

Solutions Manual for Income Tax Fundamentals 2023 41st Whittenburg

GROSS INCOME AND EXCLUSIONS

Group 1 – Multiple Choice Questions

1. C The definition of gross income is very broad and is designed to include all income not specifically excluded (LO 2.1)
2. E Proceeds from a life insurance policy paid to the beneficiary are generally excluded from gross income (LO 2.1)
3. A Damages paid for physical injury are not generally gross income (LO 2.1)
4. E Scholarships used for tuition are excluded from gross income (LO 2.1)
5. B Scholarships used to pay for room and board are not considered excludable. (LO 2.1)
6. B Box 1 of Form W-2 is used to report wages for income tax (LO 2.2)
7. D Classification is based on the law and is not intended to be a choice for an employer or employee to make (LO 2.2)
8. C Benefits are often reserved for employees making the provision of health care to a worker increase the chance of classification as an employee (LO 2.2)
9. D State income tax withheld is reported in Box 17 of Form W-2 (LO 2.2)
10. A Employer-paid health insurance (including dental) is excluded from gross income (LO 2.3)
11. A Payments for health care are generally excludable (LO 2.3)
12. E The meals appear to be provided for the convenience of the employer and thus are excludable (LO 2.4)
13. E All of these meals are either for the convenience or de minimis (LO 2.4)
14. D A graduate student may exclude a tuition reduction as long as they are teaching or researching for the school (LO 2.5)
15. C The transportation fringe benefit is excludable only to \$280 per month. The excess is gross income (LO 2.5)
16. C 2022 limit is \$2,850 (LO 2.5)
17. C \$5,000 limit in total (LO 2.5)
18. D The bicycle transportation fringe is suspended through 2025 (LO 2.5)
19. B Group-term life up to \$50,000 is excluded (LO 2.5)
20. A Parking can be offered to only highly compensated employees (LO 2.5)
21. A Service awards of less than \$400 can be excluded (LO 2.6)
22. A Service awards given in cash and a number of other forms including tickets to sporting events are not excludable (LO 2.6)
23. C $\$94,500/210 = \$450 \times 4 = \$1,800$ (LO 2.7)
24. D Once the entire investment is recovered, the remaining payments are treated as income (LO 2.7)
25. C The sale of a life insurance policy for consideration is likely to generate income to the individual selling the policy (LO 2.8)
26. A Life insurance proceeds are generally not taxable to the beneficiary (LO 2.8)
27. A Series I bonds are generally not taxable until redeemed or maturity unless an election is made (LO 2.9)
28. D Interest from U.S. obligations is taxable for federal income tax (LO 2.9)
29. C U.S. government interest is taxable federally but exempt for state income taxes (LO 2.9)
30. D None of the redemption value is taxable (LO 2.9)
31. D Jerry can reduce the interest payment by interest accrued and paid to the seller (LO 2.9)
32. A The price of the bond will decrease creating discount (LO 2.9)
33. B The below market loan creates deemed interest income for the lender (LO 2.9)
34. D $\$375 \times 20\%$ (LO 2.10)
35. C Qualified dividends enjoy preferential rates (LO 2.10)
36. C Transfers from employers to employees are almost always taxable (LO 2.11)
37. B Scholarships used for room and board are not excludable (LO 2.12)
38. A Alimony related to divorces after 2018 is not deductible or includable (LO 2.13)
39. D Transfers of property incident to a divorce do not generally result in income (LO 2.13)
40. B $\$2,000/\$5,000 \times \$1,400$ (LO 2.14)

2-2 Chapter 2 – Gross Income and Exclusions

41. B Contributions to 529 plans are not deductible. If distributions are used to pay qualified higher education expenses, they are not taxable (LO 2.14)
42. A If distributions from a 529 plan are used to pay qualified higher education expenses, they are not taxable (LO 2.14)
43. D Unlike Coverdell accounts, there is no income threshold for contributions to a 529 plan (LO 2.14)
44. D Unlike Coverdell accounts, there is no income threshold for contributions to a 529 plan (LO 2.14)
45. C $[\$110,000 - (\$91,500 + \$11,000)]/\$15,000 \times \$2,000$ (LO 2.14)
46. D $\$15,450 + \$1,600 + \$1,400$ Unemployment is taxable (LO 2.15)
47. E The maximum percentage of Social Security benefits that are taxable is 85% (LO 2.16)
48. A Tax-exempt income is added back to compute modified AGI for determining the taxability of Social Security benefits (LO 2.16)
49. E $(\$45,000 + \$25,000)/2$ (LO 2.17)
50. B A minor child's home does not impact the allocation of income for a married couple in a community property state (LO 2.17)
51. B $\$12,000$ loan balance before cancellation less $\$11,500$ after cancellation (LO 2.18)
52. A Cancellation of debt income on a primary residence is excludable from gross income (LO 2.18)
53. A Student loan forgiveness is excluded from gross income through 2025 (LO 2.18)

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 may be able to 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 insurance benefits do not create a difference between Box 1 and wages taxable for Social Security and Medicare in Boxes 3 and 5. (LO 2.2)
6. Student responses are likely to vary. The 10 behavioral factors and an example are:
1. Instruction. When a worker is told when, where, and how work is to be completed, that is indicative of an employee.

