

## CHAPTER 2

### GROSS INCOME AND EXCLUSIONS

#### Group 1 - Multiple Choice Questions

1. C (LO 2.1)
2. D (LO 2.1)
3. A (LO 2.1)
4. D (LO 2.1)
5. D (LO 2.1)
6. E (LO 2.4)
7. C  $\$73,500/210 = \$350 \times 4 = \$1,400$  (LO 2.5)
8. C (LO 2.6)
9. B (LO 2.7)
10. D (LO 2.7, 2.8, 2.9, 2.10)
11. A (LO 2.14)
12. E (LO 2.14)

#### Group 2 - Problems

1.
  - a. Excluded (LO 2.1)
  - b. Included (LO 2.1)
  - c. Included (LO 2.1)
  - d. Included (LO 2.1)
  - e. Excluded (LO 2.1)
  - f. Included (LO 2.1)
  - g. Included (LO 2.1)
  - h. Excluded (LO 2.1)
  - i. Excluded (LO 2.1)
  - j. Excluded (LO 2.1)
  - k. Included (LO 2.1)
2. The non-cash payment of \$6,000 for services performed is includable income to John. The tax law states that gross income is “all income from whatever source derived.” There is no exception in the law for non-cash items received in exchange for services. (LO 2.1)
3.
  - a. **\$300.** Gross income includes “all income from whatever source derived.” The value of the hair styling is income to Larry for the performance of services. There is no gross income exception in the tax law for “barter” income.
  - b. **\$300.** Gross income includes “all income from whatever source derived.” The value of the tax return is income to Sheila for the performance of services. There is no gross income exception in the tax law for “barter” income. (LO 2.1)
4. Illegal income is still taxable since there is no exception excluding it in the tax code. When there is not an explicit exception, gross income is “all income from whatever source derived.” (LO 2.1)
5. Qualified dividends are taxed at either 0%, 15%, or 20%. The 0% rate applies for taxpayers in the ordinary income tax brackets of 10% and 15%. The 15% rate applies for taxpayers in the ordinary income tax brackets of 25% through 35%. The 20% rate applies for taxpayers in the 39.6% bracket. A 3.8% Medicare surtax on net investment income will be added to the rates for certain high-income taxpayers. (LO 2.2)
6. If no election is made, the interest is not included in income until the EE bond is converted to cash by the taxpayer. If the taxpayer makes an election, however, the income which increases the redemption value but is not paid in cash on the EE bond each year is included in the taxpayer’s gross income. (LO 2.2)
7. See Schedule B on page 40. (LO 2.2)

- 8. a. (1) **\$450.**  
(2) **\$450.**
- b. (1) **\$0.**  
(2) **\$425,000.** (LO 2.3)
- 9. Arlen may deduct the alimony of \$2,000 per month on his tax return. He cannot deduct the child support. Jane must report the alimony as income on her tax return. The child support is not taxable income to her. (LO 2.3)
- 10. No gain is taxable to Cindy on the transfer of the house since it is part of a property settlement related to a divorce. Allen has a basis of \$90,000 in the house for calculating tax on any future sale of the house. (LO 2.3)
- 11. a. **\$50,000.**
- b. **\$350.** A non-qualified plan award may only be excluded up to \$400; thus \$350 is taxable.
- c. **\$1,000,000.**
- d. **\$50,000.** (LO 2.4)
- 12. a. **\$4,000.**
- b. **\$14,500.**
- c. **\$3,500.** (LO 2.4, 2.8)

13. **SIMPLIFIED METHOD WORKSHEET**

- 1) Enter total amount received this year. 1) \$ 8,000
- 2) Enter cost in the plan at the annuity starting date. 2) \$39,900
- 3) Age at annuity starting date
- Enter
- 55 and under 360
- 56–60 310
- 61–65 260 3) 210
- 66–70 210
- 71 and older 160
- 4) Divide line 2 by line 3. 4) \$ 190
- 5) Multiply line 4 by the number of monthly payments this year. If the annuity starting date was before 1987, also enter this amount on line 8; and skip lines 6 and 7. Otherwise go to line 6. 5) \$ 1,520
- 6) Enter the amount, if any, recovered tax-free in prior years 6) \$ 0
- 7) Subtract line 6 from line 2. 7) \$ 39,900
- 8) Enter the smaller of line 5 or 7. 8) \$ 1,520
- 9) Taxable amount this year: Subtract line 8 from line 1. Do not enter less than zero. 9) \$ 6,480  
(LO 2.5)
- 14. **\$56,000** = \$100,000 – \$30,000 – \$14,000. Since the policy was transferred for valuable consideration, the proceeds are taxable to the extent that they exceed the sum of the cash value at the time of transfer plus the premiums paid. (LO 2.6)
- 15. **\$1,300.** A beneficiary, who is a surviving spouse, must include the entire amount of interest received with respect to the policy proceeds in gross income; the \$5,000 principal amount may be excluded from gross income. (LO 2.6)

