

Taxes 101

Don't Leave
Money on the
Table!





Agenda

1. What Are Taxes, Why Should I File Them, and When?
2. What Are Tax Credits?
3. How Can I Avoid Owing Taxes When I File?
4. How Do I Prepare to File My Taxes?
5. How Do I File My Taxes?
6. What Happens After I File My Taxes?



Introduction

*Have you Filed Taxes
Before?*



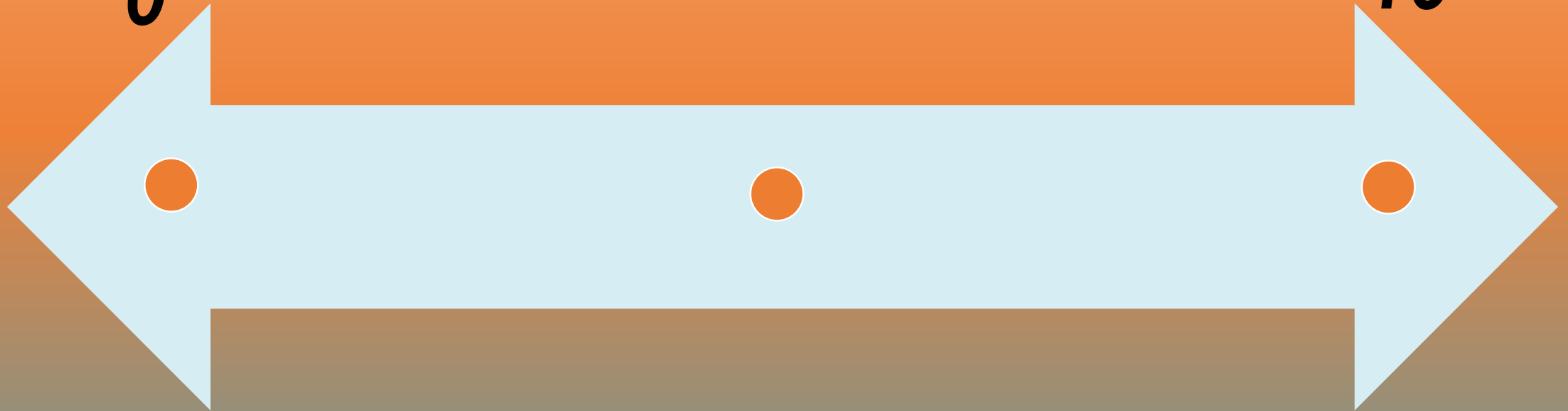
Where are you?

Not ready or
confident...yet

Ready & confident!

0

10



On a scale from 0-10, how do you feel about filing your taxes?

What Are Taxes?
Why Should I File Them?
When Should I File Them?





What Exactly Are Taxes?

Taxes provide revenue for federal, local, and state governments to fund:



Essential services intended to benefit **all citizens**

- E.g. defense, highways, police, a justice system



Programs and services that benefit **certain citizens**

- E.g. health, welfare, social services, job training, schools, parks



What Are Income Taxes?

Income taxes reduce taxpayers' income.

- The rate at which people are taxed (your “tax bracket”) depends on how much money they make.
- Usually higher-income taxpayers pay a higher rate of income tax than lower-income taxpayers.



The **amount of money withheld** from each paycheck determines whether **you owe money** or **you are owed money** at the end of the year, and how much.

- This is why the information you provide on your W-4 when you start a job, is so important!



Who Must File

If your filing status is...	AND at the end of 2024 you were...¹	THEN file a return if your gross income was at least...²
Single	under 65	\$14,600
	65 or older	\$16,550
Married filing jointly ³	under 65 (both spouses)	\$29,200
	65 or older (one spouse)	\$30,750
	65 or older (both spouses)	\$32,300
Married filing separately (see the Instructions for Form 1040)	any age	\$5
Head of household (see the Instructions for Form 1040)	under 65	\$21,900
	65 or older	\$23,850
Qualifying Surviving Spouse (see the Instructions for Form 1040)	under 65	\$29,200
	65 or older	\$30,750




Who Should File?

