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Complete Guide

# Tax Filing Guide: File Correctly, Claim Every Credit, Pay Only What You Owe

Filing your federal and state income taxes doesn't require a CPA if you are organized, but it does require knowing which documents you need, which software handles your situation, which credits most filers miss, and where the deadlines actually fall. This guide covers document organization, a head-to-head comparison of TurboTax, H&R Block, FreeTaxUSA, TaxAct, and IRS Free File, a complete deductions and credits checklist including the Saver's Credit, EITC, and education credits, extension rules, IP PIN setup, and how to handle a notice or audit letter.

## 1. Foundation

The U.S. tax filing system is built around self-reporting: you declare your income, calculate your tax, subtract withholding and estimated payments, and either pay the balance or receive a refund. The IRS does not send you a bill. It cross-checks your return against W-2s, 1099s, K-1s, and other information returns filed by employers, banks, and brokerages — and it matches them automatically. The most common audit triggers are not fraud; they are mismatches: a 1099-NEC reported to the IRS that you forgot to include on your Schedule C, a 1099-B with proceeds that don't appear on your Schedule D, or a 1099-INT from a bank account you forgot about. Document completeness is the single most important factor in filing a correct return. Everything else — deductions, credits, software — comes after you have a complete income picture.

**Key 2025 filing dates:** W-2 and most 1099 forms must be mailed or delivered by January 31. 1099-B forms (brokerage) may arrive later — some brokers send corrected 1099s in February or March. Do not file before all 1099s arrive. Filing early with incomplete data leads to amended returns (Form 1040-X), which are more complicated than filing once with complete data. The filing deadline for 2024 returns is April 15, 2025 (if April 15 falls on a weekend or holiday, it shifts to the next business day). The automatic 6-month extension to October 15 is obtained by filing Form 4868 by April 15 or

paying electronically at IRS Direct Pay — but this extends only the filing deadline, not the payment deadline. Any tax owed is still due April 15. Underpayment after April 15 accrues interest at the federal short-term rate plus 3% (currently approximately 8% annualized). Estimated tax payment due dates for 2025 income: April 15, June 16, September 15, and January 15, 2026.

**Software selection by situation:** The right software depends on income complexity, not brand loyalty. For W-2 only income with standard deduction: IRS Free File (free for AGI under \$84,000) or FreeTaxUSA (\$0 federal, \$15 state) are fully sufficient. For investors with Schedule D (stock sales, crypto) and a mortgage: TurboTax Premier (\$89-\$109 + state) or H&R Block Premium (\$55-\$85 + state) handle these well. For self-employed / Schedule C: TurboTax Self-Employed (\$129 + state) or FreeTaxUSA's Premium (\$7 upgrade) — FreeTaxUSA handles Schedule C competently at a fraction of the cost. For rental income (Schedule E): TurboTax Premier or H&R Block Premium; both walk through depreciation calculations. The dirty secret of tax software: all major packages import the same IRS forms and produce the same mathematical result for an identical return. You are paying for guided interview experience and audit protection, not for access to different deductions.

## 2. Step-by-Step System

**1**

## **Organize All Income Documents Before Opening Any Software**

Create a physical or digital folder with one slot per expected document. Before touching any software, collect: W-2 (one per employer). 1099-INT (interest income — check every bank and credit union account, including accounts with less than \$10 interest that banks may not send forms for but you still owe tax on). 1099-DIV (dividend income — every brokerage account). 1099-B (brokerage sales — may be a multi-page composite statement). 1099-NEC or 1099-MISC (freelance, contractor, or gig income above \$600). 1099-G (state tax refund if you itemized last year, or unemployment compensation). 1099-R (IRA distributions, 401k withdrawals, pension payments). 1098 (mortgage interest). 1098-E (student loan interest). 1098-T (tuition from eligible educational institutions). K-1 (from partnerships, S-corps, trusts, or ETFs held as limited partnerships — these arrive late, often in March or April). SSA-1099 (Social Security benefits). Do not file until all expected documents are in hand. For brokerage accounts, wait for the final consolidated 1099 — many brokers send corrected versions in February or early March.

