



GUIDE TO FORM 1040

Basic Income Tax Form | Line by Line

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Key Takeaways

- Everyone uses the same Form 1040, except nonresident aliens.
- Form 1040 is less than two page long, but you need to attach additional schedules (forms) if you have certain types of income, credits, or deductions.
- You can file your 2021 taxes between January 24, 2022, and April 15, 2022.
- All federal income taxes go to the Internal Revenue Service (IRS).

IRS Form 1040 is the basic federal income tax form that almost every taxpayer in the U.S. must use. There are two main exceptions: nonresident aliens use Form 1040-NR and seniors have the option to file Form 1040-SR, which is nearly identical but has language tailored to taxpayers aged 65 and older. Certain individuals also do not need to file a tax return, such as some single filers whose earned income is less than the standard deduction.

The 2021 Form 1040 is a two-page form that is greatly simplified from years past because of the 2017 tax reform. This year the form has some new lines to help people claim a new charitable contributions deduction and the recovery rebate credit. There are also other forms and schedules (a fancy word for form) you may need to attach to claim certain tax credits or deductions.

How to file Form 1040

The safest and easiest way to file your clients' taxes is electronically through our tax software (TaxSlayer). E-filing is safer because you do not have to worry about anything getting lost in the mail. It is easier because our software will guide you through the filing process even if you do not know a lot about taxes. E-filing can also help prevent mistakes.

The IRS estimates that 21% of paper returns have errors, while less than 1% of e-filed returns have mistakes. E-filing takes the IRS significantly less time to process and if your clients opt for direct deposit of their tax refund, they could receive their money in a few weeks instead of the months it may take a physical refund check to reach them through the mail. You can also e-file amended tax returns.

Filing a 1040 for a previous year

If your clients' have back taxes — taxes from a previous year — you can only file by mailing a physical form. You can e-file a federal income tax return for the prior 3 years. You can also find previous years' tax forms and instructions on the IRS website.

Form 1040 had three versions before 2018: the 1040-EZ for simple tax returns, the 1040-A for tax filers with additional tax credits, and the standard 1040 for more complex situations like filers who itemize deductions. (This is in addition to 1040-NR and 1040-NR-EZ for nonresident aliens.)

If you need copies of old tax forms, like 1099s or W-2 forms, you can get those from the IRS by requesting a free tax transcript.

How to fill out Form 1040 line by line

The 2021 IRS Form 1040 is a relatively simple two-page form. There are a few sections at the beginning for personal and filing information, followed by 38 numbered lines and then a signature section. You will need to add other forms to claim certain tax credits or deductions.

If your client is e-filing, you must walk your client through the entire process, and attach all of the necessary documents.

Personal information

The first section of Form 1040 is for personal information. This includes your clients tax filing status, address, and Social Security number (SSN). There's also room for their spouse's information in case they are filing a joint return. If your client has an Individual Taxpayer Identification Number (ITIN) instead of an SSN, enter that on the SSN line.

If your client would like to donate \$3 to the presidential election campaign fund, you can opt to do so. Donations are divided equally between the Democratic and Republican nominee in the next general election.

Standard deduction

Next there is a section about your client's standard deduction. The amount of your standard deduction varies based on their filing status, age, and whether they are blind. This section of the 1040 has seven boxes to help determine the amount of their standard deduction. Check the ones that apply to your client. Joint filers should check any box that applies to either spouse.

Dependents

The section on your clients' dependents has room for each of their SSNs, their relationship to them, and then a box you can check if the dependent qualifies you for the child tax credit or credit for other dependents.

Determine your taxable income

Lines 1 through 9 help you calculate their total income for the year. Each line asks you to enter the amount they made from a different type of income. Then you will make any necessary adjustments before determining how much of

their income was taxable. **If a line does not apply to them, either leave it blank or type in a zero.** You should also round all values to the nearest dollar (whether up or down) before typing them on a line.

Line 1 is for all income reported on clients W-2 forms, which you should attach when you file.

Line 2 has two parts, one for tax-exempt interest (mainly municipal bonds) and one for taxable interest. Taxable interest includes income from a 1099-INT or 1099-OID. You would need to attach [Schedule B](#) if your client had \$1,500 or more of taxable interest or ordinary dividends.

