

Check Your Knowledge: Answers

1. A. Dolly's extra hours are in excess of 40, she is paid time and a half for them, and her MAGI is below the phase out limit.
2. B. The Schedule 1-A deductions only reduce taxable income after the standard or itemized deductions have been taken into account. Social Security wages and Medicare wages are not affected.
3. D. Edouard is filing Married Filing Separately, he has an ITIN, and he is self-employed. Any or all of those things will eliminate the deduction for overtime.
4. C. Even though Gonzalo received a total of \$320 for the eight hours of overtime that he worked, his regular pay would've been \$20 per hour, or \$160 for the eight hours of overtime. And we can only count the "half" in time and a half for those hours. Half of \$160 = \$80. So although Gonzalo received \$320 for the extra eight hours he worked, for purposes of the deduction, only \$80 is considered "qualified overtime" that is not taxable.
5. D. The maximum overtime deduction for a single filer is \$12,500. The only way that Hanna could claim more than that is if she were married and filing a joint return; in that case, the maximum deduction would be \$25,000, so her \$16,000 would be fully deductible.