

Solutions Manual for Income Tax Fundamentals 2020 38th Whittenburg

CHAPTER 2

GROSS INCOME AND EXCLUSIONS

Group 1 – Multiple Choice Questions

- | | | |
|---|--|---|
| 1. C (LO 2.1) | 14. D (LO 2.7) | 27. D (LO 2.14) |
| 2. C (LO 2.1) | 15. C (LO 2.8) | 28. D (LO 2.14) |
| 3. A (LO 2.1) | 16. A (LO 2.8) | 29. C $(\$110,000 - (\$91,500 +$ |
| 4. D (LO 2.1) | 17. C $\$500 \times 20\%$ (LO 2.9) | $\$11,000)) / (\$15,000 \times$ |
| 5. B (LO 2.1) | 18. A (LO 2.9) | $\$2,000)$ (LO 2.14) |
| 6. D (LO 2.3, 2.4, 2.11, 2.12) | 19. D (LO 2.10) | 30. C $(\$3,000 / \$5,000 \times \$1,500$ |
| 7. A (LO 2.3) | 20. C (LO 2.11) | $= \$900)$ (LO 2.14) |
| 8. E (LO 2.4) | 21. C (LO 2.12) | 31. E (LO 2.15) |
| 9. D (LO 2.5) | 22. C $\$120 \times 12$ (LO 2.13) | 32. A (LO 2.16) |
| 10. E (LO 2.5) | 23. D (LO 2.13) | 33. E (LO 2.16) |
| 11. E (LO 2.6) | 24. B $(\$2,000 / \$5,000 \times \$1,400)$ | 34. E $\$35,000$ each (LO 2.17) |
| 12. D (LO 2.6) | (LO 2.14) | 35. B (LO 2.17) |
| 13. B $\$97,500 / 260 = \$375 \times 4 =$ | 25. B (LO 2.14) | |
| $\$1,500$ (LO 2.7) | 26. C (LO 2.14) | |

Group 2 – Problems

- | | | |
|----------------|-------------|----------------------|
| 1. a. Excluded | e. Excluded | i. Excluded |
| b. Included | f. Included | j. Excluded |
| c. Included | g. Included | k. Included (LO 2.1) |
| d. Included | h. Excluded | |
2. The non-cash payment of a truck for services performed is includable income to Jane. The tax law states that gross income is “all income from whatever source derived.” There is no exception in the law for non-cash items received in exchange for services. The amount of gross income is the market value on the date of the payment which is \$6,000. Jane can probably also recognize the \$800 loss on the sale of the truck since it was business property. (LO 2.1)
3. a. **\$300.** Gross income includes “all income from whatever source derived.” The value of the hair styling is income to Larry for the performance of services. There is no gross income exception in the tax law for “barter” income.
- b. **\$300.** Gross income includes “all income from whatever source derived.” The value of the tax return is income to Sheila for the performance of services. There is no gross income exception in the tax law for “barter” income. (LO 2.1)
4. Illegal income is still taxable since there is no exception excluding it in the tax code. When there is not an explicit exception, gross income is “all income from whatever source derived.” (LO 2.1)
5. a. \$61,700. Taxable wages are taken from Box 1.
- b. It would appear that Kristen made \$3,500 of contributions toward her employer’s 401(k) plan. The health care and group term life does not create a difference between Box 1 and wages taxable for Social Security and Medicare in Boxes 3 and 5. (LO 2.2)
6. None of the cost of the insurance or amounts paid by the insurance company for surgery or treatment are taxable to Skyler. These amounts are specifically excluded from taxable income under the tax law. (LO 2.3)

7. **\$0.** Taxpayers may exclude the total amount received for payment or reimbursement of medical expenses. Premiums for health insurance paid by the taxpayer's employer are also excluded from the taxpayer's gross income. In addition, the \$1,500 (\$3,500 – \$2,000) not paid by the insurance company is deductible as an itemized deduction on Ellen's return, subject to the medical expense deduction limitations. (LO 2.3)
8. a. No. The meals are furnished by the employer on the business premises of the employer during working hours because the employer limits the employee to short meal periods.
 b. No. The meals are furnished by the employer on the business premises of the employer during working hours because the taxpayer must be available for emergency calls.
 c. Yes. The meals are not furnished for the convenience of the employer. (LO 2.4)
9. **\$4,850** = \$850 + \$4,000. The value of the airline tickets is excluded from gross income under the no additional cost services rule for employees and their families. The \$30 of personal typing is excluded under the de minimis fringe benefits rule. The \$850 worth of employee discount coupons for hotel rooms is included in gross income since the hotel division is a different line of business than that in which Linda is employed. The \$4,000 tuition payment must be included in gross income since Richard is working on a graduate degree and not providing teaching or research activities. (LO 2.5)
10. Yes. Tom will be better off reducing his taxable income by \$2,700 by using the health care flexible spending account. Since his income will be \$2,700 less, he will pay less tax than he would otherwise. (LO 2.5)
11. a. **\$6,400.**
 b. **\$260.** A non-qualified plan award may only be excluded up to \$400; thus, \$260 is taxable.
 c. **\$1,000,000.**
 d. **\$30,000.** (LO 2.6)
12. a. **\$4,000.**
 b. **\$14,500.**
 c. **\$0.** (LO 2.6, 2.12)

13. SIMPLIFIED METHOD WORKSHEET

- | | |
|---|--------------------|
| 1) Enter total amount received this year. | 1) <u>\$ 7,000</u> |
| 2) Enter cost in the plan at the annuity starting date. | 2) <u>\$48,300</u> |
| 3) Age at annuity starting date | |
| <u>Enter</u> | |
| 55 and under | 360 |
| 56–60 | 310 |
| 61–65 | 260 |
| 66–70 | 210 |
| 71 and older | 160 |
| 4) Divide line 2 by line 3. | 4) <u>\$ 230</u> |
| 5) Multiply line 4 by the number of monthly payments this year. If the annuity starting date was before 1987, also enter this amount on line 8; and skip lines 6 and 7. Otherwise go to line 6. | 5) <u>\$ 1,610</u> |
| 6) Enter the amount, if any, recovered tax free in prior years | 6) <u>\$ 0</u> |
| 7) Subtract line 6 from line 2. | 7) <u>\$48,300</u> |
| 8) Enter the smaller of line 5 or 7. | 8) <u>\$ 1,610</u> |
| 9) Taxable amount this year: Subtract line 8 from line 1. Do not enter less than zero.
(LO 2.7) | 9) <u>\$ 5,390</u> |
14. **\$61,000** = \$100,000 – \$27,000 – \$12,000. Since the policy was transferred for valuable consideration, the proceeds are taxable to the extent that they exceed the sum of the cash value at the time of transfer plus the premiums paid. (LO 2.8)

