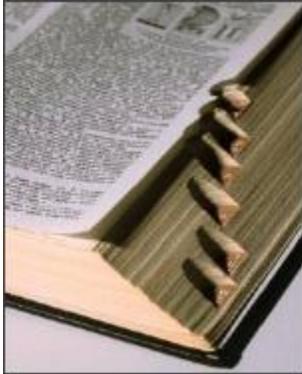


Tax Glossary U through Z

NOTE: The Tax Glossary, which debuted in this form on [Dictionary Day 2015](#), has five sections. If a term you think should be here isn't, or you can add to or clarify a definition that is here, let me know via [Twitter](#) or [Facebook](#).

One of the hardest things about filing your taxes is trying to decipher the forms. You practically have to learn a new, tax-specific language.



Unfortunately, IRS-speak is a native tongue for very few folks.

And it's not easy to decipher. In fact, reading tax documents makes that dang VCR manual (yes, a few of us still use those antiquated devices!) seem almost coherent!

To help out, [Don't Mess With Taxes](#) has gathered some common tax terms and phrases and their plain English meanings in this Tax Glossary (and the Tax Glossary's precursor, a [mini tax dictionary](#), if you will, that was a blog post back in 2007). Yes, I've been working on this for a while!

As you can imagine, the IRS dictionary gives Merriam-Webster a run for its money, so I've broken the Don't Mess With Taxes glossary into several sections for ease of page loading. Tax terms starting with **U through Z** are below.

You can check out the other sections by clicking the links below:

- [A through E](#)
- [F through J](#)
- [K through O](#)
- [P through T](#)

And since tax laws are continually changing (thank you, Congress ... Not!), this is an ongoing list. I'll do my best to keep it updated, but if you find a tax word that's got you stumped, [e-mail](#) it to me and I'll make sure it and its definition is added. The same goes for any tax term I've overlooked.



Underground economy -- Money-making activities that people don't report to the government, including both illegal and legal activities.

Underpayment penalty -- The penalty for not paying all due tax by April 15. The penalty also applies to the amount of estimated tax due, but unpaid by each of four payment dates during the year.

Unearned income -- Money that is not gained by work or delivery of a service or product. Its most well-known source is from investments: interest, dividends or capital gains produced by savings accounts, stocks and bonds, certificates of deposit or mutual funds. But it also includes unemployment compensation, alimony, taxable Social Security benefits, pensions, annuities, royalties, and distributions of unearned income from a trust. Some unearned income receipts, e.g., investment earnings, are taxed at a lower rate (usually 15 percent) than the rates applied to ordinary earned income.

Use tax -- This is a companion to a state's sales tax (details in [P through I](#) section). It generally is the same rate as the sales tax imposed on retail transactions. But rather than being charged on items or services bought within the state, it is assessed on consumers of tangible personal property that is purchased outside the state, then brought into and used, consumed, or stored in the purchaser's state.

User fees -- An excise tax, often in the form of a license or supplemental charge, levied to fund a public service.



Value Added Tax (VAT) -- A consumption tax, assessed at the national level and similar to state and local sales taxes. But rather than being collected at the point of sale, a VAT is assessed and collected at every point in the production and distribution process on the "value added" at each step. VAT is common in most of the world, but is not imposed in the United States. However, [Puerto Rico will become the first U.S. territory to collect a VAT](#) beginning April 1, 2016.

Voluntary compliance -- A system of compliance that relies on individual citizens to report their income freely and voluntarily, calculate their tax liability correctly, and file a tax return on time.

Volunteer Income Tax Assistance (VITA) -- This provides free income tax return preparation for certain taxpayers. The VITA program assists taxpayers who have limited or moderate incomes, have limited English skills, or are elderly or

disabled. Many VITA sites offer electronic preparation and transmission of income tax returns. Usually referenced jointly with Tax Counseling for the Elderly, or TCE (details in [P through T](#) section).