## 2

## Choose Your Filing Software and Import or Enter Data

Compare your options head to head before committing: **IRS Free File:** Free for AGI  $\leq$  \$84,000 (2024 threshold). Multiple software partners; quality varies by provider. Use VITA (IRS Volunteer Income Tax Assistance) free in-person help if income is under \$67,000 and your return is straightforward. **FreeTaxUSA:** \$0 federal, \$15 per state. Handles W-2, Schedule C, Schedule D (stock sales), Schedule E (rentals), Form 8606 (backdoor Roth), and most common situations. No upsells. Deluxe upgrade (\$7) adds priority support. Best value for almost everyone with a moderately complex return. **TaxAct:** \$0-\$65 federal depending on tier, plus \$45/state. Handles most situations; interface is less polished than TurboTax but solid. **H&R Block:** \$0-\$85 federal + \$37/state. Has the advantage of in-person filing at retail locations (\$150-\$300 for simple returns) if you want a human. **TurboTax:** \$0-\$129 federal + \$50+/state. Easiest interview for complex situations; most expensive; aggressive upselling within the app. Their "Max" plan (\$59 add-on) includes audit defense and identity theft monitoring. Import last year's return to pre-populate unchanged fields and avoid transcription errors. Connect bank/brokerage accounts via direct import when available — it pulls 1099s directly and reduces data entry errors on stock transactions.

## 3

## Report All Income — Including the Amounts That Feel Small

The IRS receives copies of every information return filed against your SSN.

Comparing them to your return is automated. The most commonly missed income:

**Bank interest under \$10:** Banks are not required to send a 1099-INT for amounts under \$10, but you are required to report it. Log into every bank account and check the year-end interest earned. **Crypto transactions:** Every crypto sale, swap, or exchange is a taxable event. Most exchanges now send 1099-DA forms beginning with 2025 transactions, but for 2024 tax years, you may need to export transaction history manually. **Gig economy income:** Uber, DoorDash, Etsy, eBay, Airbnb, and Rover income above \$400 is subject to self-employment tax (15.3% on net earnings). PayPal and Venmo report business transactions via 1099-K starting at \$5,000 for 2024 (the original \$600 threshold was delayed again). **State tax refunds:** If you itemized deductions in 2023 and received a state tax refund in 2024, that refund is taxable income for 2024 — reported on 1099-G. If you took the standard deduction in 2023, the refund is not taxable. **Forgiven debt:** If a creditor canceled \$600+ of debt, they send a 1099-C. Cancellation of debt is taxable income unless you qualify for an insolvency or bankruptcy exclusion (Form 982).

## 4

**Claim Every Deduction and Credit You Are Entitled To**

Most filers take the standard deduction (\$15,000 single / \$30,000 MFJ for 2024), but they still miss above-the-line deductions that reduce AGI regardless of whether they itemize. Above-the-line deductions available in 2024: student loan interest (up to \$2,500 if MAGI under \$85,000 single); HSA contributions made directly (not via payroll — payroll HSA contributions are already excluded from Box 1 of W-2); IRA contributions (up to \$7,000 if income-eligible); self-employed health insurance premiums (100% deductible); SE tax deduction (50% of self-employment tax); educator expenses (\$300 if you are a K-12 teacher). Itemized deductions that exceed the standard: state and local taxes (SALT cap: \$10,000); mortgage interest (Form 1098); charitable contributions (cash donations up to 60% of AGI; qualified appraisal for noncash donations over \$500); medical expenses exceeding 7.5% of AGI. Credits (dollar-for-dollar tax reduction, more valuable than deductions): Child Tax Credit (\$2,000 per child under 17; phase-out at \$200,000 single / \$400,000 MFJ); Child and Dependent Care Credit (up to \$1,050 for one child / \$2,100 for two or more, based on 20–35% of up to \$3,000 / \$6,000 of qualifying expenses); Earned Income Tax Credit (EITC — see Step 5); Saver's Credit; Education credits (see Step 5); Premium Tax Credit for marketplace health insurance.

## 5

## Claim the Saver's Credit, EITC, and Education Credits If Eligible

**Saver's Credit (Form 8880):** Overlooked by millions of eligible filers. If you contributed to a 401k, IRA, SIMPLE, or 403b in 2024 and your AGI is below \$36,500 single / \$73,000 MFJ, you qualify for a 10–50% credit on up to \$2,000 of contributions (max credit: \$1,000 single / \$2,000 MFJ). At the 50% rate (AGI under \$23,000 single), a \$2,000 IRA contribution yields a \$1,000 direct tax credit — wiping out \$1,000 from your tax bill. This is separate from the IRA deduction. You can get both the deduction and the credit on the same contribution if income-eligible. Full-time students and anyone claimed as a dependent are ineligible.

