

1040 CARSON CASE STUDY FACTS (CASCAM)

- Frank B. & Marilyn S. Carson
- 1040 Learning Return for 2024

Frank and Marilyn Carson are sample clients. You are going to prepare their 2024 return using the tax application. The Carsons completed an Organizer.

The Carson case study is designed for someone new to the tax software. The case study steps through the basics of preparing a return using the tax application and teaches many aspects of navigation and review. This training return provides hands-on data entry experience for a variety of tax topics such as entering wages, adding a business, and entering depreciation.

The **Carson Case Study Guide** contains completed facsimiles of the Carsons' Organizer and source documents.

TARGETED AREAS

- Taxpayer/dependents
- Wages
- Interest
- Dividends
- Schedule C income
- Depreciation
- Capital gain/loss (stocks)
- Itemized deductions
- Charitable contributions

DATA ENTRY AREAS

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RETURN INFORMATION

TAXPAYER INFORMATION

1. Select **Quick Track > Basic Return Data**.

OR

Select **General Information > Basic Return Information > Taxpayer Information**.

2. Enter the following information:

	TAXPAYER	SPOUSE
NAME	<i>Frank B Carson</i>	<i>Marilyn S Carson</i>
ADDRESS	<i>5473 W. Second Avenue Minneapolis, MN 55417</i>	
TELEPHONE NUMBERS	Home <i>(612) 111-1111</i> Business <i>(612) 222-2222</i>	
DATE OF BIRTH	<i>01/10/1972</i>	<i>03/01/1975</i>
SSN	<i>845-52-8589</i>	<i>869-94-5967</i>
OCCUPATION	<i>Manager</i>	<i>Secretary</i>
CONTRIBUTE TO PRESIDENTIAL CAMPAIGN?	<i>Yes</i>	<i>Yes</i>

3. Verify that ***Married filing joint*** is selected. The filing status is a ***mandatory*** entry on the 1040 return.

DEPENDENT INFORMATION

1. Select **Quick Track > Dependent Information**.

OR

Select **General Information > Dependents > Dependent Input > Add new First Name**.

2. Add the following dependents:

NAME	DATE OF BIRTH	SSN
<i>Craig A</i>	<i>10/10/2004</i>	<i>863-19-4662</i>
<i>Karen C</i>	<i>06/01/2013</i>	<i>863-24-8813</i>

3. Both dependents lived with their parents for the full 12 months (no entry required, *12 months* is the default).

W-2 INFORMATION

TAXPAYER W-2 INFORMATION

1. Select **Quick Track > W-2 Wages & Salaries**.

OR

Select **Source Documents (W-2, 1099s, 1098) > W-2**.

2. Select **Major Supplier**, and enter the following:

EIN **75-4321233**

State EIN **54-6666666**

Address: **100 Main Street, Minneapolis, MN 55417**

3. Select **Taxpayer** from the radio button choices.

4. Enter the following. Social Security and Medicare Wages are the same as Wages.

Wages **\$45,895**

Federal W/H **\$ 9,179**

Social Security W/H **\$ 2,845**

Medicare W/H **\$ 665**

State W/H **\$ 2,295**

SPOUSE W-2 INFORMATION

1. Since Marilyn did not work for *Kelly Services* in 2024, that wage information should be deleted. Click *Kelly Services* from the Forms List window. Press the **Delete** key. A pop-up window asks you to confirm your selection. Click **OK**.
2. Select **Add new Employer Name**.
3. Enter **Smith Barney**.

EIN **75-5553211**

State EIN **54-4545454**

Address **5473 W. Second Ave., Minneapolis, MN 55417**
4. Click the **Spouse** radio button.
5. Enter the following for Smith Barney. Social Security and Medicare Wages are the same as Wages.

Wages **\$26,758**

Federal W/H **\$ 4,013**

Social Security W/H **\$ 1,659**

Medicare W/H **\$ 388**

State W/H **\$ 803**

INCOME INFORMATION

INTEREST INCOME

1. Select **Quick Track > 1099-INT Interest**.

OR

Select **Source Documents (W-2, 1099s, 1098) > 1099-INT/1099-OID**.

2. Enter the following 2024 amounts. These interest items are owned jointly.
 - Wells Fargo Bank **\$ 493**
 - American Savings **\$ 289**
3. Click **First Interstate** and press the **Delete** key to remove this line item from the Organizer screen.

DIVIDEND INCOME

1. Select **Quick Track > 1099-DIV Dividends**.

OR

Select **Source Documents (W-2, 1099s, 1098) > 1099-DIV**.

2. Enter the following for **New Dimension Fund**:
 - Ordinary Dividends **\$ 118**
 - Capital Gain Distributions **\$ 348**
3. Select **Add new 1099-DIV Payer**.
4. Enter **Hyte Fund** and click **OK**.
5. Enter the following:
 - Ordinary Dividends **\$ 12**
 - Total Capital Gain Distribution **\$ 276**



The dividend income carries to Schedule B, and the capital gains distribution information carries to Schedule D.

BUSINESS INFORMATION

Marilyn Carson started a small business in 2024, which will be reported on Schedule C.

1. Select **Quick Track > Business Income**.

OR

Select **Income > Business Income > Add new business name**.

2. Enter **Craftiques** and click **OK**.

Craftiques is now listed under **Business Income**.