16. David has received an accelerated death benefit or viatical settlement which is excluded from taxable income. (LO 2.6)
17. None of the payment is taxable. Life insurance proceeds are generally considered to be tax-free and specifically excluded from taxable income. (LO 2.6)
18. **\$7,500**. Inheritances are excluded from taxable income; however, subsequent earnings on inherited property must be included in income. (LO 2.7)
19. \$10,000 is taxable. This gift is clearly bonus income in a business setting so it does not qualify for tax-free gift treatment, even if Gwen's client calls the payment a gift. (LO 2.7)
20. None of the gift is taxable. Gifts are excluded from the taxable income of the person receiving the gift. (LO 2.7)
21. \$8,000 is taxable since there is no exclusion for payments made for room and board. \$12,000 is not taxable, since scholarships for tuition are specifically excluded from taxable income. (LO 2.8)
22. None of the cost of the insurance or amounts paid by the insurance company for surgery or treatment are taxable to Skyler. These amounts are specifically excluded from taxable income under the tax law. (LO 2.9)
23. **\$0**. Taxpayers may exclude the total amount received for payment or reimbursement of medical expenses. Premiums for health insurance paid by the taxpayer's employer are also excluded from the taxpayer's gross income. In addition, the \$1,500 (\$3,500 – \$2,000) not paid by the insurance company is deductible as an itemized deduction on Ellen's return, subject to the medical expense deduction limitations. (LO 2.9)
24. a. No. The meals are furnished by the employer on the business premises of the employer during working hours because the employer limits the employee to short meal periods.  
 b. No. The meals are furnished by the employer on the business premises of the employer during working hours because the taxpayer must be available for emergency calls.  
 c. Yes. The meals are not furnished for the convenience of the employer. (LO 2.10)
25. **6.0%** =  $4.5\% \div (100\% - 25\%)$ . (LO 2.11)
26. She will likely invest in the tax-free bond. At the 35% tax bracket, the equivalent rate of the tax-free bond is 7.69%, or 5% divided by  $(1 - .35)$ , which is higher than the 7% rate of return of the corporate bond. (LO 2.11)
27. **\$3,250**. Unemployment benefits received are included in gross income. (LO 2.12)
28. **\$4,850** = \$850 + \$4,000. The value of the airline tickets is excluded from gross income under the no-additional-cost services rule for employees and their families. The \$30 of personal typing is excluded under the de minimis fringe benefits rule. The \$850 worth of employee discount coupons for hotel rooms is included in gross income since the hotel division is a different line of business than that in which Linda is employed. The \$4,000 tuition payment must be included in gross income since Richard is working on a graduate degree and not providing teaching or research activities. (LO 2.13)
29. Yes. Tom will be better off reducing his taxable income by \$2,550 by using the medical flexible spending account. Since his income will be \$2,550 less, he will pay less tax than he would otherwise. (LO 2.13)
30. As calculated on the worksheet on page 41. (LO 2.14)

Group 2: Problem 7

**SCHEDULE B**  
(Form 1040A or 1040)

Department of the Treasury  
Internal Revenue Service (99)

**Interest and Ordinary Dividends**

▶ Attach to Form 1040A or 1040.  
▶ Information about Schedule B and its instructions is at [www.irs.gov/scheduleb](http://www.irs.gov/scheduleb).

OMB No. 1545-0074

**2015**  
Attachment  
Sequence No. **08**

Name(s) shown on return

*Charles and Sally Heck*

Your social security number

**Part I**  
**Interest**

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

*Parcine Bank*  
*River Bank*

(See instructions on back and the instructions for Form 1040A, or Form 1040, line 8a.)

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

**2** Add the amounts on line 1 . . . . .  
**3** Excludable interest on series EE and I U.S. savings bonds issued after 1989. Attach Form 8815 . . . . .  
**4** Subtract line 3 from line 2. Enter the result here and on Form 1040A, or Form 1040, line 8a . . . . . ▶

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

**Part II**  
**Ordinary Dividends**

**5** List name of payer ▶

*American Express*  
*John Deere*  
*Gene Corporation*  
*Devona Corporation*

(See instructions on back and the instructions for Form 1040A, or Form 1040, line 9a.)

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

**6** Add the amounts on line 5. Enter the total here and on Form 1040A, or Form 1040, line 9a . . . . . ▶

**Note:** If line 6 is over \$1,500, you must complete Part III.

**Part III**  
**Foreign Accounts and Trusts**

(See instructions on back.)

**7a** At any time during 2015, did you have a financial interest in or signature authority over a financial account (such as a bank account, securities account, or brokerage account) located in a foreign country? See instructions . . . . .

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

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

**8** During 2015, did you receive a distribution from, or were you the grantor of, or transferor to, a foreign trust? If "Yes," you may have to file Form 3520. See instructions on back . . . . .

Yes	No
	X
	X

Amount	
1,345	650
1,995	
1,995	
800	2,350
3,100	850
7,100	

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

Cat. No. 17146N

Schedule B (Form 1040A or 1040) 2015

## Group 2: Problem 30

1. Enter the total amount of social security income	1. <u>\$7,000</u>
2. Enter one-half of line 1	2. <u>3,500</u>
3. Enter the total of taxable income items on Form 1040 except social security income	3. <u>14,000</u>
4. Enter the amount of tax exempt interest income	4. <u>30,000</u>
5. Add lines 2, 3, and 4	5. <u>47,500</u>
6. Enter all adjustments for AGI except for student loan interest, the domestic production activities deduction and the tuition and fees deduction	6. <u>-0-</u>
7. Subtract line 6 from line 5. If zero or less, stop here, none of the social security benefits are taxable	7. <u>47,500</u>
8. Enter \$25,000 (\$32,000 if married filing jointly; \$0 if married filing separately and living with spouse at any time during the year)	8. <u>25,000</u>
9. Subtract line 8 from line 7. If zero or less, enter -0-	9. <u>22,500</u>
<b>Note:</b> <i>If line 9 is zero or less, stop here; none of your benefits are taxable. Otherwise, go on to line 10.</i>	
10. Enter \$9,000 (\$12,000 if married filing jointly; \$0 if married filing separately and living with spouse at any time during the year)	10. <u>9,000</u>
11. Subtract line 10 from line 9. If zero or less, enter -0-	11. <u>13,500</u>
12. Enter the <b>smaller</b> of line 9 or line 10	12. <u>9,000</u>
13. Enter one-half of line 12	13. <u>4,500</u>
14. Enter the <b>smaller</b> of line 2 or line 13	14. <u>3,500</u>
15. Multiply line 11 by 85% (.85). If line 11 is zero, enter -0-	15. <u>11,475</u>
16. Add lines 14 and 15	16. <u>14,975</u>
17. Multiply line 1 by 85% (.85)	17. <u>5,950</u>
18. <b>Taxable benefits.</b> Enter the <b>smaller</b> of line 16 or line 17	18. <u>\$5,950</u>

31. a. **Yes.** Tax-free municipal bond income is added to AGI in the formula to determine the amount of taxable Social Security.  
b. **Zero.** The taxpayer's income is below the threshold amount used in the formula to determine whether Social Security is taxable.  
c. **85 %.** High-income taxpayers must include 85% of Social Security receipts in taxable income. (LO 2.14)
32. The blank Alimony Recapture Worksheet is not reprinted here. The purpose of this problem is to familiarize the student with the Internet sites.
33. See the answer to Problem 7.