You should file your taxes if:

- You are required to by law and/or
- **You will receive money back from filing**

You should not file your taxes if:

- ✓ You are not required to by law AND
- ✓ You will owe money when you file



Most young adults ages 18-25 who are current or former foster youth will receive money back from filing. And most of these young adults are not required to file their taxes.



Why Should I File Taxes if I Don't Have to?


In 2024, current & former foster youth ages 18-25 who filed received an average of:

- ✓ **\$1,370 cash back** for single filers
- ✓ **\$5,265 cash back** for parenting filers!


Just 4% owed taxes.




Cash Money!




Tax filing is how you access state or federal relief



Establishes income for public benefits; tax refunds aren't counted against eligibility



Important independent living skill—eventually we all have to do it!



Uncovers identity theft



When is a Good Time to Start Filing Taxes?



**WHEN YOU
GET YOUR
FIRST JOB**



**WHEN YOU
HAVE A CHILD**



When is tax season?



January: Tax filing season begins

October: Tax deadline for people who do not owe taxes

April: Tax deadline for people who owe taxes

What Are **Tax** **Credits?**





Cash Back Tax Credits Put Money in Your Pocket

- A **Tax Credit** reduces the amount of money you owe the government.
 - *A nonrefundable tax credit does not provide cash back, it just reduces what you owe.*
- A **refundable or “cash back” tax credit** reduces what you owe, then once you owe \$0, you get to keep whatever is left of the credits. (You get a refund = cash back)
- **In 2024, 96% of current and former foster youth ages 18-25 owed no taxes. They got to keep their cash back credits!**





New Tax Credit Just for Current & Former Foster Youth! The California Foster Youth Tax Credit (FYTC)

First of its type in the nation! Became available in 2023. The FYTC is a **cash back** tax credit.

In 2025, the FYTC will provide up to **\$1,154** to youth who:

- ✓ File their 2024 state tax return
- ✓ Are age 18-25 at end of the tax year (12/31/24)
- ✓ Were in foster care on or after 13th birthday
- ✓ Earned between \$1 - \$31,950 in 2024
- ✓ Lived in CA at least half of 2024

Download the flyer: <https://jbay.org/resources/fytc-flyer/>



File your taxes to claim the new **\$1,117 California Foster Youth Tax Credit!**

Claiming the new Foster Youth Tax Credit:

- ✓ **File Your CA State Return**
Check "Yes" on the Foster Youth Tax Credit boxes stating that you qualify.
- ✓ **Foster Care**
You were in foster care on or after your 13th birthday.
- ✓ **Age**
You were 18-25 years old on December 31, 2023.
- ✓ **Income**
You earned between \$1 - \$30,000 from any work in 2023.
- ✓ **Identification**
You have a Social Security Number or Individual Tax Identification Number.
- ✓ **Residence**
You lived in California more than half of 2023.



SCAN ME

FREE filing support available.
Scan to learn more.





Other Tax Credits You May Be Eligible For

State Tax Credits

- California Earned Income Tax Credit (CalEITC)
- Young Child Tax Credit (YCTC)
- Child & Dependent Care Expenses Credit*
- Renters Credit*

Federal Tax Credits

- Earned Income Tax Credit (EITC)
- Child Tax Credit (CTC)
- Child & Dependent Care Tax Credit
- American Opportunity Credit and Lifetime Learning Credit*

* The credits with asterisks are not refundable. They will just reduce what you owe, if you owe anything.




How Can I Avoid Owing Taxes When I File?





Youth usually don't owe, but a small number will...here's why.

Most common reasons current and former foster youth ages 18-25 owed taxes in 2023 and 2024:

		
<p>Filled out their W-4 wrong</p>	<p>Was self-employed/had gig work income</p>	<p>Spent educational financial aid on non-qualified expenses</p>



When You Start a Job, Filling Out Your W-4 Correctly is Important

You should complete a W-4 anytime you start a new job or your tax situation changes.*

•Your W-4 helps your employer determine how much federal income tax to withhold from your paycheck for the government.



