

## IRS SUMMER TAX TIP

### TAX ADVICE FOR THE WORKING STUDENT

All employees have federal income tax withheld from their pay, right? Not necessarily. The IRS says that if you are a student working a summer or part-time job, you may be exempt from withholding if:

- you can be claimed as a dependent (usually on a parent's return),
- your total 2004 income will not be over \$4,850,
- your unearned income (interest, dividends, etc.) will not exceed \$250, and
- you had no income tax liability for 2003.

You'll still have to pay Social Security and Medicare taxes, but skipping unnecessary income tax withholding will put more money in your pocket now. Read Form W-4, Employee's Withholding Allowance Certificate, carefully before filling it out for your employer.

If customers tip you, those tips are taxable. You must keep track of the amounts, include them on your tax return, and — if they total \$20 or more in a month — report them to your employer by the middle of the next month.

Many students with summer or temporary jobs who do have federal taxes withheld find at the end of the year that they are eligible for a tax refund of income taxes. Information on who must file a tax return, which return to use and how to claim a refund may be found in the instructions to the tax return forms.

For more information on income from tips, review IRS Publications 531, Reporting Tip Income, and 1872, Tips on Tips. Both these, Form W-4 and the instructions to the tax return forms are available on the IRS Web site at [www.irs.gov](http://www.irs.gov), in the Forms and Publications section.