15. **\$500.** A beneficiary, must include the entire amount of interest received with respect to the policy proceeds in gross income. The \$9,000 principal amount may be excluded from gross income. (LO 2.8)
16. **None.** David has received an accelerated death benefit or viatical settlement which is excluded from taxable income. (LO 2.8)
17. None of the payment is taxable. Life insurance proceeds are generally considered to be tax-free and specifically excluded from taxable income. (LO 2.8)
18. Qualified dividends are taxed at either 0%, 15%, or 20% depending on income and filing status. For example, a single taxpayer with income below \$39,375 has a capital gain rate of 0%. Income over \$39,375 but below \$434,550 pays at 15% and the capital gains rate is 20% for income above that. A 3.8% Medicare tax on net investment income will be added to the rates for certain high-income taxpayers. (LO 2.9)
19. The taxpayer can either (1) report the interest in the year the bonds are cashed or in the year they mature, whichever is earlier (no election is required to use this method), or (2) the taxpayer may elect to report the increase in redemption value each year. (LO 2.9)
20. See Schedule B on Page 44. (LO 2.9)
21. **6.00%** = $4.5\% \div (100\% - 25\%)$. (LO 2.10)
22. The tax-exempt municipal bond has the same 5% before and after-tax rate of return. The corporate bond has an after-tax return of 4.55% ($7\% \times (1 - 35\%)$). Karen should invest in the tax-exempt bond due to the higher after-tax rate of return. (LO 2.10)
23. **\$5,600.** Inheritances are excluded from taxable income; however, subsequent earnings on inherited property must be included in income. (LO 2.11)
24. \$10,000 is taxable. This gift is clearly bonus income in a business setting so it does not qualify for tax-free gift treatment, even if Gwen's client calls the payment a gift. (LO 2.11)
25. None of the gift is taxable. Gifts are excluded from the taxable income of the person receiving the gift. (LO 2.11)
26. \$12,000 is taxable since there is no exclusion for payments made for room and board. \$8,000 is not taxable, since scholarships for tuition are specifically excluded from taxable income. (LO 2.12)
27. a. (1) **\$450.** b. (1) **\$0.**
 (2) **\$450.** (2) **\$425,000.**
 (3) **\$0.** (3) **\$0.** (LO 2.13)
28. Arlen does not deduct the alimony or child support.
 Jane does not report the alimony or child support as income. (LO 2.13)
29. No gain is taxable to Cindy on the transfer of the house since it is part of a property settlement related to a divorce. Allen has a basis of \$90,000 in the house for calculating tax on any future sale of the house. (LO 2.13)
30. **\$11,947;** Tuition, reasonable room and board, and books. (LO 2.14)
31. **\$0;** All distributions are used for qualifying expenses. (LO 2.14)
32. **\$3,250.** Unemployment benefits received are included in gross income. (LO 2.15)
33. See calculation on the worksheet on Page 45. (LO 2.16)
34. a. **Yes.** Tax-free municipal bond income is added to AGI in the formula to determine the amount of taxable Social Security.
 b. **Zero.** The taxpayer's income is below the threshold amount used in the formula to determine whether Social Security is taxable.
 c. **85%.** High-income taxpayers must include 85% of Social Security benefits in taxable income. (LO 2.16)

Interest and Ordinary Dividends

OMB No. 1545-0074

2019
Attachment
Sequence No. 08

Department of the Treasury
Internal Revenue Service (99)

▶ Go to www.irs.gov/ScheduleB for instructions and the latest information.
▶ Attach to Form 1040 or 1040-SR.

Name(s) shown on return

Your social security number 313-13-1313
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Part I

1 List name of payer. If any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see the instructions and list this interest first. Also, show that buyer's social security number and address ►

Interest

(See instructions and the instructions for Forms 1040 and 1040-SR, line 2b.)

Note: If you received a Form 1099-INT, Form 1099-OID, or substitute statement from a brokerage firm, list the firm's name as the payer and enter the total interest shown on that form.

Porcine Bank
River Bank

[Note that municipal bond interest is reported directly on Form 1040]

2 Add the amounts on line 1.

3 Excludable interest on series EE and I U.S. savings bonds issued after 1989.
Attach Form 8815.

4 Subtract line 3 from line 2. Enter the result here and on Form 1040 or 1040-SR,
line 2b.

Note: If line 4 is over \$1,500, you must complete Part III.

Part II

5 List name of payer ►

Ordinary Dividends

(See instructions and the instructions for Forms 1040 and 1040-SR, line 3b.)

Note: If you received a Form 1099-DIV or substitute statement from a brokerage firm, list the firm's name as the payer and enter the ordinary dividends shown on that form.

Altus, Inc.

Buller Corporation

Gene Corporation

Devona Corporation

[note that qualified dividends are part of total dividends and are reported for informational purposes on Form 1040]

6 Add the amounts on line 5. Enter the total here and on Form 1040 or 1040-SR, line 3b ▶

Part III

You must complete this part if you **(a)** had over \$1,500 of taxable interest or ordinary dividends; **(b)** had a foreign account; or **(c)** received a distribution from, or were a grantor of, or a transferor to, a foreign trust.

Foreign Accounts and Trusts

Caution: If required, failure to file FinCEN Form 114 may result in substantial penalties. See instructions.

7a At any time during 2019, did you have a financial interest in or signature authority over a financial account (such as a bank account, securities account, or brokerage account) located in a foreign country? See instructions

If "Yes," are you required to file FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR), to report that financial interest or signature authority? See FinCEN Form 114 and its instructions for filing requirements and exceptions to those requirements

b If you are required to file FinCEN Form 114, enter the name of the foreign country where the financial account is located ►

8 During 2019, did you receive a distribution from, or were you the grantor of, or transferor to, a foreign trust? If "Yes," you may have to file Form 3520. See instructions

Ye

No

X

X

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 17146N

Schedule B (Form 1040 or 1040-SR) 2019

Group 2: Problem 33

1. Enter the total amount of social security income	1. \$7,400
2. Enter one-half of line 1	2. 3,700
3. Enter the total of taxable income items on Form 1040 except social security income	3. 14,500
4. Enter the amount of tax exempt interest income	4. 30,000
5. Add lines 2, 3, and 4	5. 48,200
6. Enter all adjustments for AGI except for student loan interest, the domestic production activities deduction and the tuition and fees deduction	6. -0-
7. Subtract line 6 from line 5. If zero or less, stop here, none of the social security benefits are taxable	7. 48,200
8. Enter \$25,000 (\$32,000 if married filing jointly; \$0 if married filing separately and living with spouse at any time during the year)	8. 25,000
9. Subtract line 8 from line 7. If zero or less, enter -0-	9. 23,200
Note: <i>If line 9 is zero or less, stop here; none of your benefits are taxable. Otherwise, go on to line 10.</i>	
10. Enter \$9,000 (\$12,000 if married filing jointly; \$0 if married filing separately and living with spouse at any time during the year)	10. 9,000
11. Subtract line 10 from line 9. If zero or less, enter -0-	11. 14,200
12. Enter the smaller of line 9 or line 10	12. 9,000
13. Enter one-half of line 12	13. 4,500
14. Enter the smaller of line 2 or line 13	14. 3,700
15. Multiply line 11 by 85% (.85). If line 11 is zero, enter -0-	15. 12,070
16. Add lines 14 and 15	16. 15,770
17. Multiply line 1 by 85% (.85)	17. 6,290
18. Taxable benefits. Enter the smaller of line 16 or line 17	18. \$6,290

Group 3 – Writing Assignment

Research Solution:

Whittenburg and Gill, CPAs
San Diego, CA 92111
August 3, 20xx

Ms. Vanessa Lazo
1550 Mesa Rosa Drive
San Diego, CA 92182

Dear Ms. Lazo,

Thank you for requesting my advice concerning the tax treatment of your scholarship and employment at Prestige Private University (PPU). I have researched your question and have determined that a portion of your scholarship is taxable, but a portion is excluded from gross income.