**Earned Income Tax Credit (EITC):** For workers with low to moderate income. 2024 maximum credit: \$7,830 with three or more qualifying children; \$6,960 with two children; \$4,213 with one child; \$632 with no children. Income limits for eligibility: \$59,899 single with three children; \$21,310 single with no children. The IRS estimates 20% of eligible EITC recipients do not claim it. **American**

**Opportunity Tax Credit (AOTC):** Up to \$2,500 per year for the first 4 years of undergraduate education. 40% refundable (up to \$1,000 refundable even if you owe no tax). Phase-out: \$80,000–\$90,000 single MAGI. Requires Form 1098-T from the institution and your payment records. **Lifetime Learning Credit (LLC):** 20% of up to \$10,000 in tuition and fees = max \$2,000. No limit on years. Phase-out: \$80,000–\$90,000 single MAGI. Cannot claim both AOTC and LLC for the same student in the same year.

## 6

## Protect Your Return with an IP PIN and Review Before Filing

**IP PIN (Identity Protection Personal Identification Number):** The IRS allows any taxpayer to voluntarily opt in to the IP PIN program at [IRS.gov/ippin](https://www.irs.gov/ippin). Once enrolled, your return requires the 6-digit IP PIN to be filed — making it impossible for a fraudster to file a return with your SSN even if they have your Social Security number. The IRS issues a new IP PIN each January by mail (or viewable in the IRS online account). This is the single most effective protection against tax identity theft and it is free. Enroll before the January filing season opens. **Pre-filing review checklist:** Verify that every income document in your folder appears somewhere on the return. Confirm that your bank routing and account number for direct deposit are correct — a digit error here delays refunds by 6-8 weeks. Verify your filing status (single, MFJ, MFS, head of household, qualifying surviving spouse — each has different rates and thresholds). Confirm dependent SSNs are correct. Run the return through the software's error-check before submitting. If you are e-filing, use the AGI from your prior-year return for identity verification (first-time filers use \$0). File federal and state returns simultaneously; many states auto-accept the federal AGI and require no additional federal confirmation.

## 3. Key Worksheets & Checklists

Use these three worksheets to organize documents before filing, compare software options for your situation, and confirm you have claimed every deduction and credit you qualify for. Filing with this checklist complete takes 30-60 minutes less than filing with missing information.

## 1. Master Document Checklist

Document	Source	Expected Date	Received ✓
W-2	Each employer	By Jan 31	<input type="checkbox"/>
1099-INT (interest)	Each bank / credit union	By Jan 31	<input type="checkbox"/>
1099-DIV (dividends)	Brokerages / mutual funds	By Jan 31	<input type="checkbox"/>
1099-B (stock/fund sales)	Brokerages	By Feb 15; corrections Feb-Mar	<input type="checkbox"/>
1099-NEC / 1099-MISC	Clients / gig platforms	By Jan 31	<input type="checkbox"/>
1099-R (IRA / pension)	IRA custodian / pension plan	By Jan 31	<input type="checkbox"/>
1099-G (state refund / unemployment)	State agency	By Jan 31	<input type="checkbox"/>
1098 (mortgage interest)	Mortgage servicer	By Jan 31	<input type="checkbox"/>
1098-E (student loan interest)	Loan servicer	By Jan 31	<input type="checkbox"/>
1098-T (tuition)	College/university	By Jan 31	<input type="checkbox"/>
K-1 (partnership / S-corp / trust)	Entity's tax preparer	By March 15; often extended to Sept	<input type="checkbox"/>

Document	Source	Expected Date	Received ✓
SSA-1099 (Social Security)	Social Security Administration	By Jan 31	<input type="checkbox"/>
Prior-year AGI (for e-file verification)	Last year's 1040, Line 11	Available now	<input type="checkbox"/>

## 2. Software Selection by Situation

Situation	Best Option	Cost (federal + state)
W-2 only, standard deduction, AGI under \$84,000	IRS Free File	\$0
W-2 + some 1099-INT/DIV, standard deduction	FreeTaxUSA	\$0 + \$15/state
Schedule C (self-employment / freelance)	FreeTaxUSA or TurboTax Self-Employed	\$0-\$7 upgrade + \$15/state or \$129 + \$50/state
Schedule D (stock sales, crypto, fund sales)	FreeTaxUSA or TurboTax Premier	\$0 + \$15 or \$89 + \$50/state
Schedule E (rental property)	H&R Block Premium or TurboTax Premier	\$55-\$85 + \$37/state or \$89 + \$50/state
Complex: SE + investments + rental	TurboTax Self-Employed or CPA	\$129 + state or \$300-\$600 CPA
Military filer (active duty)	MilTax (DoD-sponsored)	\$0 all states