2. Training. An employee receives training on how to perform the job to company standards.
 3. Personally rendered. An employee does not generally have the ability to hire subcontractors for their own work.
 4. Hiring and supervising assistants. An employee does not generally have the authority to hire additional assistance to increase the likelihood of completing a job on time.
 5. Continuing relationship. An employee works for the same business for a long period of time, whereas an independent contractor works on a contract or project basis.
 6. Work hours. Employees generally work during hours set by their supervisor whereas independent contractors can complete work at a time suitable to them.
 7. Time required. An employee works for the business full-time, 40 hours per week.
 8. Workplace. An employee is required to report to the workplace each day to complete the work.
 9. Sequence of work. Employees generally have a structure and order to workflow while independent contractors can complete a project in the order that suits them.
 10. Reports. An employee provides frequent reports of progress and performance. (LO 2.2)
7. 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)
 8. **\$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. (LO 2.3)
 9. 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.
d. **\$0.** Because Karrie's employer provides meals for the convenience of the employer to more than one-half of the employees, all the employees are eligible for the benefit. (LO 2.4)
 10. **\$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)
 11. Yes. Tom will be better off reducing his taxable income by \$2,850 by using the health care flexible spending account. Since his income will be \$2,850 less, he will pay less tax than he would otherwise. (LO 2.5)
 12. a. **\$7,600.**
b. **\$300.** A non-qualified plan award may only be excluded up to \$400; thus, \$300 is taxable.
c. **\$1,000,000.**
d. **\$30,000.** (LO 2.6)
 13. a. **\$4,000.**
b. **\$14,500.**
c. **\$0.** (LO 2.6, 2.12)

2-4 Chapter 2 – Gross Income and Exclusions

14. SIMPLIFIED METHOD WORKSHEET

- | | |
|---|-------------|
| 1) Enter total amount received this year. | 1) \$ 7,000 |
| 2) Enter cost in the plan at the annuity starting date. | 2) \$48,300 |
| 3) Age at annuity starting date | |

Enter

55 and under	360	
56–60	310	
61–65	260	3) <u>210</u>
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) \$48,300 |
| 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> |
15. **\$58,000** = \$100,000 – \$30,000 – \$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)
16. **\$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)
17. **None**. David has received an accelerated death benefit or viatical settlement which is excluded from taxable income. (LO 2.8)
18. 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)
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. Yorick's purchase price is affected by two items: (1) Yorick pays Hamlet for his share of accrued interest at the time of sale between interest payments. This is \$123 ($\$10,000 \times 5\% \div 365 \times 90$ days since last interest payment). Yorick will report the entire interest payment he receives and also report an offsetting reduction of \$123. The price of the bond without the interest is therefore \$9,438 ($\$9,561 - \123). Because of the change in interest rates, the bond is now subject to market discount of \$562 ($\$10,000 - \$9,438$). The discount can be either included in gross income ratably each year or included when sold or matured. (LO 2.9)
21. $5.77\% = 4.5\% \div (100\% - 22\%)$. (LO 2.9)
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 municipal bond due to the higher after-tax rate of return. (LO 2.9)

23. Qualified dividends are taxed at either 0%, 15%, or 20% depending on income and filing status. For example, a single taxpayer with income below \$41,675 has a capital gain rate of 0%. Income over \$41,675 but below \$459,750 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 2.10)
24. a. See Schedule B on Page 2-6.
 b. Line 2a is \$400, Line 2b is \$1,900
 c. Line 3a is \$6,094, Line 3b is \$6,100 (LO 2.10)
25. **\$5,600.** Inheritances are excluded from taxable income; however, subsequent earnings on inherited property must be included in income. (LO 2.11)
26. \$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)
27. None of the gift is taxable. Gifts are excluded from the taxable income of the person receiving the gift. (LO 2.11)
28. \$8,000 is taxable since there is no exclusion for payments made for room and board. \$12,000 is not taxable, since scholarships for tuition are specifically excluded from taxable income. (LO 2.12)
29. a. (1) **\$450.** b. (1) **\$0.**
 (2) **\$450.** (2) **\$425,000.**
 (3) **\$0.** (3) **(LO 2.13)**
30. Arlen does not deduct the alimony or child support.
 Jane does not report the alimony or child support as income. (LO 2.13)
31. 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)
32. **\$11,172;** Tuition, reasonable room and board, and books. (LO 2.14)
33. **\$0;** All distributions are used for qualifying expenses. (LO 2.14)
34. **\$3,250.** Unemployment benefits received are included in gross income. (LO 2.15)
35. **\$6,460.** See calculation on the worksheet on Page 2-7. (LO 2.16)
36. a. **Yes.** Tax-free municipal bond income is added to AGI in the formula to determine the amount of taxable Social Security benefits.
 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)
37. a. Kelly \$43,800. One half of total wages and joint investment income and all of the inherited investment income. Kerry \$35,800.
 b. \$39,800. Kelly and Kerry both report one-half of all income (LO 2.17)
38. Son will not recognize any cancellation of debt income. This is cancellation of qualified principle residence debt and thus can be excluded. He will need to reduce his basis in the home by the amount of excluded income. (LO 2.18)

Group 2: Problem 35

1. Enter the total amount of social security income	1. \$7,600
2. Enter one-half of line 1	2. 3,800
3. Enter the total of taxable income items on Form 1040 except social security income	3. 14,700
4. Enter the amount of tax exempt interest income	4. 30,000
5. Add lines 2, 3, and 4	5. 48,500
6. Enter all adjustments for AGI except for student loan interest 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. 48,500
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. 23,500
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. 14,500
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. 3,800
15. Multiply line 11 by 85% (.85). If line 11 is zero, enter -0-	15. 12,325
16. Add lines 14 and 15	16. 16,125
17. Multiply line 1 by 85% (.85)	17. 6,460
18. Taxable benefits. Enter the smaller of line 16 or line 17	18. \$6,460

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. The reduction simply represents a lower negotiated price for tuition in much the same way you may 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 2-9 through 2-12.
- 2A. See Pages 2-13 through 2-18.
- 2B. See Pages 2-19 through 2-22.

