



# 1040 CASE STUDY FACTS

## FOR TAX YEAR 2024

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# 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

- [Return Information \(page 2\)](#)
  - [Taxpayer Information \(page 2\)](#)
  - [Dependent Information \(page 3\)](#)
  - [W-2 Information \(page 4\)](#)
- [Income Information \(page 5\)](#)
  - [Interest Income \(page 5\)](#)
  - [Dividend Income \(page 6\)](#)
  - [Business Information \(page 6\)](#)
  - [Depreciation Information \(page 7\)](#)
  - [Capital Gains and Losses \(page 8\)](#)
- [Itemized Deductions \(page 9\)](#)
- [Filing Instructions \(page 10\)](#)
- [Reviewing the Return \(page 108\)](#)

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

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
Craig A	10/10/2004	863-19-4662
Karen C	06/01/2013	863-24-8813

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)**.

# 1040 DOE CASE STUDY FACTS (CASDOM)

In 2024, John Doe's employer transferred him from Texas to the company's London office. John and Mary Doe and their two children moved to London.

John Doe received various allowances and non-cash benefits while on foreign assignment. He also ran a consulting business, with all income earned in London.

During 2024, John Doe made one trip to the US on business.

The Does received interest income from the United Kingdom and from the US. They paid British taxes.

Mary Doe was not employed.

## TARGETED AREAS

- Foreign income, Schedule C
- Foreign income interest
- Physical presence test
- Foreign earned income
- Foreign tax credit

## RETURN INFORMATION

- [Taxpayer Information \(page 13\)](#)
- [Dependent Information \(page 14\)](#)
- [Savings Accounts, Bonds, and Other Interest \(page 14\)](#)
- [Profit or Loss from Business \(page 14\)](#)
- [Foreign Residence - General Information \(page 15\)](#)
- [Physical Presence Test Information \(page 15\)](#)
- [Foreign Earned Income Exclusion \(page 15\)](#)

- [Foreign Earned Income Compensation \(page 16\)](#)
- [Deductible Taxes \(page 16\)](#)
- [Foreign Tax Credit - Tax Paid or Accrued \(page 17\)](#)
- [Filing Instructions \(page 17\)](#)

## DATA ENTRY

- [General Information \(page 18\)](#)
- [Foreign Financial Account \(page 18\)](#)
- [Interest Income \(page 18\)](#)
- [Schedule C \(page 19\)](#)
  - [Income \(page 19\)](#)
  - [Receipts and Expenses \(page 19\)](#)
- [Form 2555 \(page 19\)](#)
- [Physical Presence Test Information \(page 20\)](#)
- [Exclusions and/or Deductions \(page 21\)](#)
- [Foreign Earned Compensation \(page 21\)](#)
- [Wage Information \(page 21\)](#)
- [Noncash Remuneration Information \(page 22\)](#)
  - [Allocation of Income to US \(page 22\)](#)
  - [Tax Equalization \(page 22\)](#)
- [Deductible Taxes \(page 23\)](#)

- [Form 1116 - Foreign Tax Credit \(page 23\)](#)
  - [Passive Income \(page 23\)](#)
  - [Other Wages \(page 24\)](#)
- [IRS Service Center \(page 25\)](#)
- [Reviewing the Return \(page 108\)](#)

## RETURN INFORMATION

Some data is already entered for you. Use the [Data Entry \(page 18\)](#) section for instructions and hints on entering any data you are unsure how to enter. You should verify all the information when it has changed or is missing based on the information in these facts.

### Taxpayer Information

	TAXPAYER	SPOUSE
NAME	<i>John M. Doe</i>	<i>Mary K. Doe</i>
ADDRESS	<i>76 Coombe Road London, England KT27AH</i>	
SSN	<i>777-77-7777</i>	<i>888-88-8888</i>
DOB	<i>01/01/1964</i>	<i>03/01/1967</i>
EMPLOYMENT	<i>Field Representative</i>	<i>Homemaker</i>
PRESIDENTIAL ELECTION CAMPAIGN FUND?	<i>No</i>	
FILING STATUS	<i>Married, Filing jointly</i>	
FOREIGN COUNTRY, INTEREST IN OR SIGNATURE AUTHORITY OVER A FINANCIAL ACCOUNT	<i>United Kingdom</i>	

## Dependent Information

NAME	SSN	DATE OF BIRTH
<i>Kent Doe (Son)</i>	<i>555-22-7654</i>	<i>10/01/2019</i>
<i>Mark Doe (Son)</i>	<i>555-33-1234</i>	<i>12/02/2011</i>

## Savings Accounts, Bonds, and Other Interest

INTEREST INCOME, US	<i>\$10,000</i>
FOREIGN	<i>\$5,000</i>

## Profit or Loss from Business

BUSINESS NAME	<i>Doe Consulting</i>
BUSINESS ADDRESS	<i>76 Coombe Road London, England KT27AH</i>
PRINCIPAL BUSINESS	<i>Consultant</i>
BUSINESS CODE	<i>541600</i>
ACCOUNTING METHOD	<i>Cash</i>
INVENTORY VALUATION	<i>Cost</i>
ALLOCABLE TO SECTION 911 INCOME 100% FOREIGN EARNED INCOME CONSULTING FEES	<i>\$75,000</i>
MISCELLANEOUS EXPENSES	<i>\$25,000 <i>subject to scaledown</i></i>

## Foreign Residence - General Information

The Does will be residing/maintaining a tax home outside the US on April 15, 2024, and an automatic extension is desired.

 Leading zeroes on the activity number will not display on the screen.

SET NUMBER	1
EMPLOYER	RLC, a US company
EMPLOYER ADDRESS	US, Texas; Foreign, United Kingdom

## Physical Presence Test Information

Principal country of employment during 2024 was the United Kingdom.

### Travel Days

DESTINATION	ARRIVAL DATE	DEPARTURE DATE
UNITED KINGDOM	* 01/01/2024	08/31/2024
UNITED STATES	08/31/2024	09/15/2024 <i>10 Business Days worked in US</i>
UNITED KINGDOM	09/15/2024	<i>No departure date, presence continues.</i>

\* Physical presence began.

## Foreign Earned Income Exclusion

TOTAL FOREIGN HOUSING COST	\$37,700
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## Foreign Earned Income Compensation



Wages are foreign source during the foreign assignment.

ALLOCATION PERIOD		2024
<b>NON-CASH REMUNERATION EARNED WHILE ON FOREIGN ASSIGNMENT AND ALLOCATED TO DAYS WORKED IN THE US</b>	Home	<b>\$18,000</b>
	Car	<b>\$5,000</b>
<b>ALLOWANCES/REIMBURSEMENTS EARNED WHILE ON FOREIGN ASSIGNMENT AND ALLOCATED TO DAYS WORKED IN THE US</b>	Cost of living and overseas differential	<b>\$15,904</b>
	Education	<b>\$12,000</b>
	Other foreign earned income - Tax Equalization	<b>\$29,500</b>
<b>RLC</b>	Base Salary	<b>\$200,000</b>
	Federal W/H	<b>\$55,000</b>
	Social Security wages	<b>\$147,000</b>
	Social Security W/H	<b>\$9,114.00</b>
	Medicare wages	<b>\$200,000</b>
	Medicare W/H	<b>\$2,900</b>

## Deductible Taxes

Adjust the denominator used in the allocation ratio to total foreign assignment earned income (both US and foreign sources) including current, prior and future year amounts less applicable foreign deductions.

Increase the numerator of the allocation ratio by **\$3,000**.

REAL ESTATE TAXES (US PROPERTY)	\$20,000
PERSONAL PROPERTY TAXES (US PROPERTY)	\$1,400
FOREIGN TAX CREDIT - OPTIONS ACCOUNTING METHOD	Paid
COUNTRY OF RESIDENCE (IF NOT USA)	United Kingdom

## Foreign Tax Credit - Tax Paid or Accrued

Allocate foreign taxes to exclude income based on taxpayer's ratio.

INCOME TYPE	<i>Passive Income, United Kingdom</i>
DATE TAX PAID DURING 2024	12/31/2024
GROSS INCOME FROM FOREIGN SOURCED INCOME (INTEREST)	\$5,000
TAX ON INTEREST IN DOLLARS	\$590
INCOME TYPE	<i>General Limitation Income (Other), United Kingdom</i>
TAX PAID IN POUNDS	£5,600
CONVERSION RATE	.60
DATE TAX PAID DURING 2024	12/31/2024

## Filing Instructions

**Austin-International** is the IRS Service Center.

# DATA ENTRY

This page is used to provide help when you are not sure where to enter data. You do not need this page if you know where all the information belongs.

Forms are accessed from the **Forms List** window at the left of the screen. Make sure **Organizer** is selected.

## General Information

1. Review the entered data and input remaining amounts through the Organizer.
2. Click the Organizer tab to display a list of all the data entry forms.

## Foreign Financial Account

To report the foreign country where the Does have a bank account:

1. Select **General Information > Return and Print Options**.
2. Click the **Tax Form Options** tab at the top of the Forms window.
3. Scroll down to the **Schedule B-Interest and Dividends** box.
4. Enter **United Kingdom** as the name of the foreign country.

## Interest Income

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

OR

Select **Income > Interest Income > 1099-INT**.

2. Enter **U.S. interest income of \$10,000**, and **Foreign interest income of \$5,000**.

## Schedule C

### INCOME

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

OR

Select **Income > Business Income > Doe Consulting > Business Information**.

2. Be sure that the **Taxpayer** radio button is selected in the **Ownership** box.
3. Verify the business code and name.
4. Select the **Sch C Miscellaneous Info** tab and scroll down to the **Section 911 income** box.
5. Select **Automatic Allocation**.
6. Enter **1.00** in the **Foreign earned income** field ( $1.00 = 100\%$ ).

### RECEIPTS AND EXPENSES

1. Click the **Sch C Inc/Exp** tab at the top of the Forms window.
2. Select the **Total gross receipts or sales** field.
3. Enter consulting fees of **\$75,000**.
4. Click **Previous**.
5. Scroll down to **Other Expenses**.
6. Select the **Other Expenses** field.
7. Enter the description **Expenses Subject to Scale down** and **\$25,000**.

## Form 2555



Since Mary Doe did not have income, you only need to file one Form 2555.

1. Select **Foreign Information > Foreign Earned Income**.
2. Add a new employer: **RLC**.
3. Enter **1** for the set number.
4. Verify that **TAXPAYER** is selected.
5. Go to the **Employee Information** box.
6. Enter **London** as the foreign address.
7. Go to the **Employer Information** box.
8. Enter **2395 Midway Road, Carrollton, TX 75006** in the **U.S. Address** field.
9. Check **U.S. Company** in the **Employer** box to designate RLC as a US company.
10. Scroll down to the **Print Options** box.
11. Check the **PRINT AUTOMATIC EXTENSION** statement.

## Physical Presence Test Information

1. Under **RLC**, select **Physical Presence**.
2. Enter **United Kingdom** as the **Principal country of employment**.
3. Under **RLC**, select **Travel Days**.
4. On the first line, select **United Kingdom**.
5. Enter the first set of dates.
6. On the second line, select **United States**.
7. Verify that **United States** populates in the country field.
8. Enter the second set of dates.
9. Enter **10** for the business days in US.
10. On the third line, select **United Kingdom**.
11. Enter the third set of dates.

12. Enter **X** to print *Continues*.



Do not enter the date departed; this will indicate that John Doe remains in the United Kingdom.

13. The Tax Application will compute the §911 exclusion amount according to your specifications.

## Exclusions and/or Deductions

1. Under **RLC**, select **Exclusion and/or Deduction**.
2. Scroll down to the **Foreign Housing Cost Exclusion/Deduction** box.
3. Enter foreign housing costs in the **Total Foreign Housing Cost** data entry field.

## Foreign Earned Compensation

1. Select **Foreign Information > Foreign Earned Income > RLC > Foreign Earned Income > Add new Allocation Period**.
2. Enter **2024**.
3. Click **OK**.

## Wage Information

1. Select **Source Documents (W-2, 1099s, 1098) > (W-2)**.
2. Enter **RLC**.
3. Click **OK**.
4. Enter the value in the right column of the **Employer Allocation Period** grid in the **Match W-2 with Employer Allocation Period** field.
5. Select the hyperlink for **Foreign Earned Income**.

6. Enter Base salaries.



Since John Doe's wages are foreign source during foreign assignment, do not change the Allocation Method.

7. Select the back button to return to the **W-2** tab.
8. Enter the information from John Doe's -2 from RLC, his employer.