### Group 3 - Writing Assignment

#### Research Solution:

Whittenburg, Gill, and Altus-Buller, CPAs  
San Diego, CA  
August 3, 20xx

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

Dear Professor Lazo,

Thank you for requesting my advice concerning the tax treatment of your free trip to Costa Rica. I have researched your question and am sorry to say that the free tour is taxable.

The fair market value of the tour must be reported on Form 1040, under "Other Income." In addition, any expenses that you incurred during the trip cannot be deducted.

My conclusion is based upon the facts that you have provided me. I'm sorry that the news was not more favorable. If you have any questions or would like further explanation, please do not hesitate to call.

Sincerely,  
Trevor Malcolm  
for Whittenburg, Gill, and Altus-Buller, CPAs

### Group 4 - Comprehensive Problems

1. See pages 43 through 45.
- 2A. See pages 46 through 47.
- 2B. See pages 48 through 49.

### Group 5 - Cumulative Software Problem

The solution to the Cumulative Software Problem is posted on the Internet site for the text at [www.cengage.com/login](http://www.cengage.com/login).

Comprehensive Problem 1

Form <b>1040A</b>		Department of the Treasury—Internal Revenue Service		<b>2015</b>		IRS Use Only—Do not write or staple in this space.	
Your first name and initial <i>Ken</i>		Last name <i>Hair</i>		OMB No. 1545-0074			
If a joint return, spouse's first name and initial <i>Bev</i>		Last name <i>Hair</i>		Your social security number <i>4 6 5   5 7   9 9 3 4</i>			
Home address (number and street). If you have a P.O. box, see instructions. <i>3567 River Street</i>		Apt. no.		Spouse's social security number <i>4 6 5   7 4   3 3 2 1</i>			
City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions). <i>Springfield, MO 63126</i>		Foreign country name		Foreign province/state/country		Foreign postal code	
Filing status Check only one box.		1 <input type="checkbox"/> Single		4 <input type="checkbox"/> Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶		Presidential Election Campaign Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund. <input checked="" type="checkbox"/> You <input checked="" type="checkbox"/> Spouse	
Exemptions		2 <input checked="" type="checkbox"/> Married filing jointly (even if only one had income)		5 <input type="checkbox"/> Qualifying widow(er) with dependent child (see instructions)		3 <input type="checkbox"/> Married filing separately. Enter spouse's SSN above and full name here. ▶	
6a <input checked="" type="checkbox"/> Yourself. If someone can claim you as a dependent, do not check box 6a.		b <input checked="" type="checkbox"/> Spouse		c Dependents:		Boxes checked on 6a and 6b on 6c who: • lived with you • did not live with you due to divorce or separation (see instructions) Dependents on 6c not entered above	
If more than six dependents, see instructions.		(1) First name		(2) Dependent's social security number		(3) Dependent's relationship to you	
		Last name		(4) <input checked="" type="checkbox"/> if child under age 17 qualifying for child tax credit (see instructions)			
						Add numbers on lines above ▶ <b>2</b>	
d Total number of exemptions claimed.							
Income		7 Wages, salaries, tips, etc. Attach Form(s) W-2.		7		<i>52,875</i>	
Attach Form(s) W-2 here. Also attach Form(s) 1099-R if tax was withheld.		8a Taxable interest. Attach Schedule B if required.		8a		<i>643</i>	
		b Tax-exempt interest. Do not include on line 8a.		8b		<i>1,000</i>	
		9a Ordinary dividends. Attach Schedule B if required.		9a		<i>301</i>	
		b Qualified dividends (see instructions).		9b		<i>301</i>	
		10 Capital gain distributions (see instructions).		10			
		11a IRA distributions.		11a		11b Taxable amount (see instructions).	
		12a Pensions and annuities.		12a		12b Taxable amount (see instructions).	
		13 Unemployment compensation and Alaska Permanent Fund dividends.		13		<i>1,825</i>	
		14a Social security benefits.		14a		14b Taxable amount (see instructions).	
		15 Add lines 7 through 14b (far right column). This is your total income. ▶		15		<i>55,644</i>	
Adjusted gross income		16 Reserved		16			
		17 IRA deduction (see instructions).		17			
		18 Student loan interest deduction (see instructions).		18			
		19 Reserved		19			
		20 Add lines 16 through 19. These are your total adjustments.		20			
		21 Subtract line 20 from line 15. This is your adjusted gross income. ▶		21		<i>55,644</i>	
For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11327A Form 1040A (2015)							

Comprehensive Problem 1, cont.

