Indiana Legal Services, Inc

www.indianalegalservices.org

Common Tax Terms

Tax Return: A tax return is the form you submit to IRS stating your income and certain personal circumstances from the past year. This form is used to assess how much tax, if any, you owe or whether you are due a refund.

Refund: A refund is money owed to you, generally because more tax has been withheld or paid than you actually owe. Certain tax credits may also create or increase your refund. A refund is also referred to as an "overpayment" of tax.

Credit: A tax credit is reported on your tax return. Credits are deducted from the tax you would otherwise owe. Some credits are "refundable," meaning that they can also result in a refund or increase the size of your refund. Some of the common credits are the Earned Income Tax Credit (EITC), the Premium Tax Credit (PTC), and the Child Tax Credit (CTC.)

Deduction: A tax deduction is reported on your tax return. It reduces the amount of income that is taxed and, consequently, the amount of tax you owe.

Exemption: A tax exemption is an amount that is deducted from your income to reduce the amount of income that is taxed. Generally, you can claim an exemption for yourself. You may also be able to claim exemptions for your spouse or dependents if they qualify under IRS's rules.

Filing Status: Filing status is a category that is based on a number of factors, including your marital status. Everyone who files a tax return must select the appropriate "filing status." There are 5 filing statuses: single, married filing jointly, married filing separately, head of household and qualifying widow(er) with dependent child. Each filing status has its own requirements, advantages, and disadvantages.

Joint and Several Liability: When married taxpayers file a tax return, each spouse is jointly and severally liable for the full amount of tax shown on the return or as adjusted by IRS. This means that each spouse is responsible for paying the full amount of the tax even if only one spouse had all or most of the income or took some action that led to tax being owed, such as failing to report income or misreporting deductions. IRS is free to collect the entire amount or any part of what is owed from either taxpayer.

Innocent Spouse Relief: A taxpayer who has filed a joint return with their spouse and who owes tax as a result of that return can ask IRS to grant "innocent spouse relief." If granted, the taxpayer is not responsible for some or all of the tax that results from the joint tax return.

Injured Spouse Relief: A taxpayer who has filed a joint return with a spouse can request injured spouse relief when the taxpayer's share of the resulting refund has been or will be taken to pay for the spouse's past due tax, child support, student loan, or other debt. If granted injured spouse relief, the taxpayer will get their share of the joint refund instead of having it applied to repay the spouse's separate debt.

Tax Audit: An examination by IRS of a taxpayer's accounts, documents, and other information to determine the correctness of a tax return filed by the taxpayer. It is also commonly referred to as an "examination."

The ILS Low Income Taxpayer Clinic is proud to partner with the Center for Survivor Agency & Justice. Together, we seek to provide education, represent
taxes. The content of this page is adapted from a chapter to an upcoming guidebook for survivors published by the CSAJ, the Guidebook on Consumer an

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