## Noncash Remuneration Information

### ALLOCATION OF INCOME TO US

1. Select the hyperlink for **Foreign Earned Income**.
2. In the **Noncash Income** box, select **Income earned while on foreign assignment and allocated to days worked in U.S.** as the allocation method for **Home (lodging)** and **Car**.
3. Enter **\$18,000** for **Home (lodging)** and **\$5,000** for **Car**.
4. Scroll down to the **Allowances or Reimbursements** box.
5. Select **Income earned while on foreign assignment and allocated to days worked in U.S.** as the allocation method for **Cost of living and overseas differential** and **Education**.
6. Enter **\$15,904** for the **Cost of living and overseas differential**.
7. Enter **\$12,000** for **Education**.

### TAX EQUALIZATION

1. Scroll all the way down to the **Other Foreign Earned Income** box.
2. Select **Foreign Source During Foreign Assignment (Default)** as the allocation method.
3. Enter **Tax Equalization** as the description, and **\$29,500** as the amount.

## Deductible Taxes

1. Select **Itemized Deductions > Taxes and Interest**.
2. Select **Taxes - Other**.
3. Under **Real Estate taxes paid**, enter **\$20,000** for **Real Estate Taxes Paid (US property)**.
4. Under **Personal Property Tax**, enter **\$1,400** for **Personal property taxes (US property)**.

## Form 1116 - Foreign Tax Credit



This area contains topics that apply to Forms 1116 in the return such as information related to a specific income type and country and special treaty options.

1. Select **Foreign Information > Foreign Tax Credit > Foreign Tax Credit Options**.
2. Enter **United Kingdom** as the **Country of residence (if not USA)**.
3. Scroll down to the **Code To Allocate Foreign Taxes To Exclude Section 911 Income** box.
4. Select **Foreign Assignment (both US and Foreign) income earned in the current prior and future year** from the **Taxpayer** radio button.
5. Go to the **Adjust/Override Allocation Ratio** box.
6. Enter the adjustment in the **Increase/decrease numerator of allocation ratio** data entry field.
7. Make sure your adjustment is in the **Taxpayer** column.

## PASSIVE INCOME

1. Select **Foreign Information > Foreign Tax Credit > Add New Foreign Country**.
2. Enter **United Kingdom**.
3. Click **OK**.
4. Select **United Kingdom** as the **Country Name**.
5. Verify that the **Taxpayer** radio button is selected.
6. Select **Passive Income** from the **Foreign Income Type** list box.

7. Enter **12/31/2024** for the date foreign tax was paid or accrued.
8. Enter **\$5,000** in the **Interest** data entry field.



You can enter decimal amounts for the Foreign Source Income numbers that are not overrides to allocate a percentage of the foreign source income from Form 2555.

9. Select the **Taxes Paid/Accrued** tab.
10. Enter **T** in the left column to allocate taxes based on the taxpayer's ratio.
11. Enter **590** in the **Interest** data entry field.
12. Do not make any selections or entries in the **Conversion Rate** box.

## OTHER WAGES

1. Select **Add New Foreign Country**.
2. Enter **United Kingdom**.
3. Click **OK**. You should now have two **United Kingdom** folders under **Foreign Tax Credit**.
4. Select **United Kingdom** as the country name.
5. Verify that the **TAXPAYER** radio button is selected.
6. Select **General category income** as the **Foreign Income Type**.
7. Enter **12/31/2024** as the date the foreign tax was paid or accrued.
8. Select the **Taxes Paid/Accrued** tab.
9. Enter **T** in the left column to allocate taxes based on the taxpayer's ratio.
10. Enter **\$5,600** for tax paid in the **Wages/Other** field.



Since the tax paid is given in pounds (.6 British pounds to one (1) US dollar), it needs to be converted.

11. Enter **X** in the **Use Conversion Rate as a Divisor** column.

12. Enter **.60** as the conversion rate.
13. Leave the US dollar amount field blank.

## IRS Service Center

1. Select **Letters and Filing Instructions > General Options**.
2. Verify that the IRS Service Center is ***Austin-International***.
3. Confirm that the **IRS Service Center (Override)** is selected to ***Automatic Generation***.

# 1040 FRAZER CASE STUDY FACTS (CASFRM)

Thomas and Deborah Frazer are married and file a joint return. Several dependents lived with them the past year. They received three Schedule K-1s, have employee business expenses, paid a household employee, and purchased a new residence this year. Thomas also serves in the National Guard. Any tax refund computed should be applied to the 2025 estimated tax. They also need to file a Georgia return and any refunds should be applied to 2025 as well.

## TARGETED AREAS

- Taxpayer Information
- Dependent Information
- W-2 Information
- Interest Income
- Seller Financed Mortgage Interest
- Dividend Income
- Schedule C Information
- Depreciation
- Rental Property
- Personal/Business Use Property
- Miscellaneous income
- Prior Year Installment Sale
- Disposition of depreciable property
- Employee Business expenses
- Household Employment Taxes
- Child and Dependent Care Credit

- Transmittal letter and filing instructions
- Current year non-deductible IRA contributions
- Contributions cash and other noncash contributions
- \*Georgia Resident Return
- Child's Interest Income
- Gambling Wins/Losses
- Tax Exempt Interest
- Foreign Dividend Income
- Business expenses
- Office-In-Home
- K-1 Data
- Capital Gains and Losses
- IRA contribution
- Itemized deductions
- Estimated tax payments
- Foreign Tax Credit

## RETURN INFORMATION

- [Taxpayer Information \(page 30\)](#)
- [Dependent Information \(page 31\)](#)
- [W-2 Information \(page 32\)](#)
- [Interest Income \(page 32\)](#)
- [Dividend Income \(page 34\)](#)

- [Business Income \(Schedule C and Office-In-Home\) \(page 34\)](#)
  - [Property and Equipment \(page 36\)](#)
  - [Office in Home \(page 38\)](#)
- [Rental Property \(page 39\)](#)
  - [Suspended Losses \(page 40\)](#)
  - [Property and Equipment \(page 41\)](#)
- [Business/Personal Use Property \(page 41\)](#)
  - [Property and Equipment \(page 42\)](#)
- [Partnership and S Corporation Schedule K-1s \(page 43\)](#)
  - [Publicly Traded Partnership \(page 45\)](#)
- [Miscellaneous Income \(page 46\)](#)
- [Gambling Wins/Losses \(page 46\)](#)
- [Child's Interest Income \(page 47\)](#)
- [Capital Gains and Losses \(page 47\)](#)
- [Carryover Information \(page 48\)](#)
- [Installment Sales \(page 48\)](#)
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- [IRA Contributions \(page 49\)](#)
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- [Itemized Deductions \(page 52\)](#)
  - [Medical \(page 53\)](#)
  - [Estimated Tax Payments \(page 53\)](#)
  - [Other Taxes \(page 54\)](#)
  - [Investment Interest Expense \(page 54\)](#)
  - [Miscellaneous Itemized Deductions \(page 54\)](#)
- [Charitable Contributions \(page 54\)](#)
  - [Cash Contributions \(page 55\)](#)
  - [Noncash Contributions \(page 55\)](#)
- [Taxes \(page 56\)](#)
  - [Household Employees \(page 56\)](#)
  - [Federal Unemployment \(FUTA\) Tax \(page 56\)](#)
- [Credits \(page 56\)](#)
  - [Child and Dependent Credit \(page 56\)](#)
  - [Foreign Tax Credit \(page 57\)](#)
  - [Foreign Source Income and Deductions \(page 58\)](#)
  - [FTC Taxes Paid/Accrued \(page 58\)](#)
  - [FTC Carryovers \(page 58\)](#)
- [Estimates and Penalties \(page 58\)](#)
  - [Estimated Tax Payments \(page 58\)](#)
  - [Underpayment Penalties \(page 59\)](#)
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- [Georgia \(page 60\)](#)
  - [Activating the State \(page 60\)](#)
  - [Estimated Taxes for Georgia \(page 60\)](#)
- [Reviewing the Return \(page 108\)](#)

## RETURN INFORMATION

### Taxpayer Information

1. Select **Quick Track > Basic Return Data**.
2. Verify the taxpayer information is correct for Thomas and Deborah Frazer:

	TAXPAYER	SPOUSE
NAME	<i>Thomas Frazer</i>	<i>Deborah Frazer</i>
ADDRESS	<i>3304 Kingbridge Drive Atlanta, GA 99999</i>	
OCCUPATION	<i>Professional</i>	<i>Graphic Artist</i>
SSN	<i>111-22-3333</i>	<i>333-22-1111</i>
DATE OF BIRTH	<i>12/31/1991</i>	<i>03/01/1993</i>
PHONE	<i>Home (813) 578-3626 Work (813) 822-8521 Fax (813) 897-9101</i>	
CONTRIBUTE TO PRESIDENTIAL CAMPAIGN FUND?	<i>No</i>	<i>No</i>

3. After verifying this information, click the **Quick Track** button at the top of your screen to return to the **Quick Track** menu.

## Dependent Information

1. Select **Quick Track > Dependent Information**.
2. Verify the two children's information. The children lived with them the entire year.

NAME	<i>Mike A. Frazer</i>	<i>Warren S. Frazer</i>
SSN	<i>222-22-2222</i>	<i>333-33-3333</i>
DATE OF BIRTH	<i>02/14/2016</i>	<i>03/11/2017</i>

3. The Frazers paid child care expenses of **\$1250** for Mike and Warren to:

NAME	<i>Tot Care, Inc.</i>
ADDRESS	<i>555 Peachtree Avenue South Atlanta, GA</i>
ID NUMBER	<i>02-5033487</i>

4. In addition to their two children, they became foster parents and have kept the foster child for eight (8) months. Select **Dependents > Dependent Input > Add new First Name and Initial**, and enter the following:

NAME	<i>Jessica P. Martin</i>
SSN	<i>666-22-3333</i>
DATE OF BIRTH	<i>01/10/2019</i>

5. Deborah's mom also moved in with them in January 2024. Select **Dependents > Dependent Input > Add new First Name and Initial**, and enter the following:

NAME	<i>Ester Mayberry</i>
SSN	<i>305-44-4808</i>
DATE OF BIRTH	<i>07/23/1953</i>

6. Select the **Taxpayer** option for all dependents.

## W-2 Information

1. Select **Quick Track > W-2 Wages & Salaries**.
2. Enter the amounts for **Thomas** who worked for the **Planter Corporation**:

	WAGES	FEDERAL W/H	STATE W/H	MEDICARE W/H
<b>FEDERAL AND MEDICARE</b>	<b>\$120,000</b>	<b>\$25,779</b>	<b>\$6,000</b>	<b>\$1,740</b>
<b>SOCIAL SECURITY WAGES</b>	<b>\$ 147,000</b>			
<b>SOCIAL SECURITY W/H</b>	<b>\$ 9,114.00</b>			

## Interest Income

1. Select **Quick Track > 1099-INT Interest**.
2. Enter the interest information:

INSTITUTION	AMOUNT
<b>EFCU Savings of Georgia</b>	<b>\$800</b>
<b>US Bond interest through Smith Barney</b>	<b>\$150</b>

3. They also had State Municipal Bond Interest. Scroll to **Tax Exempt Interest**, and enter the tax-exempt interest information:

STATE MUNICIPAL BOND	AMOUNT
<i>Muni-Bond from Georgia</i>	<b>\$100</b>
* <i>Muni-Bond from New York</i>	<b>\$200</b>

 New York Muni-Bond is taxable for Georgia.

4. Click the **State Allocation of Tax Exempt Interest** button.
5. Select **U.S. Bond Interest through Smith Barney** from the drop-down box at the top of the screen.
6. Under **State Allocations**, select **Georgia**, and enter **1.0** for 100%.
7. In addition, the Frazers sold a piece of land and financed the mortgage. Select the **Income > Interest Income > Seller-Financed Mortgage\Tax Exempt Interest** tab, and verify the buyer's information:

NAME	<b>James S. Mathers</b>
ADDRESS	<b>1426 Lago Vista Marshville, NC</b>
SSN	<b>661-11-1111</b>

8. Enter **\$950**.

## Dividend Income

1. Select **Quick Track > 1099-DIV Dividends**.
2. Enter the dividend information:

	FOREIGN COMPANY FUNDS	AMD CORPORATION
OWNERSHIP	<i>Joint</i>	<i>Spouse</i>
ORDINARY DIVIDENDS	\$3,000	\$2,500
CAPITAL GAIN DISTRIBUTION		\$500
FOREIGN TAX PAID	\$200	

3. Add a new dividend. Select **Source Document > 1099-DIV > Add new 1099-DIV Payer**.
4. Enter **Securities Mutual**, and click **OK**.
5. Enter the following dividend information. The Frazers received **\$7,900** in dividends from Securities Mutual:

ORDINARY DIVIDENDS	\$7,300
CAPITAL GAIN DIVIDENDS	\$600
FEDERAL TAX W/H	\$400

## Business Income (Schedule C and Office-In-Home)

Deborah is a full-time, self-employed graphic artist. She has a studio in the Frazers' residence which meets the office-in-home qualifications. The studio occupies **250 square feet** of the Frazers' **4,000 square foot** home.

