

## Who Must File a Tax Return?

In 2010, just under 139 million individual tax returns were filed with the IRS. That number, down about 2% from 2009, represents fewer than half of all households in the U.S. Clearly, not all households or people believe they must file a federal income tax return. **So, who exactly has to file a return?** If you're a U.S. citizen or resident, that depends on three factors: (1) gross income, (2) filing status, and (3) age.

### Your options for filing are:

**Single.** You can file as Single if you have never been legally married under U.S. laws, you are legally separated or divorced according to the laws of your state, or were widowed before the last tax year and did not remarry during the tax year.

**Married Filing Jointly.** You can file as Married Filing Jointly if you are married as of the last day of the tax year, whether or not you're living together, or if your spouse died during the tax year and you did not remarry.

**Married Filing Separately.** You can file as Married Filing Separately if you are married as of the last day of the year.

**Head of Household.** You can file as Head of Household if you are single, divorced, or otherwise unmarried at the end of the tax year, and (1) you paid more than 50% to keep a home for the entire tax year for a parent who was a dependent OR (2) you paid more than 50% to keep a home for the entire tax year with your dependent. Filing as Head of Household can be tricky; special rules and exceptions apply.

**Qualifying Widow(er) With Dependent Child.** You can file as a qualifying widow(er) with dependent child for two years following the year your spouse died.

Your age is calculated as of the last day of the tax year -- with one exception. If you turn 65 on Jan. 1, 2011, you're considered to be age 65 on the last day of 2010. And while it generally isn't a good thing to age a little faster, this allows you to use the higher income thresholds to determine whether you must file a return.

### Taking those three factors into consideration, you determine whether you must file as follows:

**1. If you file as single** and you're under the age of 65, you must file a return if your gross income is at least \$9,350; if you are 65 or older, you must file a return if your gross income is at least \$10,750.

**2. If you file as married filing jointly**, and both spouses are under the age of 65, you must file a return if your gross income is at least \$18,700; if both spouses are 65 or older, you must file a return if your income is at least \$20,900. If one spouse is 65 or older, you must file a return if your income is at least \$19,800.

**3. If you file as married filing separately**, you must file a return if your gross income is at least \$3,650, no matter what your age.

Gross income is defined in the Tax Code as "all income from whatever source derived" unless otherwise exempt. That sounds complicated, but more or less, think of your gross income as everything you receive before deductions. This includes wages, salary, employee compensation, investment income, self-employment income, unemployment benefits, pension, retirement income and "other income," including gambling and lottery winnings.

Social Security benefits are generally not includable unless the total of half of those benefits plus your other gross income and any tax-exempt interest is more than \$25,000 (\$32,000 if married filing jointly).

**Your filing status is determined on the last day of the tax year.** Generally, your filing status depends on whether you're considered unmarried or married. Marital status is determined by state law with one important exception: For federal tax purposes, same sex marriages are not considered legal marriages.

**4. If you file as head of household** and you are under the age of 65, you must file a return if your gross income is at least \$12,000; if you are 65 or older, you must file a return if your gross is at least \$13,400.

**5. If you file as qualifying widow(er)** and you are under the age of 65, you must file a return if your gross income is at least \$15,050; if you are 65 or older, you must file a return if your gross is at least \$16,150.

**Special considerations apply for certain additional taxpayers:**

A child who is under the age of 19 or who is a full-time student under the age of 24 earning only interest and dividends may report that income on his or her own return or on a parent's return. For 2010, the amount of taxable investment income a child can have without it being subject to tax at the parent's rate has increased to \$1,900. If a child earns income by performing services, from babysitting to acting, the income is reportable. A parent can elect to include the child's income on the parent's return. If this election is made, the child does not have to file a return.

**Self-employed persons must file a return if your gross income meets the age**, income and filing status criteria above, or if your net earnings from self-employment totaled \$400 or more. Self-employed persons who have church employee income of \$108.28 or more must also file a return.

**If you are a resident alien for the entire year, you must file a tax return following the same rules that apply to U.S. citizens.** If you are a nonresident alien or a dual-status taxpayer, different rules may apply. Check Publication 519 for more information.

**Even if you don't have to file, there are circumstances under which filing a federal income tax return makes sense.** You may be entitled to a refund if you had federal income tax withheld from your pay or made estimated tax payments or if you qualify for one of a number of credits, including the Making Work Pay Credit, Government Retiree Credit, earned income tax credit, child tax credit, the American opportunity credit, first time homebuyer credit or health care coverage credit.

**Still not sure whether you should file? Consider this statistic from the 2010 filing season:** Out of the 139 million returns filed, 108 million were due a refund. The total amount of refunds due was \$316 billion, making the average refund over \$2,900. Don't lose out.