If the form is not filled out correctly, too much or too little will be withheld.

If too little tax money is withheld from your paycheck, you will owe the government money when you file.

***Exception:** If you're self-employed you don't complete a W-4

HOW TO FILL OUT W-4

Form W-4
Department of the Treasury
Internal Revenue Service

Employee's Withholding Certificate
Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay.
Give Form W-4 to your employer.
Your withholding is subject to review by the IRS.

Step 1: Personal Information

(a) First name and middle initial
John Doe

Address
100 Oak Street
City or town, state, and ZIP code
Anywhere, XY 10001


(b) Single or Married Filing Separately
 Married Filing Jointly
 Head of household

Step 2: Multiple Jobs or Spouse Works

Complete Steps 2-4 ONLY if they apply to you. If you are claiming an exemption, skip to Step 5. See instructions for more information.

Do only one of the following:
(a) Reserved for use by the IRS.
(b) Use the Multiple Jobs or Spouse Works exemption.
(c) If there are other jobs, use the higher percentage.

MONEY INSTRUCTOR





If you're self-employed or do gig work, save money to pay your taxes.

- When you are self-employed (which includes gig work such as Uber/Lyft, UberEats, DoorDash, etc.), no taxes are taken out of your paycheck to pay the government.
- You will likely owe taxes when you file because you haven't been paying them throughout the year.
- It is important to **put money aside from each paycheck** so that you can use that money to pay your taxes later, and keep track of all work-related expenses.



30% recommended



Spending your financial aid on qualified expenses is important.

- Certain financial aid is taxable if it is not spent on “qualified expenses.”
- College students should try whenever possible, to spend their aid on qualified expenses, and to save receipts for those expenses.



Qualified expenses:

- Tuition and fees
- Course-related expenses such as fees, books, supplies (pens/paper), and equipment (includes laptops/Chromebooks and computer software)

Non-qualified expenses:

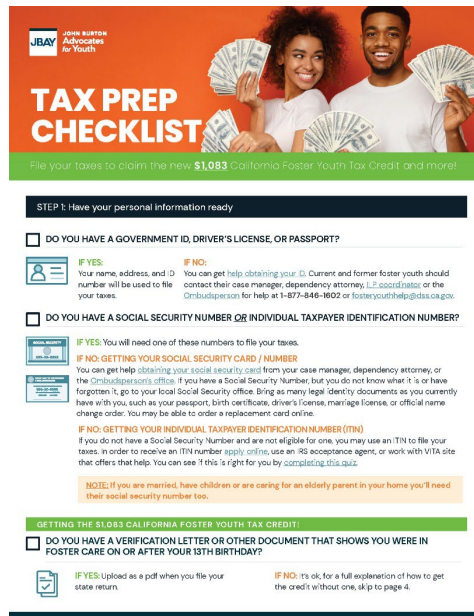
- Room & board (inclu. dorm)
- Student health fees
- Cafeteria food card
- Research, equipment, other expenses not required for course
- Travel
- Clerical help

How Do I **Prepare** to File My Taxes?





The Tax Prep Checklist Will Tell You How to Prepare for Filing Your Taxes.



- Government ID**, driver's license, or passport
- Social Security Number** or Individual Taxpayer ID Number (ITIN)
- Foster care verification letter** (optional)
- Permanent address**
- Bank account & routing number**
- Last year's taxes** (if filed)
- W-2** if employed
- 1099-NEC or 1099-MISC** if self-employed
- 1099-G** if received unemployment
- 1099-INT** if have savings account
- 1098-T** if have educational financial aid
- Receipts for qualifying educational expenses** not covered by financial aid
- Receipts from childcare**, day care/paid preschool, summer day camps, babysitters if parenting

Download: <https://jbay.org/resources/tax-prep/>

How Do I **File** My Taxes?