The tuition reduction from \$43,000 to \$13,000 is not considered gross income that you must report as taxable. This simply represents a lower negotiated price for tuition in much the same way when you negotiate a price below the sticker price for a new car. That purchase price reduction is not income.

PPU is providing you with a \$20,000 scholarship. The portion you use for tuition (\$13,000) is excluded from gross income as a qualified scholarship; however, the additional \$7,000 being used for room and board is taxable and must be included in gross income.

Lastly, a payment for services such as the \$1,500 you are receiving for serving as a lab assistant, is compensation and is included in gross income.

As a result, your total gross income from PPU will be \$8,500 and the excludable scholarship is \$13,000.

My conclusion is based upon the facts that you have provided me. If you have any questions or would like further explanation, please do not hesitate to call.

Sincerely,
Trevor Malcolm
for Whittenburg and Gill, CPAs

Group 4 – Comprehensive Problems

1. See pages 47 through 50.
- 2A. See pages 51 through 53.
- 2B. See pages 55 through 57.

Group 5 – Cumulative Software Problem

The solution to the Cumulative Software Problem is posted on the website for the textbook at www.cengage.com/login.

Comprehensive Problem 1

Form 1040	Department of the Treasury—Internal Revenue Service (99) U.S. Individual Income Tax Return	2019	OMB No. 1545-0074	IRS Use Only—Do not write or staple in this space.
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Filing Status ☐ Single ☒ Married filing jointly ☐ Married filing separately (MFS) ☐ Head of household (HOH) ☐ Qualifying widow(er) (QW)
Check only one box.
If you checked the MFS box, enter the name of spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent. ▶

Your first name and middle initial Beverly	Last name Hair	Your social security number 465 74 3321
If joint return, spouse's first name and middle initial Ken	Last name Hair	Spouse's social security number 465 57 9934

Home address (number and street). If you have a P.O. box, see instructions. Apt. no. **Presidential Election Campaign**
Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund. ☐ You ☐ Spouse

City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).
3567 River Street

Foreign country name Springfield, MO 63126	Foreign province/state/county	Foreign postal code
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Standard Deduction **Someone can claim:** ☐ You as a dependent ☐ Your spouse as a dependent ☐ Spouse itemizes on a separate return or you were a dual-status alien

Age/Blindness **You:** ☐ Were born before January 2, 1955 ☐ Are blind **Spouse:** ☐ Was born before January 2, 1955 ☐ Is blind

Dependents (see instructions):		(2) Social security number	(3) Relationship to you	(4) ✓ if qualifies for (see instructions):	
(1) First name	Last name			Child tax credit	Credit for other dependents
				☐	☐
				☐	☐
				☐	☐
				☐	☐

1	Wages, salaries, tips, etc. Attach Form(s) W-2		1	53,700
2a	Tax-exempt interest	2a 1,000	b	Taxable interest. Attach Sch. B if required
3a	Qualified dividends	3a 300	b	Ordinary dividends. Attach Sch. B if required
4a	IRA distributions	4a	b	Taxable amount
c	Pensions and annuities	4c	d	Taxable amount
5a	Social security benefits	5a	b	Taxable amount
6	Capital gain or (loss). Attach Schedule D if required. If not required, check here		6	
7a	Other income from Schedule 1, line 9		7a	1,825
b	Add lines 1, 2b, 3b, 4b, 5b, 6, and 7a. This is your total income		7b	56,477
8a	Adjustments to income from Schedule 1, line 22		8a	
b	Subtract line 8a from line 7b. This is your adjusted gross income		8b	56,477
9	Standard deduction or itemized deductions (from Schedule A)	9 24,400		
10	Qualified business income deduction. Attach Form 8995 or Form 8995-A	10		
11a	Add lines 9 and 10		11a	24,400
b	Taxable income. Subtract line 11a from line 8b		11b	32,077

Standard Deduction for—
 • Single or Married filing separately, \$12,000
 • Married filing jointly or Qualifying widow(er), \$24,400
 • Head of household, \$18,350
 • If you checked any box under **Standard Deduction**, see instructions.

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form **1040** (2019)

Comprehensive Problem 1, cont.

Form 1040 (2019) Page **2**

12a	Tax (see inst.) Check if any from Form(s): 1 ☐ 8814 2 ☐ 4972 3 ☐ 12a	3,425	
b	Add Schedule 2, line 3, and line 12a and enter the total		12b 3,425
13a	Child tax credit or credit for other dependents		
b	Add Schedule 3, line 7, and line 13a and enter the total		13b
14	Subtract line 13b from line 12b. If zero or less, enter -0-		14 3,425
15	Other taxes, including self-employment tax, from Schedule 2, line 10		15
16	Add lines 14 and 15. This is your total tax		16 3,425
17	Federal income tax withheld from Forms W-2 and 1099		17 4,790
18	Other payments and refundable credits:		
a	Earned income credit (EIC)	18a	
b	Additional child tax credit. Attach Schedule 8812	18b	
c	American opportunity credit from Form 8863, line 8	18c	
d	Schedule 3, line 14	18d	
e	Add lines 18a through 18d. These are your total other payments and refundable credits	18e	
19	Add lines 17 and 18e. These are your total payments	19	4,790
Refund	20 If line 19 is more than line 16, subtract line 16 from line 19. This is the amount you overpaid	20	1,365
	21a Amount of line 20 you want refunded to you . If Form 8888 is attached, check here ☐	21a	1,365
Direct deposit? See instructions.	b Routing number	c Type: ☐ Checking ☐ Savings	
	d Account number		
	22 Amount of line 20 you want applied to your 2020 estimated tax	22	
Amount You Owe	23 Amount you owe. Subtract line 19 from line 16. For details on how to pay, see instructions	23	
	24 Estimated tax penalty (see instructions)	24	
Third Party Designee (Other than paid preparer)	Do you want to allow another person (other than your paid preparer) to discuss this return with the IRS? See instructions. ☐ Yes. Complete below. ☐ No		
	Designee's name	Phone no.	Personal identification number (PIN)
Sign Here	Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.		
	Your signature	Date	Your occupation
			Accountant
Joint return? See instructions. Keep a copy for your records.	Spouse's signature. If a joint return, both must sign.	Date	Spouse's occupation
			Student
	Phone no.	Email address	
Paid Preparer Use Only	Preparer's name	Preparer's signature	Date
	Firm's name	Phone no.	PTIN
	Firm's address	Firm's EIN	Check if: ☐ 3rd Party Designee ☐ Self-employed

Go to www.irs.gov/Form1040 for instructions and the latest information. Form **1040** (2019)

Comprehensive Problem 1, cont.