Line 3 is where you list income from dividends. Line 3a is for qualified dividends and 3b is for ordinary dividends. You will need to attach Schedule B if your clients have income from a 1099-DIV.

Line 4 is for distributions your client made from an [individual retirement account](#) (IRA). Line 4a is where you write all their income from IRAs, and line 4b is for their taxable IRA income. (You generally don't need to pay income tax on Roth IRA distributions, but they may in the case of certain early withdrawals.)

Line 5 is for income from pensions or annuities, with line 5a covering their total income from these sources and line 5b covering your taxable income.

Line 6 is for their income from Social Security benefits. Again, part a is for the total income and part b is for the taxable amount.

Line 7 asks about their capital gains or losses from the past year. Two common reasons to have capital gains are that they sold stock investments, or they sold their house. Your client likely received a 1099-B or 1099-S if they had capital gains, and they will probably need to attach Schedule D to their 1040.

Line 8 covers any other income they had during the year. This includes everything not included in the previous lines. If they did have other income, you will also need to attach Schedule 1.

Line 9 asks you to add the values on lines 1 through 7. The sum is your clients **total income**, also known as their *gross income*.

Line 10 is where you type in how their income should be adjusted, if at all. Income adjustments include certain expenses they incurred that are eligible to

exclude from their gross income. You can calculate income adjustments on Schedule 1. Common examples include alimony payments, educator expenses, the deduction for IRA contributions, and the student loan interest deduction. In 2020, there is also a new charitable contribution deduction worth up to \$300 thanks to the CARES Act.

Line 11 requires you to subtract your client's income adjustments (line 10) from their total income (line 9) to find their adjusted gross income (AGI). AGI is simply their income after factoring in adjustments, and it's the value used to calculate their actual taxable income and their eligibility for most tax deductions.

Line 12 asks you to type in either the amount of their standard deduction or their itemized deductions. Most people will take the standard deduction, which is listed on the form to the left of this line (their standard deduction is higher if they are over age 65 or blind). Only about 10% of taxpayers qualify to itemize after the 2017 tax reform. If they itemize, complete Schedule A to find the total value of their itemized deductions.

Line 13 applies to anyone claiming the [qualified business income deduction](#). You will need to attach either Form 8995 or Form 8995-A to take the QBI deduction.

Line 14 asks you to add up line 12 and 13 to see how much of their income could potentially be taxable.

Line 15 is where you finally find their **taxable income**, which is their adjusted income (line 11) minus line 14. If their taxable income is zero or less, type zero on this line.

Calculate your annual tax bill

Lines 16 through 24 help you calculate what the form calls your "total tax" — how much tax you owed for the year before factoring in certain tax credits. This section also considers the child tax credit. (Credits directly reduce how much tax you owe. Learn more about the [difference between credits and deductions](#).)

Line 16 has three boxes, which you should mark if you had certain types of income not included earlier. These include a child's income that you're claiming as your own (complete and attach Form 8814); a lump-sum distribution from an IRA, pension plan, or tax-advantaged account (complete

and attach Form 4972); and certain other types of income you had, like any excess advance payments from education credits or the health coverage tax credit (HCTC). See the 1040 instructions for types of income to include. (Remember that the [lump-sum disbursement from a life insurance policy is tax free](#).)

Line 17 asks you to write in the value from Schedule 2 line 3, which you should have completed if you owe any alternative minimum tax (AMT) or received excess [advance premium tax credit](#) (APTC) repayment.

Line 18 is just for adding up lines 16 and 17.

Line 19 is for claiming the [child tax credit](#) (CTC) and the credit for any non-child dependents. You will need to complete and attach Form 8862. The CTC is a [nonrefundable tax credit](#), which means you will not get any money back if the amount you owe is less than 0. (It may become fully refundable for 2021 based on the COVID-19 relief bill proposed by President Biden.)

Line 20 instructs you to write in the value on Schedule 3, line 7, if you used that form. The first half of Schedule 3 is where you calculate certain tax credits you may qualify for, including the saver's credit (retirement savings contributions credit), credit for child and dependent care expenses, education credits like the [lifetime learning credit](#), or the foreign tax credit.

Related: [53 tax credits and deductions you can take in 2021](#)

Line 21 asks you to add your child tax credit (line 19) and your Schedule 3 credits (line 20).

