

Federal Income Tax Estimator

A quick note about this spreadsheet... This program is not intended to cover the many diverse scenarios encountered—especially the very complex of returns—but, is intended for the “average taxpayer with average writeoffs and investments.” All algorithms were based upon an article concerning tax reform featured in *Changing Times Magazine*, October 1986 issue. Although every effort was made to ensure the utmost in accuracy, the authors’ interpretation is nevertheless a factor. Therefore, when utilizing this worksheet, it is highly recommended that the user spot-check the results to ensure conformity to his or her own personal circumstances. Now—let’s see how this spreadsheet can MAKE YOUR DAY!

GENERAL...

- Automatic date and time allow for distinctive what-ifs.
- All cells are write protected except for those with borders. These cells are for user entered information.
- Page 1, is a summary of tax years 1986-1988 (displayed on pages 2-4).
- When printing, specify the print range of pages 1-4, or you will also print the tax lookup tables which take awhile.
- Even though there may be a calculation involved, but you cannot enter data on that line (cell not bordered), it is being taken care of internally.
- Cells containing “XXXXXX” mean ‘Not applicable.’
- Column E is in most cases, the sum of C+D. Column F on the other hand contains routines to calculate the ‘allowable’ amount. This is to allow you to make comparisons of actuals vs. allowables.

PAGE 1 — SUMMARY AND PARAMETERS...

- Pension Plan and Working Spouse entry used to calculate IRA eligibility.
- Assumes the same ‘marital status’ throughout all three years.
- Assumes the same ‘no. of exemptions’ throughout.
- 401k percentage applies to deduction from gross wages.
- Age is automatically increased in subsequent years’ algorithms.
- Enter options as shown literally. (Capitalization)

PAGES 2-4, TAX CALCULATIONS...

INCOME...

- You must compute 60% capital gains exclusion from gross capital gains since it is impractical to estimate the mix of short and long term gains.
- Pensions, IRA’s line is for all pension distributions including ESOP plans, etc.
- Other income and losses line the ‘catch-all’ line.
- Rent, partnership line is for rental and limited partnership activity.

ADJUSTMENTS...

- IRA calculations are based on age, pension eligibility, adjusted gross income (excluding IRA itself). Severe limitations apply on this one.
- Employee Business Expense should be reflected as a 'Miscellaneous Deduction' under Itemized deductions for 1987 and beyond. Restrictions apply.

ITEMIZED DEDUCTIONS...

- You probably already know the score here. You might want to be sitting down for this one...
- Employee Business Expenses should be listed under Miscellaneous Deductions starting in 1987.
- Allowable Deductions takes into account, the Zero Bracket amounts for 1986. In 1987 and beyond however, it is replaced by the once- used Standard Deduction.

DEDUCTIONS FOR THE NON-ITEMIZER...

- If you do not itemize, Charitable Deductions can be written off for 1986, but not beyond.
- The Standard Deduction replaces the Zero Bracket amount starting in 1987. If you itemize, you cannot take this additional deduction—it's one or the other. The program will measure and take the higher of the two.
- Personal Exemptions are automatically calculated using the number you entered on Page 1 eventhough there seem to be only two maximum taken into account.