### 3. Deductions and Credits Quick-Check

- **Standard vs. itemized:** Add SALT (\$10,000 cap) + mortgage interest + charitable giving. If total exceeds \$15,000 single / \$30,000 MFJ, itemize. Otherwise, take standard deduction.
- **Above-the-line deductions (reduce AGI regardless of itemizing):** Student loan interest (AGI under \$85,000 single), HSA direct contribution, IRA contribution (income-eligible), SE health insurance, SE tax deduction (50% of SE tax), educator \$300 deduction.
- **Saver's Credit:** AGI under \$36,500 single / \$73,000 MFJ? Made any retirement account contribution? Claim Form 8880 for 10–50% credit up to \$1,000/\$2,000.
- **EITC check:** AGI under \$59,899 (three children) or \$21,310 (no children)? Earned income from work? Use the EITC Assistant at IRS.gov — 20% of eligible taxpayers don't claim it.
- **Child Tax Credit:** \$2,000 per qualifying child under 17. Phase-out at \$200,000 single. Additional Child Tax Credit is refundable up to \$1,700 per child.
- **AOTC (undergraduate education):** Up to \$2,500 per year, first 4 years of college. Partially refundable. Requires Form 1098-T and payment documentation.
- **Premium Tax Credit:** Purchased health insurance via marketplace? Reconcile advance payments on Form 8962. Failure to file Form 8962 blocks e-filing.
- **IP PIN:** Enroll at IRS.gov/ippin to prevent fraudulent filing with your SSN. New 6-digit PIN is issued each January.

### 4. Common Mistakes

**Filing before all 1099s arrive**

Brokerage consolidated 1099s often have corrections sent in February or March. Filing in late January with incomplete data leads to amended returns (Form 1040-X), which take 16-20 weeks to process. Wait until mid-February at minimum if you have brokerage accounts.

**Missing the Saver's Credit**

An estimated 50% of eligible taxpayers do not claim the Saver's Credit. A single filer with \$22,000 AGI who contributed \$2,000 to an IRA gets a \$1,000 direct tax credit at the 50% rate — on top of the \$2,000 deduction. This is the highest-ROI credit in the tax code for low-to-moderate income earners.

**Not reconciling health insurance marketplace payments**

If you received advance premium tax credits and did not file Form 8962, the IRS automatically rejects your e-filed return. If you received more advance credit than you were entitled to based on actual income, you owe the difference — sometimes thousands of dollars. Always reconcile Form 8962 if you used the marketplace.

**Missing the extension payment deadline**

Filing Form 4868 by April 15 gives 6 more months to file paperwork, but any tax owed was still due April 15. Filers who extend and don't estimate their liability accurately face interest and a failure-to-pay penalty of 0.5% per month on the unpaid balance from April 15.

### **Not using an IP PIN after an identity theft incident**

If a fraudulent return has ever been filed with your SSN — or if you want to prevent one — the IP PIN program provides a dedicated lock. Without an IP PIN, a fraudster with your name, SSN, and approximate income can file a fraudulent return claiming your refund before you file. The IRS IP PIN program is free and takes 15 minutes to set up.

### **Ignoring crypto and gig economy reporting**

Every crypto sale, swap, or exchange is a taxable disposition that must appear on Form 8949 / Schedule D. Every dollar of gig income above \$400 is subject to SE tax. The IRS matches 1099-K, 1099-NEC, and exchange reports to your return automatically. Unreported income is the most common cause of CP2000 notices.

## **5. Next Steps**

Create a tax document folder in your cloud storage (Google Drive, iCloud, Dropbox) with subfolders for each expected document type. Set a calendar reminder for February 15 to verify all brokerage 1099s have arrived. Enroll in the IRS IP PIN program at [IRS.gov/ippin](https://www.irs.gov/ippin) before filing season opens. If you have self-employment income, track deductible expenses in a dedicated spreadsheet or app (QuickBooks Self-Employed, Wave, or even a simple Google Sheet) so Schedule C is a matter of copying totals rather than reconstructing a year's worth of transactions in April. For retirement account contributions that affect this year's taxes (IRA, HSA direct contributions), you have until April 15 to make prior-year contributions — use that window intentionally. Pair this guide with the [Tax-Advantaged Accounts Master Guide](#) to ensure you have maxed every pre-tax deduction before filing.

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