Colorado state income tax withholding form 2020

Photo Courtesy: Mikael Vaisanen/The Image Bank/Getty Images The American tax system isn't known for being the most straightforward set of laws and processes to follow, and being responsible for determining what you owe each year can seem confusing — if not a little anxiety-inducing, too. Fortunately, you can quell some of your tax-time worries by understanding how to estimate your yearly taxes. This way, you can better anticipate how your money will be taxed, what you'll owe and even what you might get back from the government in the form of a refund. Learn more about paying taxes in the U.S. at the federal level, along with how to approximate your tax numbers. The United States has what's called a progressive tax system. This means that there are different income levels that get taxed at progressively higher rates so paying taxes is less of a financial burden on people who earn less money. These levels are called brackets, and each one has a different percentage associated with it. This percentage is the amount that's owed in taxes on any income that falls within the boundaries of the bracket. Photo Courtesy: Nora Carol Photography/Moment/Getty Images When you understand brackets, you'll have an easier time estimating what you may owe. Each tax bracket encompasses a dollar-amount range and serves as a cutoff point for the next percentage level of taxation. You only pay the tax bracket's percentage on the amount of your income that falls into that bracket. To better understand brackets, it can help to see an example. Imagine that there are four brackets: \$0–\$10,000, which is taxed at 0%; \$10,001–\$20,000, which is taxed at 15%; \$20,001–\$30,000, which is taxed at 20%; and any income over \$30,000, which is taxed at 25%. If you earn \$9,000 a year in this example, you won't owe taxes on it. If you earn \$15,000 a year in this example, you'll pay 15% in taxes on any amount over \$10,000 — \$750, which is 15% of \$5,000. Photo Courtesy: Fiordaliso/Moment/Getty Images If you earn \$40,000 a year, the situation gets a bit more complicated. You won't pay any taxes on the first \$10,000, which leaves \$30,000 in taxable income. You'll pay 15% in taxes on the \$10,000 that accounts for the money you earn between \$10,001–\$20,000, for a total of \$1,500. Then, you'll pay 20% on the \$10,000 that falls between \$20,001–\$30,000, which is about \$2,000. Finally, you'll pay 25% on the remaining \$9,999 for the \$30,001–\$40,000 amount of your income, which is a total of about \$2,500. You don't pay 25% on your entire income just because the total falls into that bracket.Only the amount of income that falls within a particular bracket is taxed at that bracket's percentage rate. If you have a set salary and you look up a particular tax year's bracket rates — the government changes them sometimes, so it's important to check — you should have a relatively easy time estimating a general figure for what you'll pay in taxes. For most taxpayers, there are some ways to reduce the portion of income that's taxable. These are called deductions, and they can lower your overall tax burden so you don't have to pay as much. One of the better-known of these is called the standard deduction, which is a set dollar amount you can subtract from your income amount before calculating what you owe in taxes on that income. This makes it so that your taxable income is usually less than the total income you earned for the year you're filing taxes. Photo Courtesy: AJ_Watt/E+/Getty Images Using the example in the section above, imagine now that the standard deduction is \$10,000. You subtract this from your taxable income. This reduces your taxable income to \$30,000 from \$40,000. As a result, you'll no longer pay the 25% tax on the \$9,999 of your income between \$30,001 and \$40,000 because only \$30,000 of your income is taxable. Instead, you'll pay \$3,500 in taxes, which accounts for the 15% and 20% tax rates on your income that falls into two brackets between the \$10,001 and \$30,000 you earned.Unless you choose to itemize your tax return, which means you subtract individual amounts from different categories of expenses to lower your tax liability, you can better estimate your yearly taxes by subtracting the standard deduction before looking at bracket ranges. Another way to reduce what you pay in taxes is to apply tax credits. These differ slightly from deductions. Whereas deductions are amounts you subtract from your income total before you calculate the taxes on it, tax credits are amounts you can subtract from the total amount you owe after you've calculated your tax burden. Photo Courtesy: media photos/E+/Getty Images Some of the common tax credits in the United States are related to dependent adults and children, education payments and the costs of homeownership. If you want to get your estimation narrowed down even further, you can determine which credits you're eligible for.Again, let's use the numbers from the above examples. You've calculated that you'll pay about \$3,500 in taxes based on your \$40,000 income and the fact that you're claiming the standard deduction. You also have a child who meets certain criteria, and this makes you eligible to claim a childcare tax credit that's worth \$700. You'll subtract this \$700 from \$3,500 for a reduced total of \$2,800.Notice that you don't subtract the \$700 from the \$30,000 of your taxable income. You wait until you've calculated the amount you owe and subtract credits from that, not from the amount you've earned. Deductions come before, and credits come after. Take some time to research available credits and whether you might qualify for them if you're looking to get closer in your estimation. In the United States, every working person who earns more than a certain amount of money each year needs to pay income taxes to the federal government. Not everyone pays the same amount, though; the U.S. uses a progressive tax system, which means that, as taxpayers' income levels increase, so do the amounts they owe in income taxes. These different amounts are based on tax rates, which are various percentages of income that the government collects back in taxes. The points at which these amounts change are the boundaries of tax brackets.Income taxes have a variety of different rules and regulations, and their details can get complicated. Learning the fundamentals — including what tax brackets are and how they work — equips you with the knowledge you need to better understand our tax system as a whole.What Are Tax Brackets?Tax brackets are dollar ranges of income that determine the percentage of your income you pay to the federal government in taxes. Each bracket has a separate percentage amount