The name of Deborah's business is **Frazer Graphics**. She uses the **accrual** method of accounting. Her inventory is valued at **cost**.

1. Select **Quick Track > Business Income**.
2. Verify the following information:

<b>BUSINESS NAME</b>	<b>Frazer Graphics</b>
<b>BUSINESS ADDRESS</b>	<b>3304 Kingbridge Drive Atlanta, GA</b>
<b>PRINCIPAL BUSINESS</b>	<b>Graphic Production</b>
<b>PRINCIPAL BUSINESS CODE</b>	<b>541400</b>
<b>EMPLOYER ID</b>	<b>55-5555555</b>

3. Scroll down to verify that **Taxpayer materially participates** is selected in the **Income Type** box and the activity is considered **All at Risk**.
4. In the **Miscellaneous Information** section, enter **\$1,500** in the **SE health insurance premium** field.



Schedule 1, line 16 will contain 100% of the self-employed health insurance deduction.

5. Click the **Sch C Inc/Exp** tab to enter income and expenses.
6. Enter the **income** for the business: **\$52,000**.

7. Under **Cost of Goods Sold**, enter:

BEGINNING INVENTORY	\$500
PURCHASES	\$4,000
ENDING INVENTORY	\$600

8. Under **Expenses**, enter:

ADVERTISING	\$100
OFFICE EXPENSES	\$200
SUPPLIES	\$300
LEGAL AND PROFESSIONAL	\$200

## PROPERTY AND EQUIPMENT

The business has several assets that were purchased in 2023. Deborah sold the Office Furniture purchased on **06/01/2023** for **\$450** on **05/01/2024**.

1. Under the **Frazer Graphics** folder, select **Depreciation and Amortization > Asset Detail > Office Furniture**.
2. Click the **Retirement/Disposal** tab.
3. Check the **Retire asset** box (click the field). To record the sale of the asset:
4. Select the **Bulk Sale Identifier** field.
5. Click **1245 Property** from the **Type of Sale** drop-down list.
6. Enter the date sold and the gross sales price.

In addition, the business purchased a new asset.

- Under the **Frazer Graphics** folder, select **Depreciation and Amortization > Asset Detail > Add new Asset**. Enter the asset information:

<b>ASSET</b>	<i>Graphic Equipment</i>
<b>DATE OF PURCHASE</b>	<i>05/01/2024</i>
<b>COST</b>	<i>\$5,000</i>
<b>LIFE</b>	<i>5 Year MACRS</i>

- Deborah also conducts business from her home. Add the (new) Home asset information:

<b>ASSET</b>	<i>Home</i>
<b>DATE OF PURCHASE</b>	<i>03/09/2024</i>
<b>COST</b>	<i>\$600,000</i>
<b>LIFE</b>	<i>27.5 Year MACRS</i>

- Scroll to **Vehicle and Home Depreciation**. For **Asset Classification**, select *Home depreciation (Form 8829)*.



Deborah elected not to utilize special depreciation allowances for assets purchased in the current year. A footnote has been added to reflect this election.

On September 4, 2024, Deborah sold her computer (used 90% for Frazer Graphics business) to a neighbor for \$700 and purchased a new computer.

- To retire the old computer, under the **Frazer Graphics** folder, select **Depreciation and Amortization > Asset Detail > Computer**.
- Scroll down to enter that business use is **90%**. If 100%, you do not have to enter a percentage.
- Verify that **Listed** is selected in the **Property Type** box.
- Verify that **Office-in-Home Depreciation** is selected as the **Asset Classification** in the **Vehicle and Home Depreciation** drop-down box.
- Click the **Retirement/Disposal** tab at the top of the screen.

6. Check the **Retire asset** box (click the field).
7. To record the sale of the asset, select the **Bulk Sale Identifier** field.
8. Click **1245 Property** from the **Type of Sale** drop-down list.
9. Enter the **date sold** and the **gross sales price**.
10. Now add the new computer. Click **Previous**.
11. Click the **Asset Detail** drop-down list, and select **Add New Asset**. Enter the following:

<b>ASSET</b>	<b>Lenovo Computer</b>
<b>DATE OF PURCHASE</b>	<b>09/04/2024</b>
<b>COST</b>	<b>\$2,700</b>
<b>BUSINESS USE</b>	<b>90% business/10% personal</b>

12. Now enter the additional information by scrolling down:
  - a. Enter **5 Yr MACRS, business use is 90 percent**.
  - b. **Property Type** is **Listed**.
  - c. **Asset Classification** is **Office-in-Home depreciation**.
13. Depreciation for the two computers appears on Form 8829 under **Other Expenses**. Home depreciation and land value will appear on Part III.
14. Before entering Deborah's office-in-home expenses, compute the return. The return must compute for the property to carry in to Office-in-home from Schedule C.

## OFFICE IN HOME

Enter Deborah's expenses for her office-in-home.

1. Under the **Frazer Graphics** folder, select **Office-in-Home**.
2. Verify that the **Office-in-home** check box is checked. This is a **mandatory** field.

3. Enter the square footage data in the **Office-in-Home** box.

Notice the square footage changed from last year because the Frazers bought a new house. The studio occupies **250 square feet** of the Frazers' **4,000 square foot** home.

4. Select the **OIH-Inc and Exp** tab, and enter expenses on the entire house as indirect expenses:

<b>MORTGAGE INTEREST</b>	<b>\$9,930</b>
<b>REAL ESTATE TAXES</b>	<b>\$3,000</b>
<b>UTILITY BILLS</b>	<b>\$5,000</b>

5. Enter other expenses related directly to the business. The phone bill was directly related to the business.
6. Scroll to **Other Expenses**, and enter the phone bill: **\$600**.



The system will allocate interest and tax to the business and carry the remainder to Schedule A.

Scroll to the bottom of the screen. Land for the new Frazer home is valued at **\$5,000**.

## Rental Property

The Frazers have a rental property and actively participate in the management and maintenance of the property.

1. Select **Quick Track > Rental Income**.
2. Verify the following information on the **Activities Information** tab:

<b>RENTAL NAME</b>	<b>Rental Property</b>
<b>PROPERTY TYPE</b>	<b>Single Family Residence</b>
<b>LOCATION OF PROPERTY</b>	<b>5333 Foster Drive Atlanta, GA</b>

3. Click the **Income and Expense** tab.

4. Enter **\$7,500** for **rental income**.
5. Under the **Expenses** section, enter the following expenses:

ADVERTISING	<b>\$ 500</b>
CLEANING AND MAINTENANCE	<b>\$ 600</b>
INSURANCE	<b>\$ 500</b>
LEGAL AND PROFESSIONAL	<b>\$ 700</b>
REPAIRS	<b>\$ 800</b>
SUPPLIES	<b>\$ 200</b>
UTILITIES	<b>\$ 400</b>

## SUSPENDED LOSSES

1. Click the **Pass Loss Carryovers** tab.
2. Enter suspended operating losses:

FEDERAL REGULAR TAX	<b>\$ 1,939</b>
FEDERAL ALT. MIN. TAX	<b>\$ 1,122</b>

- Override the state suspended losses:

STATE REGULAR TAX	\$ <b>NONE</b>
STATE ALT. MIN. TAX	\$ <b>NONE</b>

## PROPERTY AND EQUIPMENT

- Under the **Rental Property** folder, select **Depreciation and Amortization > Asset Detail > Rental House**.
- Verify the asset information:

RENT HOUSE PURCHASE DATE	01/01/2022
RENT HOUSE PURCHASE PRICE	\$75,000
DEPRECIATION METHOD	MACRS 27.5 year property
AMT	No entry needed
ACCUMULATED DEPRECIATION	\$5,341
AMT ACCUMULATED DEPRECIATION	\$5,341

## Business/Personal Use Property

The Frazers own a duplex of which **1560 square feet is rented**. The other half is used part-time by Thomas Frazer.

- Select **Income > Rent and Royalty > Duplex Rental > Rent and Royalty Information**.
- Verify that the **Other with personal use** option is selected under **Property type (Mandatory)**.
- Verify that the location of the property is **Park City, Utah**.

4. Verify that the **Activity type** is **Rental real estate - Active participation**.
5. Verify that the **total square footage** is **3,000**.
6. Click the **Income and Expense** tab, and enter the following information:

INCOME	<b>\$6,000</b>
TOTAL MORTGAGE INTEREST	<b>\$9,921</b>
TOTAL REAL ESTATE TAXES	<b>\$1,403</b>
REPAIRS RELATED TO RENTAL PORTION OF DUPLEX	<b>\$ 529</b>
TOTAL UTILITY BILL FOR THE ENTIRE DUPLEX	<b>\$ 900</b>
MISCELLANEOUS EXPENSE (RENTAL PORTION ONLY)	<b>\$ 13</b>



The rental portion of duplex expenses are direct expenses.

## PROPERTY AND EQUIPMENT

1. Under the **Duplex Rental** folder, select **Depreciation and Amortization > Asset Detail > Duplex**.
2. Verify the asset information for the duplex:

PURCHASED	<b>06/01/2015</b>
TOTAL PRICE	<b>\$54,000</b>
DEPRECIATION METHOD	<b>Straight Line over 30 years</b>
ACCUMULATED DEPRECIATION	<b>\$16,926</b>

3. Now add a new asset. On **7/15/2024**, Thomas purchased a new **appliance** for **\$639** for the rental unit (**MACRS 5-year property**).
4. Select **Depreciation and Amortization > Asset Detail > Add new asset**.
5. Enter the description of the asset, the date purchased, and the cost.
6. Select **MACRS 5 year** from the **Method** list box.



This asset should not be prorated between rental and personal use.

7. Scroll down to **Vehicle and Home Depreciation**.
8. Select the check box for **Do not allocate or prorate depreciation**.

## Partnership and S Corporation Schedule K-1s

The Frazers received three K-1s in 2024. Thomas holds a passive interest in VLS Partners, which is not a publicly traded partnership.

1. Select **Quick Track > Schedule K-1**.
2. Verify the information on the **Activity Information** tab:

NAME	<b>VLS Partners</b>
ID#	<b>75-7777777</b>
ACTIVITY TYPE	<b>Other passive</b>

3. Click the **Income** tab, and enter the income and expenses:

INCOME/EXPENSE ITEM	AMOUNT	1065 K-1 LINE
<i>Other net rental income/loss</i>	<b>\$ 4,000</b>	<b>3</b>
<i>Portfolio Interest Income</i>	<b>\$ 3,000</b>	<b>5</b>
<i>Investment int. expense- Schedule A</i>	<b>\$ 1,900</b>	<b>13H</b>

4. Verify that a Suspended Loss Carryover of **\$5,500** has been entered for **Federal Regular** and **AMT**.

Deborah is a shareholder in GraphicWare, Inc., an S Corporation. She materially participated in the operation of the business which went bankrupt in 2024. She received no distribution from the bankruptcy. Her **basis** in the S Corporation is **\$20,000**, but her **at-risk basis** as of the beginning of 2024 is only **\$11,000**.

1. Select **Schedule K-1 > GraphicWare, Inc.**
2. Verify the information on the **Activity Information** tab:

NAME	<i>GraphicWare, Inc.</i>
ID#	<b>88-8888888</b>
ACTIVITY TYPE	<i>Taxpayer materially participates</i>

3. Click the **Fully disposed of during the current tax year** check box.
4. Click the **Income** tab, and enter the income and expenses:

INCOME/EXPENSE ITEM	AMOUNT	1120S K-1 LINE
<i>Ordinary loss</i>	<b>- \$ 2,500</b>	<b>1</b>

5. Click the **AMT/Nondeductible/Other Info** tab, and enter the following depreciation adjustment:

INCOME/EXPENSE ITEM	AMOUNT	1120S K-1 LINE
<b>AMT post '86</b>	<b>- \$ 800</b>	<b>15a</b>

6. Under the **GraphicWare, Inc.** folder, select **Gains and Losses > Capital Gains and Losses > Add new Description of Property > Capital Gains & Losses** to enter the following disposition information:

DESCRIPTION	<i>Partnership Interest</i>
PROCEEDS	<i>None</i>
COST	<i>\$20,000</i>
HOLDING PERIOD	<i>Long-term investment property</i>

7. Under the **GraphicWare, Inc.** folder, select **At-Risk**, and enter the at-risk information.

8. Scroll down to **Part II, Simplified Computation of Amount At-Risk**.

9. Enter **\$11,000** as the **Adjusted basis on first day of tax year**.

## **PUBLICLY TRADED PARTNERSHIP**

Thomas bought an interest in a publicly traded partnership, Master Fund XIX.