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	2022	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 surviving spouse (QSS)																																																																
Check only one box. If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QSS box, enter the child's name if the qualifying person is a child but not your dependent:																																																																
Your first name and middle initial Donna		Last name Hoser		Your social security number 465 74 3322																																																												
If joint return, spouse's first name and middle initial Chris		Last name Hoser		Spouse's social security number 465 57 9935																																																												
Home address (number and street). If you have a P.O. box, see instructions. 1313 W. Washington Street				Apt. no.																																																												
City, town, or post office. If you have a foreign address, also complete spaces below. Stephenville			State TX	ZIP code 76401																																																												
Foreign country name		Foreign province/state/county		Foreign postal code																																																												
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																																																																
Digital Assets At any time during 2022, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, gift, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.) ☐ Yes ☒ No																																																																
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, 1958 ☐ Are blind Spouse: ☐ Was born before January 2, 1958 ☐ Is blind																																																																
Dependents (see instructions):																																																																
<table><thead><tr><th>(1) First name</th><th>Last name</th><th>(2) Social security number</th><th>(3) Relationship to you</th><th>(4) Check the box if qualifies for (see instructions):</th></tr><tr><th colspan="3"></th><th>Child tax credit</th><th>Credit for other dependents</th></tr></thead><tbody><tr><td></td><td></td><td></td><td>☐</td><td>☐</td></tr><tr><td></td><td></td><td></td><td>☐</td><td>☐</td></tr><tr><td></td><td></td><td></td><td>☐</td><td>☐</td></tr><tr><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) Check the box if qualifies for (see instructions):				Child tax credit	Credit for other dependents				☐	☐				☐	☐				☐	☐				☐	☐																														
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<table><tr><td>1a Total amount from Form(s) W-2, box 1 (see instructions)</td><td>1a 53,398</td></tr><tr><td>b Household employee wages not reported on Form(s) W-2</td><td>1b</td></tr><tr><td>c Tip income not reported on line 1a (see instructions)</td><td>1c</td></tr><tr><td>d Medicaid waiver payments not reported on Form(s) W-2 (see instructions)</td><td>1d</td></tr><tr><td>e Taxable dependent care benefits from Form 2441, line 26</td><td>1e</td></tr><tr><td>f Employer-provided adoption benefits from Form 8839, line 29</td><td>1f</td></tr><tr><td>g Wages from Form 8919, line 6</td><td>1g</td></tr><tr><td>h Other earned income (see instructions)</td><td>1h</td></tr><tr><td>i Nontaxable combat pay election (see instructions)</td><td>1i</td></tr><tr><td>z Add lines 1a through 1h</td><td>1z 53,398</td></tr><tr><td>2a Tax-exempt interest</td><td>2a 122</td></tr><tr><td>3a Qualified dividends</td><td>3a 320</td></tr><tr><td>4a IRA distributions</td><td>4a</td></tr><tr><td>5a Pensions and annuities</td><td>5a</td></tr><tr><td>6a Social security benefits</td><td>6a</td></tr><tr><td>b Taxable interest</td><td>2b 624</td></tr><tr><td>b Ordinary dividends</td><td>3b 320</td></tr><tr><td>b Taxable amount</td><td>4b</td></tr><tr><td>b Taxable amount</td><td>5b</td></tr><tr><td>b Taxable amount</td><td>6b</td></tr><tr><td>c If you elect to use the lump-sum election method, check here (see instructions)</td><td>☐</td></tr><tr><td>7 Capital gain or (loss). Attach Schedule D if required. If not required, check here</td><td>7</td></tr><tr><td>8 Other income from Schedule 1, line 10</td><td>8 10,000</td></tr><tr><td>9 Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income</td><td>9 64,342</td></tr><tr><td>10 Adjustments to income from Schedule 1, line 26</td><td>10</td></tr><tr><td>11 Subtract line 10 from line 9. This is your adjusted gross income</td><td>11 64,342</td></tr><tr><td>12 Standard deduction or itemized deductions (from Schedule A)</td><td>12 25,900</td></tr><tr><td>13 Qualified business income deduction from Form 8995 or Form 8995-A</td><td>13</td></tr><tr><td>14 Add lines 12 and 13</td><td>14 25,900</td></tr><tr><td>15 Subtract line 14 from line 11. If zero or less, enter -0-. This is your taxable income</td><td>15 38,442</td></tr></table>					1a Total amount from Form(s) W-2, box 1 (see instructions)	1a 53,398	b Household employee wages not reported on Form(s) W-2	1b	c Tip income not reported on line 1a (see instructions)	1c	d Medicaid waiver payments not reported on Form(s) W-2 (see instructions)	1d	e Taxable dependent care benefits from Form 2441, line 26	1e	f Employer-provided adoption benefits from Form 8839, line 29	1f	g Wages from Form 8919, line 6	1g	h Other earned income (see instructions)	1h	i Nontaxable combat pay election (see instructions)	1i	z Add lines 1a through 1h	1z 53,398	2a Tax-exempt interest	2a 122	3a Qualified dividends	3a 320	4a IRA distributions	4a	5a Pensions and annuities	5a	6a Social security benefits	6a	b Taxable interest	2b 624	b Ordinary dividends	3b 320	b Taxable amount	4b	b Taxable amount	5b	b Taxable amount	6b	c If you elect to use the lump-sum election method, check here (see instructions)	☐	7 Capital gain or (loss). Attach Schedule D if required. If not required, check here	7	8 Other income from Schedule 1, line 10	8 10,000	9 Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income	9 64,342	10 Adjustments to income from Schedule 1, line 26	10	11 Subtract line 10 from line 9. This is your adjusted gross income	11 64,342	12 Standard deduction or itemized deductions (from Schedule A)	12 25,900	13 Qualified business income deduction from Form 8995 or Form 8995-A	13	14 Add lines 12 and 13	14 25,900	15 Subtract line 14 from line 11. If zero or less, enter -0-. This is your taxable income	15 38,442
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b Taxable amount	4b																																																															
b Taxable amount	5b																																																															
b Taxable amount	6b																																																															
c If you elect to use the lump-sum election method, check here (see instructions)	☐																																																															
7 Capital gain or (loss). Attach Schedule D if required. If not required, check here	7																																																															
8 Other income from Schedule 1, line 10	8 10,000																																																															
9 Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income	9 64,342																																																															
10 Adjustments to income from Schedule 1, line 26	10																																																															
11 Subtract line 10 from line 9. This is your adjusted gross income	11 64,342																																																															
12 Standard deduction or itemized deductions (from Schedule A)	12 25,900																																																															
13 Qualified business income deduction from Form 8995 or Form 8995-A	13																																																															
14 Add lines 12 and 13	14 25,900																																																															
15 Subtract line 14 from line 11. If zero or less, enter -0-. This is your taxable income	15 38,442																																																															
Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld. If you did not get a Form W-2, see instructions.																																																																
Attach Sch. B if required.																																																																
Standard Deduction for— • Single or Married filing separately, \$12,950 • Married filing jointly or Qualifying surviving spouse, \$25,900 • Head of household, \$19,400 • 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 (2022)																																																																

Comprehensive Problem 1, cont.