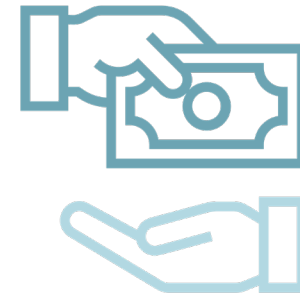
There are Three Main Ways to File Your Taxes



Self-File
FREE
*if you use a free
program*



File with
Assistance from an
IRS-Certified
Volunteer
FREE



File with a Paid
Preparer
COSTS
*(not
recommended)*



Self-Filing



- This is the most common way to file for young adults.
- File for free at myfreetaxes.org
 - **JBAY's Self-Filing Guide walks you through this process screen by screen:**
<https://jbay.org/resources/self-filing-guide/>
- You can also self-file using Turbo Tax, etc. but unless you get the free version, you will pay for these programs.
 - Note: The free version of Turbo Tax is not available to those who are self-employed (have 1099 forms).
- **Don't miss the Foster Youth Tax Credit!** Make sure you select the correct boxes on their state tax return to receive it.



File With Assistance from an IRS-Certified Volunteer



- Volunteer Income Tax Assistance (VITA) Sites offer **free, one-on-one** tax return preparation to people who earn \$67K or less.



- IRS-certified volunteers do the tax preparation.



- There are not enough VITA sites to serve all eligible individuals (not even close). There are “VITA deserts” in some regions of the state.



- *Some* VITA sites offer remote assistance.



- Locate a VITA site for foster youth or a general VITA site using this roster: <https://jbay.org/resources/fy-vita-sites/>.
 - If you use a general site, make sure you bring info with you about the FYTC: <https://jbay.org/resources/fytc-info-for-tax-preparers/>



SF CASA'S VITA Site Will Provide Virtual Tax Assistance Statewide

San Francisco Court Appointed Special Advocates (SFCASA) is one of five foster youth VITA sites statewide.

- They are available to:
 - ✓ Coordinate with other CASA programs statewide to assist youth with tax filing
 - ✓ Assist youth directly, regardless of their involvement with CASA
 - ✓ Can assist virtually and in person
 - ✓ CAN HELP ANYONE!
- www.sfcasa.org/fileyourtaxes
- fytaxhelp@sfcasa.org

Free tax preparation for current/former foster youth.
Ready to file your taxes in 2025? SFCASA's VITA site has got you covered! Scan the QR link below or visit sfcasa.org/fileyourtaxes

#FileYourTaxes

File safely and securely with SFCASA.

OPENS 02/03/25

VIRTUAL + IN-PERSON SERVICES
MONDAY-SATURDAY
HABLAMOS ESPAÑOL

Claim up to \$1,154 for the CA Foster Youth Tax Credit + other refundable credits!

Get a \$25 gift card for filing with us!



sfcasa.org/fileyourtaxes
fytaxhelp@sfcasa.org



Tax Prep Assistance at The HUB (San Jose)



San Mateo County ILP has partnered with the HUB to help our foster youth filed taxes in person and virtually.

The HUB is a youth-led and youth-organized community center dedicated to supporting current and former foster youth ages 15-24. The HUB operates through Bill Wilson Center and the County of Santa Clara.

The HUB will offer **FREE** tax services for current and former Foster Youth, ages 15-24, only.

<https://thehubsc.org/tax-assistance/vita-hub.html>





Paid Preparers: Proceed with Caution



- **Why shouldn't I use a paid preparer to file my taxes?**
 - **They miss the Foster Youth Tax Credit:** In 2023 just 5% of FYTC recipients filed with a paid preparer vs. 57% of CalEITC recipients.
 - Upwards of **60%** of paid preparers make **errors** on tax returns.
 - Some paid preparers use **predatory practices** (e.g. refund advancements w/ interest).
 - If they miss a credit, you will have to **pay again** for the preparer to amend (correct and re-file) your taxes.
- **If you choose to use a paid preparer:**
 - **Take information** about the Foster Youth Tax Credit to ensure they don't miss it.
 - If they miss the FYTC or other credits, you can **amend your taxes at a VITA site for free.**



Which Filing Method is Right for Me?