1. Select **Income > Schedule K-1 > Master Fund XIX**.
2. Verify the name as **Master Fund XIX**.

3. Verify the following information:

ACTIVITY TYPE	PTP
ID NUMBER	75-2222222

4. Click the **Schedule K-1 Information > Income** tab, and enter income and expenses:

CURRENT YEAR ORDINARY LOSS (PASSIVE)	\$-4,000
---	----------

## Miscellaneous Income

1. Select **Income > Miscellaneous Income > Miscellaneous Income > Miscellaneous Income**.
2. Enter **\$300** for **State Income Tax refunds** received by the Frazers in the current year.
3. Scroll to **Other Miscellaneous Income**.
4. For Thomas, enter **\$10,000** for **Director's Fees from Hodgeport, Inc.**
5. Click the field to the right of the **TSJ** column.
6. Select **Subject to self-employment tax** from the drop-down list.

## Gambling Wins/Losses

Every year Thomas goes to Las Vegas and gambles. His **winnings** last year were **\$3,000**, and his **losses** were **\$7,000**.

1. To enter his winnings, select **Income > Miscellaneous Income > Miscellaneous Income > Miscellaneous Income**.
2. Scroll to **Gambling Income**.
3. Enter the amount of **\$3,000**.
4. To enter losses, select **Itemized Deductions > Miscellaneous** tab.

5. Scroll to **Gambling Losses**, and enter the loss.



Losses are only deductible to the extent of winnings, so although Thomas's losses were \$7,000, you can only enter **\$3,000** in the losses field.

6. Check the box ***Do not limit losses by total gambling winnings entered on Forms W-2G***.

## Child's Interest Income

Mike has a CD at First National Bank. His parents elect to file the interest income on their return. Taxable interest income was **\$2,000** (excluding US obligations).

1. Select **Income > Kid-tax Income > Child's Int. & Div. > Mike A.**
2. Verify Mike's name, Social Security number (**222-22-2222**), and the interest income amount (**\$2,000**).
3. You can access this Organizer from the Tax Forms. Since you know the child's income is entered on Form 8814, return to the Organizer by clicking the **Tax Forms** tab. Select **Federal > Form 8814 > Child's name**.
4. Move your cursor to line 1a of Form 8814 and right-click. When the shortcut menu appears, select **Related**. Then select **Organizer > Taxable Interest Income**.
5. The system takes you to the Organizer screen where you were originally: **Income > Kid-tax Income > Child's Int. & Div. > Mike A.**

## Capital Gains and Losses

The Frazers sold **10,000 shares of AMD Corporation stock** on **06/03/2024** for **\$50,000**. The stocks were purchased on **01/01/2012** for **\$10,000**.

1. Select **Gains and Losses > Capital Gains and Losses > Add New Description > Capital Gains & Losses**.
2. Enter **10,000 shares of AMD Corp.** and click **OK**.
3. Enter the stock transaction.

In addition, a friend to whom Thomas had loaned \$500 on January 1, 2024 declared bankruptcy. Thomas will not recover any of this non-business bad debt by year end.

1. Select **Gains and Losses > Capital Gains and Losses > Add New Description > Capital Gains & Losses.**
2. Enter **Bad debt write-off - Loan Not Repaid**, and click **OK**.
3. Enter the **Selling Price** as **NONE**.
4. Enter the **Cost: \$ 500**.



Remember that a non-business bad debt write off is always a short-term capital loss. It is Thomas's write-off, so click **Taxpayer**.

5. Select the **Holding Period: Short-term investment property**.

On **May 2, 2024**, the Frazers sold **200 shares of jointly owned Gary Industries stock** for **\$3,500**. The stock was purchased on **August 17, 2011**, for **\$2,000**.

1. Select **Gains and Losses > Capital Gains and Losses > Add New Description > Capital Gains & Losses.**
2. Enter the description and other sale information.

## Carryover Information

The Frazers have a **short-term capital loss carryover of \$7,000** and **long-term capital loss carryover of \$17,700**.

1. Select **Gains and Losses > Capital Gains and Losses > Carryovers, Print, Form 2439, & Misc** to enter the carryover information.
2. Scroll down to the **Carryover** box.
3. Verify short and long term carryovers. For AMT and State purposes, the amounts were the same.

## Installment Sales

Last year the Frazers sold some land and agreed to receive payments for the purchase of the land. This year an **installment payment of \$500** was received for the Rio Rancho, NM property. To enter the installment payment:

1. Select **Gains and Losses > Installment Sales > Prior Year-Other**.
2. Enter the payment under **Current Year Collections**.

3. Verify the prior year collection of **\$500**.

## Sale of Home

The Frazers sold their old home for **\$350,000** on **July 1, 2024** and purchased a new home for **\$600,000**.

1. Select **Gains and Losses > Sale of Home > Add new Date Home Sold**.
2. Enter **07/01/2024** and click **OK**.
3. Enter all of the following information for the old home:

<b>PURCHASE AMOUNT</b>	<b>\$300,000</b>
<b>PURCHASE DATE</b>	<b>01/01/2012</b>
<b>IMPROVEMENTS</b>	<b>\$ 10,000</b>
<b>SELLING EXPENSES</b>	<b>\$ 5,000</b>

 Taxpayers meet the own and use test requirements.

## IRA Contributions

Thomas and Deborah both contributed **\$2,000** to an IRA this year. Thomas participates in a qualified retirement plan at work.

1. Select **Adjustments to Income > IRA > IRA Contribution**.
2. Enter the current year contributions.
3. Verify that the **Participated in qualified employer-maintained retirement plan** box is checked.

## NON-DEDUCTIBLE IRA INFORMATION

1. Select **Adjustments to Income > IRA > IRA Values**.
2. Enter **\$2,000** in the **Total Basis in Traditional IRAs made for current year** for both taxpayers.
3. Deborah has an IRA (value of **\$17,000**) in **Newfund Mutual**.



Value of the IRAs is only necessary if there have been distributions or excess contributions.

The IRAs in this exercise are being disallowed because the Taxpayer participated in a qualified retirement plan and were high income earners.

## Employee Business Expenses

All reimbursements were included on Thomas's W-2 in box 1.

1. Select **Adjustments to Income > Employee Business Expense > Add new Occupation**.
2. Enter **Professional** and click **OK**.
3. Select **Reservist/National Guard** under **Special Treatment**, and verify that **Taxpayer** is selected.

4. Click the **Business Expenses** tab.
5. Enter business expenses. The system automatically applies the limit.

PARKING AND TOLLS	\$ 45
LOCAL TRANSPORTATION	\$ 60
OVERNIGHT TRAVEL	\$210
TELEPHONE	\$ 21
PROFESSIONAL DUES	\$450
PROFESSIONAL JOURNALS	\$ 75
MEALS	\$3,600

## VEHICLE INFORMATION

Thomas uses his Toyota Pickup for business and personal use. He wants to optimize between standard mileage and actual expenses.

1. Under the **Bus Exp Professional** folder, select **Depreciation and Amortization > Asset Detail > Add new Asset**.

2. Enter **Toyota Pickup** and click OK.

PURCHASED	07/10/2023
COST	\$27,000
METHOD	MACRS 5 Yr
ACCUMULATED DEPRECIATION	\$3,200

3. Scroll down, and select **Automobiles** in the **Property Type** section.

4. Select **Vehicle 1 depreciation detail** in the **Vehicle and Home Depreciation** section.

5. Under the **Professional** folder, select **Columnar Vehicle Expense Entry**.

6. Select **Optimize vehicle expenses on a vehicle-by-vehicle basis**.

He and Deborah own a second car for personal use. He does not have an employer-provided vehicle. Thomas maintains written records of automobile use.

1. Answer the **Vehicle Information Questions**.

2. Under **Vehicle mileage and Vehicle expenses**, enter the following on the **Vehicle 1** line:

TOTAL MILES DRIVEN DURING THE YEAR	5,000
TOTAL BUSINESS MILES	3,500
GAS, OIL, AND REPAIRS	\$ 2,250

## Itemized Deductions

The Frazers had a list of itemized deductions that need to be entered into the tax return.

## MEDICAL

1. Select **Itemized Deductions > Medical and Dental Expenses**.
2. Enter the Frazers' medical expenses:

DOCTORS AND DENTISTS	\$ 750
MEDICAL REIMBURSEMENTS	\$ 200

## ESTIMATED TAX PAYMENTS

1. Select **Itemized Deductions > Taxes and Interest > Estimated Tax Payments**.
2. Enter the estimated tax payments made by the Frazers for Federal and Georgia.

DATE PAID	FEDERAL	GEORGIA
	EST. TAXES PAID	
04/15/2024	\$1,000	\$200
06/15/2024	\$3,000	\$400
09/15/2024	\$1,000	\$200
01/15/2025	\$1,000	\$200

3. In addition, **\$170** for the **Prior Year's Estimate** was paid, and the 2023 **Georgia balance due of \$300** was paid in 2024.

## OTHER TAXES

1. Select **Itemized Deductions > Taxes and Interest > Taxes-Other**.
2. Enter **Real Estate Taxes** paid to the City of Atlanta of **\$3,500**.
3. Enter **Personal Property Taxes** paid of **\$107**.
4. Check the boxes to print the State and Local Tax Whitepaper and the Real Estate Tax whitepaper.



Usually home mortgage interest and taxes are entered in the Organizer for Form 1098 - Mortgage Interest and Taxes. We will not be using this form in this case study because all of the home mortgage interest has been prorated between business and personal use.

## INVESTMENT INTEREST EXPENSE

1. Select **Itemized Deductions > Taxes and Interest > Investment Interest Expense > Investment Interest Exp.-Schedule A amount**.
2. Enter the following:

PAYEE	<b>Smith Barney</b>
AMOUNT PAID	<b>\$134</b>



This interest expense was not related to production of income.

## MISCELLANEOUS ITEMIZED DEDUCTIONS

1. Select **Itemized Deductions > Miscellaneous > Miscellaneous** tab.
2. Verify that you have **\$3,000** for **Gambling Losses**.

## Charitable Contributions

The Frazers made several cash and noncash contributions in 2024.

## CASH CONTRIBUTIONS

1. Select **Itemized Deductions > Contributions > Contributions-CY and Carryovers > Contrib.-Current Year** tab.
2. Enter the following cash contributions:

DISEASE RESEARCH SOCIETY	\$ 200
UNITED WAY	\$ 300
HUNGER FOUNDATION	\$ 50

## NONCASH CONTRIBUTIONS

1. Scroll down to enter noncash contributions data.
2. **Clothing** was donated to **Goodwill** with **FMV of \$150**.

On **10/2/2024**, the Frazers donated **10,000 shares of Augusti stock** to the **Peachtree School for Girls, 5515 N. Peachtree Avenue, Atlanta, GA**. The stock was purchased on **1/1/2008**, for **\$4,000** and was quoted on the NYSE at the time of gift at **\$18,000**.

1. Select **Itemized Deductions > Section A Donated Property > Add New Donee Name**.
2. Enter the donee name, and click **OK**.
3. Indicate that the ownership is **Joint**.
4. Enter the address and description.
5. Scroll down, and enter the **Contribution Date** and the rest of the information.



Remember to select **30% CG** from the **AGI Limit** drop-down list and click the **Publicly Traded Security** check box. Although the stock donated is worth more than \$5,000, it is not to be entered in the **Section B Donated Property** Organizer. It must be entered in the **Section A Donated Property** section because it is a publicly traded security.

## Taxes

### HOUSEHOLD EMPLOYEES

The Frazers have a household employee who has worked for them for several years. Enter their tax information.

1. Select **Taxes > Household Employment Tax > 12-3333333 > Household Employment Tax**.
2. Verify that the check box is selected for **Taxpayer paid any one employee household wages of \$2,200 or more in the current year**.
3. Verify that the check box is checked for **Taxpayer paid total wages of \$1,000 or more in any calendar quarter**.
4. Verify that the employee name is **M. E. Evans**.
5. Enter **\$2,500** for Social Security taxes, Medicare taxes, and FUTA tax.

### FEDERAL UNEMPLOYMENT (FUTA) TAX

1. Verify that all three questions in this section are answered **YES**.
2. Verify Section A information:

STATE WHERE UNEMPLOYMENT CONTRIBUTIONS PAID	<b>Georgia</b>
STATE REPORTING NUMBER	<b>21608</b>
CONTRIBUTIONS YOU PAID	<b>\$60.00</b>

## Credits

### CHILD AND DEPENDENT CREDIT

The Frazers used a child care service in 2024:

PROVIDER	<i>Tot Care, Inc.</i>
ID #	<b>02-5033487</b>
ADDRESS	<b>555 Peachtree Avenue South Atlanta, GA 30305</b>
AMOUNT PAID: TOTAL	<b>\$2,500</b>
AMOUNT PAID: MIKE	<b>\$1,250</b>
AMOUNT PAID: WARREN	<b>\$1,250</b>

1. Select **Credits > Child and Dependent Care Credit > Credit Information**.
2. Enter or verify that the information is correct.



This information will automatically carry from your **Dependent** Organizer if you entered a Child Care Credit amount on the Organizer. If not, you can enter it here.

