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Federal Individual Income Tax Terms: An Explanation

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Federal Individual Income Tax Terms: An Explanation

This report describes the terms most commonly used when discussing the federal individual income tax. Most of these tax terms are explained in the order that they occur in the process of determining one's income tax on the Form 1040.

Total (or gross) income is the sum total of all income required to be reported for tax purposes. Total income does not include *exclusions*, items specifically excluded from determination of gross income. Total income may be reduced by certain adjustments to income for special types of expenses that Congress has determined should be considered in calculating gross income. These adjustments, often referred to as *above-the-line deductions*, can generally be claimed by all eligible taxpayers, not just those who itemize deductions. For 2020 and 2021, taxpayers who did not itemize their deductions could claim an additional deduction for charitable contributions.

Adjusted gross income (AGI) equals gross income less above-the-line deductions (i.e., qualifying adjustments to income). It is the income measurement before a taxpayer claims either the standard deduction or the sum of all their itemized deductions (whichever is greater). *Itemized deductions* are subtracted from AGI and are allowed for certain types of expenditures for which income taxation is deemed inappropriate or inadvisable. The standard deduction, by contrast, is a set amount that varies by filing status and may be subtracted from AGI if it is greater than a taxpayer's itemized deductions. An additional standard deduction amount is available to the blind and elderly. Deductions function like adjustments and exclusions in their effect on tax liability.

Taxable income is adjusted gross income reduced by either the standard deduction (plus the additional standard deduction in some cases) or itemized deductions along with a deduction for qualified pass-through business income, when applicable. Taxable income is the base to which the income tax rates are applied to calculate income tax liability. *Tax liability* is calculated by applying the marginal tax rate and schedule to taxable income. *Tax credits* are then subtracted from gross tax liability to arrive at a taxpayer's final tax liability. Hence, tax credits reduce tax liability directly, on a dollar-for-dollar basis. Tax credits are available to all qualifying taxpayers, whether they itemize deductions or not.

Total tax liability is the amount of federal income tax owed by the taxpayer to the federal government. When a taxpayer's final tax liability exceeds federal taxes withheld, estimated quarterly taxes paid, and certain other credits, then the taxpayer has *taxes due* and must pay the federal government additional federal income taxes to cover the shortfall. A *refund* is a payment by the federal government to a taxpayer whose withheld taxes and/or estimated tax payments or refundable credits exceeded final tax liability.

A copy of the most recent version of income tax return to date, the 2021 IRS Form 1040, is included at the end of this report.

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Introduction

This report describes the terms most commonly used when discussing the federal individual income tax.¹ The structure of this report follows the general order of the IRS Form 1040—the form individuals use to determine their income tax. Tax forms can change, and all references in this report are to the 2021 Form 1040.² Many taxpayers determine their tax liability with the use of tax preparation software (e.g., TurboTax®) and paid tax preparers, which eliminates the need to be familiar with the Form 1040. Therefore, taxpayers who rely on tax preparation software or services may not be familiar with some of the concepts presented in this report.

Total (or Gross) Income

Total income, also sometimes referred to as gross income, is the broadest measure of income used for tax purposes. It is the total of all realized income recognized by the tax law. It is measured net of business expenses but before any other deductions or adjustments. It includes employee compensation such as wages, salaries, and tips; taxable interest and dividend income; business and farm income (net of expenses); realized capital gains; income from rents, royalties, trusts, estates, and partnerships; and taxable pensions and annuities.

Gross income does not include income explicitly excluded from tax. An exclusion is an item of income that is not included as income for tax purposes because the tax code or other law explicitly excludes—or exempts—it from taxation.³ Examples of items of income which are exempt from federal income taxation and, hence, excluded from gross income, are state and local bond interest income, public assistance (welfare), small gifts, employer contributions for health care, and employer-provided contributions to retirement plans. Social Security and Railroad Retirement income may or may not be excluded from income subject to tax.⁴ The taxability of Social Security and Railroad Retirement depends on the amount of other income the taxpayer receives.

Other forms of income excluded from taxation are a clergy member's tax-free housing allowance, qualified foster care payments, and qualified scholarship and fellowship grants. Under certain conditions, a taxpayer can exclude a limited amount of disability pay such as workers' compensation. Except for tax-exempt interest, exclusions generally are not required to be reported to the Internal Revenue Service.

¹ Economic income is the broadest measure of all income, and is an economic concept rather than one contained in the tax code. It is defined as realized monetary compensation plus the value of any other nonmonetary forms of compensation that an individual receives. For example, in addition to the salary employees receive each year, they may also receive compensation in the form of health insurance premiums paid for by their employer. This employee's economic income is their salary plus the monetary value of the insurance premiums paid for by their employer. Economic income, therefore, is a measure of an individual's total compensation. Another example of economic but not monetary income is the imputed rental value of owner-occupied housing, which is not subject to taxation. Understanding economic income is important for constructing tax policies that are efficient and equitable. Economic income is not listed explicitly on the Form 1040 found in **Appendix A**.

² For official copies of the latest 1040, see Internal Revenue Service, *About Form 1040, U.S. Individual Income Tax Return*, at <https://www.irs.gov/forms-pubs/about-form-1040>.