Form 1040A (2015)			Page <b>2</b>	
<b>Tax, credits, and payments</b>	<b>22</b> Enter the amount from line 21 (adjusted gross income).	22	55,644	
	<b>23a</b> Check <input type="checkbox"/> You were born before January 2, 1951, <input type="checkbox"/> Blind if: <input type="checkbox"/> Spouse was born before January 2, 1951, <input type="checkbox"/> Blind } <b>Total boxes checked</b> ▶ 23a <input type="checkbox"/>			
	<b>b</b> If you are married filing separately and your spouse itemizes deductions, check here ▶ 23b <input type="checkbox"/>			
<b>Standard Deduction for—</b> <ul style="list-style-type: none"><li>• People who check any box on line 23a or 23b or who can be claimed as a dependent, see instructions.</li><li>• All others:<ul style="list-style-type: none"><li>Single or Married filing separately, \$6,300</li><li>Married filing jointly or Qualifying widow(er), \$12,600</li><li>Head of household, \$9,250</li></ul></li></ul>	<b>24</b> Enter your <b>standard deduction</b> .	24	12,600	
	<b>25</b> Subtract line 24 from line 22. If line 24 is more than line 22, enter -0-.	25	43,044	
	<b>26 Exemptions.</b> Multiply \$4,000 by the number on line 6d.	26	8,000	
	<b>27</b> Subtract line 26 from line 25. If line 26 is more than line 25, enter -0-.	27	35,044	
	<b>This is your taxable income.</b> ▶			
	<b>28 Tax</b> , including any alternative minimum tax (see instructions).	28	4,286	
	<b>29</b> Excess advance premium tax credit repayment. Attach Form 8962.	29		
	<b>30</b> Add lines 28 and 29.	30	4,286	
	<b>31</b> Credit for child and dependent care expenses. Attach Form 2441.	31		
	<b>32</b> Credit for the elderly or the disabled. Attach Schedule R.	32		
	<b>33</b> Education credits from Form 8863, line 19.	33		
	<b>34</b> Retirement savings contributions credit. Attach Form 8880.	34		
	<b>35</b> Child tax credit. Attach Schedule 8812, if required.	35		
	<b>36</b> Add lines 31 through 35. These are your <b>total credits</b> .	36		
<b>37</b> Subtract line 36 from line 30. If line 36 is more than line 30, enter -0-.	37	4,286		
<b>38</b> Health care: individual responsibility (see instructions). Full-year coverage <input checked="" type="checkbox"/>	38			
<b>39</b> Add line 37 and line 38. This is your <b>total tax</b> .	39	4,286		
If you have a qualifying child, attach Schedule EIC.	<b>40</b> Federal income tax withheld from Forms W-2 and 1099.	40	5,500	
	<b>41</b> 2015 estimated tax payments and amount applied from 2014 return.	41		
	<b>42a</b> <b>Earned income credit (EIC).</b>	42a		
	<b>b</b> Nontaxable combat pay election. 42b			
	<b>43</b> Additional child tax credit. Attach Schedule 8812.	43		
	<b>44</b> American opportunity credit from Form 8863, line 8.	44		
	<b>45</b> Net premium tax credit. Attach Form 8962.	45		
	<b>46</b> Add lines 40, 41, 42a, 43, 44, and 45. These are your <b>total payments</b> .	46	5,500	
<b>Refund</b>	<b>47</b> If line 46 is more than line 39, subtract line 39 from line 46. This is the amount you <b>overpaid</b> .	47	1,214	
	<b>48a</b> Amount of line 47 you want <b>refunded to you</b> . If Form 8888 is attached, check here ▶ <input type="checkbox"/> 48a	48a	1,214	
	<b>b</b> Routing number <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> ▶ <b>c</b> Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings			
	<b>d</b> Account number <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>			
<b>49</b> Amount of line 47 you want <b>applied to your 2016 estimated tax</b> .	49			
<b>Amount you owe</b>	<b>50</b> <b>Amount you owe.</b> Subtract line 46 from line 39. For details on how to pay, see instructions.	50		
	<b>51</b> Estimated tax penalty (see instructions).	51		
<b>Third party designee</b>	Do you want to allow another person to discuss this return with the IRS (see instructions)? <input type="checkbox"/> Yes. Complete the following. <input type="checkbox"/> No			
	Designee's name ▶	Phone no. ▶	Personal identification number (PIN) ▶ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	
<b>Sign here</b>	Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and accurately list all amounts and sources of income I received during the tax year. Declaration of preparer (other than the taxpayer) is based on all information of which the preparer has any knowledge.			
	Your signature	Date	Your occupation <i>Student</i>	
	Spouse's signature. If a joint return, <b>both</b> must sign.		Date	Spouse's occupation <i>Accountant</i>
	If the IRS sent you an Identity Protection PIN, enter it here (see inst.) <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>			
<b>Paid preparer use only</b>	Print/type preparer's name	Preparer's signature	Date	
	Firm's name ▶	Check <input type="checkbox"/> if self-employed		
	Firm's address ▶	Firm's EIN ▶		
		Phone no.		



Comprehensive Problem 1, cont.

**Qualified Dividends and Capital Gain Tax Worksheet—Line 28**

Keep for Your Records



**Before you begin:** ✓ Be sure you do not have to file Form 1040 (see the Instructions for Form 1040A, line 10).

1. Enter the amount from Form 1040A, line 27	1.	<u>35,044</u>
2. Enter the amount from Form 1040A, line 9b	2.	<u>301</u>
3. Enter the amount from Form 1040A, line 10	3.	<u>0</u>
4. Add lines 2 and 3	4.	<u>301</u>
5. Subtract line 4 from line 1. If zero or less, enter -0-	5.	<u>34,743</u>
6. Enter the <b>smaller</b> of:	6.	<u>35,044</u>
• The amount on line 1, or	}	
• \$37,450 if single or married filing separately,		
\$74,900 if married filing jointly or qualifying widow(er), or		
\$50,200 if head of household.		
7. Enter the smaller of line 5 or line 6	7.	<u>34,743</u>
8. Subtract line 7 from line 6. This amount is taxed at 0%	8.	<u>301</u>
9. Enter the smaller of line 1 or line 4	9.	<u>301</u>
10. Enter the amount from line 8	10.	<u>301</u>
11. Subtract line 10 from line 9	11.	<u>0</u>
12. Multiply line 11 by 15% (0.15)	12.	<u>0</u>
13. Use the Tax Table to figure the tax on the amount on line 5. Enter the tax here	13.	<u>4,286</u>
14. Add lines 12 and 13	14.	<u>4,286</u>
15. Use the Tax Table to figure the tax on the amount on line 1. Enter the tax here	15.	<u>4,331</u>
16. <b>Tax on all taxable income.</b> Enter the <b>smaller</b> of line 14 or line 15 here and on Form 1040A, line 28	16.	<u>4,286</u>

\* Note: This worksheet does not apply for high-income taxpayers under the ACA or ATRA provisions (See LO 1.9).