3. Select **Credits > Child and Dependent Care Credit > Care Provider**.
4. Enter the Child Care Provider information.

## FOREIGN TAX CREDIT

Earlier in this lesson, you entered a Foreign Dividend. To complete the Organizer entry for foreign taxes paid:

1. Select **Foreign Information > Foreign Tax Credit > Foreign Tax Credit Options**.
2. Verify that the **Accounting Method** is **PAID**.
3. Verify that the **country of residence** is **United States**.
4. Select **Foreign Information > Foreign Tax Credit > Canada > Foreign Tax Credit Information**.
5. Verify that the **foreign country** and **country name** are both **CANADA**.

6. Verify that the **Income Type** selected is **Passive**.
7. Enter the date that the foreign tax was paid: **12/31/2024**.

## **FOREIGN SOURCE INCOME AND DEDUCTIONS**

Enter **\$3,000** for **Dividends**.

## **FTC TAXES PAID/ACCRUED**

1. Select the **Taxes Paid/Accrued** tab.
2. Enter **J** for **Allocate on a joint ratio**.
3. Enter **\$200** for **Foreign Taxes Paid (Dividends)**.

## **FTC CARRYOVERS**

1. Select the **Carryovers** tab.
2. Verify for **Regular** and **AMT Tax**:

<b>2024 FOREIGN TAXES PAID CARRYOVER</b>	<b>\$200</b>
<b>2024 CREDIT PREVIOUSLY USED</b>	<b>\$200</b>

## **Estimates and Penalties**

## **ESTIMATED TAX PAYMENTS**

The Frazers want any refund to be completely applied to next year's tax return.

1. Select **Estimates and Penalties > Estimated Tax/Overpayment > Estimated Tax/Overpayment > General Options**.
2. Select **Apply entire overpayment** from the **Application of Overpayment > Overpayment Option** section to apply the entire refund to next year's tax return.
3. Select **Suppress compute and print** from the **Estimated Tax > Estimate Option** section to suppress the estimate.



If you want the vouchers to print even though you have a refund, print the vouchers before you select these options. Then select these options and finish the tax return.

## UNDERPAYMENT PENALTIES

The Frazers' 2023 tax liability was **\$16,990**.

1. Select **Estimates and Penalties > Underpayment > 2210 Penalty**.
2. Verify that the 2023 tax liability is **\$16,990**.

## Transmittal Letter and Filing Instructions

The Frazers should receive a combined transmittal letter and filing instructions with their return. Their return will be filed with the appropriate IRS Center for Georgia residents.

1. Select **Letter and Filing Instructions > General Options**.
2. Verify that the **Auto Selected Center** for Georgia is **Kansas City, MO - Charlotte**. This should be selected automatically.
3. Verify that the option to print **Transmittal letter and Filing Instructions** is selected.
4. Verify that the **IRS Service Center (Override)** is **Automatic Generation**.



Most of these items will flow automatically in a client's real account and are set up by the Firm Administrator, so no entries in this Organizer are usually required. Preparers can use the procedure outlined above to override the account defaults on a return-by-return basis.

## Georgia

### ***ACTIVATING THE STATE***

The Frazers also need a Georgia tax return filed and want any refund or overpayment applied to the next year's Georgia return.

1. Select **States > Add States/Cities**.
2. Verify that the **R** radio button for Georgia is selected as the **Residency Status**.

### ***ESTIMATED TAXES FOR GEORGIA***

To allow any overpayment to be applied to Georgia's next year taxes:

1. Select **States > Common State > Estimates**.
2. Select **Prepare 2025 Estimate** based on **Option 2 - Suppress compute and print**.
3. Select the **Overpayment Options** tab.
4. Select **Option 5** to apply the entire overpayment from 2024 to the 2025 tax return.

# 1040 SANDS CASE STUDY FACTS (CASSAM)

Charles and Freda Sands live in Denver, Colorado. Charles left his executive position with XYZ in 2024 and started his own service business. Freda Sands is a partner in three domestic limited partnerships, non publicly-traded. Mrs. Sands does not materially participate in any of them.

## TARGETED AREAS

- Passive activity coding
- K-1s
- Alternative minimum tax
- Incentive stock options
- Research expense
- Tax-exempt interest
- Self-employment tax
- Insurance premiums for self-employed
- Estimated tax payments

## RETURN INFORMATION

- [Basic Taxpayer Information \(page 62\)](#)
- [Profit/Loss from Business \(page 63\)](#)
- [Partnerships \(Selected Portions of K-1s Shown\) \(page 64\)](#)
- [Medical Expenses \(page 65\)](#)
- [Timely Quarterly Payments of Estimated Tax Made \(page 65\)](#)
- [Charitable Contributions, Noncash \(page 66\)](#)

- [Alternative Minimum Taxable Income Adjustments \(page 66\)](#)
- [Transmittal Letter and Filing Instructions \(page 66\)](#)

## DATA ENTRY

- [Taxpayer Information \(page 66\)](#)
- [State of Florida Bonds \(page 67\)](#)
- [Business Information \(page 67\)](#)
- [K-1 Information \(page 67\)](#)
  - [Suspended Loss Carryovers \(page 68\)](#)
- [Medical Expenses \(page 68\)](#)
- [Timely Quarterly Payments \(page 68\)](#)
- [Charitable Contribution of Stock \(page 69\)](#)
- [Alternative Minimum Tax \(page 69\)](#)
- [Transmittal Letter/Filing Instructions \(page 70\)](#)
- [Reviewing the Return \(page 108\)](#)

## RETURN INFORMATION

Some data is already entered for you. Use the [Data Entry \(page 66\)](#) section for instructions and hints on entering any data you are unsure how to enter. You should verify all the information when it has changed or is missing based on the information in these facts.

### Basic Taxpayer Information

	TAXPAYER	SPOUSE
NAME	<i>Charles Sands</i>	<i>Freda Sands</i>

	TAXPAYER	SPOUSE
ADDRESS	<i>500 North Way Denver, CO 80808</i>	
SSN	<i>777-77-7777</i>	<i>888-88-8888</i>
DOB	<i>04/29/1969</i>	<i>10/16/1970</i>
EMPLOYMENT	<i>Consultant</i>	<i>Investor</i>
PRESIDENTIAL ELECTION CAMPAIGN FUND?	<i>No</i>	
FILING STATUS	<i>Married, Filing jointly</i>	
INTEREST INCOME	<i>Tax Exempt Interest</i>	
STATE OF FLORIDA BONDS	<i>\$5,000</i>	

## Profit/Loss from Business

NAME	<i>Services by Sands</i>
ADDRESS	<i>75 South Way Denver, CO 80808</i>
PRINCIPAL PROFESSION	<i>Services</i>
BUSINESS CODE	<i>541219</i>
METHOD OF ACCOUNTING	<i>Cash method</i>
INVENTORY VALUATION	<i>Cost</i>
SELF EMPLOYED HEALTH INSURANCE PREMIUM	<i>\$ 3,000</i>
CONSULTING FEES INCOME	<i>\$50,000</i>
RESEARCH EXPENSE (OTHER EXPENSES)	<i>\$ 6,000</i>

DEPRECIABLE ASSET	<i>Equipment</i>
PURCHASE DATE	01/01/2024
METHOD	MACRS 7-yr.
COST	\$10,000

## Partnerships (Selected Portions of K-1s Shown)

	PLIMPTON EQUIPMENT, LTD.	BAILOR REAL ESTATE INVESTORS	TECHNOLOGY FUNDING
NUMBER	1	2	3
PARTNERSHIP ID NUMBER	94-2904388	36-3215399	84-1010419
K-1, LINE 1 ORDINARY INCOME/LOSS FROM TRADE/BUSINESS			\$-8,230
K-1, LINE 2 NET INCOME (LOSS) FROM RENTAL REAL ESTATE		\$-6,790	
K-1, LINE 3 NET INCOME (LOSS) FROM OTHER RENTAL INCOME	\$ 5,320		
K-1, LINE 5 INTEREST INCOME			\$ 45
K-1, LINE 6A DIVIDEND INCOME	\$ 100		
K-1, LINE 7 ROYALTY INCOME	\$ 500		

	PLIMPTON EQUIPMENT, LTD.	BAILOR REAL ESTATE INVESTORS	TECHNOLOGY FUNDING
K-1, LINE 17 POST-86 DEPRECIATION ADJUSTMENT	\$ 280	\$ 250	\$ 748
<b>PASSIVE ACTIVITY LOSS CARRYOVER</b>			
FORM 4797 (1231)		X	
OPERATING LOSSES			X
REGULAR TAX		\$ 7,860	\$ 5,300
ALTERNATIVE MINIMUM TAX		\$ 9,250	\$ 7,980

## Medical Expenses

HOSPITALS	\$10,000
INSURANCE REIMBURSEMENT	\$ 1,000

## Timely Quarterly Payments of Estimated Tax Made

FIRST INSTALLMENT	\$3,000
SECOND INSTALLMENT	\$3,000
THIRD INSTALLMENT	\$3,000
FOURTH INSTALLMENT	\$3,000
PRIOR YEAR LIABILITY	\$9,000

## Charitable Contributions, Noncash

The Sands gave **300 shares of ABC Co.**, a publicly-traded security, to the **Denver Boys Club**. The stock was purchased **6/15/1992** for **\$650**. Fair market value (stock quote) at the date of gift (**08/08/2024**) was **\$4,200**.

## Alternative Minimum Taxable Income Adjustments

Charles Sands exercised stock options for 1,000 shares of XYZ Corporation. He had been granted the options as part of an incentive to corporate executives.

Tax adjustment item **\$28,000**

The research expense that was deducted on Schedule C in the full amount of \$6,000 must be amortized over 10 years for alternative minimum tax.

The amount deductible for alternative minimum taxable income is **\$600**; the adjustment is **\$5,400**.

## Transmittal Letter and Filing Instructions

You wish to generate a combined transmittal letter and filing instructions for this return. The return will be filed with the appropriate IRS center for Colorado residents. In the letter, you want to tell the Sands that you are enclosing the data they furnished for preparing the return.

## DATA ENTRY

This page is used to provide help when you are not sure where to enter data. You do not need this page if you know where all the information belongs.

Forms are accessed from the **Forms List** window at the left of the screen. Make sure **Organizer** is selected.

## Taxpayer Information

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

OR

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

2. Enter any missing data and review all entries.

## State of Florida Bonds

1. To enter bond information, select **Income > Interest Income > Savings/US Bonds/Tax-Exempt/Foreign Int** tab.
2. Scroll to **Tax-Exempt Interest**.
3. Enter **State Exempt Interest**.



The system will add the income back for alternative minimum tax calculations.

## Business Information

1. To enter business information, select **Quick Track > Business Income**.

OR

Select **Income > Business Income > Service by Sands**.

2. Enter the business income and expense items.

## K-1 Information

Enter K-1s from all types of entities (1065, 1120S, and 1041) through the Forms List Window:

1. Select **Quick Track > Schedule K-1**.

OR

Select **Income > Schedule K-1 > activity name > Schedule K-1 Information**.

2. On the **Activity Information** tab:

- a. Verify that the **Spouse** radio button is selected in the **Ownership** box for each K-1, since Mrs. Sands is the partner. All K-1s are passive.



For multi-activity K-1s, such as a partnership having both ordinary income and rental real estate, treat each activity separately so that income can be coded separately for correct treatment. This is not applicable to this return.

- b. Choose the appropriate options for **Activity Type** and **If Rental Real Estate**.

3. Click the **Income** and **AMT/Nondeductible/Other Info** tabs.

4. Match each line on the 1065 K-1 with the corresponding 1065 line number on the screen.

## SUSPENDED LOSS CARRYOVERS

1. Click the **Pass Loss Carryovers** tab.
2. Enter amounts for one partnership.

## Medical Expenses

1. Select **Quick Track > Itemized Deductions**.

OR

Select **Itemized Deductions > Medical and Dental expenses**.

2. Enter **\$10,000** for medical expenses.
3. Enter the insurance reimbursement as a positive number. The system will subtract it from the other expenses.

## Timely Quarterly Payments

1. Select **Payments and Extensions > Estimated Tax Pmts**.
2. Enter **\$3,000** for each quarter.

3. From the Forms List window, select **Estimates and Penalties > Underpayment > 2210 Penalty**.
4. Under the **Prior Year Information** section, verify that the prior year tax liability is **\$9,000**.

## Charitable Contribution of Stock

1. Select **Itemized Deductions > Contributions > Section A Donated Property > Add New Organization Name**.
2. Enter **Denver Boys Club** and click **OK**.



Only Section A of Form 8283 is required.

3. Complete the top part of the screen.
4. Scroll down to enter the rest of the information.
5. Select the **30% CG OPTION** from the **AGI Limit** drop-down list.
6. Check the **Publicly Traded Security** check box.



The date fields are used for print only.