Form 1040 (2022)

Page 2

Tax and Credits	16	Tax (see instructions). Check if any from Form(s): 1 ☐ 8814 2 ☐ 4972 3 ☐			16	4,164
	17	Amount from Schedule 2, line 3			17	
	18	Add lines 16 and 17			18	4,164
	19	Child tax credit or credit for other dependents from Schedule 8812			19	
	20	Amount from Schedule 3, line 8			20	
	21	Add lines 19 and 20			21	
	22	Subtract line 21 from line 18. If zero or less, enter -0-			22	4,164
	23	Other taxes, including self-employment tax, from Schedule 2, line 21			23	
24	Add lines 22 and 23. This is your total tax			24	4,164	
Payments	25	Federal income tax withheld from:				
	a	Form(s) W-2	25a	4,170		
	b	Form(s) 1099	25b			
	c	Other forms (see instructions)	25c			
	d	Add lines 25a through 25c	25d	4,170		
	26	2022 estimated tax payments and amount applied from 2021 return			26	
	27	Earned income credit (EIC)			27	
	28	Additional child tax credit from Schedule 8812			28	
	29	American opportunity credit from Form 8863, line 8			29	
	30	Reserved for future use			30	
	31	Amount from Schedule 3, line 15			31	
32	Add lines 27, 28, 29, and 31. These are your total other payments and refundable credits			32		
33	Add lines 25d, 26, and 32. These are your total payments			33	4,170	
Refund	34	If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you overpaid			34	6
	35a	Amount of line 34 you want refunded to you . If Form 8888 is attached, check here ☐			35a	6
	b	Routing number		c Type: ☐ Checking ☐ Savings		
	d	Account number				
36	Amount of line 34 you want applied to your 2023 estimated tax			36		
Amount You Owe	37	Subtract line 33 from line 24. This is the amount you owe . For details on how to pay, go to www.irs.gov/Payments or see instructions.			37	
	38	Estimated tax penalty (see instructions)			38	
Third Party Designee	Do you want to allow another person 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	If the IRS sent you an Identity Protection PIN, enter it here (see inst.)	
				Nurse		
	Spouse's signature. If a joint return, both must sign.		Date	Spouse's occupation	If the IRS sent your spouse an Identity Protection PIN, enter it here (see inst.)	
				Student		
	Phone no.		Email address			
Paid Preparer Use Only	Preparer's name		Preparer's signature	Date	PTIN	
					Check if: ☐ Self-employed	
	Firm's name		Phone no.			
	Firm's address		Firm's EIN			

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

Form 1040 (2022)

Comprehensive Problem 1, cont.

SCHEDULE 1
(Form 1040)Department of the Treasury
Internal Revenue Service**Additional Income and Adjustments to Income**

Attach to Form 1040, 1040-SR, or 1040-NR.

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

OMB No. 1545-0074

2022Attachment
Sequence No. **01**Name(s) shown on Form 1040, 1040-SR, or 1040-NR
Donna and Chris Hoser**Your social security number**
465-74-3322**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:		
a	Net operating loss	8a	()
b	Gambling	8b	
c	Cancellation of debt	8c	
d	Foreign earned income exclusion from Form 2555	8d	()
e	Income from Form 8853	8e	
f	Income from Form 8889	8f	
g	Alaska Permanent Fund dividends	8g	
h	Jury duty pay	8h	
i	Prizes and awards	8i	10,000
j	Activity not engaged in for profit income	8j	
k	Stock options	8k	
l	Income from the rental of personal property if you engaged in the rental for profit but were not in the business of renting such property	8l	
m	Olympic and Paralympic medals and USOC prize money (see instructions)	8m	
n	Section 951(a) inclusion (see instructions)	8n	
o	Section 951A(a) inclusion (see instructions)	8o	
p	Section 461(l) excess business loss adjustment	8p	
q	Taxable distributions from an ABLE account (see instructions)	8q	
r	Scholarship and fellowship grants not reported on Form W-2	8r	
s	Nontaxable amount of Medicaid waiver payments included on Form 1040, line 1a or 1d	8s	()
t	Pension or annuity from a nonqualified deferred compensation plan or a nongovernmental section 457 plan	8t	
u	Wages earned while incarcerated	8u	
z	Other income. List type and amount:	8z	
9	Total other income. Add lines 8a through 8z	9	10,000
10	Combine lines 1 through 7 and 9. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8	10	10,000

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

Cat. No. 71479F

Schedule 1 (Form 1040) 2022

2-12 Chapter 2 – Gross Income and Exclusions

Comprehensive Problem 1, cont.

Donna and Chris Hoser

Qualified Dividends and Capital Gain Tax Worksheet—Line 16

Keep for Your Records

**Before you begin:**

- ✓ See the earlier instructions for line 16 to see if you can use this worksheet to figure your tax.
- ✓ Before completing this worksheet, complete Form 1040 or 1040-SR through line 15.
- ✓ 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 7.