W-2 -- This IRS form is issued by employers to employees by the end of January. It shows the amount of taxes withheld from a worker's paycheck for the prior tax year. The information is used to file your federal and state taxes and must be attached to the returns.

W-4 -- This IRS form is officially known as Employee's Withholding Allowance Certificate. It is completed by the employee and used by the employer to determine the amount of income tax to withhold. You can file a new W-4 with your employer at any time to [adjust your withholding](#) so that you do not get back a large refund or owe too much in tax at filing time.

Wages -- Compensation you receive from work. Also referred to as salary. Withholding (see below) is taken from wages and salary to cover federal and state income taxes.

Wash sale -- Term applied when you sell stocks, bonds or mutual fund shares for a loss and within 30 days before or after that sale, you buy the same or substantially identical securities. In this case, you lose the loss deduction for that tax year.

Web pay -- Any online tax payment option. Most Web payment systems allow you to schedule payments in advance.

Withholding -- Money that is taken out of earnings before the payment is made to the employee. The most common form is employer withholding from employees' paychecks. This money is deposited with the U.S. Treasury and is credited against the employees' tax liability when they file their returns. Employers withhold money for federal income taxes, Social Security taxes and state and local income taxes in some states and localities.

Worthless security -- If a stock you own becomes completely worthless during the year, you can claim a capital loss as though you sold the stock for \$0 on Dec. 31 of the year the asset became valueless.



X -- Letter suffix appended to the 1040 form used to file an amended return (details in [A through E](#) section). Form 1040X is used to show what you reported on

the return you are changing, what changes you are making and why you are making them. The 1040X cannot yet be e-filed.

X-Mark signature -- An X-mark made by a person in lieu of a signature. Due to illiteracy or disability, a person may be unable to complete a full signature on a document indicating that he/she has reviewed and approved its contents. In order to be legally valid, the X-mark signature must be witnessed.



Year -- Time period of 12 consecutive months. The start date can vary. For individual tax purposes and the annual filing of a federal return, the tax year typically is the calendar year that begins on Jan. 1 and ends on Dec. 31. For most individual tax purposes, tax-related actions must be within the tax year. Many corporations and governments use a fiscal year, a 12 consecutive month period that starts and ends on dates other than the calendar year.

Year-end bonus -- A reward paid to an employee at the end of the year. Sometimes called a Christmas bonus. Year-end bonuses are usually made up of lump-sum payments used to reward the individual for hard work and dedication. These payments taxable and if you do not plan for their receipt, you could find yourself dealing with issues from being bumped into a higher tax bracket.



Z -- Alphabetic code used in box 12 of Form W-2 (see above) to indicate "Income under a nonqualified deferred compensation plan that fails to satisfy section 409A." The amount reported in box 12 using code Z is also reported in box 1 of the W-2 and is subject to an additional tax reported on the employee's Form 1040.

Zero -- The capital gains (details in [A through E](#) section) tax rate applies to individuals whose taxable income falls into the 10 percent or 15 percent income tax brackets.

Zero return -- A frivolous tax argument used by tax protesters to evade their true tax liability. This tax filing reports no income and no tax liability, hence the zero return name. Many of these taxpayers also request a refund of any taxes withheld by an employer. They typically attach to the zero return a "corrected" Form W-2, or another information return that reports income and income tax withholding, and rely on one or more of the frivolous arguments discussed throughout this outline to support their position. This was one of the tax protest tactics popularized by the [late anti-tax leader Irwin Schiff](#).

Zilch -- A worst-case tax scenario in which this is the amount of money left in your bank account after you finish filing your taxes. Just wanted to see if you were still reading! Synonyms: zero, zip, nada, nothing. See also AARRGGHH!!! in [A through E](#) section.

Zombie tax -- A slang term for a tax on anything which we all know is clearly bad for the environment or our health. See sin tax (details in [P through T](#) section).