## Alternative Minimum Tax

Generally, data entered throughout the system is automatically adjusted for alternative minimum tax and carried to Form 6251. However, the exercise of stock options will not create a transaction for regular tax until the stock is sold. But the adjustment item for alternative minimum tax necessitates recognition in the year of exercise. There is no place on the return that this data could carry from.

1. Select **Taxes > Alternative Minimum Tax > Alt Min Tax**.
2. Identify other similar adjustment and preference items. These are the items that do not include the **(Override)** indicator.
3. Enter **\$28,000** for the incentive stock option adjustment and **\$5,400** for the adjustment for research expenses.

## Transmittal Letter/Filing Instructions

1. Select **Letters and Filing Instructions > General Options**.
2. Generate the letter by selecting **Transmittal Letter and Filing Instructions**. The system will automatically generate *Ogden, UT - Cincinnati* as the correct IRS Service Center for Colorado.
3. Verify that the **IRS Service Center (Override)** is set to *Automatic Generation*.

# 1040 SMITH CASE STUDY FACTS (CASSMM)

Robert and Mary Smith are sample clients. You are going to prepare their 2024 return using the tax application. Your administrator has rolled over their 2023 files to 2024. The Smiths have brought you their information for 2024.

## TARGETED AREAS

- Basic data entry techniques
- Navigating through the system
- Using Organizer and Tax Forms

## RETURN INFORMATION

- [Taxpayer Information \(page 72\)](#)
- [Dependent Information \(page 73\)](#)
- [Estimates and Penalties \(page 73\)](#)
- [W-2 Information \(page 74\)](#)
- [Interest Income \(page 74\)](#)
- [Dividend Income \(page 75\)](#)
- [Business Information \(page 75\)](#)
  - [Depreciation Information \(page 76\)](#)
- [Schedule K-1 \(page 77\)](#)
- [Estimated Tax Payments \(page 78\)](#)
- [State Taxes \(page 79\)](#)
- [Itemized Deductions \(page 79\)](#)

- [Current-Year Cash Contributions \(page 80\)](#)
- [Credit for Prior Year Minimum Tax \(page 80\)](#)
- [Comparison of Current Year to Prior Year \(page 80\)](#)
- [Reviewing the Return \(page 108\)](#)

## RETURN INFORMATION

### Taxpayer Information

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

OR

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

2. Enter the following taxpayer information:

	TAXPAYER	SPOUSE
NAME	<i>Robert Smith</i>	<i>Mary Smith</i>
ADDRESS	<i>123 East Main St. New York, NY 10016</i>	
SSN	<i>123-45-6789</i>	<i>987-65-4321</i>
OCCUPATION	<i>Engineer</i>	<i>Executive</i>
DATE OF BIRTH	<i>01/01/1982</i>	<i>07/04/1983</i>

3. Verify the address information, Social Security numbers, and occupations for the taxpayers.
4. Verify that **Married filing joint** is selected. The filing status is a **mandatory** entry on the 1040 return.
5. Verify that Robert and Mary do not wish to contribute to the Election Campaign Fund.

## Dependent Information

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

OR

Select **General Information > Dependents > Dependent Input**.

2. Enter **Thomas Smith**.
3. Enter information for Thomas:

SSN	321-54-9876
TIME LIVED WITH PARENTS IN TAX YEAR	12 months
DATE OF BIRTH	10/31/2014

## Estimates and Penalties

Verify the Smiths' 2023 tax liabilities and adjusted gross income were rolled over correctly from 2023.

1. Select **Estimates and Penalties > Underpayment > 2210 Penalty**.
2. Enter the following:

SMITHS' 2023 TAX LIABILITY	\$ 36,035
SMITHS' 2023 ADJUSTED GROSS INCOME (REQUIRED TO BE USED IF A PENALTY IS CALCULATED)	\$174,047



Form 2210 will only print if there is a current year penalty calculated.

## W-2 Information

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

OR

Select **Source Documents > W-2**.

2. Enter the following information from Robert Smith's W-2 from *Major, Inc.*:

<b>WAGES (ALSO USED FOR MEDICARE)</b>	<b>\$157,000</b>
<b>SOCIAL SECURITY WAGES</b>	<b>\$ 106,800</b>
<b>FEDERAL TAX WITHHELD</b>	<b>\$ 43,900</b>
<b>SOCIAL SECURITY TAX WITHHELD</b>	<b>\$ 6,621.60</b>
<b>MEDICARE WAGES</b>	<b>\$157,000</b>
<b>MEDICARE TAX WITHHELD</b>	<b>\$ 2,277</b>
<b>NEW YORK STATE TAX WITHHELD</b>	<b>\$ 6,000</b>

## Interest Income

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

OR

Select **Source Documents > 1099-INT/1099-OID**.

2. The Smiths received a 1099 statement showing the interest they earned from National Bank for **\$1,732**.



**How to Delete Interest items:** Select the interest item you want to delete, then press the **Delete** key. Click **OK** to delete the interest item.

## Dividend Income

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

OR

Select **Source Documents > 1099-DIV**.

2. The Smiths jointly owned the Minor, Inc. stock and received an ordinary dividend in 2024.

Select **Add new 1099-DIV payer**.

3. Enter **Minor, Inc.** and click **OK**.

4. Enter **Ordinary Dividends** in the amount of **\$ 2,900**.

 The ordinary dividend income carries to Schedule B (and capital gains distribution information would carry to Schedule D if the Smiths had any capital gain distributions).

## Business Information

Mary Smith started a small business in 2017, which she reported on Schedule C last year.

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

OR

Select **Income > Business Income > Mary's Baubles Business Information**.

2. Verify the **Spouse** radio button to indicate that this Schedule C belongs to Mary.
3. Verify **1** for the activity number. (Activity numbers are required if you have more than one Schedule C.)
4. Verify that the **EIN#** is **95-0101010**.
5. Verify that the **Accounting Method** is **Cash**.
6. Verify that the **Inventory Valuation method** is **Cost**.
7. Verify that Mary Smith's material participation in the business is indicated under **Miscellaneous Information**.

To enter business income and expenses:

1. Click the **Sch C Inc/Exp** tab at the top of this form.
2. Under **Gross receipts or sales**, enter the following:

SALE OF JEWELRY	\$ 26,150
RETURNS AND ALLOWANCES	\$ 370

3. She had the following items related to **Cost of Goods sold**:

BEGINNING INVENTORY	\$ 2,500
PURCHASES	\$ 11,700
ENDING INVENTORY	\$ 2,975

4. Enter the following expenses:

ADVERTISING	\$ 100
INSURANCE	\$ 750
LEGAL AND PROFESSIONAL FEES	\$ 600

## DEPRECIATION INFORMATION

The depreciation on the desktop computer that Mary Smith uses for her business should be entered in the **Business Income** part of the Organizer.

1. Under **Mary's Baubles**, select **Depreciation and Amortization > Asset Detail > Add new Asset**.
2. Enter the following asset information: **Desktop Computer**. Click **OK** (or press **Enter**).

3. Enter the following information for the desktop computer:

DATE PLACED IN SERVICE	04/15/2024
COST	\$ 3,500
METHOD	5-year MACRS



Before you delete any asset, turn **Auto Compute** off and then delete the asset from the Organizer navigation tree by pressing the **Delete** key.

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

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

4. Select the **Listed** radio button under **Property Type**.
5. In addition, Mary only uses the computer **75%** of the time for business. Enter her business use percent now. (Entry is needed here if business use is other than 100%).

## Schedule K-1

1. Select **Quick Track > Schedule K-1**.

OR

Select **Income > Schedule K-1 > Hightec LTD > Schedule K-1 Information**.

2. Hightec, LTD, an existing K-1, was rolled over from 2023.

3. Select the **Income** tab, and enter the following:

ORDINARY LOSS	\$3,000
PORTFOLIO INTEREST	\$ 75
PORTFOLIO DIVIDENDS	\$ 130

4. Select the **AMT/Nondeductible/Other Info** tab, and enter the following information for *Post-1986 depreciation*: **\$ 785\***
5. Select the **Pass Loss Carryovers** tab, and verify the **Prior Year Suspended Loss Carryovers from 2023**.

REG. TAX OPERATING	\$2,784
ALT MIN TAX OPERATING	\$3,216

\* This may be relevant for AMT tax.

## Estimated Tax Payments

1. Select **Quick Track > Estimated Tax Payments**.

OR

Select **Itemized Deductions > Taxes and Interest > Estimated Tax Payments**.

2. For the **Federal Estimated tax payments**, verify that **\$250** was paid in each quarter.
3. For the **State Estimated Tax payments**, scroll down and select **New York** under **State or City**.
4. Verify the following:
  - **\$ 100** was paid in first three quarter installments.
  - **\$ 200** was for the fourth quarter installment on **01/15/2025**.



All estimated tax payments were made timely.

## State Taxes

1. Select **Income > Miscellaneous Income > Miscellaneous Income > Miscellaneous Income**.
2. The Smiths received a refund on their State Tax Return of **\$519**.
3. Verify their 2024 Schedule A deductions. Under **Income > Miscellaneous Income > Sch A Info. State/Local Tax Refund**, verify the following:

<b>SCHEDULE A DEDUCTIONS</b>	<b>\$ 28,033</b>
<b>SCHEDULE A, LINE 5D</b>	<b>\$519</b>
<b>SCHEDULE A, LINE 5E</b>	<b>\$519</b>



The Smiths filed a joint return last year.

## Itemized Deductions

1. Select **Quick Track > 1098 Mortgage Interest > Add new Form 1098**.

OR

Select **Source Documents > Form 1098 - Mortgage Interest and Taxes > Add new 1098**.

2. Enter Mortgage Interest information:

<b>MORTGAGE INTEREST</b>	<b>\$15,566</b>
<b>REAL ESTATE TAXES</b>	<b>\$ 4,850</b>

## Current-Year Cash Contributions

1. Select **Itemized Deductions > Contributions > Contributions-CY and Carryovers**.
2. Enter the following:

BOY/GIRLS SCOUTS	\$ 550
UNITED WAY	\$ 1,000
CANCER SOCIETY	\$ 1,000

## Credit for Prior Year Minimum Tax

1. Select **Credits > Prior Year AMT**.
2. Verify taxable income from the 2023 Form 6251, sum of lines 1 and 2e: **\$155,543**.
3. Verify adjustments and preferences treated as exclusion items: **\$ 10,762**.
4. Verify the exemption amount from the line 5 worksheet of the 2023 Form 6251: **\$ 43,614**.
5. Verify the phase-out of exemption from the line 5 worksheet of the 2023 Form 6251: **\$156,500**.
6. Verify the amount of regular tax before credits minus foreign tax credit from line 10 of the 2023 Form 6251: **\$ 34,257**.

 The credit form does not automatically print if a credit is not allowed or a carryover calculated. You can force print it using the AMT credit overrides.

## Comparison of Current Year to Prior Year

You should always take time to generate a comparison report in hard copy that compares against last year's data to help insure the return is complete and you have received all the information from the taxpayer.

Verify the 2023 comparative information.

1. Select **Comparison and Reconciliation > Comparison of Current to Prior Year**.
2. Select the **Generate current year/prior year comparison** check box.
3. The information should be rolled over from the 2023 tax return as follows:

WAGES, SALARIES, TIPS, ETC.		\$157,000
TAXABLE INTEREST		\$ 1,807
ORDINARY DIVIDENDS		\$ 3,030
TAXABLE REFUNDS, CREDITS, OR OFFSETS		\$ 519
BUSINESS INCOME OR (LOSS)		\$ 12,580
ADJUSTMENTS TO GROSS INCOME	ONE-HALF OF SELF EMPLOYMENT TAX	\$ 889
ITEMIZED DEDUCTIONS AND EXEMPTIONS	TAXES	\$ 11,150
	INTEREST	\$ 15,566
	CONTRIBUTIONS	\$ 2,550
TAX LIABILITY	GROSS INCOME TAX	\$ 36,035
	OTHER TAXES	\$ 1,778
	WITHHOLDING	\$ 43,900
	ESTIMATED TAX AND OTHER PAYMENTS	\$ 1,000

To view the comparison:

1. Select **Tax Forms**.
2. Select **Comparison of Current to Prior Year**.

# 1040 STUART CASE STUDY FACTS (CASSTM)

In 2024, Jerry and Shirley Stuart moved from Benicia, California, to Barstow, California, where Jerry started a new job as a salesman. He purchased a luxury automobile. His new employer does not reimburse Jerry for business expenses. Jerry keeps written records of his expenses.

The Stuarts sold their Benicia home and bought one in Barstow. Jerry received a distribution from his former employer's pension plan which he rolled over into an IRA.

In Benicia, the Stuarts' daughter, Stephanie, attended a day care center while her parents were at work.

