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School's out for summer! While it's a time for rest and recreation, many of your clients have teenaged children who will be working during the summer months. It teaches them about responsibility, work ethic and, not surprisingly, taxes.

As a reminder about several important tax rules for students with summer jobs, a

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employment taxes like FICA from the paychecks of summer workers. Generally, you may be able to recoup these taxes when you file your tax return if your annual income is relatively low.

Self-employment income: Ambitious youngsters might go into business for themselves this summer. It could be anything from a lemonade stand to mowing lawns. As opposed to withholding for an employee, the worker will have to pay estimated tax in quarterly installments and keep good records. At tax return time, file a Schedule C (Profit or Loss from Business), where expenses may offset taxable income.

Tip income: There is another unpleasant tax surprise in store for many summer workers: All tip income is taxable. Workers should keep a daily log. You must report \$20 or more in cash tips in any one month to your employer and report all tips for the year on your tax return.

Newspaper carriers: Special rules apply to newspaper carriers and distributors. If certain conditions are met, you are treated as a self-employed taxpayer. Conversely, if you don't meet those conditions and you're under age 18, you may be exempt from payroll taxes.

ROTC pay: If you're in ROTC (Reserve Officers' Training Corps), any active duty pay you receive — such as payments received for participating in summer training — is taxable. But a subsistence allowance paid while you're in advanced training is not taxable.

IRS Free File: You can prepare and e-file your tax return for free using IRS Free File at www.irs.gov/uac/Free-File:-Do-Your-Federal-Taxes-for-Free. This is only available on IRS.gov. Although you may not earn enough money to be required to file a federal

tax return, you may still want to file. For example, if your employer withheld income

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How to Get an Income Tax Withholding Exemption

If your child has a summer job, taxes will be withheld, even if he or she doesn't expect to have any tax liability for 2015. But you may have your child avoid income tax withholding by entering the word "EXEMPT" on Line 7 of Form W-4.

The catch: This tax break is only available to a child claimed as your dependent if he or she had no tax liability for 2014 and won't earn more than \$6,300 in 2015. If the child's income exceeds this limit, he or she should file a new W-4.

Income Tax • Taxes

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