Comprehensive Problem 2A

<b>Form</b>	<b>1040</b>	Department of the Treasury—Internal Revenue Service (99)	<b>2015</b>	OMB No. 1545-0074	IRS Use Only—Do not write or staple in this space.
For the year Jan. 1–Dec. 31, 2015, or other tax year beginning _____, 2015, ending _____, 20					
Your first name and initial <i>Ray</i>			Last name <i>Gomez</i>		See separate instructions. <b>Your social security number</b> <i>469   21   5523</i>
If a joint return, spouse's first name and initial <i>Maria</i>			Last name <i>Gomez</i>		<b>Spouse's social security number</b> <i>444   65   9912</i>
Home address (number and street). If you have a P.O. box, see instructions. <i>1610 Quince Avenue</i>				Apt. no.	▲ Make sure the SSN(s) above and on line 6c are correct.
City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions). <i>McAllen, TX 78701</i>					
Foreign country name		Foreign province/state/country		Foreign postal code	
<b>Presidential Election Campaign</b> Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund. <input checked="" type="checkbox"/> You <input checked="" type="checkbox"/> Spouse					
<b>Filing Status</b>					
Check only one box.					
1 <input type="checkbox"/> Single 2 <input checked="" type="checkbox"/> Married filing jointly (even if only one had income) 3 <input type="checkbox"/> Married filing separately. Enter spouse's SSN above and full name here. ▶ 4 <input type="checkbox"/> Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶ 5 <input type="checkbox"/> Qualifying widow(er) with dependent child					
<b>Exemptions</b>					
6a <input checked="" type="checkbox"/> Yourself. If someone can claim you as a dependent, do not check box 6a . . . . .					
b <input checked="" type="checkbox"/> Spouse . . . . .					
c <b>Dependents:</b>					
(1) First name Last name (2) Dependent's social security number (3) Dependent's relationship to you (4) <input checked="" type="checkbox"/> if child under age 17 qualifying for child tax credit (see instructions)					
If more than four dependents, see instructions and check here ▶ <input type="checkbox"/>					
d Total number of exemptions claimed . . . . . <span style="float:right">2</span>					
<b>Income</b>					
7 Wages, salaries, tips, etc. Attach Form(s) W-2 . . . . . <span style="float:right">7 62,170</span>					
8a <b>Taxable</b> interest. Attach Schedule B if required . . . . . <span style="float:right">8a 603</span>					
b <b>Tax-exempt</b> interest. Do not include on line 8a . . . . . <span style="float:right">8b</span>					
9a Ordinary dividends. Attach Schedule B if required . . . . . <span style="float:right">9a</span>					
b Qualified dividends . . . . . <span style="float:right">9b</span>					
10 Taxable refunds, credits, or offsets of state and local income taxes . . . . . <span style="float:right">10</span>					
11 Alimony received . . . . . <span style="float:right">11</span>					
12 Business income or (loss). Attach Schedule C or C-EZ . . . . . <span style="float:right">12</span>					
13 Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ <input type="checkbox"/> <span style="float:right">13</span>					
14 Other gains or (losses). Attach Form 4797 . . . . . <span style="float:right">14</span>					
15a IRA distributions . . . . . <span style="float:right">15a</span>					
b Taxable amount . . . . . <span style="float:right">15b</span>					
16a Pensions and annuities . . . . . <span style="float:right">16a</span>					
b Taxable amount . . . . . <span style="float:right">16b</span>					
17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E <span style="float:right">17</span>					
18 Farm income or (loss). Attach Schedule F . . . . . <span style="float:right">18</span>					
19 Unemployment compensation . . . . . <span style="float:right">19</span>					
20a Social security benefits . . . . . <span style="float:right">20a</span>					
b Taxable amount . . . . . <span style="float:right">20b</span>					
21 Other income. List type and amount <i>Texas lottery</i> <span style="float:right">21 4,000</span>					
22 Combine the amounts in the far right column for lines 7 through 21. This is your <b>total income</b> ▶ <span style="float:right">22 66,773</span>					
<b>Adjusted Gross Income</b>					
23 Reserved . . . . . <span style="float:right">23</span>					
24 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ <span style="float:right">24</span>					
25 Health savings account deduction. Attach Form 8889 . . . . . <span style="float:right">25</span>					
26 Moving expenses. Attach Form 3903 . . . . . <span style="float:right">26</span>					
27 Deductible part of self-employment tax. Attach Schedule SE . . . . . <span style="float:right">27</span>					
28 Self-employed SEP, SIMPLE, and qualified plans . . . . . <span style="float:right">28</span>					
29 Self-employed health insurance deduction . . . . . <span style="float:right">29</span>					
30 Penalty on early withdrawal of savings . . . . . <span style="float:right">30</span>					
31a Alimony paid b Recipient's SSN ▶ <i>566   74   8765</i> <span style="float:right">31a 5,400</span>					
32 IRA deduction . . . . . <span style="float:right">32</span>					
33 Student loan interest deduction . . . . . <span style="float:right">33</span>					
34 Reserved . . . . . <span style="float:right">34</span>					
35 Domestic production activities deduction. Attach Form 8903 <span style="float:right">35</span>					
36 Add lines 23 through 35 . . . . . <span style="float:right">36 5,400</span>					
37 Subtract line 36 from line 22. This is your <b>adjusted gross income</b> ▶ <span style="float:right">37 61,373</span>					
<b>For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions.</b> Cat. No. 11320B Form <b>1040</b> (2015)					

Comprehensive Problem 2A, cont.