SCHEDULE 1 (Form 1040 or 1040-SR) Department of the Treasury Internal Revenue Service	Additional Income and Adjustments to Income ▶ Attach to Form 1040 or 1040-SR. ▶ Go to www.irs.gov/Form1040 for instructions and the latest information.	OMB No. 1545-0074 2019 Attachment Sequence No. 01
Name(s) shown on Form 1040 or 1040-SR Beverly and Ken Hair		Your social security number 465-74-3321
Part I Additional Income		
1 Taxable refunds, credits, or offsets of state and local income taxes	1	
2a Alimony received	2a	
b Date of original divorce or separation agreement (see instructions) ▶		
3 Business income or (loss). Attach Schedule C	3	
4 Other gains or (losses). Attach Form 4797	4	
5 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5	
6 Farm income or (loss). Attach Schedule F	6	
7 Unemployment compensation	7	1,825
8 Other income. List type and amount ▶	8	
9 Combine lines 1 through 8. Enter here and on Form 1040 or 1040-SR, line 7a	9	1,825
Part II Adjustments to Income		
10 Educator expenses	10	
11 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	11	
12 Health savings account deduction. Attach Form 8889	12	
13 Moving expenses for members of the Armed Forces. Attach Form 3903	13	
14 Deductible part of self-employment tax. Attach Schedule SE	14	
15 Self-employed SEP, SIMPLE, and qualified plans	15	
16 Self-employed health insurance deduction	16	
17 Penalty on early withdrawal of savings	17	
18a Alimony paid	18a	
b Recipient's SSN ▶		
c Date of original divorce or separation agreement (see instructions) ▶		
19 IRA deduction	19	
20 Student loan interest deduction	20	
21 Reserved for future use	21	
22 Add lines 10 through 21. These are your adjustments to income . Enter here and on Form 1040 or 1040-SR, line 8a	22	

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 71479F

Schedule 1 (Form 1040 or 1040-SR) 2019

Comprehensive Problem 1, cont.

Beverly and Ken Hair

Qualified Dividends and Capital Gain Tax Worksheet—Line 12a

Before you begin:		✓ See the earlier instructions for line 12a to see if you can use this worksheet to figure your tax. ✓ Before completing this worksheet, complete Form 1040 or 1040-SR through line 11b. ✓ If you don't have to file Schedule D and you received capital gain distributions, be sure you checked the box on Form 1040 or 1040-SR, line 6.	
1.	Enter the amount from Form 1040 or 1040-SR, line 11b. However, if you are filing Form 2555 (relating to foreign earned income), enter the amount from line 3 of the Foreign Earned Income Tax Worksheet	1.	32,077
2.	Enter the amount from Form 1040 or 1040-SR, line 3a*	2.	300
3.	Are you filing Schedule D?*		
	☐ Yes. Enter the smaller of line 15 or 16 of Schedule D. If either line 15 or 16 is blank or a loss, enter -0-.	3.	0
	☒ No. Enter the amount from Form 1040 or 1040-SR, line 6.		
4.	Add lines 2 and 3	4.	300
5.	If filing Form 4952 (used to figure investment interest expense deduction), enter any amount from line 4g of that form. Otherwise, enter -0-	5.	0
6.	Subtract line 5 from line 4. If zero or less, enter -0-	6.	300
7.	Subtract line 6 from line 1. If zero or less, enter -0-	7.	31,777
8.	Enter: \$39,375 if single or married filing separately, \$78,750 if married filing jointly or qualifying widow(er), \$52,750 if head of household.	8.	78,750
9.	Enter the smaller of line 1 or line 8	9.	32,077
10.	Enter the smaller of line 7 or line 9	10.	31,777
11.	Subtract line 10 from line 9. This amount is taxed at 0%	11.	300
12.	Enter the smaller of line 1 or line 6	12.	300
13.	Enter the amount from line 11	13.	300
14.	Subtract line 13 from line 12	14.	0
15.	Enter: \$434,550 if single, \$244,425 if married filing separately, \$488,850 if married filing jointly or qualifying widow(er), \$461,700 if head of household.	15.	488,850
16.	Enter the smaller of line 1 or line 15	16.	32,077
17.	Add lines 7 and 11	17.	32,077
18.	Subtract line 17 from line 16. If zero or less, enter -0-	18.	0
19.	Enter the smaller of line 14 or line 18	19.	0
20.	Multiply line 19 by 15% (0.15)	20.	0
21.	Add lines 11 and 19	21.	300
22.	Subtract line 21 from line 12	22.	0
23.	Multiply line 22 by 20% (0.20)	23.	0
24.	Figure the tax on the amount on line 7. If the amount on line 7 is less than \$100,000, use the Tax Table to figure the tax. If the amount on line 7 is \$100,000 or more, use the Tax Computation Worksheet	24.	3,425
25.	Add lines 20, 23, and 24	25.	3,425
26.	Figure the tax on the amount on line 1. If the amount on line 1 is less than \$100,000, use the Tax Table to figure the tax. If the amount on line 1 is \$100,000 or more, use the Tax Computation Worksheet	26.	3,461
27.	Tax on all taxable income. Enter the smaller of line 25 or 26. Also include this amount on the entry space on Form 1040 or 1040-SR, line 12a. If you are filing Form 2555, don't enter this amount on the entry space on Form 1040 or 1040-SR, line 12a. Instead, enter it on line 4 of the Foreign Earned Income Tax Worksheet	27.	3,425

* If you are filing Form 2555, see the footnote in the Foreign Earned Income Tax Worksheet before completing this line.

Comprehensive Problem 2A

Form 1040	Department of the Treasury—Internal Revenue Service (99) U.S. Individual Income Tax Return	2019	OMB No. 1545-0074	IRS Use Only—Do not write or staple in this space.
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Filing Status ☐ Single ☒ Married filing jointly ☐ Married filing separately (MFS) ☐ Head of household (HOH) ☐ Qualifying widow(er) (QW)
 Check only one box.
 If you checked the MFS box, enter the name of spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent. ▶

Your first name and middle initial Ray	Last name Gomez	Your social security number 469 21 5523
If joint return, spouse's first name and middle initial Maria	Last name Gomez	Spouse's social security number 444 65 9912
Home address (number and street). If you have a P.O. box, see instructions.		Apt. no.
City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions). 1610 Quince Avenue		Presidential Election Campaign Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund. ☐ You ☐ Spouse
Foreign country name McAllen, TX 78701	Foreign province/state/county	
Foreign postal code		If more than four dependents, see instructions and ✓ here ▶ ☐

Standard Deduction ☐ Someone can claim: ☐ You as a dependent ☐ Your spouse as a dependent
☐ Spouse itemizes on a separate return or you were a dual-status alien

Age/Blindness You: ☐ Were born before January 2, 1955 ☐ Are blind Spouse: ☐ Was born before January 2, 1955 ☐ Is blind

(1) First name Last name		(2) Social security number	(3) Relationship to you	(4) ✓ if qualifies for (see instructions): Child tax credit Credit for other dependents	
				☐	☐
				☐	☐
				☐	☐
				☐	☐

1 Wages, salaries, tips, etc. Attach Form(s) W-2 2a Tax-exempt interest 3a Qualified dividends 4a IRA distributions c Pensions and annuities 5a Social security benefits 6 Capital gain or (loss). Attach Schedule D if required. If not required, check here 7a Other income from Schedule 1, line 9 b Add lines 1, 2b, 3b, 4b, 5b, 6, and 7a. This is your total income 8a Adjustments to income from Schedule 1, line 22 b Subtract line 8a from line 7b. This is your adjusted gross income 9 Standard deduction or itemized deductions (from Schedule A) 10 Qualified business income deduction. Attach Form 8995 or Form 8995-A 11a Add lines 9 and 10 b Taxable income. Subtract line 11a from line 8b	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50%;">1</td><td style="width: 50%; text-align: right;">62,817</td></tr> <tr><td>2b</td><td style="text-align: right;">673</td></tr> <tr><td>3b</td><td> </td></tr> <tr><td>4b</td><td> </td></tr> <tr><td>4d</td><td> </td></tr> <tr><td>5b</td><td> </td></tr> <tr><td>6</td><td> </td></tr> <tr><td>7a</td><td style="text-align: right;">4,025</td></tr> <tr><td>7b</td><td style="text-align: right;">67,515</td></tr> <tr><td>8a</td><td style="text-align: right;">5,400</td></tr> <tr><td>8b</td><td style="text-align: right;">62,115</td></tr> <tr><td>9</td><td style="text-align: right;">24,400</td></tr> <tr><td>10</td><td> </td></tr> <tr><td>11a</td><td style="text-align: right;">24,400</td></tr> <tr><td>11b</td><td style="text-align: right;">37,715</td></tr> </table>	1	62,817	2b	673	3b		4b		4d		5b		6		7a	4,025	7b	67,515	8a	5,400	8b	62,115	9	24,400	10		11a	24,400	11b	37,715
1	62,817																														
2b	673																														
3b																															
4b																															
4d																															
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7a	4,025																														
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8a	5,400																														
8b	62,115																														
9	24,400																														
10																															
11a	24,400																														
11b	37,715																														

