

Check Your Knowledge

1. Dolly, age 67, works for an accounting firm doing data entry. Her typical work week is 40 hours, but during tax season she works 45 hours per week. Dolly's regular rate of pay is \$15 per hour. For the extra five hours, she receives 1.5 times her regular rate of pay, or \$22.50 per hour. Dolly's MAGI is \$42,500. Dolly is single and a U.S. citizen with a Social Security Number valid for work. The accounting firm provided Dolly with a statement indicating that she received \$1,350 of qualified overtime compensation.

Which of the following statements is true?

- A. Dolly's extra hours meet the definition of "qualified overtime."
- B. Dolly can claim a \$12,500 overtime deduction on her tax return.
- C. Dolly will subtract her deductible overtime from Box 1 of her W-2 when she enters it.
- D. Since Dolly is getting the new enhanced deduction for seniors, she is not eligible for the overtime deduction.

2. Dolly's overtime pay can be deducted from her Social Security Wages and her Medicare Wages.

- A. True
- B. False

3. Edouard, age 40, is married to and lives with Fay, but they will not file a tax return together.

Edouard has an ITIN. Edouard works as a rideshare driver averaging 50 hours per week. He made \$64,000 before expenses, and after deducting mileage and qualified expenses on Schedule C, his Schedule C showed a profit of \$12,400. Edouard can't claim an overtime deduction because:

- A. Edouard will not file a joint return with his wife, and the only other allowable filing status for him is Married Filing Separately.
- B. Edouard has an ITIN.
- C. Edouard is self-employed and therefore not subject to overtime.
- D. All of the above

4. Gonzalo, age 27, is single with no dependents. Gonzalo works in a distribution center for a large retailer, where he prepares packages to be shipped to customers. His regular rate of pay is

\$20 per hour, and he works a 40 hour work week. For the Christmas rush, he picked up an extra eight hour shift, and was paid double time (\$40 per hour) for those eight hours. Gonzalo's MAGI for the year is \$40,320. Gonzalo has a Social Security Number that is valid for work. What is the amount of Gonzalo's qualified overtime for purposes of the overtime deduction?

- A. \$320
- B. \$160
- C. \$80
- D. Gonzalo does not qualify for an overtime deduction.

5. Hanna, age 26, is single and works as a welder. Her company was short-staffed for much of the year and they were behind on some contracts, so they asked employees to pick up one extra shift a week for the first eight months of the year, for which they would be paid time and a half. Hanna's adjusted gross income for the year was \$96,000, and her qualified overtime as reported by her employer was \$16,000. Assume Hanna meets all of the qualifications to take an overtime deduction. What is the amount of her deduction?

- A. \$83,500
- B. \$80,000
- C. \$16,000
- D. \$12,500
- E. \$3,500

Check your answers on the next page.