1.	Enter the amount from Form 1040 or 1040-SR, line 15. 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>38,442</u>	
2.	Enter the amount from Form 1040 or 1040-SR, line 3a*	2.	<u>320</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 7.			
4.	Add lines 2 and 3	4.	<u>320</u>	
5.	Subtract line 4 from line 1. If zero or less, enter -0-	5.	<u>38,122</u>	
6.	Enter: \$41,675 if single or married filing separately, \$83,350 if married filing jointly or qualifying widow(er), \$55,800 if head of household.	6.	<u>83,350</u>	
7.	Enter the smaller of line 1 or line 6	7.	<u>38,442</u>	
8.	Enter the smaller of line 5 or line 7	8.	<u>38,122</u>	
9.	Subtract line 8 from line 7. This amount is taxed at 0%	9.	<u>320</u>	
10.	Enter the smaller of line 1 or line 4	10.	<u>320</u>	
11.	Enter the amount from line 9	11.	<u>320</u>	
12.	Subtract line 11 from line 10	12.	<u>0</u>	
13.	Enter: \$459,750 if single, \$258,600 if married filing separately, \$517,200 if married filing jointly or qualifying widow(er), \$488,500 if head of household.	13.	<u>517,200</u>	
14.	Enter the smaller of line 1 or line 13	14.	<u>38,442</u>	
15.	Add lines 5 and 9	15.	<u>38,442</u>	
16.	Subtract line 15 from line 14. If zero or less, enter -0-	16.	<u>0</u>	
17.	Enter the smaller of line 12 or line 16	17.	<u>0</u>	
18.	Multiply line 17 by 15% (0.15)	18.	<u>0</u>	
19.	Add lines 9 and 17	19.	<u>320</u>	
20.	Subtract line 19 from line 10	20.	<u>0</u>	
21.	Multiply line 20 by 20% (0.20)	21.	<u>0</u>	
22.	Figure the tax on the amount on line 5. If the amount on line 5 is less than \$100,000, use the Tax Table to figure the tax. If the amount on line 5 is \$100,000 or more, use the Tax Computation Worksheet	22.	<u>4,164</u>	
23.	Add lines 18, 21, and 22	23.	<u>4,164</u>	
24.	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	24.	<u>4,200</u>	
25.	Tax on all taxable income. Enter the smaller of line 23 or 24. Also include this amount on the entry space on Form 1040 or 1040-SR, line 16. If you are filing Form 2555, don't enter this amount on the entry space on Form 1040 or 1040-SR, line 16. Instead, enter it on line 4 of the Foreign Earned Income Tax Worksheet	25.	<u>4,164</u>	

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

This worksheet adapted from the 2021 worksheet.

Comprehensive Problem 2A

Form **1040** Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return **2022** OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

Filing Status ☐ Single ☒ Married filing jointly ☐ Married filing separately (MFS) ☐ Head of household (HOH) ☐ Qualifying surviving spouse (QSS)
Check only one box. If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QSS 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. 1610 Sonora Avenue				Apt. no.	
City, town, or post office. If you have a foreign address, also complete spaces below. McAllen				State TX	
				ZIP code 78503	
Foreign country name		Foreign province/state/county		Foreign postal code	

Digital Assets At any time during 2022, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, gift, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.) ☐ Yes ☒ No

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, 1958 ☐ Are blind **Spouse:** ☐ Was born before January 2, 1958 ☐ Is blind

Dependents (see instructions):

(1) First name	Last name	(2) Social security number	(3) Relationship to you	(4) Check the box if qualifies for (see instructions):
Jaime	Gomez	721 34 1134	Son	Child tax credit ☒ Credit for other dependents ☐
				☐
				☐
				☐

Income

1a Total amount from Form(s) W-2, box 1 (see instructions)	1a	75,980
b Household employee wages not reported on Form(s) W-2	1b	
c Tip income not reported on line 1a (see instructions)	1c	
d Medicaid waiver payments not reported on Form(s) W-2 (see instructions)	1d	
e Taxable dependent care benefits from Form 2441, line 26	1e	
f Employer-provided adoption benefits from Form 8839, line 29	1f	
g Wages from Form 8919, line 6	1g	
h Other earned income (see instructions)	1h	
i Nontaxable combat pay election (see instructions)	1i	
z Add lines 1a through 1h	1z	75,980
2a Tax-exempt interest	2a	400
3a Qualified dividends	3a	1,000
4a IRA distributions	4a	
5a Pensions and annuities	5a	
6a Social security benefits	6a	
c If you elect to use the lump-sum election method, check here (see instructions)		☐
7 Capital gain or (loss). Attach Schedule D if required. If not required, check here	7	60
8 Other income from Schedule 1, line 10	8	1,000
9 Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income	9	79,388
10 Adjustments to income from Schedule 1, line 26	10	2,400
11 Subtract line 10 from line 9. This is your adjusted gross income	11	76,988
12 Standard deduction or itemized deductions (from Schedule A)	12	25,900
13 Qualified business income deduction from Form 8995 or Form 8995-A	13	
14 Add lines 12 and 13	14	25,900
15 Subtract line 14 from line 11. If zero or less, enter -0-. This is your taxable income	15	51,088

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.
If you did not get a Form W-2, see instructions.

Attach Sch. B if required.

Standard Deduction for—
• Single or Married filing separately, \$12,950
• Married filing jointly or Qualifying surviving spouse, \$25,900
• Head of household, \$19,400
• 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** (2022)

Comprehensive Problem 2A, cont.

Form 1040 (2022)

Page 2

Tax and Credits	16	Tax (see instructions). Check if any from Form(s): 1 ☐ 8814 2 ☐ 4972 3 ☐			16	5,592
	17	Amount from Schedule 2, line 3			17	
	18	Add lines 16 and 17			18	5,592
	19	Child tax credit or credit for other dependents from Schedule 8812			19	2,000
	20	Amount from Schedule 3, line 8			20	
	21	Add lines 19 and 20			21	2,000
	22	Subtract line 21 from line 18. If zero or less, enter -0-			22	3,592
	23	Other taxes, including self-employment tax, from Schedule 2, line 21			23	
24	Add lines 22 and 23. This is your total tax			24	3,592	
Payments	25	Federal income tax withheld from:				
	a	Form(s) W-2	25a	7,651		
	b	Form(s) 1099	25b			
	c	Other forms (see instructions)	25c			
	d	Add lines 25a through 25c	25d	7,651		
	26	2022 estimated tax payments and amount applied from 2021 return			26	
	27	Earned income credit (EIC)			27	
	28	Additional child tax credit from Schedule 8812			28	
	29	American opportunity credit from Form 8863, line 8			29	
	30	Reserved for future use			30	
	31	Amount from Schedule 3, line 15			31	
32	Add lines 27, 28, 29, and 31. These are your total other payments and refundable credits			32		
33	Add lines 25d, 26, and 32. These are your total payments			33	7,651	
Refund	34	If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you overpaid			34	4,059
	35a	Amount of line 34 you want refunded to you . If Form 8888 is attached, check here ☐			35a	4,059
	b	Routing number	c Type: ☐ Checking ☐ Savings			
	d	Account number				
36	Amount of line 34 you want applied to your 2023 estimated tax			36		
Amount You Owe	37	Subtract line 33 from line 24. This is the amount you owe . For details on how to pay, go to www.irs.gov/Payments or see instructions			37	
	38	Estimated tax penalty (see instructions)			38	
Third Party Designee	Do you want to allow another person 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	If the IRS sent you an Identity Protection PIN, enter it here (see inst.)	
				Maintenance Supervisor		
	Spouse's signature. If a joint return, both must sign.		Date	Spouse's occupation	If the IRS sent your spouse an Identity Protection PIN, enter it here (see inst.)	
				Cashier		
	Phone no.		Email address			
Paid Preparer Use Only	Preparer's name		Preparer's signature		Date	PTIN
						Check if: ☐ Self-employed
	Firm's name		Firm's address		Phone no.	Firm's EIN