Standard Deduction for—
 • Single or Married filing separately, \$12,000
 • Married filing jointly or Qualifying widow(er), \$24,400
 • Head of household, \$18,350
 • If you checked any box under *Standard Deduction*, see instructions.

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form **1040** (2019)

Comprehensive Problem 2A, cont.

Form 1040 (2019)		Page 2
12a	Tax (see inst.) Check if any from Form(s): 1 ☐ 8814 2 ☐ 4972 3 ☐ 12a 4,139	
b	Add Schedule 2, line 3, and line 12a and enter the total ▶	12b 4,139
13a	Child tax credit or credit for other dependents 13a	
b	Add Schedule 3, line 7, and line 13a and enter the total ▶	13b
14	Subtract line 13b from line 12b. If zero or less, enter -0-	14 4,139
15	Other taxes, including self-employment tax, from Schedule 2, line 10	15
16	Add lines 14 and 15. This is your total tax ▶	16 4,139
17	Federal income tax withheld from Forms W-2 and 1099	17 5,724
18	Other payments and refundable credits:	
a	Earned income credit (EIC) 18a	
b	Additional child tax credit. Attach Schedule 8812 18b	
c	American opportunity credit from Form 8863, line 8 18c	
d	Schedule 3, line 14 18d	
e	Add lines 18a through 18d. These are your total other payments and refundable credits ▶	18e
19	Add lines 17 and 18e. These are your total payments ▶	19 5,724
Refund	20 If line 19 is more than line 16, subtract line 16 from line 19. This is the amount you overpaid	20 1,585
Direct deposit? See instructions.	21a Amount of line 20 you want refunded to you . If Form 8888 is attached, check here ☐ ▶	21a 1,585
	▶ b Routing number ▶ c Type: ☐ Checking ☐ Savings	
	▶ d Account number ▶	
	22 Amount of line 20 you want applied to your 2020 estimated tax ▶ 22	
Amount You Owe	23 Amount you owe. Subtract line 19 from line 16. For details on how to pay, see instructions ▶	23
	24 Estimated tax penalty (see instructions) ▶ 24	
Third Party Designee (Other than paid preparer)	Do you want to allow another person (other than your paid preparer) to discuss this return with the IRS? See instructions. ☐ Yes. Complete below. ☐ No	
	Designee's name ▶	Personal identification number (PIN) ▶
Sign Here	Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.	
	Your signature	Date
	Spouse's signature. If a joint return, both must sign.	Date
	Your occupation	If the IRS sent you an Identity Protection PIN, enter it here (see inst.) ▶
	Spouse's occupation	If the IRS sent your spouse an Identity Protection PIN, enter it here (see inst.) ▶
	Phone no.	Email address
Paid Preparer Use Only	Preparer's name	Preparer's signature
	Firm's name ▶	Phone no.
	Firm's address ▶	Firm's EIN ▶
	Date	PTIN
	Check if: ☐ 3rd Party Designee ☐ Self-employed	

Go to www.irs.gov/Form1040 for instructions and the latest information.

Form **1040** (2019)

Comprehensive Problem 2A, cont.

SCHEDULE 1 (Form 1040 or 1040-SR) Department of the Treasury Internal Revenue Service	Additional Income and Adjustments to Income ▶ Attach to Form 1040 or 1040-SR. ▶ Go to www.irs.gov/Form1040 for instructions and the latest information.	OMB No. 1545-0074 2019 Attachment Sequence No. 01
Name(s) shown on Form 1040 or 1040-SR Ray and Maria Gomez		Your social security number 469-21-5523
Part I Additional Income		
1 Taxable refunds, credits, or offsets of state and local income taxes	1	
2a Alimony received	2a	
b Date of original divorce or separation agreement (see instructions) ▶		
3 Business income or (loss). Attach Schedule C	3	
4 Other gains or (losses). Attach Form 4797	4	
5 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5	
6 Farm income or (loss). Attach Schedule F	6	
7 Unemployment compensation	7	
8 Other income. List type and amount ▶ Lottery winnings	8	4,025
9 Combine lines 1 through 8. Enter here and on Form 1040 or 1040-SR, line 7a	9	4,025
Part II Adjustments to Income		
10 Educator expenses	10	
11 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	11	
12 Health savings account deduction. Attach Form 8889	12	
13 Moving expenses for members of the Armed Forces. Attach Form 3903	13	
14 Deductible part of self-employment tax. Attach Schedule SE	14	
15 Self-employed SEP, SIMPLE, and qualified plans	15	
16 Self-employed health insurance deduction	16	
17 Penalty on early withdrawal of savings	17	
18a Alimony paid	18a	5,400
b Recipient's SSN ▶ 566-74-18765		
c Date of original divorce or separation agreement (see instructions) ▶ 1/27/2014		
19 IRA deduction	19	
20 Student loan interest deduction	20	
21 Reserved for future use	21	
22 Add lines 10 through 21. These are your adjustments to income . Enter here and on Form 1040 or 1040-SR, line 8a	22	5,400