³ The expression “tax-exempt” is used to describe types of income and organizations that are not subject to taxation. Interest income from state and local bonds, for example, is exempt from federal income taxes. Certain qualifying nonprofit organizations are exempt from federal income taxation. The provisions are not, however, described as exemptions on the tax return. They are more properly termed “exclusions.”

⁴ For more information on the taxability of Social Security benefits, see CRS Report RL32552, *Social Security: Taxation of Benefits*, by Paul S. Davies.

A taxpayer's gross income is listed on line 9 of the Form 1040 found in **Appendix A**. Exclusions are not listed explicitly on the Form 1040.

Adjustments to Income (Above-the-Line Deductions)

Adjustments to income, also known as above-the-line deductions, are allowed for certain payments made by the taxpayer and are generally related to the earning of income. These payments are deducted from gross income in arriving at adjusted gross income. Examples of payments that may qualify for an above-the-line deduction include contributions to Keogh or traditional (but not Roth) individual retirement accounts (IRAs), forfeited penalties on early withdrawals of savings, and interest paid on student loans. Adjustments to income function similarly to deductions that are applied later in the calculation of taxable income (i.e., itemized deductions or the standard deduction). However, unlike these deductions, above-the-line deductions can generally be claimed by all qualified taxpayers, whether or not they use the standard deduction or itemize deductions (see "Deductions").

The sum of the taxpayer's adjustments to income is listed on line 10 of the Form 1040. A taxpayer's total adjustments to income are also listed on lines 11 to 24z of Schedule 1 found in **Appendix A**. For 2021, nonitemizers were able to claim an additional temporary deduction for charitable contributions. This amount is listed on line 12b of the Form 1040.

Adjusted Gross Income (AGI)

Adjusted gross income (AGI) is equal to a taxpayer's total income minus adjustments to income. AGI is the basic measure of income under the federal income tax and is the income measurement before deductions (see below) are taken into account.⁵ AGI is commonly used as the base for computing many of the limits under the tax law, such as those on the itemized deduction for medical and dental expense and miscellaneous itemized deductions.

A taxpayer's adjusted gross income is listed on line 11 of the Form 1040.

Deductions

Deductions from adjusted gross income are allowed for certain types of expenditures of income. Deductions may be claimed in one of two ways. First, taxpayers can choose to itemize (explicitly list) their deductible expenses. Itemized deductions are allowed for many purposes, including certain medical expenses; state and local property taxes, income (or sales) taxes, and a few other taxes; home mortgage interest, points, and limited amounts of other interest paid (but not personal interest); contributions to charitable organizations; certain casualty and theft losses; and a few other "miscellaneous" expenses.

Alternatively, a taxpayer can choose to claim the standard deduction, which was intended to reduce the complexity of paying taxes. The standard deduction varies depending on filing status

⁵ P.L. 115-97 substantially changed the individual income tax system, including by temporarily suspending personal exemptions from 2018 through the end of 2025. Before 2018, taxpayers deducted personal exemptions from their AGI when calculating taxable income. Personal exemptions were allowed for taxpayers, spouses, and any dependents. For 2020, the personal exemption amount would have been \$4,300 per exemption. Absent any legislative change, personal exemptions will again be in effect beginning in 2026.

(single, married filing jointly, head of household), whether the taxpayer is over 65, and whether the taxpayer is blind. For 2021 the standard deductions were as follows: \$25,100 for married taxpayers filing jointly or qualified widow(er)s; \$12,550 for single taxpayers; and \$18,800 for taxpayers who qualify as the head of a household. The standard deductions in 2021 for those who are 65 or older and for those who are legally blind are increased by \$1,700 if single or head of household and \$1,350 if married filing jointly. These increases apply per classification. Thus, a 70-year-old blind and single taxpayer would be eligible for a \$3,400 (\$1,700 plus \$1,700) increase in his or her standard deduction. These amounts are adjusted annually for inflation.

Only individuals with deductions that can be itemized in excess of the standard deduction find it worthwhile to itemize. These tend to be taxpayers in the middle- to high-income ranges. In the 2019 tax year (the most recent data available), 11.0% of taxpayers itemized their deductions.⁶ Whichever deduction the taxpayer claims—total itemized or standard—the deduction amount is subtracted from AGI.

Additionally, individuals with pass-through business income may deduct up to 20% of their qualified business income when determining their taxable income through 2025. This deduction is often referred to as the 199A deduction and is subtracted from AGI after either total itemized deductions or the standard deduction.⁷ Pass-through businesses include sole proprietorships, partnerships, and S corporations. Pass-through owners pay taxes on their share of the business's income according to the individual income tax rates. In contrast, the income of C corporations is taxed once at the corporate level according to the corporate tax system, and then a second time at the individual-shareholder level.

Deductions function like adjustments and exclusions in their effect on tax liability. Deductions reduce a taxpayer's tax liability, but only by a percentage of the amount deducted. An individual in the 35% tax bracket would receive a reduction in taxes of \$35 for each \$100 deduction while an individual in the 24% tax bracket would receive a reduction in taxes of \$24 for each \$100 deduction. Hence, the same deduction can be worth different amounts to different taxpayers depending on their marginal tax bracket. More simply stated, the tax savings from deductions are generally equal to the taxpayer's tax rate times the amount of the deduction. So higher-income taxpayers typically benefit more than lower-income taxpayers from deductions.