Form 1040 (2015)		Page <b>2</b>	
<b>Tax and Credits</b>		<b>38</b>	Amount from line 37 (adjusted gross income) . . . . . <b>38</b> <u>61,373</u>
<b>39a</b> Check <input type="checkbox"/> <b>You</b> were born before January 2, 1951, <input type="checkbox"/> <b>Blind.</b> } <b>Total boxes</b> <input type="checkbox"/> if: <input type="checkbox"/> <b>Spouse</b> was born before January 2, 1951, <input type="checkbox"/> <b>Blind.</b> } <b>checked ▶ 39a</b> <input type="checkbox"/>			
<b>b</b> If your spouse itemizes on a separate return or you were a dual-status alien, check here ▶ <b>39b</b> <input type="checkbox"/>			
<b>40</b> <b>Itemized deductions</b> (from Schedule A) or your <b>standard deduction</b> (see left margin) . . . . . <b>40</b> <u>12,600</u>			
<b>41</b> Subtract line 40 from line 38 . . . . . <b>41</b> <u>48,773</u>			
<b>42</b> <b>Exemptions.</b> If line 38 is \$154,950 or less, multiply \$4,000 by the number on line 6d. Otherwise, see instructions . . . . . <b>42</b> <u>8,000</u>			
<b>43</b> <b>Taxable income.</b> Subtract line 42 from line 41. If line 42 is more than line 41, enter -0- . . . . . <b>43</b> <u>40,773</u>			
<b>44</b> <b>Tax</b> (see instructions). Check if any from: <b>a</b> <input type="checkbox"/> Form(s) 8814 <b>b</b> <input type="checkbox"/> Form 4972 <b>c</b> <input type="checkbox"/> . . . . . <b>44</b> <u>5,194</u>			
<b>45</b> <b>Alternative minimum tax</b> (see instructions). Attach Form 6251 . . . . . <b>45</b>			
<b>46</b> <b>Excess advance premium tax credit repayment.</b> Attach Form 8962 . . . . . <b>46</b>			
<b>47</b> Add lines 44, 45, and 46 . . . . . <b>47</b> <u>5,194</u>			
<b>48</b> <b>Foreign tax credit.</b> Attach Form 1116 if required . . . . . <b>48</b>			
<b>49</b> <b>Credit for child and dependent care expenses.</b> Attach Form 2441 . . . . . <b>49</b>			
<b>50</b> <b>Education credits</b> from Form 8863, line 19 . . . . . <b>50</b>			
<b>51</b> <b>Retirement savings contributions credit.</b> Attach Form 8880 . . . . . <b>51</b>			
<b>52</b> <b>Child tax credit.</b> Attach Schedule 8812, if required . . . . . <b>52</b>			
<b>53</b> <b>Residential energy credit.</b> Attach Form 5695 . . . . . <b>53</b>			
<b>54</b> <b>Other credits</b> from Form: <b>a</b> <input type="checkbox"/> 3800 <b>b</b> <input type="checkbox"/> 8801 <b>c</b> <input type="checkbox"/> . . . . . <b>54</b>			
<b>55</b> Add lines 48 through 54. These are your <b>total credits</b> . . . . . <b>55</b>			
<b>56</b> Subtract line 55 from line 47. If line 55 is more than line 47, enter -0- . . . . . <b>56</b> <u>5,194</u>			
<b>57</b> <b>Self-employment tax.</b> Attach Schedule SE . . . . . <b>57</b>			
<b>58</b> <b>Unreported social security and Medicare tax</b> from Form: <b>a</b> <input type="checkbox"/> 4137 <b>b</b> <input type="checkbox"/> 8919 . . . . . <b>58</b>			
<b>59</b> <b>Additional tax</b> on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required . . . . . <b>59</b>			
<b>60a</b> <b>Household employment taxes</b> from Schedule H . . . . . <b>60a</b>			
<b>b</b> <b>First-time homebuyer credit repayment.</b> Attach Form 5405 if required . . . . . <b>60b</b>			
<b>61</b> <b>Health care:</b> individual responsibility (see instructions) Full-year coverage <input checked="" type="checkbox"/> . . . . . <b>61</b>			
<b>62</b> <b>Taxes from:</b> <b>a</b> <input type="checkbox"/> Form 8959 <b>b</b> <input type="checkbox"/> Form 8960 <b>c</b> <input type="checkbox"/> Instructions; enter code(s) . . . . . <b>62</b>			
<b>63</b> Add lines 56 through 62. This is your <b>total tax</b> . . . . . <b>63</b> <u>5,194</u>			
<b>Payments</b>		<b>64</b>	Federal income tax withheld from Forms W-2 and 1099 . . . . . <u>9,520</u>
<b>65</b> 2015 estimated tax payments and amount applied from 2014 return . . . . . <b>65</b>			
<b>66a</b> <b>Earned income credit (EIC)</b> . . . . . <b>66a</b>			
<b>b</b> <b>Nontaxable combat pay election</b> <b>66b</b> . . . . . <b>66b</b>			
<b>67</b> <b>Additional child tax credit.</b> Attach Schedule 8812 . . . . . <b>67</b>			
<b>68</b> <b>American opportunity credit</b> from Form 8863, line 8 . . . . . <b>68</b>			
<b>69</b> <b>Net premium tax credit.</b> Attach Form 8962 . . . . . <b>69</b>			
<b>70</b> <b>Amount paid with request for extension to file</b> . . . . . <b>70</b>			
<b>71</b> <b>Excess social security and tier 1 RRTA tax withheld</b> . . . . . <b>71</b>			
<b>72</b> <b>Credit for federal tax on fuels.</b> Attach Form 4136 . . . . . <b>72</b>			
<b>73</b> <b>Credits</b> from Form: <b>a</b> <input type="checkbox"/> 2439 <b>b</b> <input checked="" type="checkbox"/> Reserved <b>c</b> <input type="checkbox"/> 8885 <b>d</b> <input type="checkbox"/> . . . . . <b>73</b>			
<b>74</b> Add lines 64, 65, 66a, and 67 through 73. These are your <b>total payments</b> . . . . . <b>74</b> <u>9,520</u>			
<b>Refund</b>		<b>75</b>	If line 74 is more than line 63, subtract line 63 from line 74. This is the amount you <b>overpaid</b> . . . . . <b>75</b> <u>4,326</u>
<b>76a</b> <b>Amount of line 75 you want refunded to you.</b> If Form 8888 is attached, check here . . . . . <b>76a</b> <u>4,326</u>			
<b>b</b> <b>Routing number</b> . . . . . <b>c</b> <b>Type:</b> <input type="checkbox"/> Checking <input type="checkbox"/> Savings			
<b>d</b> <b>Account number</b> . . . . .			
<b>77</b> <b>Amount of line 75 you want applied to your 2016 estimated tax</b> ▶ <b>77</b>			
<b>Amount You Owe</b>		<b>78</b>	<b>Amount you owe.</b> Subtract line 74 from line 63. For details on how to pay, see instructions . . . . . <b>78</b>
<b>79</b> <b>Estimated tax penalty</b> (see instructions) . . . . . <b>79</b>			
<b>Third Party Designee</b> Do you want to allow another person to discuss this return with the IRS (see instructions)? <input type="checkbox"/> <b>Yes.</b> Complete below. <input type="checkbox"/> <b>No</b>			
Designee's name ▶		Phone no. ▶	Personal identification number (PIN) ▶
<b>Sign Here</b> Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.			
Your signature		Date	Your occupation <i>Oil worker</i>
Spouse's signature. If a joint return, <b>both</b> must sign.		Date	Spouse's occupation <i>City employee</i>
Print/Type preparer's name		Preparer's signature	Date
Firm's name ▶		Check <input type="checkbox"/> if self-employed	
Firm's address ▶		Firm's EIN ▶	
		Phone no.	