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

Form 1040 (2022)

T B E X A M . C O M

Comprehensive Problem 2A, cont.

SCHEDULE 1 (Form 1040) Department of the Treasury Internal Revenue Service	Additional Income and Adjustments to Income Attach to Form 1040, 1040-SR, or 1040-NR. Go to www.irs.gov/Form1040 for instructions and the latest information.	OMB No. 1545-0074 2022 Attachment Sequence No. 01
Name(s) shown on Form 1040, 1040-SR, or 1040-NR 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:		
a Net operating loss	8a	()
b Gambling	8b	1,000
c Cancellation of debt	8c	
d Foreign earned income exclusion from Form 2555	8d	()
e Income from Form 8853	8e	
f Income from Form 8889	8f	
g Alaska Permanent Fund dividends	8g	
h Jury duty pay	8h	
i Prizes and awards	8i	
j Activity not engaged in for profit income	8j	
k Stock options	8k	
l Income from the rental of personal property if you engaged in the rental for profit but were not in the business of renting such property	8l	
m Olympic and Paralympic medals and USOC prize money (see instructions)	8m	
n Section 951(a) inclusion (see instructions)	8n	
o Section 951A(a) inclusion (see instructions)	8o	
p Section 461(l) excess business loss adjustment	8p	
q Taxable distributions from an ABL account (see instructions)	8q	
r Scholarship and fellowship grants not reported on Form W-2	8r	
s Nontaxable amount of Medicaid waiver payments included on Form 1040, line 1a or 1d	8s	()
t Pension or annuity from a nonqualified deferred compensation plan or a nongovernmental section 457 plan	8t	
u Wages earned while incarcerated	8u	
z Other income. List type and amount:	8z	
9 Total other income. Add lines 8a through 8z	9	1,000
10 Combine lines 1 through 7 and 9. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8	10	1,000

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 71479F Schedule 1 (Form 1040) 2022

2-16 Chapter 2 – Gross Income and Exclusions

Comprehensive Problem 2A, cont.

Schedule 1 (Form 1040) 2022

Page **2****Part II Adjustments to Income**

11	Educator expenses	11	
12	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	12	
13	Health savings account deduction. Attach Form 8889	13	
14	Moving expenses for members of the Armed Forces. Attach Form 3903	14	
15	Deductible part of self-employment tax. Attach Schedule SE	15	
16	Self-employed SEP, SIMPLE, and qualified plans	16	
17	Self-employed health insurance deduction	17	
18	Penalty on early withdrawal of savings	18	
19a	Alimony paid	19a	2,400
b	Recipient's SSN		566 74 8765
c	Date of original divorce or separation agreement (see instructions):		1/27/2016
20	IRA deduction	20	
21	Student loan interest deduction	21	
22	Reserved for future use	22	
23	Archer MSA deduction	23	
24	Other adjustments:		
a	Jury duty pay (see instructions)	24a	
b	Deductible expenses related to income reported on line 8l from the rental of personal property engaged in for profit	24b	
c	Nontaxable amount of the value of Olympic and Paralympic medals and USOC prize money reported on line 8m	24c	
d	Reforestation amortization and expenses	24d	
e	Repayment of supplemental unemployment benefits under the Trade Act of 1974	24e	
f	Contributions to section 501(c)(18)(D) pension plans	24f	
g	Contributions by certain chaplains to section 403(b) plans	24g	
h	Attorney fees and court costs for actions involving certain unlawful discrimination claims (see instructions)	24h	
i	Attorney fees and court costs you paid in connection with an award from the IRS for information you provided that helped the IRS detect tax law violations	24i	
j	Housing deduction from Form 2555	24j	
k	Excess deductions of section 67(e) expenses from Schedule K-1 (Form 1041)	24k	
z	Other adjustments. List type and amount:	24z	
25	Total other adjustments. Add lines 24a through 24z	25	
26	Add lines 11 through 23 and 25. These are your adjustments to income . Enter here and on Form 1040 or 1040-SR, line 10, or Form 1040-NR, line 10a	26	2,400

Schedule 1 (Form 1040) 2022

~~Access Complete Solutions Manual for Income Tax Fundamentals 2023 41st Winterburn~~

Ray and Maria Gomez

Keep for Your Records



- ✓ See the earlier instructions for line 16 to see if you can use this worksheet to figure your tax.
- ✓ Before completing this worksheet, complete Form 1040 or 1040-SR through line 15.
- ✓ 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 7.