A taxpayer's standard or total itemized deductions are listed on line 12a of the Form 1040. The individual components of the itemized deduction are listed on lines 1 to 16 on Schedule A to Form 1040 in **Appendix A**. The 199A deduction for qualified business income, if applicable, is listed on line 13 of the Form 1040.

Taxable Income

Taxable income, the narrowest measure of income used on the income tax return, is equivalent to adjusted gross income reduced by either the standard deduction or itemized deduction and the personal exemption (as noted in footnote 5, the personal exemption is suspended until 2026). Taxable income is the base upon which the income tax rates are applied to calculate income tax liability.

Taxable income is listed on line 15 of the Form 1040.

⁶ CRS calculations using 2019 Internal Revenue Service, Statistics of Income, Table 1.2.

⁷ For more information on the 199A deduction, see CRS In Focus IF11122, *Section 199A Deduction for Pass-through Business Income: An Overview*, by Gary Guenther.

Tax Liability

Tax liability, also sometimes referred to as gross tax liability, is a taxpayer's tax liability prior to the subtraction of tax credits. For most taxpayers, gross tax liability is equal to regular income tax liability, which is calculated by applying the marginal tax rate schedule to taxable income. The structure of the marginal tax rate schedule is progressive, which means higher-earning taxpayers face higher tax rates on the last dollar that they earn. To understand how the marginal tax structure is applied, consider the 2021 marginal tax rate schedule provided in **Appendix B**.⁸ The 2021 tax schedule shows the various tax rates and income ranges to which those rates are applied. A married couple with a taxable income of \$80,000 would fall into the 12% tax bracket. This means that the first \$19,900 of their taxable income would be taxed at a rate of 10%, and their next \$60,100 of income would be taxed at 12%.

A small fraction of taxpayers (0.3% in 2021) must also account for the alternative minimum tax (AMT) when computing their gross tax liability.⁹ The AMT is calculated in the following manner. First, an individual adds back certain tax deductions and tax preference items to taxable income. This amount then becomes the AMT tax base. Next, a basic exemption is allowed and subtracted from the AMT tax base. A two-tiered tax rate structure of 26% and 28% is then assessed against the remaining AMT tax base to determine the AMT liability. If the AMT liability exceeds a taxpayer's regular income liability a taxpayer must add the difference between the two to their regular income tax liability to arrive at gross tax liability. Congress, in 1969, enacted the predecessor to the current individual AMT to make sure that everyone paid at least a minimum amount in taxes while still preserving the economic and social incentives in the tax code.¹⁰

A taxpayer's regular income tax liability is listed on line 16 of the Form 1040. The AMT liability is listed on line 1 of Schedule 2 of the Form 1040 in **Appendix A**. A taxpayer's gross tax liability is listed on line 18 of the Form 1040.

Nonrefundable Credits

Nonrefundable tax credits are subtracted from gross tax liability to arrive at a taxpayer's final tax liability. Thus, nonrefundable tax credits reduce an individual's tax liability directly, on a dollar-for-dollar basis, and are available to all qualified taxpayers. A taxpayer may not claim more nonrefundable tax credits than his or her tax liability. Therefore, the only time in which nonrefundable tax credits do not result in a dollar-for-dollar reduction in an individual's tax liability is when the amount of nonrefundable tax credits exceeds the individual's tax liability. A different class of tax credits, known as refundable tax credits, can be claimed even when they exceed an individual's tax liability. Refundable tax credits are discussed later in this report. Examples of nonrefundable credits are the credit for the elderly and the permanently and totally disabled, the credit for child and dependent care expenses, and the foreign tax credit.¹¹

⁸ For more information, see CRS In Focus IF12032, *How Do Marginal Income Tax Rates Work in 2021?*, by Margot L. Crandall-Hollick.

⁹ Tax Policy Center, "T21-0216 - Characteristics of Alternative Minimum Tax (AMT) Payers; Percentage Affected by the AMT, 2017, 2021, 2025-2026," updated September 3, 2021, at <https://www.taxpolicycenter.org/model-estimates/baseline-alternative-minimum-tax-amt-tables-september-2021/t21-0216-characteristics>.

¹⁰ For more information, see CRS Report R44494, *The Alternative Minimum Tax for Individuals: In Brief*, by Donald J. Marples.

¹¹ For more information, see CRS Report R44993, *Child and Dependent Care Tax Benefits: How They Work and Who*

Most individual nonrefundable tax credits are listed on Schedule 3 to the 2021 Form 1040 in **Appendix A**. The sum of the nonrefundable tax credits from schedule 3 plus any amounts of the nonrefundable credit for other dependents (sometimes referred to as the other dependent credit or ODC) is found on line 21 of the 2021 Form 1040.¹²

Total Tax Liability

Total tax liability, also sometimes referred to as final tax liability, is the amount of federal income tax owed by the taxpayer to the federal government after taking into account allowable refundable tax credits. Thus, total tax liability represents the taxpayer’s total federal income tax bill for the tax year.

A taxpayer’s total tax liability is found on line 24 of the Form 1040.