Comprehensive Problem 2B

Form <b>1040</b>		Department of the Treasury—Internal Revenue Service (99)		<b>2015</b>	OMB No. 1545-0074	IRS Use Only—Do not write or staple in this space.	
For the year Jan. 1–Dec. 31, 2015, or other tax year beginning				, 2015, ending		, 20	
Your first name and initial <i>Carl</i>		Last name <i>Conch</i>		See separate instructions. <b>Your social security number</b> <i>835 21 5423</i>			
If a joint return, spouse's first name and initial <i>Mary</i>		Last name <i>Dural</i>		<b>Spouse's social security number</b> <i>633 65 7912</i>			
Home address (number and street). If you have a P.O. box, see instructions. <i>1234 Malbory Square</i>				Apt. no. <i>64</i>		▲ Make sure the SSN(s) above and on line 6c are correct.	
City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions). <i>Key West, FL 33040</i>				Foreign province/state/county		Foreign postal code	
Foreign country name				Foreign province/state/county		Foreign postal code	
<b>Filing Status</b> Check only one box. 1 <input type="checkbox"/> Single 2 <input checked="" type="checkbox"/> Married filing jointly (even if only one had income) 3 <input type="checkbox"/> Married filing separately. Enter spouse's SSN above and full name here. ▶ 4 <input type="checkbox"/> Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶ 5 <input type="checkbox"/> Qualifying widow(er) with dependent child							
<b>Exemptions</b> 6a <input checked="" type="checkbox"/> Yourself. If someone can claim you as a dependent, do not check box 6a. b <input checked="" type="checkbox"/> Spouse c Dependents: (1) First name Last name (2) Dependent's social security number (3) Dependent's relationship to you (4) <input checked="" type="checkbox"/> If child under age 17 qualifying for child tax credit (see instructions) If more than four dependents, see instructions and check here <input type="checkbox"/> d Total number of exemptions claimed							
<b>Income</b> Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld. If you did not get a W-2, see instructions.							
7		Wages, salaries, tips, etc. Attach Form(s) W-2		7		<i>67,500</i>	
8a		Taxable interest. Attach Schedule B if required		8a		<i>302</i>	
b		Tax-exempt interest. Do not include on line 8a		8b			
9a		Ordinary dividends. Attach Schedule B if required		9a		<i>175</i>	
b		Qualified dividends		9b		<i>0</i>	
10		Taxable refunds, credits, or offsets of state and local income taxes		10			
11		Alimony received		11			
12		Business income or (loss). Attach Schedule C or C-EZ		12			
13		Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>		13			
14		Other gains or (losses). Attach Form 4797		14			
15a		IRA distributions		15a			
b		Taxable amount		15b			
16a		Pensions and annuities		16a			
b		Taxable amount		16b			
17		Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E		17			
18		Farm income or (loss). Attach Schedule F		18			
19		Unemployment compensation		19		<i>2,700</i>	
20a		Social security benefits		20a			
b		Taxable amount		20b			
21		Other income. List type and amount <i>Raffle prize</i>		21		<i>800</i>	
22		Combine the amounts in the far right column for lines 7 through 21. This is your total income ▶		22		<i>71,477</i>	
23		Reserved		23			
24		Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ		24			
25		Health savings account deduction. Attach Form 8889		25			
26		Moving expenses. Attach Form 3903		26			
27		Deductible part of self-employment tax. Attach Schedule SE		27			
28		Self-employed SEP, SIMPLE, and qualified plans		28			
29		Self-employed health insurance deduction		29			
30		Penalty on early withdrawal of savings		30			
31a		Alimony paid		31a			
b		Recipient's SSN ▶		b			
32		IRA deduction		32			
33		Student loan interest deduction		33			
34		Reserved		34			
35		Domestic production activities deduction. Attach Form 8903		35			
36		Add lines 23 through 35		36			
37		Subtract line 36 from line 22. This is your adjusted gross income ▶		37		<i>71,477</i>	

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form **1040** (2015)

Comprehensive Problem 2B, cont.