- **Self-Filing may be right for you if:**
 - You've filed before
 - You're pretty good at doing things independently and following written guidance
 - Your tax situation is pretty simple (no self-employment/gig work, no identity theft)
- **Filing at a VITA site may be right for you if:**
 - You're experiencing identity theft/you're a victim of tax fraud
 - You have a complicated tax situation (e.g. have self-employment/gig work income, you have educational financial aid, etc.)
 - You're really nervous about filing and want one-on-one support
- **(Filing with a paid preparer is not recommended).**

What Happens **After** I File My Taxes?





What if I Uncovered Identity Theft While Filing?

- **What do you mean by identity theft/tax fraud?**
 - Someone claims you as a dependent on their tax return that shouldn't.
 - Someone steals your Social Security Number to try to claim your credits and direct to their bank account.
- **Who is legally allowed to claim me as a dependent?**
 - Someone may be able to claim you as a dependent on their tax return if they provided at least half of your support for the tax year.
 - ****If this applies to you, ask your trainer for more information to see if you meet the other guidelines for being claimed as a dependent.****
 - If someone claims you that is not supposed to, that is tax fraud.





How Do I Address Identity Theft?

- **Talk to your county child welfare agency:**
 - **Current nonminor dependents** ► Seek assistance from your social worker or dependency attorney to resolve the issue.
 - **Former foster youth** ► Seek assistance from legal aid or check in with county child welfare agency about whether they can refer you to a specific organization addressing this for foster youth.
- **Resources:**
 - Low Income Taxpayer Clinics (LITC) Taxpayer Advocate Services: <https://www.taxpayeradvocate.irs.gov/about-us/low-income-taxpayer-clinics-litc/>
 - If you're in the Bay Area try Bay Area Legal Aid: <https://baylegal.org/what-we-do/stability/>



You Can Address Future Identity Theft Issues by Using an Identity Protection Pin (IP PIN)

- The IP PIN acts as an authentication number to validate the correct owner of the SSN(s) or ITIN(s) listed on your tax return.
- IPINS protect from identity theft
- A new IP PIN will be generated each year
(don't lose the IP PIN #)
- Helps to facilitate the tax filing process
- Create an ID.ME account on the IRS website



Sign In or Create a New Account

i You only need one ID.me account

If you already have an account, don't create a new one. You can use the same ID.me account to sign in to different IRS online services.

IRS now offers a sign-in option with ID.me, which offers access to IRS online services with a secure account that protects your privacy.

ID.me is an account created, maintained, and secured by a technology provider.

If you don't have an ID.me account, you must create a new account.

Sign in with an existing account

Sign in with **ID.me**

OR

Create a new account

ID.me Create an account



When to Amend a Return

- **Amending a tax return means correcting it and re-filing. You should do this when:**

- You forgot to enter a W-2
- You chose the wrong filing status (i.e. single, head of household, etc.)
- You did not claim the correct number of dependents
- **You discovered a credit or deduction you should have claimed** →
- The amount of earned income you reported is incorrect
- You received a form, such as a 1099 after you already filed your taxes



Did you miss the Foster Youth Tax Credit?!

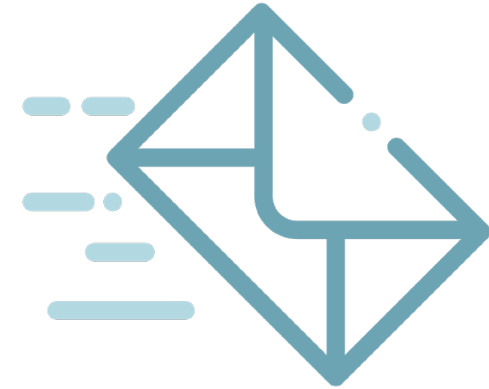
- **How do I amend my taxes?**

- You can do it yourself at myfreetaxes.org or if you used Turbo Tax you can do it there.
- If you want support, visit a VITA site to amend your taxes but be sure to bring a copy of your original return and all tax documents.