Payments and Refundable Credits

Most taxpayers make periodic tax payments throughout the year via income withholdings that are credited against their federal income tax liability. Employees typically have a certain percentage of their paycheck withheld (W-2 withholding, named for the IRS Form W-2) each pay period by their employer. Taxpayers who receive nonwage or nonemployee compensation income, such as interest or dividend payments, debt cancellation, and certain other types of income, may have a fraction of this income withheld (1099 withholding, again, named for IRS Form 1099) by the compensating party.¹³ The withheld amounts are then forwarded to the IRS.

Some taxpayers make estimated tax payments throughout the year—typically quarterly. There are a variety of reasons why estimated tax payments may be required—for example, when the taxpayer earns income not subject to withholding or when there is an expectation that a taxpayer may owe more than a certain amount in taxes even after accounting for withholdings and credits. A taxpayer estimates the taxes owed on the income he or she earned in a particular quarter and pays this amount during the year rather than waiting until April 15 of the following year.

Refundable tax credits are another form of tax “payment.” Refundable tax credits are similar to nonrefundable tax credits except that a taxpayer may claim refundable tax credits in an amount greater than his or her tax liability. When the amount of refundable credits exceeds a taxpayer’s tax liability, the Treasury makes a direct payment to the taxpayer for the difference. The primary refundable credits are the earned income tax credit and the child tax credit.¹⁴

A taxpayer’s total tax payment is found on line 33 of the Form 1040.

Receives Them, by Margot L. Crandall-Hollick and Conor F. Boyle.

¹² On the 2021 Form 1040, taxpayers who are eligible to claim the \$500 nonrefundable credit for other dependents or ODC—generally dependents who are not eligible to be claimed for the child credit—report the amount of this credit on line 19.

¹³ Starting in 2020, those with nonemployee compensation (i.e., independent contractors) have such income reported on Form 1099-NEC.

¹⁴ For more information, see CRS Report R43805, *The Earned Income Tax Credit (EITC): How It Works and Who Receives It*, by Margot L. Crandall-Hollick, Gene Falk, and Conor F. Boyle; CRS Report R41873, *The Child Tax Credit: How It Works and Who Receives It*, by Margot L. Crandall-Hollick; and CRS In Focus IF12025, *Refundable Tax Credits for Families in 2021*, by Margot L. Crandall-Hollick.

Tax Refund

A tax refund is a payment by the federal government to a taxpayer whose withheld taxes, estimated tax payments, and refundable credits exceeded final tax liability, entitling him or her to a refund for overpayment of the tax bill.

The amount of refunded taxes owed to a taxpayer may be found on line 34 of the Form 1040.

Amount Owed

When a taxpayer's total tax liability exceeds federal taxes withheld, estimated tax payments, and refundable credits, then the taxpayer will owe the federal government an additional amount to cover the shortfall in paid taxes.

Taxes owed are found on line 37 of the Form 1040.

Appendix A. 2021 IRS Form 1040

Form 1040	Department of the Treasury—Internal Revenue Service (99)	2021	OMB No. 1545-0074	IRS Use Only—Do not write or staple in this space.																														
U.S. Individual Income Tax Return																																		
Filing Status <input type="checkbox"/> Single <input type="checkbox"/> Married filing jointly <input type="checkbox"/> Married filing separately (MFS) <input type="checkbox"/> Head of household (HOH) <input type="checkbox"/> Qualifying widow(er) (QW) Check only one box. If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent ▶																																		
Your first name and middle initial		Last name		Your social security number																														
If joint return, spouse's first name and middle initial		Last name		Spouse's social security number																														
Home address (number and street). If you have a P.O. box, see instructions.			Apt. no.	Presidential Election Campaign Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund. <input type="checkbox"/> You <input type="checkbox"/> Spouse																														
City, town, or post office. If you have a foreign address, also complete spaces below.			State																															
Foreign country name			Foreign province/state/county																															
Foreign postal code			Foreign postal code																															
At any time during 2021, did you receive, sell, exchange, or otherwise dispose of any financial interest in any virtual currency? <input type="checkbox"/> Yes <input type="checkbox"/> No																																		
Standard Deduction <input type="checkbox"/> Someone can claim: <input type="checkbox"/> You as a dependent <input type="checkbox"/> Your spouse as a dependent <input type="checkbox"/> Spouse itemizes on a separate return or you were a dual-status alien																																		
Age/Blindness You: <input type="checkbox"/> Were born before January 2, 1957 <input type="checkbox"/> Are blind Spouse: <input type="checkbox"/> Was born before January 2, 1957 <input type="checkbox"/> Is blind																																		
Dependents (see instructions): <table border="1" style="width:100%; border-collapse: collapse; margin-top: 5px;"> <thead> <tr> <th style="width:15%;">(1) First name</th> <th style="width:15%;">Last name</th> <th style="width:15%;">(2) Social security number</th> <th style="width:15%;">(3) Relationship to you</th> <th style="width:15%;">(4) <input checked="" type="checkbox"/> if qualifies for (see instructions): Child tax credit</th> <th style="width:15%;">Credit for other dependents</th> </tr> </thead> <tbody> <tr><td> </td><td> </td><td> </td><td> </td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> </tbody> </table>					(1) First name	Last name	(2) Social security number	(3) Relationship to you	(4) <input checked="" type="checkbox"/> if qualifies for (see instructions): Child tax credit	Credit for other dependents					<input type="checkbox"/>	<input type="checkbox"/>					<input type="checkbox"/>	<input type="checkbox"/>					<input type="checkbox"/>	<input type="checkbox"/>					<input type="checkbox"/>	<input type="checkbox"/>
(1) First name	Last name	(2) Social security number	(3) Relationship to you	(4) <input checked="" type="checkbox"/> if qualifies for (see instructions): Child tax credit	Credit for other dependents																													
				<input type="checkbox"/>	<input type="checkbox"/>																													
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				<input type="checkbox"/>	<input type="checkbox"/>																													
				<input type="checkbox"/>	<input type="checkbox"/>																													
Attach Sch. B if required. Standard Deduction for— • Single or Married filing separately, \$12,550 • Married filing jointly or Qualifying widow(er), \$25,100 • Head of household, \$18,800 • If you checked any box under <i>Standard Deduction</i> , see instructions.	1	Wages, salaries, tips, etc. Attach Form(s) W-2	1																															
	2a	Tax-exempt interest	2a																															
	3a	Qualified dividends	3a																															
	4a	IRA distributions	4a																															
	5a	Pensions and annuities	5a																															
	6a	Social security benefits	6a																															
	7	Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ <input type="checkbox"/>	7																															
	8	Other income from Schedule 1, line 10	8																															
	9	Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income	9																															
	10	Adjustments to income from Schedule 1, line 26	10																															
	11	Subtract line 10 from line 9. This is your adjusted gross income	11																															
	12a	Standard deduction or itemized deductions (from Schedule A)	12a																															
	b	Charitable contributions if you take the standard deduction (see instructions)	12b																															
	c	Add lines 12a and 12b	12c																															
	13	Qualified business income deduction from Form 8995 or Form 8995-A	13																															
14	Add lines 12c and 13	14																																
15	Taxable income. Subtract line 14 from line 11. If zero or less, enter -0-	15																																

