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

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

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

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

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

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

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	Ester Mayberry
SSN	305-44-4808
DATE OF BIRTH	07/23/1953

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
FEDERAL AND MEDICARE	*$120,000*	*$25,779*	*$6,000*	*$1,740*
SOCIAL SECURITY WAGES	*$ 147,000*			
SOCIAL SECURITY W/H	*$ 9,114.00*			

INTEREST INCOME

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

2. Enter the interest information:

INSTITUTION	AMOUNT
EFCU Savings of Georgia	*$800*
US Bond interest through Smith Barney	*$150*

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

STATE MUNICIPAL BOND	AMOUNT
Muni-Bond from Georgia	*$100*
* *Muni-Bond from New York*	*$200*

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	*James S. Mathers*
ADDRESS	*1426 Lago Vista* *Marshville, NC*
SSN	*661-11-1111*

8. Enter *$950*.

DIVIDEND INCOME

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

2. Enter the dividend information:

	FOREIGN COMPANY FUNDS	AMD CORPORATION
OWNERSHIP	*Joint*	*Spouse*
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:

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

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.

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

ASSET	*Graphic Equipment*
DATE OF PURCHASE	*05/01/2024*
COST	*$5,000*
LIFE	*5 Year MACRS*

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

ASSET	*Home*
DATE OF PURCHASE	*03/09/2024*
COST	*$600,000*
LIFE	*27.5 Year MACRS*

3. 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.

1. To retire the old computer, under the **Frazer Graphics** folder, select **Depreciation and Amortization > Asset Detail > Computer**.

2. Scroll down to enter that business use is *90%*. If 100%, you do not have to enter a percentage.

3. Verify that *Listed* is selected in the **Property Type** box.

4. Verify that *Office-in-Home Depreciation* is selected as the **Asset Classification** in the **Vehicle and Home Depreciation** drop-down box.

5. 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:

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

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:

MORTGAGE INTEREST	*$9,930*
REAL ESTATE TAXES	*$3,000*
UTILITY BILLS	*$5,000*

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:

RENTAL NAME	*Rental Property*
PROPERTY TYPE	*Single Family Residence*
LOCATION OF PROPERTY	*5333 Foster Drive* *Atlanta, GA*

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

4. Enter *$7,500* for **rental income**.

5. Under the **Expenses** section, enter the following expenses:

ADVERTISING	*$ 500*
CLEANING AND MAINTENANCE	*$ 600*
INSURANCE	*$ 500*
LEGAL AND PROFESSIONAL	*$ 700*
REPAIRS	*$ 800*
SUPPLIES	*$ 200*
UTILITIES	*$ 400*

Suspended Losses

1. Click the **Pass Loss Carryovers** tab.

2. Enter suspended operating losses:

FEDERAL REGULAR TAX	*$ 1,939*
FEDERAL ALT. MIN. TAX	*$ 1,122*

3. Override the state suspended losses:

STATE REGULAR TAX	$ NONE
STATE ALT. MIN. TAX	$ NONE

Property and Equipment

1. Under the **Rental Property** folder, select **Depreciation and Amortization > Asset Detail > Rental House**.

2. 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.

1. Select **Income > Rent and Royalty > Duplex Rental > Rent and Royalty Information**.

2. Verify that the *Other with personal use* option is selected under **Property type (Mandatory)**.

3. 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	*$6,000*
TOTAL MORTGAGE INTEREST	*$9,921*
TOTAL REAL ESTATE TAXES	*$1,403*
REPAIRS RELATED TO RENTAL PORTION OF DUPLEX	*$ 529*
TOTAL UTILITY BILL FOR THE ENTIRE DUPLEX	*$ 900*
MISCELLANEOUS EXPENSE (RENTAL PORTION ONLY)	*$ 13*

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	*06/01/2015*
TOTAL PRICE	*$54,000*
DEPRECIATION METHOD	*Straight Line over 30 years*
ACCUMULATED DEPRECIATION	*$16,926*

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	*VLS Partners*
ID#	*75-7777777*
ACTIVITY TYPE	*Other passive*

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

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

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	*GraphicWare, Inc.*
ID#	*88-8888888*
ACTIVITY TYPE	*Taxpayer materially participates*

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
Ordinary loss	*- $ 2,500*	*1*

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

INCOME/EXPENSE ITEM	AMOUNT	1120S K-1 LINE
AMT post '86	*- $ 800*	*15a*

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	*Partnership Interest*
PROCEEDS	*None*
COST	*$20,000*
HOLDING PERIOD	*Long-term investment property*

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:

PURCHASE AMOUNT		*$300,000*
PURCHASE DATE	*01/01/2012*	
IMPROVEMENTS		*$ 10,000*
SELLING EXPENSES		*$ 5,000*

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	*Smith Barney*
AMOUNT PAID	*$134*

> 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	*Georgia*
STATE REPORTING NUMBER	*21608*
CONTRIBUTIONS YOU PAID	*$60.00*

CREDITS

Child and Dependent Credit

The Frazers used a child care service in 2024:

PROVIDER	*Tot Care, Inc.*
ID #	*02-5033487*
ADDRESS	*555 Peachtree Avenue South Atlanta, GA 30305*

AMOUNT PAID: TOTAL	*$2,500*
AMOUNT PAID: MIKE	*$1,250*
AMOUNT PAID: WARREN	*$1,250*

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**:

2024 FOREIGN TAXES PAID CARRYOVER	*$200*
2024 CREDIT PREVIOUSLY USED	*$200*

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.

REVIEWING THE RETURN

Compute Before Review

1. Before reviewing the return, make sure your return is completely computed.

2. Select **Compute > Full Recompute** from the menu bar.

Review

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

The review process consists of:

- Reviewing diagnostics and overrides

- Reviewing through Tax Forms

- Reviewing work papers

- Entering corrections and changes

- Reviewing through Print Preview.

Print Preview

1. Access Print Preview to see the return as it will print.

2. View all statements by selecting **Print** on the menu bar.

Diagnostics and Overrides

DIAGNOSTICS

1. To review the diagnostics, select **View > Diagnostics**.

2. A screen displays a list of the diagnostics by type: *Severe*, *Informational*, or *E-file*.

3. To go to the screen where the diagnostic originates, select a diagnostic from the list.

OVERRIDES

1. Viewing and accessing overrides works like the review of diagnostics explained above. Select the override to go to the screen where you entered the override.

2. Verify your overrides and clear any unnecessary overrides by clicking the overridden amount and selecting **Clear Override** from the right-click menu.

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

Comparison Screens

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

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

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

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