25: Emily is due a refund, so no entry is necessary on line 25.

Line 26: Emily did not purchase any items subject to Use Tax during the year, so she leaves this line blank.

Lines 27 – 28: Emily does not pay estimated taxes and does not want to contribute to check-offs, so she leaves these lines blank.

Line 29: Emily adds lines 26 through 28 and enters the total 0 on line 29.

Line 30: Since Emily has determined that she is due a refund, she subtracts line 29 from line 24 to receive her refund of \$112.

Lines 31 – 34: Emily does not need to make entries on these lines because she does not owe any tax.

Refund options: Emily checks how she wants to receive her refund.

Signing the Return: Emily signs and dates her return after carefully reading the declaration statement. Emily did not pay anyone to prepare her return, so no other signature is needed.

💡 *For further practice, you may consider giving students a sample W-2 to complete their own SC1040.*

Lesson 3: Completing Your Tax Return Quiz

Name: _____

Write the letter for the correct definition beside each tax term below.

SC1040 _____

Tax Refund _____

Filing Extension _____

- A.** Reimbursement to a taxpayer who overpaid their taxes
- B.** More time to file a return by an extended due date
- C.** The Individual Income Tax return filed for state tax purposes in South Carolina

When are Individual Income Tax returns generally due each year?

Can you file your Individual Income Tax returns online? (Circle yes or no.)

Yes

No

If you need to file for an extension, when do you need to request an extension by?

True or False: A filing extension also extends the due date of any taxes owed.

True

False

Lesson 3: Completing Your Tax Return Quiz ANSWER KEY

Write the letter for the correct definition beside each tax term below.

SC1040 C

Tax Refund A

Filing Extension B

- A.** Reimbursement to a taxpayer who overpaid their taxes
- B.** More time to file a return by an extended due date
- C.** The Individual Income Tax return filed for state tax purposes in South Carolina

When are Individual Income Tax returns generally due each year?

April 15

Can you file your Individual Income Tax returns online? (Circle yes or no.)

Yes

No

If you need to file for an extension, when do you need to request an extension by?

April 15

True or False: A filing extension also extends the due date of any taxes owed.

True

False