## TARGETED AREAS

- Taxpayer Information
- Wages
- Interest
- Schedule C
- Employee Business Expenses
- Schedule F
- Capital Gain/Loss
- Sale of Home
- Child Care Expenses
- Mortgage Interest, Taxes, Points
- Dependents
- Excess FICA
- State Income Tax Refund
- Depreciation with §179

- Luxury Automobile
- Pension Distribution with Rollover
- Capital Loss Carryover

## RETURN INFORMATION

- [Taxpayer Information \(page 86\)](#)
- [Dependent Information \(page 87\)](#)
- [W-2 Information \(page 87\)](#)
- [Interest Income \(page 88\)](#)
- [Profit/Loss from Business \(page 88\)](#)
- [Depreciation - Schedule C \(page 89\)](#)
- [Retirement Distributions \(page 89\)](#)
- [Farm Information \(page 90\)](#)
  - [Farm Income and Expenses \(page 90\)](#)
  - [Depreciation Assets \(page 91\)](#)
- [Miscellaneous Income \(page 91\)](#)
- [Capital Gains and Losses - Carryovers \(page 92\)](#)
- [Sale of Home \(page 92\)](#)
- [Itemized Deductions - Interest Expense \(page 92\)](#)
- [Credits - Child Care \(page 92\)](#)
- [Estimates and Penalties \(page 93\)](#)
  - [Estimated Taxes \(page 93\)](#)
  - [Underpayments \(page 93\)](#)

- [Adjustments to Income \(page 93\)](#)
  - [Unreimbursed Employee Business Expenses \(page 93\)](#)
  - [Vehicle Information \(page 94\)](#)
- [Transmittal Letter and Filing Instructions \(page 94\)](#)

## DATA ENTRY

- [Taxpayer Information \(page 95\)](#)
- [Dependent Information \(page 95\)](#)
- [Wages and Salaries \(page 96\)](#)
- [Interest Income \(page 97\)](#)
- [Business Income \(Schedule C\) \(page 97\)](#)
  - [Property and Equipment \(page 99\)](#)
  - [New Assets \(page 99\)](#)
- [Pension Plan Distribution \(page 100\)](#)
- [Farm Income \(Schedule F\) \(page 100\)](#)
  - [Property and Equipment \(page 101\)](#)
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- [Miscellaneous Income \(page 102\)](#)
- [Capital Gains and Losses - Carryovers \(page 103\)](#)
- [Sale of Home \(page 103\)](#)
- [Adjustments to Income \(page 104\)](#)
  - [Form 2106 - Employee Business Expenses \(page 104\)](#)
- [Itemized Deductions \(page 104\)](#)

- [Depreciation Detail \(page 105\)](#)
  - [Vehicle Information \(page 105\)](#)
- [Child and Dependent Care Credit \(page 105\)](#)
- [Estimates and Penalties \(page 106\)](#)
  - [Estimated Tax Payments \(page 106\)](#)
  - [Underpayments \(page 107\)](#)
- [Transmittal Letter and Filing Instructions \(page 107\)](#)
- [Reviewing the Return \(page 108\)](#)

## RETURN INFORMATION

Some data is already entered for you. Use the [Return Information \(page 86\)](#) section for instructions and hints on entering any data you are unsure how to enter. You should verify all the information when it has changed or is missing based on the information in these facts.

### Taxpayer Information

	TAXPAYER	SPOUSE
NAME	<i>Jerry C. Stuart</i>	<i>Shirley A. Stuart</i>
ADDRESS	<i>39 First Street Barstow, CA 94555</i>	
SSN	<i>739-54-6239</i>	<i>739-54-9085</i>
DOB	<i>01/01/1988</i>	<i>03/01/1987</i>
EMPLOYMENT	<i>Salesman/Farmer</i>	<i>Office Manager</i>
PRESIDENTIAL ELECTION CAMPAIGN FUND?	<i>No</i>	<i>Yes</i>
FILING STATUS	<i>Married, filing jointly</i>	

## Dependent Information

NAME	SSN	DATE OF BIRTH
Stephanie Stuart (Daughter)	642-15-2357	06/01/2018

## Child Care Expenses

CHILD CARE DEPENDENT	CHILD CARE PROVIDER	CHILD CARE PROVIDER ID	AMOUNT PAID FOR CHILD CARE
Stephanie Stuart	KiddieCare 1234 Wonder Way Benicia, CA 98765	94-9999999	\$1,450

## W-2 Information

	JERRY STUART		SHIRLEY STUART
EMPLOYER	COMPUTER SALESLAND	COMCO, INC.	JAN'S BOOKBINDERS
WAGES	\$16,250	\$72,327	\$ 8,750
FEDERAL TAX WITHHELD	\$ 2,250	\$ 8,712	\$ 650
SOCIAL SECURITY TAX WITHHELD	\$ 1,008	\$ 4,484	\$ 543
MEDICARE TAX WITHHELD	\$ 236	\$ 1,049	\$ 127
CALIFORNIA STATE TAX WITHHELD	\$ 975	\$ 3,349	\$ 131



The wages are the same for Social Security and Medicare Wages. You must enter because Jerry's Social Security and other income causes him to be over the limit. This will make the system calculate based on the long form SE.

## Interest Income

The Stuarts received a 1099-INT for interest earned from **Farmers Banks** for **\$150**.

## Profit/Loss from Business

The Stuarts have a retail flower shop in a building on their land called **Corner Florist**.

### Business Information

BUSINESS NAME	<b>Corner Florist</b>
BUSINESS ADDRESS	<b>39 First Street Barstow, CA 94555</b>
BUSINESS CODE	<b>453110</b>
ACCOUNTING METHOD	<b>Cash</b>
INVENTORY VALUATION	<b>Cost</b>
BUSINESS PARTICIPATION	<b><i>They materially participate in the business. All is at-risk.</i></b>

### Income and Expenses

	INCOME	EXPENSE
GROSS RECEIPTS FROM PLANT SALES	<b>\$20,000</b>	
ADVERTISING		<b>\$ 1,500</b>
INSURANCE		<b>\$ 350</b>

	INCOME	EXPENSE
MORTGAGE INTEREST PAID		\$ 1,250
OFFICE EXPENSES		\$ 250
SUPPLIES		\$ 125
UTILITIES		\$ 475

## DEPRECIATION - SCHEDULE C

The business has several assets that were purchased in 2022, 2023, and 2024.

\* The Laptop has a prior year §179 of **\$300**. Take §179 on the new Cloud Storage.

	DATE PLACED IN SERVICE	COST	METHOD	ACCUMULATED DEPRECIATION
REFRIGERATORS	02/01/2022	\$ 4,500	Macrs 7Yr	\$2,797
LAPTOP COMPUTER	07/03/2023	\$ 700	Macrs 5Yr	\$283
BUILDING	01/01/2024	\$45,000	Macrs 39Yr	
CLOUD DOCUMENT STORAGE	06/07/2024	\$ 600	Macrs 7Yr	

## Retirement Distributions

Jerry received a 1099-R for his pension plan distribution from **Computer Salesland**. He received **\$18,958**.

- **1099-R Box 2b:** Taxable amount not determined was checked.
- **1099-R Box 7:** Code 1.

- He rolled over the entire amount into an IRA.

## Farm Information

NAME	Stuart Farm
AGRICULTURAL ACTIVITY CODE	111400
PRINCIPAL PRODUCT	Plants
ACCOUNTING METHOD	Cash

## FARM INCOME AND EXPENSES

	INCOME	EXPENSE
SALES	\$10,000	
CHEMICALS		\$ 100
FERTILIZER		\$ 250
INSURANCE		\$ 1,150
LABOR HIRED		\$ 750
SEEDS AND PLANTS		\$ 2,000
SUPPLIES		\$ 150
UTILITIES		\$ 475

## DEPRECIATION ASSETS

	(A) FARM EQUIPMENT	(B) SPRINKLERS	(C) GREENHOUSES
PURCHASE DATE	01/01/2022	09/08/2024	06/01/2024
PURCHASE PRICE	\$5,000	\$1,500	\$7,000
METHOD	MACRS 7-year property	MACRS 7-year property	MACRS 7-year property
ACCUMULATED DEPRECIATION AT 01/01/2024	\$2,814		
SALE DATE	07/01/2024		
SALE PRICE	\$4,100		
SPECIAL INSTRUCTIONS	Take 6 months depreciation and record this as §1245 gain on Form 4797.	Do not take §179. Enter the cost at full value but show only 45% business use.	Do not take §179. This is 100% business use property.

## Miscellaneous Income

STATE TAX REFUND	\$ 790
ALLOCATE TO 2023 PAID	\$ 340
ALLOCATE TO 2024 PAID	\$ 450
ITEMIZED DEDUCTIONS FOR 2023 (NOT LIMITED)	\$22,410

## Capital Gains and Losses - Carryovers

The Capital Loss Carryover is **Long Term (8,000)**.

### Sale of Home

The old home was jointly owned.

DATE ACQUIRED	06/13/2017
BASIS	\$ 152,000
DATE SOLD	07/02/2024
SALE PRICE	\$ 175,000
SELLING EXPENSES	\$ 14,000

### Itemized Deductions - Interest Expense

The Stuarts received a 1098 from their mortgage company for mortgage interest.

1098 ISSUER	First Mortgage Corporation
MORTGAGE INTEREST AMOUNT	\$ 12,800
POINTS ON NEW HOME (FULLY DEDUCTIBLE)	\$ 1,500
REAL ESTATE TAX	\$ 2,500

### Credits - Child Care

You may have already entered this when you were verifying dependent information. If not, enter it now.

CHILD CARE DEPENDENT	CHILD CARE PROVIDER	CHILD CARE PROVIDER ID	AMOUNT PAID FOR CHILD CARE
<i>Stephanie Stuart</i>	<i>KiddieCare 1234 Wonder Way Benicia, CA 98765</i>	<i>94-9999999</i>	<i>\$1,450</i>

You must enter the amount paid in the **Credit** Organizer even if you entered it in the **Dependent** Organizer.

## Estimates and Penalties

### *ESTIMATED TAXES*

1. Override estimated taxes to be equal to **\$30,000**.
2. Refund any overpayment.

### *UNDERPAYMENTS*

Verify that the 2023 tax liability is **\$1,000**.

## Adjustments to Income

### *UNREIMBURSED EMPLOYEE BUSINESS EXPENSES*

AFFECTED FILER	<i>Jerry Stuart</i>
SPECIAL TREATMENT	<i>Handicapped Employees</i>
DUES	<b>\$ 875</b>
POSTAGE	<b>\$ 135</b>
MEALS AND ENTERTAINMENT	<b>\$ 1,800</b>

## VEHICLE INFORMATION

CAR	<b>2024 Cadillac</b>
DATE PURCHASED	<b>04/15/2024</b>
COST	<b>\$ 30,500</b>
METHOD	<b>MACRS 5yr</b>
TOTAL MILES FOR YEAR	<b>21,750</b>
BUSINESS MILES	<b>19,575</b>
GAS, OIL, AND INSURANCE	<b>\$ 3,385</b>

Answer all vehicle questions **Yes** except *If employer provided you a vehicle, personal use during off hours is permitted.* Answer this question **No**.

## Transmittal Letter and Filing Instructions

You wish to generate a combined transmittal letter and filing instructions for this return. The return will be filed with the appropriate IRS Center for Northern California residents. Make sure the return is fully computed before checking the filing center.

## DATA ENTRY

This page is used to provide help when you are not sure where to enter data. You do not need this page if you know where all the information belongs.

Forms are accessed from the **Forms List** window at the left of the screen. Make sure **Organizer** is selected.

## Taxpayer Information

1. Select **Quick Track > Basic Return Data**.
2. Verify all the taxpayer information. Since the Stuarts moved this year, you need to change the address to the new address.
3. Enter **39 First Street Barstow, CA 94555**.
4. Scroll down to answer the Presidential Election Campaign Fund Question.
5. Answer **No** for Jerry and **Yes** for Shirley.

## Dependent Information

1. Select **Quick Track > Dependent Information**.
2. Verify all the dependent information.
3. Enter the Qualified expenses paid in 2024 of **\$1,450**.
4. Enter the Child Care Information:

CHILD CARE DEPENDENT	CHILD CARE PROVIDER	CHILD CARE PROVIDER ID	AMOUNT PAID FOR CHILD CARE
<b>Stephanie Stuart</b>	<b>KiddieCare 1234 Wonder Way Benicia, CA 98765</b>	<b>94-9999999</b>	<b>\$1,450</b>

## Wages and Salaries

1. Select **Quick Track > W-2 Wages & Salaries**.
2. Enter the wage information. The wages are the same for Social Security and Medicare Wages. **YOU MUST ENTER THESE**.