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 71479F

Schedule 1 (Form 1040 or 1040-SR) 2019

Comprehensive Problem 2B

Form	1040	Department of the Treasury—Internal Revenue Service (99)	2019	OMB No. 1545-0074	IRS Use Only—Do not write or staple in this space.																														
U.S. Individual Income Tax Return																																			
Filing Status ☐ Single ☒ Married filing jointly ☐ Married filing separately (MFS) ☐ Head of household (HOH) ☐ Qualifying widow(er) (QW) Check only one box. If you checked the MFS box, enter the name of spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent. ▶																																			
Your first name and middle initial Carl		Last name Conch		Your social security number 835 21 5423																															
If joint return, spouse's first name and middle initial Mary		Last name Duval		Spouse's social security number 633 65 7912																															
Home address (number and street). If you have a P.O. box, see instructions. 1234 Mallory Square				Apt. no. 64																															
City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions). Key West, FL 33040				Presidential Election Campaign Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund. ☐ You ☐ Spouse If more than four dependents, see instructions and ✓ here ▶ ☐																															
Foreign country name		Foreign province/state/county				Foreign postal code																													
Standard Deduction Someone can claim: ☐ You as a dependent ☐ Your spouse as a dependent ☐ Spouse itemizes on a separate return or you were a dual-status alien																																			
Age/Blindness You: ☐ Were born before January 2, 1955 ☐ Are blind Spouse: ☐ Was born before January 2, 1955 ☐ Is blind																																			
Dependents (see instructions): <table border="1" style="width: 100%; border-collapse: collapse; font-size: 8pt;"> <thead> <tr> <th style="width: 30%;">(1) First name</th> <th style="width: 15%;">Last name</th> <th style="width: 15%;">(2) Social security number</th> <th style="width: 15%;">(3) Relationship to you</th> <th style="width: 10%;">(4) ✓ if qualifies for (see instructions): Child tax credit</th> <th style="width: 15%;">Credit for other dependents</th> </tr> </thead> <tbody> <tr><td> </td><td> </td><td> </td><td> </td><td>☐</td><td>☐</td></tr> <tr><td> </td><td> </td><td> </td><td> </td><td>☐</td><td>☐</td></tr> <tr><td> </td><td> </td><td> </td><td> </td><td>☐</td><td>☐</td></tr> <tr><td> </td><td> </td><td> </td><td> </td><td>☐</td><td>☐</td></tr> </tbody> </table>						(1) First name	Last name	(2) Social security number	(3) Relationship to you	(4) ✓ if qualifies for (see instructions): Child tax credit	Credit for other dependents					☐	☐					☐	☐					☐	☐					☐	☐
(1) First name	Last name	(2) Social security number	(3) Relationship to you	(4) ✓ if qualifies for (see instructions): Child tax credit	Credit for other dependents																														
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				☐	☐																														
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<table border="1" style="width: 100%; border-collapse: collapse; font-size: 10pt;"> <tr> <td style="width: 50%; vertical-align: top;"> 1 Wages, salaries, tips, etc. Attach Form(s) W-2 2a Tax-exempt interest 3a Qualified dividends 4a IRA distributions c Pensions and annuities 5a Social security benefits 6 Capital gain or (loss). Attach Schedule D if required. If not required, check here 7a Other income from Schedule 1, line 9 b Add lines 1, 2b, 3b, 4b, 5b, 6, and 7a. This is your total income 8a Adjustments to income from Schedule 1, line 22 b Subtract line 8a from line 7b. This is your adjusted gross income 9 Standard deduction or itemized deductions (from Schedule A) 10 Qualified business income deduction. Attach Form 8995 or Form 8995-A 11a Add lines 9 and 10 b Taxable income. Subtract line 11a from line 8b </td> <td style="width: 50%; vertical-align: top;"> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 30px;">1</td><td style="text-align: right;">67,895</td></tr> <tr><td>2b</td><td style="text-align: right;">370</td></tr> <tr><td>3b</td><td style="text-align: right;">234</td></tr> <tr><td>4b</td><td> </td></tr> <tr><td>5b</td><td> </td></tr> <tr><td>6</td><td> </td></tr> <tr><td>7a</td><td style="text-align: right;">3,764</td></tr> <tr><td>7b</td><td style="text-align: right;">72,263</td></tr> <tr><td>8a</td><td> </td></tr> <tr><td>8b</td><td style="text-align: right;">72,263</td></tr> <tr><td>9</td><td style="text-align: right;">24,400</td></tr> <tr><td>10</td><td> </td></tr> <tr><td>11a</td><td style="text-align: right;">24,400</td></tr> <tr><td>11b</td><td style="text-align: right;">47,863</td></tr> </table> </td> </tr> </table>						1 Wages, salaries, tips, etc. Attach Form(s) W-2 2a Tax-exempt interest 3a Qualified dividends 4a IRA distributions c Pensions and annuities 5a Social security benefits 6 Capital gain or (loss). Attach Schedule D if required. If not required, check here 7a Other income from Schedule 1, line 9 b Add lines 1, 2b, 3b, 4b, 5b, 6, and 7a. This is your total income 8a Adjustments to income from Schedule 1, line 22 b Subtract line 8a from line 7b. This is your adjusted gross income 9 Standard deduction or itemized deductions (from Schedule A) 10 Qualified business income deduction. Attach Form 8995 or Form 8995-A 11a Add lines 9 and 10 b Taxable income. Subtract line 11a from line 8b	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 30px;">1</td><td style="text-align: right;">67,895</td></tr> <tr><td>2b</td><td style="text-align: right;">370</td></tr> <tr><td>3b</td><td style="text-align: right;">234</td></tr> <tr><td>4b</td><td> </td></tr> <tr><td>5b</td><td> </td></tr> <tr><td>6</td><td> </td></tr> <tr><td>7a</td><td style="text-align: right;">3,764</td></tr> <tr><td>7b</td><td style="text-align: right;">72,263</td></tr> <tr><td>8a</td><td> </td></tr> <tr><td>8b</td><td style="text-align: right;">72,263</td></tr> <tr><td>9</td><td style="text-align: right;">24,400</td></tr> <tr><td>10</td><td> </td></tr> <tr><td>11a</td><td style="text-align: right;">24,400</td></tr> <tr><td>11b</td><td style="text-align: right;">47,863</td></tr> </table>	1	67,895	2b	370	3b	234	4b		5b		6		7a	3,764	7b	72,263	8a		8b	72,263	9	24,400	10		11a	24,400	11b	47,863
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Standard Deduction for— • Single or Married filing separately, \$12,200 • Married filing jointly or Qualifying widow(er), \$24,400 • Head of household, \$18,350 • If you checked any box under <i>Standard Deduction</i>, see instructions. For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions.																																			

Comprehensive Problem 2B, cont.

Form 1040 (2019)		Page 2
12a Tax (see inst.) Check if any from Form(s): 1 ☐ 8814 2 ☐ 4972 3 ☐		12a 5,357
b Add Schedule 2, line 3, and line 12a and enter the total		12b 5,357
13a Child tax credit or credit for other dependents		13a
b Add Schedule 3, line 7, and line 13a and enter the total		13b
14 Subtract line 13b from line 12b. If zero or less, enter -0-		14 5,357
15 Other taxes, including self-employment tax, from Schedule 2, line 10		15
16 Add lines 14 and 15. This is your total tax		16 5,357
17 Federal income tax withheld from Forms W-2 and 1099		17 6,820
18 Other payments and refundable credits:		
a Earned income credit (EIC)		18a
b Additional child tax credit. Attach Schedule 8812		18b
c American opportunity credit from Form 8863, line 8		18c
d Schedule 3, line 14		18d
e Add lines 18a through 18d. These are your total other payments and refundable credits		18e
19 Add lines 17 and 18e. These are your total payments		19 6,820
20 If line 19 is more than line 16, subtract line 16 from line 19. This is the amount you overpaid		20 1,463
21a Amount of line 20 you want refunded to you . If Form 8888 is attached, check here ☐		21a 1,463
Direct deposit? See instructions. b Routing number c Type: ☐ Checking ☐ Savings d Account number		
22 Amount of line 20 you want applied to your 2020 estimated tax		22
23 Amount you owe. Subtract line 19 from line 16. For details on how to pay, see instructions		23
24 Estimated tax penalty (see instructions)		24
Third Party Designee (Other than paid preparer) Do you want to allow another person (other than your paid preparer) to discuss this return with the IRS? See instructions. ☐ Yes. Complete below. ☐ No		
Designee's name Phone no. Personal identification number (PIN)		
Sign Here Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.		
Your signature		Date
Spouse's signature. If a joint return, both must sign.		Date
Your occupation		If the IRS sent you an Identity Protection PIN, enter it here (see inst.)
Spouse's occupation		If the IRS sent your spouse an Identity Protection PIN, enter it here (see inst.)
Phone no.		Email address
Preparer's name		Preparer's signature
Firm's name		Date
Firm's address		PTIN
Firm's EIN		Check if: ☐ 3rd Party Designee ☐ Self-employed

Go to www.irs.gov/Form1040 for instructions and the latest information.Form **1040** (2019)

Comprehensive Problem 2B, cont.