associated with it, and each portion of your income that falls into the bracket's dollar range is taxed at the bracket's percentage. For the 2020 tax year, the tax brackets and their respective rates for single filers were as follows: \$0 to \$9,875 in income, 10% tax rate \$9,876 to \$40,125 in income, 12% tax rate \$40,126 to \$85,525 in income, 22% tax rate \$85,526 to \$163,300 in income, 24% tax rate \$163,301 to \$207,350 in income, 32% tax rate \$207,351 to \$518,400 in income, 35% tax rate \$518,401 or more in income, 37% tax rate Currently, there are seven different brackets, and their tax rates range from 10% to 37%. The bracket amounts can change each year, so the list above should serve only as an example. It's also important to note that the dollar ranges that fall into each bracket differ depending on filing status — single individual, married individual filing jointly, married individual filing separately or head of household. What does this mean? Say you earn \$50,000 a year in income from all sources. For 2020, this would put you in the taxable income bracket that ranges from \$40,126 to \$85,525. If you're a single filer, you pay a 22% rate on your earnings between \$40,126 and \$50,000; 12% on your earnings between \$9,876 and \$40,125; and 10% on your income between \$0 and \$9,875. However, because the bracket amounts change based on filing status, if you were married filing jointly your taxes would look somewhat different. The married filing jointly status has a bracket that ranges from \$19,751 to \$80,250 with a tax rate of 12%. So, you'd instead pay 12% in income tax on your earnings between \$19,751 and \$50,000, and you'd pay 10% on your earnings between \$0 and \$19,750 (another married filing jointly-specific bracket).The separate brackets account for the number of people included in a type of filing status and the amount of financial burden people in each category typically have. The head of household filing status usually applies to single parents who are at least 50% responsible for a dependent, and the upper limit of the lowest tax bracket for a head of household is typically more than that of a single person.All of the brackets for married taxpayers filing jointly are higher than other brackets because they count the income of two people. Married filing jointly taxpayers can earn more than a single taxpayer while remaining in the lowest tax bracket. However, there usually are only small variances between the tax bracket thresholds for single and married filing separately taxpayers. Federal income tax rates and withholding often seem opaque to both employees and employers. As an employee, you are surprised to see that your paycheck is well below what you might expect from the monthly salary agreed to with your employer. This is because, under U.S. law, an employer is required to withhold a certain amount from paychecks each month. The employer has the further responsibility of remitting this withheld tax to the IRS as well as to the local state on a regular schedule. The amount of withholding is dependent upon the gross wage of the employee as well as the employee's marital status and tax residency status. The IRS publishes federal tax withholding charts to guide employers on the amount to withhold. You can use federal tax rate calculators to estimate your total income tax for the year. Federal tax brackets for 2018, for example, are as follows for individuals: Income of \$9,526 to \$38,700 - 12% federal income tax rate Income of \$38,701 to \$82,500 - 22% federal income tax rate Income of \$82,501 to \$157,500 - 24% federal income tax rate Income of \$157,501 to \$200,000 - 32% federal income tax rate Income of \$200,001 to \$500,000 - 35% federal income tax rate Income of \$500,000 or more - 37% federal income tax rate Married people filing jointly will have higher thresholds for these taxes. Employees at different income levels will experience different withholding levels in anticipation of the required tax for that tax bracket. For example, for 2018, the withholding rates for a single person are as follows for selected monthly income levels: \$1,102-\$3,533: withholding is \$79.40 plus 12% of excess over \$1,102 \$3,533-\$7,183: withholding is \$371.12 plus 22% of excess over \$3,533 \$7,183-\$13,433: withholding is \$1,174.12 plus 24% of excess over \$7,183 You might be surprised to learn that you will be taxed on retirement income as well. You will be assessed tax on your "combined income", which is the income you receive from Social Security combined with all other income you have in retirement. For example, if you hold stocks or equity in a business and you receive a dividend or capital gains, that income will be subject to tax. For annuities, the amount of tax will depend on whether you paid for the annuity pre-tax or with after-tax dollars. Annuities bought with after-tax dollars will incur no tax on the principal, but will incur a tax on any gains in the value of the investment.Federal tax rates on retirement income range from 0% all the way up to 45% depending on the source of retirement income. Some retirement accounts, such as Roth IRA, qualify for tax-free treatment. Others, such as traditional IRAs and 401(k)s, will be subject to normal income tax brackets.You may be able to deduct certain expenses from your retirement income, which will reduce your tax bill each year. For example, when you have to pay certain medical expenses out of pocket, some of these can be added to your deductions for the year. If you receive an inheritance, you will want to pay attention to the hefty tax bill that is often associated with this. The federal government imposes one of the highest taxes on wealth acquired through inheritance. At a rate of 40%, the estate tax is assessed when an individual or couple bequeath wealth to heirs at their death. The only bright side of the inheritance tax is that the tax only kicks in for estates of \$5.43 million or more if the giver is an individual. For couples, the tax kicks in at \$10.86 million. When a new business opens up, it has to get a federal tax EIN number. EIN stands for Employer Identification Number. This is analogous to an individual's Social Security Number, but for a business. After obtaining your EIN, you must start paying and filing the due taxes with the IRS. It is important to note that both employers and employees must pay employment taxes. These are broken down into the following: Social Security - Employee pays 6.2 percent, and employer pays an equal 6.2 percent. Medicare - Employee pays 1.45 percent, while employer pays 1.45. Federal Unemployment Tax - Employer pays 6.0% on the first \$7,000 that an employee earns per year.

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