Line 22 instructs you to subtract line 21 from line 18.

Line 23 requires you to write in any additional taxes you paid, like [self-employment tax](#), as found on Schedule 2, line 10.

Line 24 shows you your **total tax** by adding lines 22 and 23. This is the amount of tax you owe for the year, before factoring in certain tax credits.

Claim credits and calculate tax liability

Line 25 is where you write down how much income tax has already been withheld from your pay. Line 25a is for tax that was withheld and reported to you on a W-2. Line 25b is any income withheld according to your 1099 forms.

Line 25c is for any other tax forms you have that say income tax was withheld. Add all three lines up and write the total on 25d.

Line 26 asks you to write in the total of any 2020 estimated tax payments you made, plus the value of any tax payments you made in 2019 but that carry over to 2020.

Line 27 is where you write in the value of your [earned income credit](#), if you qualify.

Line 28 is for filers who qualify for the additional child tax credit (ACTC). You'll also need to complete and attach Schedule 8812. The ACTC is a refundable credit that applies to someone who claimed the child tax credit but couldn't get the full value because the amount of tax they owed for the year was less than their total credit value.

Line 29 asks you to write the value of your [American opportunity tax credit](#) (AOTC), if you qualify. Use Form 8863 to calculate your AOTC value.

Line 30 is where you can claim the recovery rebate credit (RRC), which is new for 2020. The RRC applies to anyone who should have received more from the coronavirus stimulus checks than they received. You do not qualify for the recovery rebate credit if you already received the full benefit amount of \$1,200 plus \$500 per dependent from the first round of economic impact payments and \$600 plus \$600 per dependent from the second round. To see how much RRC you qualify for, use the *Recovery Rebate Credit Worksheet* in the Form 1040 instructions.

Line 31 asks you to write in the number of credits and payments you should receive according to part two of Schedule 3. The credits on Schedule 3 are less common, but this year they do include the *qualified sick and family leave credits*, which are new in 2020 for people who missed work because they had COVID-19 or needed to care for a family member with COVID-19. For more on this new credit, read our article on [what you need to know for your 2020 taxes](#).

Line 32 asks you to sum lines 27 through 31. The result is the total value of your refundable tax credits plus certain tax payments you have already made.

Line 33 asks you to add the values on 25d, 26, and 32. The result is your total tax payments for the year (including the value of your refundable tax credits).

Calculating your tax refund or bill

The next five lines are where you write in the total amount of your refund or tax bill. If the total tax you paid (line 33) is more than the total tax you owed (line 24), you will get a refund. Calculate your refund amount by subtracting line 24 from 33 and then writing the result on **line 34**.

Line 35 is for direct deposit of your refund. You will write in your bank account number, the bank [routing number](#), and what kind of account it is (checking or saving). You can divide the refund among multiple accounts or opt for a paper check with Form 8888.

Learn more: Should you be using a [checking or savings account](#)?

Line 36 is for anyone who wants to apply some or all their 2020 refund to their 2021 [estimated taxes](#).

Line 37 applies to anyone who owes money. Subtract line 33 from 24 to determine how much you owe. Any penalty you owe on that bill goes on **line 38**. You generally owe a penalty if your tax bill is at least \$1,000 or if the tax you paid during the year was less than 90% of the total tax you owed. The Form 1040 instructions can help you calculate your tax penalty.

There is also a “Third Party Designee” section here to write in the contact information of any individual the IRS is allowed to contact to discuss questions about your tax return, like about any missing forms you may have or questions the IRS has about what you wrote on your form. You don’t have to name anyone, but you may want to if someone is helping you do your taxes or manage your finances. Your designee could include most people, like a friend, relative, accountant, or someone with a [financial power of attorney designation](#).

Sign, seal, deliver

The final part of the 1040 form is for signatures. You will sign, date, and then write your occupation. Any tax preparer you worked with will also sign. Anyone mailing their return can find the proper mailing address on the IRS’s website.

Where to mail Form 1040

If you are filing back taxes or if you otherwise want to file a paper return, where you mail a paper form depends on which state you live in. There are also different mailing addresses for people who are receiving a tax refund and for those who are including a check to make a tax payment. Check the [Form 1040 instructions](#) for the most up-to-date mailing addresses.