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 11320B

Form **1040** (2021)

Form 1040 (2021)		Page 2
16	Tax (see instructions). Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/>	16
17	Amount from Schedule 2, line 3	17
18	Add lines 16 and 17	18
19	Nonrefundable child tax credit or credit for other dependents from Schedule 8812	19
20	Amount from Schedule 3, line 8	20
21	Add lines 19 and 20	21
22	Subtract line 21 from line 18. If zero or less, enter -0-	22
23	Other taxes, including self-employment tax, from Schedule 2, line 21	23
24	Add lines 22 and 23. This is your total tax	24
25	Federal income tax withheld from:	
a	Form(s) W-2	25a
b	Form(s) 1099	25b
c	Other forms (see instructions)	25c
d	Add lines 25a through 25c	25d
26	2021 estimated tax payments and amount applied from 2020 return	26
27a	Earned income credit (EIC) Check here if you were born after January 1, 1998, and before January 2, 2004, and you satisfy all the other requirements for taxpayers who are at least age 18, to claim the EIC. See instructions <input type="checkbox"/>	27a
b	Nontaxable combat pay election	27b
c	Prior year (2019) earned income	27c
28	Refundable child tax credit or additional child tax credit from Schedule 8812	28
29	American opportunity credit from Form 8863, line 8	29
30	Recovery rebate credit. See instructions	30
31	Amount from Schedule 3, line 15	31
32	Add lines 27a and 28 through 31. These are your total other payments and refundable credits	32
33	Add lines 25d, 26, and 32. These are your total payments	33
Refund	34 If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you overpaid	34
35a	Amount of line 34 you want refunded to you . If Form 8888 is attached, check here <input type="checkbox"/>	35a
b	Routing number	c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings
d	Account number	
36	Amount of line 34 you want applied to your 2022 estimated tax	36
Amount You Owe	37 Amount you owe . Subtract line 33 from line 24. For details on how to pay, see instructions	37
38	Estimated tax penalty (see instructions)	38
Third Party Designee	Do you want to allow another person to discuss this return with the IRS? See instructions <input type="checkbox"/> Yes. Complete below. <input type="checkbox"/> No	
	Designee's name	Phone no.
		Personal identification number (PIN)
Sign Here	Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.	
Your signature	Date	Your occupation
Spouse's signature. If a joint return, both must sign.	Date	Spouse's occupation
		If the IRS sent you an Identity Protection PIN, enter it here (see inst.)
		If the IRS sent your spouse an Identity Protection PIN, enter it here (see inst.)
	Phone no.	Email address
Paid Preparer Use Only	Preparer's name	Preparer's signature
	Firm's name	Date
	Firm's address	PTIN
		Check if: <input type="checkbox"/> Self-employed
		Phone no.
		Firm's EIN

Go to www.irs.gov/Form1040 for instructions and the latest information.