1.	Enter the amount from Form 1040 or 1040-SR, line 15. 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.	51,088
2.	Enter the amount from Form 1040 or 1040-SR, line 3a*	2.	1,000
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.	60
	☒ No. Enter the amount from Form 1040 or 1040-SR, line 7.		
4.	Add lines 2 and 3	4.	1,060
5.	Subtract line 4 from line 1. If zero or less, enter -0-	5.	50,028
6.	Enter: \$41,675 if single or married filing separately, \$83,350 if married filing jointly or qualifying widow(er), \$55,800 if head of household.	6.	83,350
7.	Enter the smaller of line 1 or line 6	7.	51,088
8.	Enter the smaller of line 5 or line 7	8.	50,028
9.	Subtract line 8 from line 7. This amount is taxed at 0%	9.	1,060
10.	Enter the smaller of line 1 or line 4	10.	1,060
11.	Enter the amount from line 9	11.	1,060
12.	Subtract line 11 from line 10	12.	0
13.	Enter: \$459,750 if single, \$258,600 if married filing separately, \$517,200 if married filing jointly or qualifying widow(er), \$488,500 if head of household.	13.	517,200
14.	Enter the smaller of line 1 or line 13	14.	51,088
15.	Add lines 5 and 9	15.	51,088
16.	Subtract line 15 from line 14. If zero or less, enter -0-	16.	0
17.	Enter the smaller of line 12 or line 16	17.	0
18.	Multiply line 17 by 15% (0.15)	18.	0
19.	Add lines 9 and 17	19.	1,060
20.	Subtract line 19 from line 10	20.	0
21.	Multiply line 20 by 20% (0.20)	21.	0
22.	Figure the tax on the amount on line 5. If the amount on line 5 is less than \$100,000, use the Tax Table to figure the tax. If the amount on line 5 is \$100,000 or more, use the Tax Computation Worksheet	22.	5,592
23.	Add lines 18, 21, and 22	23.	5,592
24.	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	24.	5,718
25.	Tax on all taxable income. Enter the smaller of line 23 or 24. Also include this amount on the entry space on Form 1040 or 1040-SR, line 16. If you are filing Form 2555, don't enter this amount on the entry space on Form 1040 or 1040-SR, line 16. Instead, enter it on line 4 of the Foreign Earned Income Tax Worksheet	25.	5,592

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

This worksheet adapted from the 2021 worksheet.

Comprehensive Problem 2B

Note: Carl is age 65 or over and thus can file using Form 1040-SR also.

Form **1040** Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return **2022** OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

Filing Status ☐ Single ☒ Married filing jointly ☐ Married filing separately (MFS) ☐ Head of household (HOH) ☐ Qualifying surviving spouse (QSS)
Check only one box. If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QSS 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** Presidential Election Campaign
City, town, or post office. If you have a foreign address, also complete spaces below. State **FL** ZIP code **33040** 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.
Foreign country name Foreign province/state/county Foreign postal code ☐ You ☐ Spouse

Digital Assets At any time during 2022, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, gift, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.) ☐ Yes ☒ No

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, 1958 ☐ Are blind Spouse: ☐ Was born before January 2, 1958 ☐ Is blind

Dependents (see instructions):
(1) First name Last name (2) Social security number (3) Relationship to you (4) Check the box if qualifies for (see instructions):
Child tax credit Credit for other dependents
If more than four dependents, see instructions and check here . . . ☐

Income
Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.
If you did not get a Form W-2, see instructions.

1a	Total amount from Form(s) W-2, box 1 (see instructions)	1a	23,000
b	Household employee wages not reported on Form(s) W-2	1b	
c	Tip income not reported on line 1a (see instructions)	1c	
d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)	1d	
e	Taxable dependent care benefits from Form 2441, line 26	1e	
f	Employer-provided adoption benefits from Form 8839, line 29	1f	
g	Wages from Form 8919, line 6	1g	
h	Other earned income (see instructions)	1h	
i	Nontaxable combat pay election (see instructions)	1i	
z	Add lines 1a through 1h	1z	23,000
2a	Tax-exempt interest	2a	
3a	Qualified dividends	3a	
4a	IRA distributions	4a	
5a	Pensions and annuities	5a	13,400
6a	Social security benefits	6a	7,600
c	If you elect to use the lump-sum election method, check here (see instructions)		☐
7	Capital gain or (loss). Attach Schedule D if required. If not required, check here	7	☐
8	Other income from Schedule 1, line 10	8	6,301
9	Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income	9	48,627
10	Adjustments to income from Schedule 1, line 26	10	
11	Subtract line 10 from line 9. This is your adjusted gross income	11	48,627
12	Standard deduction or itemized deductions (from Schedule A)	12	27,300
13	Qualified business income deduction from Form 8995 or Form 8995-A	13	
14	Add lines 12 and 13	14	27,300
15	Subtract line 14 from line 11. If zero or less, enter -0-. This is your taxable income	15	21,327

Attach Sch. B if required.

Standard Deduction for—
• Single or Married filing separately, \$12,950
• Married filing jointly or Qualifying surviving spouse, \$25,900
• Head of household, \$19,400
• 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** (2022)

Comprehensive Problem 2B, cont.

Form 1040 (2022)

Page 2

Tax and Credits	16	Tax (see instructions). Check if any from Form(s): 1 ☐ 8814 2 ☐ 4972 3 ☐			16	2,148
	17	Amount from Schedule 2, line 3			17	
	18	Add lines 16 and 17			18	2,148
	19	Child tax credit or credit for other dependents from Schedule 8812			19	
	20	Amount from Schedule 3, line 8			20	
	21	Add lines 19 and 20			21	
	22	Subtract line 21 from line 18. If zero or less, enter -0-			22	2,148
	23	Other taxes, including self-employment tax, from Schedule 2, line 21			23	
24	Add lines 22 and 23. This is your total tax			24	2,148	
Payments	25	Federal income tax withheld from:				
	a	Form(s) W-2	25a	2,400		
	b	Form(s) 1099	25b	1,900		
	c	Other forms (see instructions)	25c			
	d	Add lines 25a through 25c	25d	4,300		
	26	2022 estimated tax payments and amount applied from 2021 return			26	
	27	Earned income credit (EIC)			27	
	28	Additional child tax credit from Schedule 8812			28	
	29	American opportunity credit from Form 8863, line 8			29	
	30	Reserved for future use			30	
	31	Amount from Schedule 3, line 15			31	
32	Add lines 27, 28, 29, and 31. These are your total other payments and refundable credits			32		
33	Add lines 25d, 26, and 32. These are your total payments			33	4,300	
Refund	34	If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you overpaid			34	2,152
	35a	Amount of line 34 you want refunded to you . If Form 8888 is attached, check here ☐			35a	2,152
	b	Routing number	c Type: ☐ Checking ☐ Savings			
	d	Account number				
36	Amount of line 34 you want applied to your 2023 estimated tax			36		
Amount You Owe	37	Subtract line 33 from line 24. This is the amount you owe . For details on how to pay, go to www.irs.gov/Payments or see instructions			37	
	38	Estimated tax penalty (see instructions)			38	
Third Party Designee	Do you want to allow another person 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	If the IRS sent you an Identity Protection PIN, enter it here (see inst.)	
				Baker		
	Spouse's signature. If a joint return, both must sign.		Date	Spouse's occupation	If the IRS sent your spouse an Identity Protection PIN, enter it here (see inst.)	
				Unemployed		
	Phone no.		Email address			
Paid Preparer Use Only	Preparer's name		Preparer's signature	Date	PTIN	Check if: ☐ Self-employed
	Firm's name			Phone no.		
	Firm's address			Firm's EIN		