SCHEDULE 1 (Form 1040 or 1040-SR) Department of the Treasury Internal Revenue Service	Additional Income and Adjustments to Income ► Attach to Form 1040 or 1040-SR. ► Go to www.irs.gov/Form1040 for instructions and the latest information.	OMB No. 1545-0074 2019 Attachment Sequence No. 01
Name(s) shown on Form 1040 or 1040-SR Carl Conch and Mary Duval		Your social security number 835-21-5423
Part I Additional Income		
1 Taxable refunds, credits, or offsets of state and local income taxes	1	
2a Alimony received	2a	
b Date of original divorce or separation agreement (see instructions) ►		
3 Business income or (loss). Attach Schedule C	3	
4 Other gains or (losses). Attach Form 4797	4	
5 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5	
6 Farm income or (loss). Attach Schedule F	6	
7 Unemployment compensation	7	2,989
8 Other income. List type and amount ► Raffle prize	8	775
9 Combine lines 1 through 8. Enter here and on Form 1040 or 1040-SR, line 7a	9	3,764
Part II Adjustments to Income		
10 Educator expenses	10	
11 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	11	
12 Health savings account deduction. Attach Form 8889	12	
13 Moving expenses for members of the Armed Forces. Attach Form 3903	13	
14 Deductible part of self-employment tax. Attach Schedule SE	14	
15 Self-employed SEP, SIMPLE, and qualified plans	15	
16 Self-employed health insurance deduction	16	
17 Penalty on early withdrawal of savings	17	
18a Alimony paid	18a	
b Recipient's SSN		
c Date of original divorce or separation agreement (see instructions) ►		
19 IRA deduction	19	
20 Student loan interest deduction	20	
21 Reserved for future use	21	
22 Add lines 10 through 21. These are your adjustments to income . Enter here and on Form 1040 or 1040-SR, line 8a	22	

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 71479F

Schedule 1 (Form 1040 or 1040-SR) 2019

Key Number Tax Return Summary**Chapter 2****Comprehensive Problem 1**

Adjusted Gross Income (Line 8b)	<u>56,477</u>
Taxable Income (Line 11b)	<u>32,077</u>
Total Tax (Line 16)	<u>3,425</u>
Amount Overpaid (Line 20)	<u>1,365</u>

Comprehensive Problem 2A

Adjusted Gross Income (Line 8b)	<u>62,115</u>
Taxable Income (Line 11b)	<u>37,715</u>
Total Tax (Line 16)	<u>4,139</u>
Amount Overpaid (Line 20)	<u>1,585</u>

Comprehensive Problem 2B

Adjusted Gross Income (Line 8b)	<u>72,263</u>
Taxable Income (Line 11b)	<u>47,863</u>
Total Tax (Line 16)	<u>5,357</u>
Amount Overpaid (Line 20)	<u>1,463</u>

Form 1040	Department of the Treasury—Internal Revenue Service (99) U.S. Individual Income Tax Return	2019	OMB No. 1545-0074	IRS Use Only—Do not write or staple in this space.
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Filing Status ☐ Single ☒ Married filing jointly ☐ Married filing separately (MFS) ☐ Head of household (HOH) ☐ Qualifying widow(er) (QW)
 Check only one box. If you checked the MFS box, enter the name of spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent. ▶

Your first name and middle initial Albert T.	Last name Gaytor	Your social security number 266 51 1966
If joint return, spouse's first name and middle initial Allison A.	Last name Gaytor	Spouse's social security number 266 34 1967

Home address (number and street). If you have a P.O. box, see instructions.
12340 Cocoshell Road

Apt. no. _____

City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).
Coral Gables, FL 33134

Foreign country name _____ Foreign province/state/county _____ Foreign postal code _____

Standard Deduction **Someone can claim:** ☐ You as a dependent ☐ Your spouse as a dependent ☐ Spouse itemizes on a separate return or you were a dual-status alien

Age/Blindness **You:** ☐ Were born before January 2, 1955 ☐ Are blind **Spouse:** ☐ Was born before January 2, 1955 ☐ Is blind

(1) First name		Last name	(2) Social security number	(3) Relationship to you	(4) ✓ if qualifies for (see instructions):	
					Child tax credit	Credit for other dependents
Crocker		Gaytor	261 55 1212	Son	☐	☒
					☐	☐
					☐	☐
					☐	☐

1 Wages, salaries, tips, etc. Attach Form(s) W-2 1 67,024 2a Tax-exempt interest 2a 751 3a Qualified dividends 3a 1,031 4a IRA distributions 4a _____ c Pensions and annuities 4c _____ 5a Social security benefits 5a _____ 6 Capital gain or (loss). Attach Schedule D if required. If not required, check here ☐ 6 _____ 7a Other income from Schedule 1, line 9 7a 10,072 b Add lines 1, 2b, 3b, 4b, 4d, 5b, 6, and 7a. This is your total income 7b 79,307 8a Adjustments to income from Schedule 1, line 22 8a 11,500 b Subtract line 8a from line 7b. This is your adjusted gross income 8b 67,807 9 Standard deduction or itemized deductions (from Schedule A) 9 24,400 10 Qualified business income deduction. Attach Form 8995 or Form 8995-A 10 _____ 11a Add lines 9 and 10 11a 24,400 b Taxable income. Subtract line 11a from line 8b 11b 43,407	1 67,024 2b 1,020 3b 1,191 4b _____ 4d _____ 5b _____ 6 _____ 7a 10,072 7b 79,307 8a 11,500 8b 67,807 9 24,400 10 _____ 11a 24,400 11b 43,407
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Standard Deduction for—
 • Single or Married filing separately, \$12,000
 • Married filing jointly or Qualifying widow(er), \$24,400
 • Head of household, \$18,350
 • If you checked any box under **Standard Deduction**, see instructions.

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form **1040** (2019)