Form **1040** (2021)

2021 IRS Schedule 1 (Form 1040)

SCHEDULE 1 (Form 1040) Department of the Treasury Internal Revenue Service	Additional Income and Adjustments to Income ▶ Attach to Form 1040, 1040-SR, or 1040-NR. ▶ Go to www.irs.gov/Form1040 for instructions and the latest information.	OMB No. 1545-0074 <div style="font-size: 2em; font-weight: bold; text-align: center;">2021</div> Attachment Sequence No. 01
Name(s) shown on Form 1040, 1040-SR, or 1040-NR		Your social security number

Part I Additional Income			
1	Taxable refunds, credits, or offsets of state and local income taxes	1	
2a	Alimony received	2a	
	b Date of original divorce or separation agreement (see instructions) ▶ _____		
3	Business income or (loss). Attach Schedule C	3	
4	Other gains or (losses). Attach Form 4797	4	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5	
6	Farm income or (loss). Attach Schedule F	6	
7	Unemployment compensation	7	
8	Other income:		
a	Net operating loss	8a	()
b	Gambling income	8b	
c	Cancellation of debt	8c	
d	Foreign earned income exclusion from Form 2555	8d	()
e	Taxable Health Savings Account distribution	8e	
f	Alaska Permanent Fund dividends	8f	
g	Jury duty pay	8g	
h	Prizes and awards	8h	
i	Activity not engaged in for profit income	8i	
j	Stock options	8j	
k	Income from the rental of personal property if you engaged in the rental for profit but were not in the business of renting such property	8k	
l	Olympic and Paralympic medals and USOC prize money (see instructions)	8l	
m	Section 951(a) inclusion (see instructions)	8m	
n	Section 951A(a) inclusion (see instructions)	8n	
o	Section 461(l) excess business loss adjustment	8o	
p	Taxable distributions from an ABLÉ account (see instructions)	8p	
z	Other income. List type and amount ▶ _____	8z	
9	Total other income. Add lines 8a through 8z	9	
10	Combine lines 1 through 7 and 9. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8	10	

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 71479F **Schedule 1 (Form 1040) 2021**

Part II Adjustments to Income		
11	Educator expenses	11
12	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	12
13	Health savings account deduction. Attach Form 8889	13
14	Moving expenses for members of the Armed Forces. Attach Form 3903	14
15	Deductible part of self-employment tax. Attach Schedule SE	15
16	Self-employed SEP, SIMPLE, and qualified plans	16
17	Self-employed health insurance deduction	17
18	Penalty on early withdrawal of savings	18
19a	Alimony paid	19a
	b Recipient's SSN ▶	
	c Date of original divorce or separation agreement (see instructions) ▶	
20	IRA deduction	20
21	Student loan interest deduction	21
22	Reserved for future use	22
23	Archer MSA deduction	23
24	Other adjustments:	
	a Jury duty pay (see instructions)	24a
	b Deductible expenses related to income reported on line 8k from the rental of personal property engaged in for profit	24b
	c Nontaxable amount of the value of Olympic and Paralympic medals and USOC prize money reported on line 8l	24c
	d Reforestation amortization and expenses	24d
	e Repayment of supplemental unemployment benefits under the Trade Act of 1974	24e
	f Contributions to section 501(c)(18)(D) pension plans	24f
	g Contributions by certain chaplains to section 403(b) plans	24g
	h Attorney fees and court costs for actions involving certain unlawful discrimination claims (see instructions)	24h
	i Attorney fees and court costs you paid in connection with an award from the IRS for information you provided that helped the IRS detect tax law violations	24i
	j Housing deduction from Form 2555	24j
	k Excess deductions of section 67(e) expenses from Schedule K-1 (Form 1041)	24k
	z Other adjustments. List type and amount ▶	24z
25	Total other adjustments. Add lines 24a through 24z	25
26	Add lines 11 through 23 and 25. These are your adjustments to income . Enter here and on Form 1040 or 1040-SR, line 10, or Form 1040-NR, line 10a	26

2021 IRS Schedule 2 (Form 1040)

SCHEDULE 2 (Form 1040) Department of the Treasury Internal Revenue Service	Additional Taxes ▶ Attach to Form 1040, 1040-SR, or 1040-NR. ▶ Go to www.irs.gov/Form1040 for instructions and the latest information.	OMB No. 1545-0074 <div style="font-size: 2em; font-weight: bold; text-align: center;">2021</div> Attachment Sequence No. 02
Name(s) shown on Form 1040, 1040-SR, or 1040-NR		Your social security number

Part I Tax

1	Alternative minimum tax. Attach Form 6251	1	
2	Excess advance premium tax credit repayment. Attach Form 8962	2	
3	Add lines 1 and 2. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 17	3	

Part II Other Taxes

4	Self-employment tax. Attach Schedule SE	4	
5	Social security and Medicare tax on unreported tip income. Attach Form 4137	5	
6	Uncollected social security and Medicare tax on wages. Attach Form 8919	6	
7	Total additional social security and Medicare tax. Add lines 5 and 6	7	
8	Additional tax on IRAs or other tax-favored accounts. Attach Form 5329 if required	8	
9	Household employment taxes. Attach Schedule H	9	
10	Repayment of first-time homebuyer credit. Attach Form 5405 if required	10	
11	Additional Medicare Tax. Attach Form 8959	11	
12	Net investment income tax. Attach Form 8960	12	
13	Uncollected social security and Medicare or RRTA tax on tips or group-term life insurance from Form W-2, box 12	13	
14	Interest on tax due on installment income from the sale of certain residential lots and timeshares	14	
15	Interest on the deferred tax on gain from certain installment sales with a sales price over \$150,000	15	
16	Recapture of low-income housing credit. Attach Form 8611	16	