	JERRY STUART	SHIRLEY STUART
EMPLOYER	COMPUTER SALESLAND	JAN'S BOOKBINDERS
WAGES	\$16,250	\$ 8,750
FEDERAL TAX WITHHELD	\$ 2,250	\$ 650
SOCIAL SECURITY TAX WITHHELD	\$ 1,008	\$ 543
MEDICARE TAX WITHHELD	\$ 236	\$ 127
CALIFORNIA STATE TAX WITHHELD	\$ 975	\$ 131

3. Select **Quick Track > W-2 Wages & Salaries > Add new Employer Name.**

	<b>JERRY STUART</b>
<b>EMPLOYER</b>	<i>Comco, Inc.</i>
<b>WAGES</b>	<i>\$72,327</i>
<b>FEDERAL TAX WITHHELD</b>	<i>\$ 8,712</i>
<b>SOCIAL SECURITY TAX WITHHELD</b>	<i>\$ 4,484</i>
<b>MEDICARE TAX WITHHELD</b>	<i>\$ 1,049</i>
<b>CALIFORNIA STATE TAX WITHHELD</b>	<i>\$ 3,349</i>

## Interest Income

1. Select **Quick Track > 1099-INT Interest.**
2. Enter the 1099-INT Payer, *Farmers Bank*, and click **OK**.
3. Enter **\$150** in box 1 (Interest income not included in Box 3).

## Business Income (Schedule C)

The Stuarts have a retail flower shop in a building on their land called Corner Florist.

1. Select **Quick Track > Business Income**.
2. Verify the following information:

<b>BUSINESS NAME</b>	<i>Corner Florist</i>
<b>BUSINESS ADDRESS</b>	<i>39 First Street Barstow, CA 94555</i>
<b>BUSINESS CODE</b>	<i>453110</i>
<b>PRINCIPAL BUSINESS</b>	<i>Florist</i>

3. Scroll down and verify that **Taxpayer materially participates** is selected in the **Income Type** box and the activity is considered **All at Risk**.
4. Click the **Sch C Inc/Exp** tab.
5. Enter income and expenses:

	<b>INCOME</b>	<b>EXPENSE</b>
<b>GROSS RECEIPTS FROM PLANT SALES</b>	<b>\$20,000</b>	
<b>ADVERTISING</b>		<b>\$ 1,500</b>
<b>INSURANCE</b>		<b>\$ 350</b>
<b>MORTGAGE INTEREST PAID</b>		<b>\$ 1,250</b>
<b>OFFICE EXPENSES</b>		<b>\$ 250</b>
<b>SUPPLIES</b>		<b>\$ 125</b>
<b>UTILITIES</b>		<b>\$ 475</b>

## PROPERTY AND EQUIPMENT

The business has several assets that were purchased in 2022, 2023, and 2024.

1. Under the **Corner Florist** folder, select **Depreciation and Amortization > Asset Detail**.
2. Verify the information for the Refrigerators and Laptop Computer:

	DATE PLACED IN SERVICE	COST	METHOD	ACCUMULATED DEPRECIATION
REFRIGERATORS	02/01/2022	\$ 4,500	Macrs 7Yr	\$2,797
LAPTOP COMPUTER	07/03/2023	\$ 700	Macrs 5Yr	\$283

3. For the laptop, scroll down and verify that **Prior Year Section 179 Expense** appears in the list box and **\$300** is entered in the **Current Yr/Prior Year override** field.

## NEW ASSETS

1. Under the **Corner Florist** folder, select **Depreciation and Amortization > Asset Detail > Add new Asset**.
2. Enter the asset information:

	BUILDING	CLOUD DOCUMENT STORAGE
PURCHASED	01/01/2024	06/07/2024
COST	\$45,000	\$600
METHOD	39 Year MACRS	7 Year MACRS

3. For the Cloud Storage, to enter the current year §179 amount, scroll down and select **Elect Section 179 and limit to \$1,040,000** from the list box.

## Pension Plan Distribution

1. Select **Income > Retirement Distributions > 1099-R > Add New 1099-R Payer Name**.
2. Enter **Computer Salesland** and click **OK**.
3. Enter the full amount received in the **Box 1 Gross distributions received in 2024**.
4. Check the box **2B Taxable amount not determined**.
5. Select **Distribution Code 1** for Box 7.
6. Scroll to **Rollovers/Conversions**.
7. Check the box for **Entire distribution was rolled over**.

## Farm Income (Schedule F)

1. Select **Income > Farm Income > Stuart Farms > Farm Information**.
2. Verify the following information:

NAME	<i>Stuart Farm</i>
AGRICULTURAL ACTIVITY CODE	<i>111400</i>
PRINCIPAL PRODUCT	<i>Plants</i>
ACCOUNTING METHOD	<i>Cash</i>

3. Scroll down and verify that **Taxpayer materially participates** is selected in the **Activity Type** box and the activity is considered **All at Risk**.
4. Click the **Income and Expense** tab. In the **Farm Income - Cash Method > Other Farm Income** section,

enter the income: **\$10,000**.

5. In the **Farm Expenses-Cash and Accrual > Other Expenses** section, enter expenses:

CHEMICALS	\$ 100
FERTILIZER	\$ 250
INSURANCE	\$ 1,150
LABOR HIRED	\$ 750
SEEDS AND PLANTS	\$ 2,000
SUPPLIES	\$ 150
UTILITIES	\$ 475

## PROPERTY AND EQUIPMENT

1. Under the **Stuart Farms** folder, select **Depreciation and Amortization > Asset Detail > Equipment**.
2. Verify the information for the existing equipment:

	DATE PLACED IN SERVICE	COST	METHOD	ACCUMULATED DEPRECIATION
EQUIPMENT	01/01/2022	\$5,000	Macrs 7yr	\$2,814

3. This equipment was sold on **07/01/2024** for **\$4,100**. Select the **Retirement/Disposal** tab (top of the screen).
4. Select the check box **Retire asset**.
5. Enter **6 months** in the **Depreciation (Override)** field.

6. Select the **Bulk sale identifier** box. This takes you to the **Gains** form.
7. Enter the sale date of **07/01/2024**.
8. Enter the sale price of **\$4,100**.
9. Select **1245 Property** for the **Type of Sale**.

## NEW ASSETS

1. Under the **Stuart Farms** folder, select **Depreciation and Amortization > Asset Detail > Add new Asset**.
2. Enter the asset information:

	GREENHOUSE	SPRINKLERS
PURCHASED	06/01/2024	09/08/2024
COST	\$7,000	\$1,500
METHOD	7 Year MACRS	7 Year MACRS

3. The sprinklers were only used 45% for business. Scroll to **Business Percent and Salvage Value**, and enter **.45** in the **Business use percentage** box.

## Miscellaneous Income

1. Select **Miscellaneous Income > Miscellaneous Income > Miscellaneous Income**.
2. Enter **\$790** for State Income Tax refunds received by the Stuarts in 2024. Allocate this between 2023 and 2024 as follows:
3. 2023 paid: **\$340**
4. 2024 paid: **\$450**
5. Select **Miscellaneous Income > Sch A Info State and Local**.
6. Select **MFJ** as the **Filing Status**.
7. Verify that **\$340** appears in 2023.

8. Enter **\$450** in the **2024 Taxes Paid** field.
9. Enter the last year's itemized deductions in the before and after limitation fields.

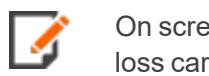


If you do not want the amount prorated, do not enter an amount in the 2023 and 2024 **Tax Paid** fields. Only enter an amount on the **State Income Tax refund** field under **Miscellaneous Income**.

## Capital Gains and Losses - Carryovers

The Stuarts have a long-term capital loss carryover of **\$8,000**.

1. Select **Gains and Losses > Capital Gains and Losses > Carryovers, Print, Form 2439, & misc.**
2. In the **Carryover** box, verify long term carryovers. For AMT and State purposes, the amounts were the same.
3. Enter **\$8,000** for the **Long-Term Capital Loss Carryover**.

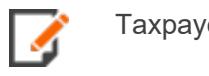


On screens where only losses are entered, such as capital loss carryovers or suspended passive loss carryovers, enter the loss amount as a positive number.

## Sale of Home

1. Select **Gains and Losses > Sale of Home > Add New Date Home Sold**.
2. Enter **07/02/2024** and click **OK**.
3. Enter **\$175,000** for the **Selling Price**.
4. Enter information on the old home:

<b>PURCHASE OF OLD HOME</b>	<b>\$ 152,000</b>
<b>PURCHASE DATE</b>	<b>06/13/2017</b>
<b>SELLING EXPENSES</b>	<b>\$ 14,000</b>



Taxpayers meet use test requirements. Click the **Yes** radio button.

## Adjustments to Income

### FORM 2106 - EMPLOYEE BUSINESS EXPENSES

Jerry Stuart qualified as a handicapped employee, so he is able to claim unreimbursed business expenses, including those related to his business automobile, are entered by going through the Forms List window:

1. Select **Adjustments to Income > Employee Business Expense > Add new Occupation**.
2. Verify that the occupation of **Salesman** is entered.
3. Verify that the **TAXPAYER** radio button is selected in the **Ownership** box.



Leading zeros will not display in the screen field.

4. Verify that the **Handicapped Employee** radio button is selected in the **Special Treatment** box.
5. To enter the amounts for meals and entertainment, click the **Business Expenses** tab.
6. Enter the full amounts of meals and entertainment. The system will apply the limitation.
7. Enter amounts for dues and postage.

## Itemized Deductions

1. Select **QuickTrack > 1098-Mortgage Interest**.

2. Enter **First Mortgage Corp**, and click **OK**.

3. Enter the following:

- Interest: **\$12,800**
- Deductible Points Paid: **\$ 1,500**
- Real Estate Taxes: **\$ 2,500**

## Depreciation Detail

1. Select **Depreciation and Amortization > Asset Detail > Add New Asset**.
2. Enter **2024 Cadillac**, and click **OK**.
3. Enter the date, cost, and method (**5 Yr MACRS**).
4. Two additional codes are necessary. Scroll down to the **Property Type** box.
5. Click the **AUTOMOBILES** radio button because the automobile meets the luxury automobile definition. This is critical for the system to treat automobile depreciation correctly.
6. Click **VEHICLE 1 DEPRECIATION DETAIL** from the **Vehicle and Home Depreciation** drop-down list box.

This will indicate the first vehicle on Form 2106. Vehicle 1, 2, 3, 4, 5, and 6 depreciation is taken to the automobile details. Six vehicles may be entered on each Form 2106. This is the area to designate vehicle 1, vehicle 2, vehicle 3, vehicle 4, vehicle 5, or vehicle 6.

## VEHICLE INFORMATION

1. Under the **Salesman** folder, select **Vehicle Expense Information > Vehicle**.
2. Enter vehicle expenses.
3. Enter mileage:
  - Total miles driven all year: **21,750 miles**
  - Business miles **19,575**
4. Enter auto expenses:
  - Gas, oil and insurance **\$3,385**
5. To answer the vehicle expense questions, select **Yes** to all applicable questions except the question pertaining to whether the employer provided a vehicle during off hours.

## Child and Dependent Care Credit

The Stuarts used a child care service in 2024.

This information will automatically carry from your **Dependent** Organizer if you entered a Child Care Credit amount on the Organizer. If not, you can enter it here.

1. Select **Credits > Child and Dependent Care Credit > Credit Information**.
2. Enter or verify that the following information is correct:
  - **Stephanie Stuart: 642-15-2357**
  - Born: **06/01/2018**
  - Child Care Amount: **\$1,450**
3. Click the **Care Provider Information** button.
4. Enter or verify the Child Care Provider information:
  - Provider: **KiddieCare**
  - ID#: **94-999999**
  - Address: **1234 Wonder Way, Benicia, CA 98765**

## Estimates and Penalties

### ***ESTIMATED TAX PAYMENTS***

The Stuarts want estimated taxes set up with their own amounts and any overpayment to be refunded.

1. Select **Estimates and Penalties > Estimated Tax/Overpayment > Estimated Tax/Overpayment > General Options**.
2. Select the **Overpayment Option**.
3. Select **Refund entire amount of overpayment**.
4. Select the **Estimate Option**.
5. Select **Estimated tax equal to amount entered below**.
6. Enter **30,000**.

## UNDERPAYMENTS

1. Select **Estimates and Penalties > Underpayment > 2210 Penalty**.
2. Verify that the **Prior Year Information** shows **\$1,000** for the prior year tax liability.

## Transmittal Letter and Filing Instructions

The Stuarts should receive a combined transmittal letter and filing instructions with their return. Their return will be filed with the appropriate IRS Center for California residents.

1. Select **Letter and Filing Instructions > General Options**.
2. Select the option to print **Transmittal Letter and Filing Instructions**.
3. Recompute the return. Select **Compute > Full Recompute**.
4. Verify that the Auto-Selected Center for California is **Fresno, CA**. This should be selected automatically.
5. Select **Automatic Generation** under **IRS Service Center (Override)**.



Most of these items will flow automatically in a client's real account and are set up by the Firm Administrator, so no entries in this Organizer are usually required.

Preparers can use the procedure outlined above to override the account defaults on a return-by-return basis.

# 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.

### OVERIDES

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**.