

Does Everyone Need to File an Income Tax Return

Last month, we met Mason and this month we have his older sister, Alexis, who is 21 years old. Alexis works two part time jobs and is a full time college student. It's tax season and Alexis wonders if she is required to file taxes as she has a very busy schedule. Below is an article answering Alexis' question as well as an attached flyer for free tax help at the Blaine Human Services Building (1201 89th Ave NE, Suite 300, Blaine, MN) on Fridays through April 10, 2020.

The Minimum Income to File Taxes in 2020 (for 2019 Tax Year Prep)

As the tax deadline approaches, I wanted to share something that may come as a surprise to many – not all income-earning Americans are legally obligated to file a federal tax return. In fact, there are gross income level thresholds that, if not surpassed, may result in an individual (or married) filer not being required to file a tax return with the IRS. These minimum income tax filing thresholds vary based on age and tax filing status and closely resemble the new higher standard deduction amounts. If you surpass these income thresholds, you typically must file a tax return. The thresholds for 2020 (for 2019 tax year prep) are as follows:

Single Minimum Income to File Taxes:

In 2020, when filing as “single”, you need to file a tax return if gross income levels in 2019 are at least:

- Under 65: \$12,200
- 65 or older: \$13,850

Married Filing Jointly Minimum Income to File Taxes:

In 2020, when filing as “married filing jointly”, you need to file a tax return if gross income levels in 2019 are at least:

- If both spouses are under 65: \$24,400
- If one spouse is under 65 and one is 65 or older: \$25,700
- If both spouses are 65 or older: \$27,000

Married Filing Separately Minimum Income to File Taxes:

In 2020, when filing as “married filing separately”, you need to file a tax return if gross income levels in 2019 are at least: All ages: \$5

Self-Employed Minimum Income to File Taxes:

In 2020, regardless of age, if you have self-employment income, you need to file a tax return if net self-employment income is \$400 or more, even if your gross income is below the amounts listed above for your filing status.

In addition to those surpassing the income levels above, if you were paid via a 1099-MISC form or you purchased health insurance on a state or federal exchange, you may also be required to file a return.

The income levels provided above are general guidelines provided by the IRS, but there are a number of exceptions (i.e. if you or your spouse are claimed as a dependent, are blind, etc.). When in doubt on whether you need to file a tax return or not, I would highly recommend using the IRS's interactive tax assistant tool, aptly titled "**Do I Need to File a Tax Return?**". <https://www.irs.gov/help/ita/do-i-need-to-file-a-tax-return>

If you have a complicated tax situation, I would also recommend reviewing chapter 1 of **IRS Publication 54**, <https://www.irs.gov/pub/irs-pdf/p54.pdf> as it covers self-employment income, foreign earned income, citizenship status, and much more, in great detail.

The Better Question is: "Should I File a Tax Return?"

Just because you *can* avoid filing a tax return – it doesn't mean you *should*. There may be cases where you are below the minimum income levels, and it would still be advantageous to file a tax return, even if you are not required to. In some cases, you may be eligible for a refundable tax credit, and could be leaving money on the table if you do not file. Here are a few examples:

- **Earned Income Tax Credit:** the **Earned Income Tax Credit (EITC)** is a significant tax credit for lower and lower-middle income taxpayers that rewards earned income, particularly for those with children. And it is refundable.
- **Child Tax Credit:** with changes to the **Child Tax Credit**, up to \$1,400 of the credit can be refundable for each qualifying child.
- **American Opportunity Tax Credit:** up to 40% of the American Opportunity Credit (one of a few **educational tax credits and deductions**), is refundable. The refundable portion is capped at \$1,000.
- **The Premium Assistance Tax Credit:** under some circumstances, a taxpayer with health insurance purchased through the health insurance marketplace may be eligible for subsidies help offset premium costs. Any subsidies not paid by the IRS directly to the insurance company may be available to the tax filer in the form of a refundable tax credit.

It's also worth noting that aside from your federal tax filing status, some states require filing at *any* level of income.

How to File Your Taxes

If you're unsure about whether you need to file your taxes or not, or if it would be beneficial to do so, I would recommend that you go ahead and file. Fortunately, there are a lot of cheap tax software options and even free ways to file your taxes. Also check out the free tax preparation service being offered on Fridays at the Blaine Human Services building.

Credit: <https://20somethingfinance.com/do-i-need-to-file-a-tax-return-minimum-income-to-file-taxes/>