(continued on page 2)

Part II Other Taxes (continued)

17	Other additional taxes:		
a	Recapture of other credits. List type, form number, and amount ▶	17a	
b	Recapture of federal mortgage subsidy. If you sold your home in 2021, see instructions	17b	
c	Additional tax on HSA distributions. Attach Form 8889	17c	
d	Additional tax on an HSA because you didn't remain an eligible individual. Attach Form 8889	17d	
e	Additional tax on Archer MSA distributions. Attach Form 8853	17e	
f	Additional tax on Medicare Advantage MSA distributions. Attach Form 8853	17f	
g	Recapture of a charitable contribution deduction related to a fractional interest in tangible personal property	17g	
h	Income you received from a nonqualified deferred compensation plan that fails to meet the requirements of section 409A	17h	
i	Compensation you received from a nonqualified deferred compensation plan described in section 457A	17i	
j	Section 72(m)(5) excess benefits tax	17j	
k	Golden parachute payments	17k	
l	Tax on accumulation distribution of trusts	17l	
m	Excise tax on insider stock compensation from an expatriated corporation	17m	
n	Look-back interest under section 167(g) or 460(b) from Form 8697 or 8866	17n	
o	Tax on non-effectively connected income for any part of the year you were a nonresident alien from Form 1040-NR	17o	
p	Any interest from Form 8621, line 16f, relating to distributions from, and dispositions of, stock of a section 1291 fund	17p	
q	Any interest from Form 8621, line 24	17q	
z	Any other taxes. List type and amount ▶	17z	
18	Total additional taxes. Add lines 17a through 17z		18
19	Additional tax from Schedule 8812		19
20	Section 965 net tax liability installment from Form 965-A	20	
21	Add lines 4, 7 through 16, 18, and 19. These are your total other taxes . Enter here and on Form 1040 or 1040-SR, line 23, or Form 1040-NR, line 23b		21

2021 IRS Schedule 3 (Form 1040)

SCHEDULE 3 (Form 1040) Department of the Treasury Internal Revenue Service	Additional Credits and Payments ▶ Attach to Form 1040, 1040-SR, or 1040-NR. ▶ Go to www.irs.gov/Form1040 for instructions and the latest information.	OMB No. 1545-0074 <div style="font-size: 2em; font-weight: bold; text-align: center;">2021</div> Attachment Sequence No. 03
Name(s) shown on Form 1040, 1040-SR, or 1040-NR		Your social security number

Part I Nonrefundable Credits			
1 Foreign tax credit. Attach Form 1116 if required		1	
2 Credit for child and dependent care expenses from Form 2441, line 11. Attach Form 2441		2	
3 Education credits from Form 8863, line 19		3	
4 Retirement savings contributions credit. Attach Form 8880		4	
5 Residential energy credits. Attach Form 5695		5	
6 Other nonrefundable credits:			
a General business credit. Attach Form 3800	6a		
b Credit for prior year minimum tax. Attach Form 8801	6b		
c Adoption credit. Attach Form 8839	6c		
d Credit for the elderly or disabled. Attach Schedule R	6d		
e Alternative motor vehicle credit. Attach Form 8910	6e		
f Qualified plug-in motor vehicle credit. Attach Form 8936	6f		
g Mortgage interest credit. Attach Form 8396	6g		
h District of Columbia first-time homebuyer credit. Attach Form 8859	6h		
i Qualified electric vehicle credit. Attach Form 8834	6i		
j Alternative fuel vehicle refueling property credit. Attach Form 8911	6j		
k Credit to holders of tax credit bonds. Attach Form 8912	6k		
l Amount on Form 8978, line 14. See instructions	6l		
z Other nonrefundable credits. List type and amount ▶ _____	6z		
7 Total other nonrefundable credits. Add lines 6a through 6z		7	
8 Add lines 1 through 5 and 7. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 20		8	

(continued on page 2)

Part II Other Payments and Refundable Credits

9	Net premium tax credit. Attach Form 8962	9	
10	Amount paid with request for extension to file (see instructions)	10	
11	Excess social security and tier 1 RRTA tax withheld	11	
12	Credit for federal tax on fuels. Attach Form 4136	12	
13	Other payments or refundable credits:		
a	Form 2439	13a	
b	Qualified sick and family leave credits from Schedule(s) H and Form(s) 7202 for leave taken before April 1, 2021	13b	
c	Health coverage tax credit from Form 8885	13c	
d	Credit for repayment of amounts included in income from earlier years	13d	
e	Reserved for future use	13e	
f	Deferred amount of net 965 tax liability (see instructions)	13f	
g	Credit for child and dependent care expenses from Form 2441, line 10. Attach Form 2441	13g	
h	Qualified sick and family leave credits from Schedule(s) H and Form(s) 7202 for leave taken after March 31, 2021	13h	
z	Other payments or refundable credits. List type and amount ►	13z	
14	Total other payments or refundable credits. Add lines 13a through 13z	14	
15	Add lines 9 through 12 and 14. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 31	15	

