

# Tax Fundamentals

## What are taxes?

Required payments of money to governments that are used to provide public goods and services for the benefit of the community as a whole.

**Total or Gross Income** – Money, goods, services, and property a person receives that must be reported, including:

- Earned Income: (Active) wages, salaries, tips & self-employment,
- Unearned Income: (Portfolio) Interest, dividends & retirement plans,
- Passive Income: rental properties, limited partnerships.

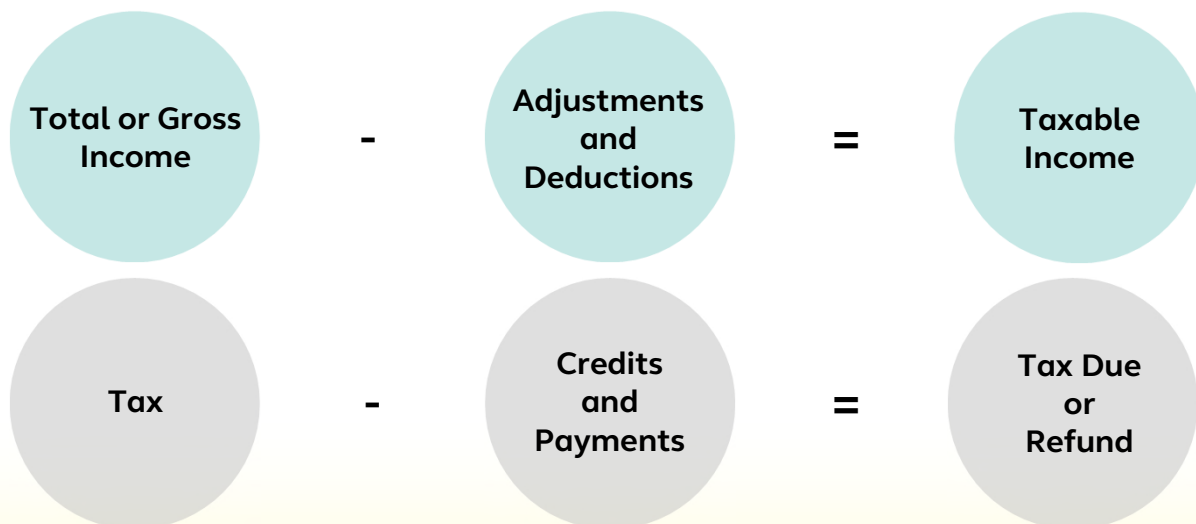
**Adjusted Gross Income (AGI)** – Is gross income minus some specific **adjustments** to income.

**Deductions** – Certain expenses the IRS allows that reduce the amount of income subject to taxation.

**Taxable Income** – Is income after all eligible **deductions** and used to calculate taxes owed.

**Tax Credit** – A dollar-for-dollar reduction in the tax. Can be directly applied to reduce taxes owed on tax return.

## Process Overview



- Read through common tax terms and the overall tax return process
- Distinguish various types of income
- Differentiate tax adjustments and deductions
- Recognize how taxes, credits, and payments interrelate
- Sign in to your online resources at [www.CatBenefitsCenter.com](http://www.CatBenefitsCenter.com) and ask questions

Benefits website: [www.CatBenefitsCenter.com](http://www.CatBenefitsCenter.com)  
Benefits Center: 877-228-4010 Mon-Fri, 8AM – 6PM CT

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