Important Communications from the IRS or FTB

- **What if I get a letter from the IRS or Franchise Tax Board?**
 - You must respond within 30 days!
 - This usually means the IRS need additional information to file your taxes (e.g. verification of foster youth status if the state match fails, verification that a child is in your care, verification of self-employment income, etc.)
- **Caution:** The IRS sends letters. They DO NOT call, email, or connect through social media. Do not give out your Taxpayer Identity Protection Pin, bank account number, or Social Security Number.





Taxes Are Filed...Now What?



- **How do I check for my tax refund?**
 - Federal: <https://www.irs.gov/refunds>
 - State: <https://www.ftb.ca.gov/refund/index.asp>
 - Note: e-filing takes 3-4 weeks; paper filing takes 6-8 weeks
- **How do I prepare for next year?**
 - Save documents for next year!
 - Taxes from last tax season, receipts for higher education and self-employment expenses, W-2s, etc.
 - It is recommended you keep records of 5 years of tax returns

Have you thought about how to use your tax refund if you receive one?



✓ Pay off debt

- Credit cards, loans

✓ Car maintenance & repair

✓ Stock up on supplies

- school, work, baby

Save if you can!

- Put money aside for an emergency fund/ unanticipated expenses
- Savings and Money Market Account
- Certificates of Deposits (CD's)
- Self-Employment (SEP) IRA
- Employee Retirement Plan, 401K
- Regular IRA

Impact of Saving \$20 Per Week

	4% Interest Rate	5.25% Interest Rate
10 years	\$12,762	\$13,639
20 Years	\$31,787	\$36,670
30 Years	\$60,151	\$75,556
40 Years	\$102,437	\$141,219

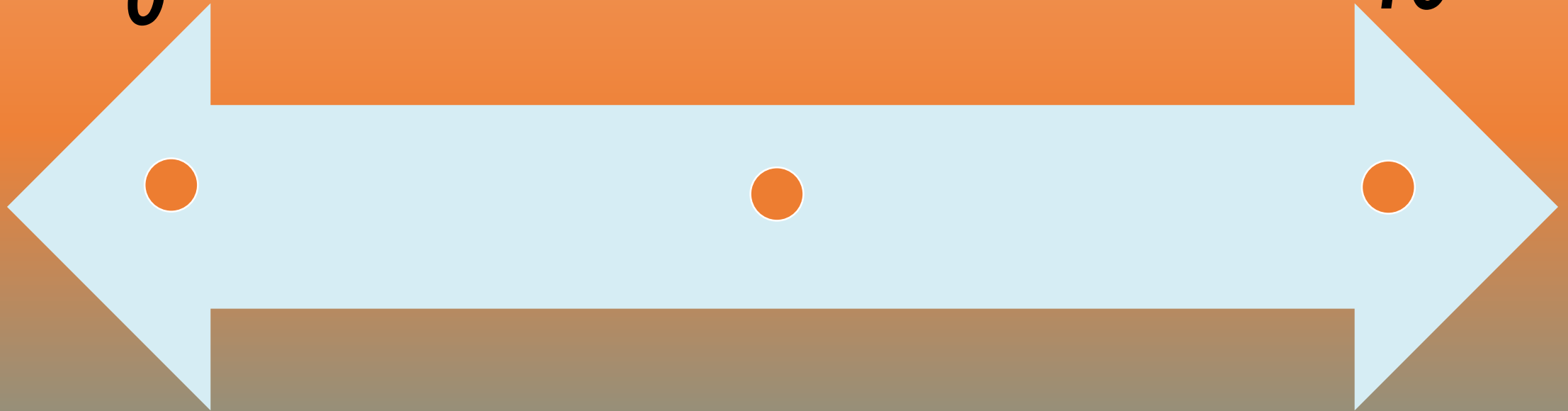
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Thank You