2021 IRS Schedule A (Form 1040)

SCHEDULE A (Form 1040) <small>Department of the Treasury Internal Revenue Service (99)</small>	Itemized Deductions ▶ Go to www.irs.gov/ScheduleA for instructions and the latest information. ▶ Attach to Form 1040 or 1040-SR. Caution: If you are claiming a net qualified disaster loss on Form 4684, see the instructions for line 16.	OMB No. 1545-0074 2021 Attachment Sequence No. 07	
Name(s) shown on Form 1040 or 1040-SR		Your social security number	
Medical and Dental Expenses	Caution: Do not include expenses reimbursed or paid by others. 1 Medical and dental expenses (see instructions) 1 2 Enter amount from Form 1040 or 1040-SR, line 11 2 3 Multiply line 2 by 7.5% (0.075) 3 4 Subtract line 3 from line 1. If line 3 is more than line 1, enter -0- 4		
Taxes You Paid	5 State and local taxes. a State and local income taxes or general sales taxes. You may include either income taxes or general sales taxes on line 5a, but not both. If you elect to include general sales taxes instead of income taxes, check this box <input type="checkbox"/> 5a b State and local real estate taxes (see instructions) 5b c State and local personal property taxes 5c d Add lines 5a through 5c 5d e Enter the smaller of line 5d or \$10,000 (\$5,000 if married filing separately) 5e 6 Other taxes. List type and amount ▶ _____ 6 7 Add lines 5e and 6 7		
Interest You Paid <small>Caution: Your mortgage interest deduction may be limited (see instructions).</small>	8 Home mortgage interest and points. If you didn't use all of your home mortgage loan(s) to buy, build, or improve your home, see instructions and check this box <input type="checkbox"/> a Home mortgage interest and points reported to you on Form 1098. See instructions if limited 8a b Home mortgage interest not reported to you on Form 1098. See instructions if limited. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address 8b ▶ _____ 8b c Points not reported to you on Form 1098. See instructions for special rules 8c d Mortgage insurance premiums (see instructions) 8d e Add lines 8a through 8d 8e 9 Investment interest. Attach Form 4952 if required. See instructions 9 10 Add lines 8e and 9 10		
Gifts to Charity <small>Caution: If you made a gift and got a benefit for it, see instructions.</small>	11 Gifts by cash or check. If you made any gift of \$250 or more, see instructions 11 12 Other than by cash or check. If you made any gift of \$250 or more, see instructions. You must attach Form 8283 if over \$500. 12 13 Carryover from prior year 13 14 Add lines 11 through 13 14		
Casualty and Theft Losses	15 Casualty and theft loss(es) from a federally declared disaster (other than net qualified disaster losses). Attach Form 4684 and enter the amount from line 18 of that form. See instructions 15		
Other Itemized Deductions	16 Other—from list in instructions. List type and amount ▶ _____ 16		
Total Itemized Deductions	17 Add the amounts in the far right column for lines 4 through 16. Also, enter this amount on Form 1040 or 1040-SR, line 12a 17 18 If you elect to itemize deductions even though they are less than your standard deduction, check this box <input type="checkbox"/>		

For Paperwork Reduction Act Notice, see the Instructions for Forms 1040 and 1040-SR. Cat. No. 17145C **Schedule A (Form 1040) 2021**

Appendix B. 2021 Marginal Tax Rate Schedule

Table I. Statutory Marginal Tax Rates, 2021
Tax Schedules by Filing Status

Married Filing Jointly			
If taxable income is:		Then, tax is:	
\$0	to \$19,900	10% of the amount over \$0	
over \$19,900	to \$81,050	\$1,990 plus 12% of the amount over \$19,900	
over \$81,050	to \$172,750	\$9,328 plus 22% of the amount over \$81,050	
over \$172,750	to \$329,850	\$29,502 plus 24% of the amount over \$172,750	
over \$329,850	to \$418,850	\$67,206 plus 32% of the amount over \$329,850	
over \$418,850	to \$628,300	\$95,686 plus 35% of the amount over \$418,850	
over \$628,300	plus	\$168,993.50 plus 37% of the amount over \$628,300	
Single			
If taxable income is:		Then, tax is:	
\$0	to \$9,950	10% of the amount over \$0	
over \$9,950	to \$40,525	\$995 plus 12% of the amount over \$9,950	
over \$40,525	to \$86,375	\$4,664 plus 22% of the amount over \$40,525	
over \$86,375	to \$164,900	\$14,751 plus 24% of the amount over \$86,375	
over \$164,900	to \$209,400	\$33,603 plus 32% of the amount over \$164,900	
over \$209,400	to \$523,600	\$47,843 plus 35% of the amount over \$209,400	
over \$523,600	plus	\$157,804.25 plus 37% of the amount over \$523,600	
Heads of Households			
If taxable income is:		Then, tax is:	
\$0	to \$14,200	10% of the amount over \$0	
over \$14,200	to \$54,200	\$1,420 plus 12% of the amount over \$14,200	
over \$54,200	to \$86,350	\$6,220 plus 22% of the amount over \$54,200	
over \$86,350	to \$164,900	\$13,293 plus 24% of the amount over \$86,350	
over \$164,900	to \$209,400	\$32,415 plus 32% of the amount over \$164,900	
over \$209,400	to \$523,600	\$46,385 plus 35% of the amount over \$209,400	
over \$523,600	plus	\$156,355 plus 37% of the amount over \$523,600	

Source: Internal Revenue Code.

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