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

Form 1040 (2022)

Comprehensive Problem 2B, cont.

SCHEDULE 1 (Form 1040) Department of the Treasury Internal Revenue Service	Additional Income and Adjustments to Income Attach to Form 1040, 1040-SR, or 1040-NR. Go to www.irs.gov/Form1040 for instructions and the latest information.	OMB No. 1545-0074 2022 Attachment Sequence No. 01
Name(s) shown on Form 1040, 1040-SR, or 1040-NR 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	2,301
8 Other income:		
a Net operating loss	8a ()	
b Gambling	8b	
c Cancellation of debt	8c 4,000	
d Foreign earned income exclusion from Form 2555	8d ()	
e Income from Form 8853	8e	
f Income from Form 8889	8f	
g Alaska Permanent Fund dividends	8g	
h Jury duty pay	8h	
i Prizes and awards	8i	
j Activity not engaged in for profit income	8j	
k Stock options	8k	
l Income from the rental of personal property if you engaged in the rental for profit but were not in the business of renting such property	8l	
m Olympic and Paralympic medals and USOC prize money (see instructions)	8m	
n Section 951(a) inclusion (see instructions)	8n	
o Section 951A(a) inclusion (see instructions)	8o	
p Section 461(l) excess business loss adjustment	8p	
q Taxable distributions from an ABLE account (see instructions)	8q	
r Scholarship and fellowship grants not reported on Form W-2	8r	
s Nontaxable amount of Medicaid waiver payments included on Form 1040, line 1a or 1d	8s ()	
t Pension or annuity from a nonqualified deferred compensation plan or a nongovernmental section 457 plan	8t	
u Wages earned while incarcerated	8u	
z Other income. List type and amount:	8z	
9 Total other income. Add lines 8a through 8z	9	4,000
10 Combine lines 1 through 7 and 9. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8	10	6,301

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

Cat. No. 71479F

Schedule 1 (Form 1040) 2022

2-22 Chapter 2 – Gross Income and Exclusions

Comprehensive Problem 2B, cont.

SIMPLIFIED TAXABLE SOCIAL SECURITY WORKSHEET (FOR MOST PEOPLE)

- | | |
|--|------------------|
| 1. Enter the total amount of Social Security income. | 1. <u>7,600</u> |
| 2. Enter one-half of line 1. | 2. <u>3,800</u> |
| 3. Enter the total of taxable income items on Form 1040 except Social Security income. | 3. <u>42,701</u> |
| 4. Enter the amount of tax-exempt interest income. | 4. <u>0</u> |
| 5. Add lines 2, 3, and 4. | 5. <u>46,501</u> |
| 6. Enter all adjustments for AGI except for student loan interest deduction. | 6. <u>0</u> |
| 7. Subtract line 6 from line 5. If zero or less, stop here, none of the Social Security benefits are taxable. | 7. <u>46,501</u> |
| 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. <u>32,000</u> |
| 9. Subtract line 8 from line 7. If zero or less, enter -0-. | 9. <u>14,501</u> |

Note: If line 9 is zero or less, stop here; **none of your benefits are taxable.** Otherwise, go on to line 10.

- | | |
|--|-------------------|
| 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. <u>12,000</u> |
| 11. Subtract line 10 from line 9. If zero or less, enter -0-. | 11. <u>2,501</u> |
| 12. Enter the smaller of line 9 or line 10. | 12. <u>12,000</u> |
| 13. Enter one-half of line 12. | 13. <u>6,000</u> |
| 14. Enter the smaller of line 2 or line 13. | 14. <u>3,800</u> |
| 15. Multiply line 11 by 85% (.85). If line 11 is zero, enter -0-. | 15. <u>2,126</u> |
| 16. Add lines 14 and 15. | 16. <u>5,926</u> |
| 17. Multiply line 1 by 85% (.85). | 17. <u>6,460</u> |
| 18. Taxable benefits. Enter the smaller of line 16 or line 17. | 18. <u>5,926</u> |

Key Number Tax Return Summary

Chapter 2

Comprehensive Problem 1

Adjusted Gross Income (Line 11)	<u>64,342</u>
Taxable Income (Line 15)	<u>38,442</u>
Total Tax (Line 24)	<u>4,164</u>
Amount Overpaid (Line 34)	<u>6</u>

Comprehensive Problem 2A

Adjusted Gross Income (Line 11)	<u>76,988</u>
Taxable Income (Line 15)	<u>51,088</u>
Total Tax (Line 24)	<u>3,592</u>
Amount Overpaid (Line 34)	<u>4,059</u>

Comprehensive Problem 2B

Adjusted Gross Income (Line 11)	<u>48,627</u>
Taxable Income (Line 15)	<u>21,327</u>
Total Tax (Line 24)	<u>2,148</u>
Amount Overpaid (Line 34)	<u>2,152</u>

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