

Quiz: How Much Do You Know About Taxes?

True or false? Estate tax makes up the largest percentage of revenue collected by the Internal Revenue Service (IRS)?

False. Approximately 50 percent of the IRS's revenue comes from income tax, while only 1 percent comes from estate and gift taxes.¹ This is why the income tax aspect of planning is so valuable, especially when the transfer tax exemptions are so high.

True or false? The IRS will email you if they have a question about your return.

False. The IRS will never contact you via email.²

True or false? You must choose either the standard deduction or itemized deductions?

True. For the 2022 tax year, the standard deduction is \$12,950 for single filers and those married filing separately, \$25,900 for joint filers, and \$19,400 for heads of household. You can itemize your deductions if your allowable itemized deductions are greater than your standard deduction or you cannot use the standard deduction.³

True or false? There are six federal income tax brackets.

False. For the 2022 tax year, there are seven tax brackets for individuals, married filing jointly, married filing separately, and heads of household. The rates are 10 percent, 12 percent, 22 percent, 24 percent, 32 percent, 35 percent, and 37 percent.⁴

True or false? All states have a state income tax.

False. Nine states have no income taxes: Alaska, Florida, Nevada, New Hampshire (there is a 5 percent tax on dividends and interest in excess of \$2,400 for individuals and \$4,800 for joint filers),⁵ South Dakota, Tennessee (there is a limited income tax on certain dividend and interest income),⁶ Texas, Washington, and Wyoming.

¹ *Sources of Federal Revenue*, Fiscal Data, Dep't of the Treasury, <https://fiscaldata.treasury.gov/americas-finance-guide/government-revenue/#:~:text=Most%20of%20the%20revenue%20the,and%20other%20taxes%20and%20fees.>

² *Report Phishing and Online Scams*, Internal Rev. Serv. (Jan 20, 2023), <https://www.irs.gov/privacy-disclosure/report-phishing#:~:text=The%20IRS%20doesn't%20initiate,banks%20or%20other%20financial%20accounts.>

³ Tina Orem, *Standard Deduction: How Much It Is in 2022-2023 and When to Take It*, NerdWallet (Mar. 6, 2023), [https://www.nerdwallet.com/article/taxes/standard-deduction#:~:text=higher%20standard%20deduction.-,2022%20standard%20deduction,%2419%2C400%20for%20heads%20of%20household;Topic No. 501 Should I Itemize?, Internal Rev. Serv. \(Feb. 1, 2023\), https://www.irs.gov/taxtopics/tc501#:~:text=You%20should%20itemize%20deductions%20if,Form%201040\)%2C%20Itemized%20Deductions.](https://www.nerdwallet.com/article/taxes/standard-deduction#:~:text=higher%20standard%20deduction.-,2022%20standard%20deduction,%2419%2C400%20for%20heads%20of%20household;Topic%20No.%20501%20Should%20I%20Itemize?,Internal%20Rev.%20Serv.%20(Feb.%201,%202023),https://www.irs.gov/taxtopics/tc501#:~:text=You%20should%20itemize%20deductions%20if,Form%201040)%2C%20Itemized%20Deductions.)

⁴ Sabrina Parys, *2022-2023 Tax Brackets and Federal Income Tax Rates*, NerdWallet (Mar 21, 2023), <https://www.nerdwallet.com/article/taxes/federal-income-tax-brackets.>

⁵ Rocky Mengel, *New Hampshire State Tax Guide*, Kiplinger (Mar. 9, 2022), <https://www.kiplinger.com/state-by-state-guide-taxes/new-hampshire.>

⁶ *HIT-1 - Tennessee Income Tax on Interest and Dividend Income*, Tenn. Dep't of Rev., <https://revenue.support.tn.gov/hc/en-us/articles/360057352952-HIT-1-Tennessee-Income-Tax-on-Interest-and->

Did You Know?

The most misused Social Security number of all time was 078-05-1120.⁷ In 1938, as part of a promotion to sell wallets through Woolworth and other department stores, wallet manufacturer E. H. Ferree Company wanted to demonstrate how a Social Security card would fit into its wallets. A sample card was placed inside each wallet and displayed the Social Security number of the company's secretary, Mrs. Hilda Schrader Whitcher. Even though the sample card was half of the size of an actual Social Security card, was written in red, and had "Specimen" written in bold, over 40,000 people reported 078-05-1120 as their own social security number on tax returns.

Dividend-Income-

#::~text=There%20is%20no%20state%20income,are%20legally%20domiciled%20in%20Tennessee.

⁷ *Social Security Cards Issued by Woolworth*, Soc. Sec. Admin., <https://www.ssa.gov/history/ssn/misused.html>.