3. Click the **Spouse** radio button to indicate that this Schedule C belongs to Marilyn.

4. Enter the **Business Address**: **5473 W. Second Ave., Minneapolis, MN 55417**.

5. Enter the **Principal Business Code**: **453220**.

6. Verify under the **Sch C Miscellaneous Info** tab that the **Accounting Method** is **Cash** and the **Inventory Valuation** method is **Cost**.

7. Verify under **Income Type** that Marilyn Carson **materially participates**.

8. Verify the **At Risk Information**: **All at risk**.

9. Check under **Miscellaneous Information** that the business was acquired during the year.

10. To enter business income and expenses, click the **Income/Expenses Detail** tab at the top of this form.

11. Enter **\$ 19,150 Sale of Crafts** for **Gross Receipts or Sales Detail**.

12. Click the **Sch C Inc/Exp** tab.

13. Enter the following:

Purchases less cost of items withdrawn for personal use **\$ 9,750**

Inventory at end of year **\$ 2,975**

Advertising **\$ 100**

Insurance **\$ 550**

Legal and professional services **\$ 400**

DEPRECIATION INFORMATION

The depreciation on the laptop that Marilyn Carson uses for her business should be entered on the Business Income part of the Organizer.

1. Select **Depreciation and Amortization > Asset Detail > Add new Asset**.
2. Enter **Laptop Computer** and click **OK**.
3. Enter the following asset information:

Date placed in service **04/15/2024**

Cost **\$ 2,500**

Method **5 year MACRS**



Drop-down lists of alternative tax treatments facilitate entering assets for depreciation.

Leave the **Life** field blank. The system, by default, uses the 5-year life for 5 Year modified accelerated cost recovery property.

4. Since the laptop was used only 75% for business, scroll to the **Business Percent and Salvage Value** section.
5. Enter **.75** in the **Business use % if not 100%** field.



The asset is over 50% business use. However, for this training return, guidance in selecting a **Property Type** option will not be provided.

CAPITAL GAINS AND LOSSES

1. Select **Quick Track > Capital Gains and Losses**.

OR

Select **Gains and Losses > Capital Gains and Losses > Add new Description of Property > Capital Gains and Losses**.

2. Enter the following information: (Joint Ownership):

	DATE ACQUIRED	DATE SOLD	SALES PROCEEDS	COST
NEW DIMENSIONS FUND	03/05/2017	08/01/2024	\$1,204	\$ 896
HYTE FUND	04/17/2015	09/15/2024	\$1,586	\$1,493
VARIOUS	12/05/2020	03/01/2024	\$ 345	\$ 427



Each activity has a folder for entering gains and losses that relate to that activity. For gains and losses that do not relate to a particular activity, enter them in the main **Gains and Losses** folder.

ITEMIZED DEDUCTIONS

1. Select **Quick Track > 1098 Mortgage Interest**.

OR

Select **Itemized Deductions > Taxes and Interest > Columnar Input – Form 1098**.

2. If you use **Quick Track**, select **Add new 1098 - Mortgage Interest & T**.
3. Enter ***Mortgage Lender's Trust***.
4. Enter Mortgage Interest (Joint): ***\$9,683***.
5. Enter Real Estate Taxes Paid: ***\$1,164***.



You can use **Previous** and **Next** to page through all the forms screen by screen.

6. Select **Itemized Deductions > Contributions > Contributions - CY and Carryovers**.
7. Enter for **Current-Year Cash Contributions (Joint)**:

United Way ***\$ 50***

Church ***\$ 600***

Miscellaneous Charities ***\$ 125***
8. Enter ***60%*** as limitation.

FILING INSTRUCTIONS

1. Select **Quick Track > Letters & Filing Instruct.**

OR

Select **Letters and Filing Instructions > General Options.**

2. Select **Transmittal Letter and Filing Instructions.**



This activates the filing instructions by referring to the taxpayer address already entered. You can override the selection by clicking the **Preferences** tab and choosing from the drop-down list titled **IRS Service Center (Override).**

REVIEWING THE RETURN

Compute Before Review

1. Before reviewing the return, make sure your return is completely computed.
2. Select **Compute > Full Recompute** from the menu bar.

Review

The complete return can be viewed on screen and any changes made before printing. Use Tax Forms to review the return. During your review, access supporting workpapers by selecting any field with blue arrows to the right of the field, and then check for diagnostics and overrides.

The review process consists of:

- Reviewing diagnostics and overrides
- Reviewing through Tax Forms
- Reviewing work papers
- Entering corrections and changes
- Reviewing through Print Preview.

Print Preview

1. Access Print Preview to see the return as it will print.
2. View all statements by selecting **Print** on the menu bar.

Diagnostics and Overrides

DIAGNOSTICS

1. To review the diagnostics, select **View > Diagnostics**.
2. A screen displays a list of the diagnostics by type: *Severe*, *Informational*, or *E-file*.
3. To go to the screen where the diagnostic originates, select a diagnostic from the list.

OVERRIDES

1. Viewing and accessing overrides works like the review of diagnostics explained above. Select the override to go to the screen where you entered the override.
2. Verify your overrides and clear any unnecessary overrides by clicking the overridden amount and selecting **Clear Override** from the right-click menu.



If you have entered data only through the Organizer screens, no overrides should exist.

Comparison Screens

Once you have completed this case study, you can compare your entries with the master return completed using the same data. To compare the return you prepared to the master, select **Help > Case Study Comparisons** inside the return.

Differences between the amount in your return and the amount in the master return are noted in the **Difference** column. If you entered the data correctly, there should be no amounts in the **Difference** column.

If you have differences, begin by selecting **Compute > Full Recompute**.

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