

Projecting Taxes Due: Line 30 of Form B22C

IMPORTANT NOTE and DISCLAIMER:

You *may* be able to use the Trustee's Excel spreadsheet Form B22C Estimated Tax Calculator to compute income and payroll taxes ***IF*** (and we do mean only if) all the following is true:

- The Debtor's income consists of wages earned from an employer;
- The Debtor's filing status will not change from year to year;
- The Debtor will claim the same number of exemptions this year as on the prior tax year;
- The income will not change either up or down by more than a small percentage, probably no more than a 10% increase or 10% decrease from one year to the next;
- The itemized deductions on schedule "A" are also expected to remain about the same from year to year (10% plus or minus); and
- The tax credits (ex: lines 46 – 54 on 2004 Federal 1040 tax returns) are expected to remain the same.

Even if all the above is true, other factors may enter into the computation that will require the use of Federal and Kentucky income taxes to be computed via the online tax calculators below:

IRS Withholding Calculator

<http://www.irs.gov/individuals/article/0,,id=96196,00.html>

Kentucky Income Tax Calculator:

http://governor.ky.gov/initiatives_accomplishments/economicdevelopment/jobs/taxcalc/default.htm

If all else fails, get help. A suggestion could be to employ someone on a case by case basis to calculate the projected tax liabilities, such as an H&R Block or Jackson Hewitt tax preparer.

Form B22C Estimated Tax Calculator

This EXCEL spreadsheet is solely for the purpose of estimating income and payroll taxes associated with the income listed on Line 11 of Form B22C. It is not to be used for any other purposes and is provided as a convenient way of estimating taxes if certain conditions are met. If the conditions are not met as set forth in the guidelines “Projecting Taxes Due: Line 30 of Form B22C”, do not rely on this spreadsheet to provide a reasonable estimate of tax expense. The Trustee does not warrant the accuracy of this calculator. The results are only as good as the information provided, and are not as accurate as the website calculators provided by the IRS and Commonwealth of Kentucky. Also, do not use this spreadsheet calculator to estimate tax liabilities for non-wage earner debtors.

Information needed:

- Prior year Federal and State tax Returns with supporting schedules.
- The CMI income for the prior 6 calendar months.
- W-2 statement or last paystub of the year.

Data to Enter:

- Enter the taxable portion of the income of Form B22C, Line 11 in the box above “Prior Year.” In the vast majority of cases, this will be the exact number on line 11 without adjustments.
- Enter the prior year “adjusted gross income” into the box for Federal AGI.
- Enter the prior year “total tax” (Federal Form 1040; line 62 for 2004 tax year off the 2nd page) in the box for Federal Tax Liability.
- Enter the prior year “Total Tax Liability” (Kentucky Form 740; line 24 for 2004 tax year off the 2nd page) in the box for Federal Tax Liability.
- Enter the City Payroll Tax Rate (ie: a percentage such as “1.50%” in the box for City Tax Rate.
- Enter the County Payroll Tax Rate (ie: a percentage such as “1.00%” in the box for County Tax Rate.
- Use the W-2 statement to determine what wages are subject to FICA taxes. This is oftentimes broken down into social security taxes and medicare taxes. Enter the wages for each category in the appropriate box in the “Prior Year” column under FICA Taxes. Note that many governmental, state, educational, railroad and local employees ARE NOT subject to social security taxes, and you would not enter the wages in the prior year column. Also note that high income earners stop paying social security taxes on all wages above a maximum (for 2006 the maximum is \$94,200). This changes annually and can be updated from the social security administration’s website at www.ssa.gov. There is no limit to wages subject to the medicare tax.

If all data is entered properly, the result will be a reasonably accurate estimate of tax liabilities associated with the Current Monthly Income. That number should be transported to Form B22C, Line 30 as the sum of all incurred payroll, federal, state and local income taxes.

See the attached Example based on actual case data as an example of a fact pattern that representative of the intended use of this calculator.