Form 1040 (2019) Page **2**

12a	Tax (see inst.) Check if any from Form(s): 1 ☐ 8814 2 ☐ 4972 3 ☐	12a	4,697
b	Add Schedule 2, line 3, and line 12a and enter the total	12b	4,697
13a	Child tax credit or credit for other dependents	13a	500
b	Add Schedule 3, line 7, and line 13a and enter the total	13b	500
14	Subtract line 13b from line 12b. If zero or less, enter -0-	14	4,197
15	Other taxes, including self-employment tax, from Schedule 2, line 10	15	
16	Add lines 14 and 15. This is your total tax	16	4,197
17	Federal income tax withheld from Forms W-2 and 1099	17	7,389 (a)
18	Other payments and refundable credits:		
a	Earned income credit (EIC)	18a	
b	Additional child tax credit. Attach Schedule 8812	18b	
c	American opportunity credit from Form 8863, line 8	18c	
d	Schedule 3, line 14	18d	
e	Add lines 18a through 18d. These are your total other payments and refundable credits	18e	
19	Add lines 17 and 18e. These are your total payments	19	7,389
Refund			
20	If line 19 is more than line 16, subtract line 16 from line 19. This is the amount you overpaid	20	3,192
21a	Amount of line 20 you want refunded to you . If Form 8888 is attached, check here ☐	21a	3,192
Direct deposit? See instructions.	b Routing number	c Type: ☐ Checking ☐ Savings	
	d Account number		
	22 Amount of line 20 you want applied to your 2020 estimated tax	22	
Amount You Owe			
23	Amount you owe. Subtract line 19 from line 16. For details on how to pay, see instructions	23	
24	Estimated tax penalty (see instructions)	24	
Third Party Designee (Other than paid preparer)	Do you want to allow another person (other than your paid preparer) to discuss this return with the IRS? See instructions. ☐ Yes. Complete below. ☐ No		
	Designee's name	Phone no.	Personal identification number (PIN)
Sign Here	Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.		
	Your signature	Date	Your occupation Boat Captain
Joint return? See instructions. Keep a copy for your records.	Spouse's signature. If a joint return, both must sign.	Date	Spouse's occupation Homemaker
	Phone no.	Email address	If the IRS sent you an Identity Protection PIN, enter it here (see inst.)
Paid Preparer Use Only	Preparer's name	Preparer's signature	Date PTIN
	Firm's name	Firm's address	Check if: ☐ 3rd Party Designee ☐ Self-employed
	Firm's EIN		

Go to www.irs.gov/Form1040 for instructions and the latest information. Form **1040** (2019)

(a) $\$7,389 = \$5,634 \text{ (W-2)} + \$1,600 \text{ (W-2G)} + \155 (1099-G)

SCHEDULE 1 (Form 1040 or 1040-SR) Department of the Treasury Internal Revenue Service	Additional Income and Adjustments to Income ▶ Attach to Form 1040 or 1040-SR. ▶ Go to www.irs.gov/Form1040 for instructions and the latest information.	OMB No. 1545-0074 2019 Attachment Sequence No. 01
Name(s) shown on Form 1040 or 1040-SR Albert T. and Allison A. Gaytor		Your social security number 266-51-1966
Part I Additional Income		
1 Taxable refunds, credits, or offsets of state and local income taxes		1
2a Alimony received		2a
b Date of original divorce or separation agreement (see instructions) ▶		
3 Business income or (loss). Attach Schedule C		3
4 Other gains or (losses). Attach Form 4797		4
5 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E		5
6 Farm income or (loss). Attach Schedule F		6
7 Unemployment compensation		7 4,050
8 Other income. List type and amount ▶ Gambling winnings		8 6,022
9 Combine lines 1 through 8. Enter here and on Form 1040 or 1040-SR, line 7a		9 10,072
Part II Adjustments to Income		
10 Educator expenses		10
11 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106		11
12 Health savings account deduction. Attach Form 8889		12
13 Moving expenses for members of the Armed Forces. Attach Form 3903		13
14 Deductible part of self-employment tax. Attach Schedule SE		14
15 Self-employed SEP, SIMPLE, and qualified plans		15
16 Self-employed health insurance deduction		16
17 Penalty on early withdrawal of savings		17
18a Alimony paid		18a 11,500
b Recipient's SSN ▶ 667 34 9224		
c Date of original divorce or separation agreement (see instructions) ▶ 7/1/2015		
19 IRA deduction		19
20 Student loan interest deduction		20
21 Reserved for future use		21
22 Add lines 10 through 21. These are your adjustments to income . Enter here and on Form 1040 or 1040-SR, line 8a		22 11,500

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 71479F

Schedule 1 (Form 1040 or 1040-SR) 2019

Qualified Dividends and Capital Gain Tax Worksheet—Line 12a

Before you begin: ✓ See the earlier instructions for line 12a to see if you can use this worksheet to figure your tax.
 ✓ Before completing this worksheet, complete Form 1040 or 1040-SR through line 11b.
 ✓ If you don't have to file Schedule D and you received capital gain distributions, be sure you checked the box on Form 1040 or 1040-SR, line 6.

1.	Enter the amount from Form 1040 or 1040-SR, line 11b. However, if you are filing Form 2555 (relating to foreign earned income), enter the amount from line 3 of the Foreign Earned Income Tax Worksheet	1.	<u>43,407</u>
2.	Enter the amount from Form 1040 or 1040-SR, line 3a*	2.	<u>1,031</u>
3.	Are you filing Schedule D?*		
	☐ Yes. Enter the smaller of line 15 or 16 of Schedule D. If either line 15 or 16 is blank or a loss, enter -0-.	3.	<u>0</u>
	☒ No. Enter the amount from Form 1040 or 1040-SR, line 6.		
4.	Add lines 2 and 3	4.	<u>1,031</u>
5.	If filing Form 4952 (used to figure investment interest expense deduction), enter any amount from line 4g of that form. Otherwise, enter -0-	5.	<u>0</u>
6.	Subtract line 5 from line 4. If zero or less, enter -0-	6.	<u>1,031</u>
7.	Subtract line 6 from line 1. If zero or less, enter -0-	7.	<u>42,376</u>
8.	Enter: \$39,375 if single or married filing separately, \$78,750 if married filing jointly or qualifying widow(er), \$52,750 if head of household.	8.	<u>78,750</u>
9.	Enter the smaller of line 1 or line 8	9.	<u>43,407</u>
10.	Enter the smaller of line 7 or line 9	10.	<u>42,376</u>
11.	Subtract line 10 from line 9. This amount is taxed at 0%	11.	<u>1,031</u>
12.	Enter the smaller of line 1 or line 6	12.	<u>1,031</u>
13.	Enter the amount from line 11	13.	<u>1,031</u>
14.	Subtract line 13 from line 12	14.	<u>0</u>
15.	Enter: \$434,550 if single, \$244,425 if married filing separately, \$488,850 if married filing jointly or qualifying widow(er), \$461,700 if head of household.	15.	<u>488,850</u>
16.	Enter the smaller of line 1 or line 15	16.	<u>43,407</u>
17.	Add lines 7 and 11	17.	<u>43,407</u>
18.	Subtract line 17 from line 16. If zero or less, enter -0-	18.	<u>0</u>
19.	Enter the smaller of line 14 or line 18	19.	<u>0</u>
20.	Multiply line 19 by 15% (0.15)	20.	<u>0</u>
21.	Add lines 11 and 19	21.	<u>1,031</u>
22.	Subtract line 21 from line 12	22.	<u>0</u>
23.	Multiply line 22 by 20% (0.20)	23.	<u>0</u>
24.	Figure the tax on the amount on line 7. If the amount on line 7 is less than \$100,000, use the Tax Table to figure the tax. If the amount on line 7 is \$100,000 or more, use the Tax Computation Worksheet	24.	<u>4,697</u>
25.	Add lines 20, 23, and 24	25.	<u>4,697</u>
26.	Figure the tax on the amount on line 1. If the amount on line 1 is less than \$100,000, use the Tax Table to figure the tax. If the amount on line 1 is \$100,000 or more, use the Tax Computation Worksheet	26.	<u>4,823</u>
27.	Tax on all taxable income. Enter the smaller of line 25 or 26. Also include this amount on the entry space on Form 1040 or 1040-SR, line 12a. If you are filing Form 2555, don't enter this amount on the entry space on Form 1040 or 1040-SR, line 12a. Instead, enter it on line 4 of the Foreign Earned Income Tax Worksheet	27.	<u>4,697</u>

* If you are filing Form 2555, see the footnote in the Foreign Earned Income Tax Worksheet before completing this line.