Form 1040 (2015)		Page <b>2</b>		
<b>38</b> Amount from line 37 (adjusted gross income)		<b>38</b> 71,477		
<b>Tax and Credits</b>	<b>39a</b> Check <input type="checkbox"/> You were born before January 2, 1951, <input type="checkbox"/> Blind. } Total boxes checked ▶ <b>39a</b> <input type="checkbox"/> if: <input type="checkbox"/> Spouse was born before January 2, 1951, <input type="checkbox"/> Blind. }			
	<b>b</b> If your spouse itemizes on a separate return or you were a dual-status alien, check here ▶ <b>39b</b> <input type="checkbox"/>			
<b>Standard Deduction for—</b> • People who check any box on line 39a or 39b or who can be claimed as a dependent, see instructions. • All others: Single or Married filing separately, \$6,300 Married filing jointly or Qualifying widow(er), \$12,600 Head of household, \$9,250	<b>40</b> Itemized deductions (from Schedule A) or your standard deduction (see left margin)	<b>40</b> 12,600		
	<b>41</b> Subtract line 40 from line 38	<b>41</b> 58,877		
	<b>42</b> Exemptions. If line 38 is \$154,950 or less, multiply \$4,000 by the number on line 6d. Otherwise, see instructions	<b>42</b> 8,000		
	<b>43</b> Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-	<b>43</b> 50,877		
	<b>44</b> Tax (see instructions). Check if any from: a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972 c <input type="checkbox"/>	<b>44</b> 6,709		
	<b>45</b> Alternative minimum tax (see instructions). Attach Form 6251	<b>45</b>		
	<b>46</b> Excess advance premium tax credit repayment. Attach Form 8962	<b>46</b>		
	<b>47</b> Add lines 44, 45, and 46	<b>47</b> 6,709		
	<b>48</b> Foreign tax credit. Attach Form 1116 if required	<b>48</b>		
	<b>49</b> Credit for child and dependent care expenses. Attach Form 2441	<b>49</b>		
	<b>50</b> Education credits from Form 8863, line 19	<b>50</b>		
	<b>51</b> Retirement savings contributions credit. Attach Form 8880	<b>51</b>		
	<b>52</b> Child tax credit. Attach Schedule 8812, if required	<b>52</b>		
	<b>53</b> Residential energy credit. Attach Form 5695	<b>53</b>		
	<b>54</b> Other credits from Form: a <input type="checkbox"/> 3800 b <input type="checkbox"/> 8801 c <input type="checkbox"/>	<b>54</b>		
	<b>55</b> Add lines 48 through 54. These are your total credits	<b>55</b>		
<b>56</b> Subtract line 55 from line 47. If line 55 is more than line 47, enter -0-	<b>56</b> 6,709			
<b>Other Taxes</b>	<b>57</b> Self-employment tax. Attach Schedule SE	<b>57</b>		
	<b>58</b> Unreported social security and Medicare tax from Form: a <input type="checkbox"/> 4137 b <input type="checkbox"/> 8919	<b>58</b>		
	<b>59</b> Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required	<b>59</b>		
	<b>60a</b> Household employment taxes from Schedule H	<b>60a</b>		
	<b>b</b> First-time homebuyer credit repayment. Attach Form 5405 if required	<b>60b</b>		
	<b>61</b> Health care: individual responsibility (see instructions) Full-year coverage <input checked="" type="checkbox"/>	<b>61</b>		
	<b>62</b> Taxes from: a <input type="checkbox"/> Form 8959 b <input type="checkbox"/> Form 8960 c <input type="checkbox"/> Instructions; enter code(s)	<b>62</b>		
<b>63</b> Add lines 56 through 62. This is your total tax	<b>63</b> 6,709			
<b>Payments</b>	<b>64</b> Federal income tax withheld from Forms W-2 and 1099	<b>64</b> 9,726		
	<b>65</b> 2015 estimated tax payments and amount applied from 2014 return	<b>65</b>		
	<b>66a</b> Earned income credit (EIC)	<b>66a</b>		
	<b>b</b> Nontaxable combat pay election <b>66b</b>	<b>66b</b>		
	<b>67</b> Additional child tax credit. Attach Schedule 8812	<b>67</b>		
	<b>68</b> American opportunity credit from Form 8863, line 8	<b>68</b>		
	<b>69</b> Net premium tax credit. Attach Form 8962	<b>69</b>		
	<b>70</b> Amount paid with request for extension to file	<b>70</b>		
	<b>71</b> Excess social security and tier 1 RRTA tax withheld	<b>71</b>		
	<b>72</b> Credit for federal tax on fuels. Attach Form 4136	<b>72</b>		
<b>73</b> Credits from Form: a <input type="checkbox"/> 2439 b <input checked="" type="checkbox"/> Reserved c <input type="checkbox"/> 8885 d <input type="checkbox"/>	<b>73</b>			
<b>74</b> Add lines 64, 65, 66a, and 67 through 73. These are your total payments	<b>74</b> 9,726			
<b>Refund</b>	<b>75</b> If line 74 is more than line 63, subtract line 63 from line 74. This is the amount you overpaid	<b>75</b> 3,017		
	<b>76a</b> Amount of line 75 you want refunded to you. If Form 8888 is attached, check here ▶ <input type="checkbox"/>	<b>76a</b> 3,017		
	<b>b</b> Routing number <input type="text"/> ▶ <b>c</b> Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings			
Direct deposit? See instructions. ▶ <b>d</b> Account number <input type="text"/>				
<b>77</b> Amount of line 75 you want applied to your 2016 estimated tax ▶ <b>77</b>				
<b>Amount You Owe</b>	<b>78</b> Amount you owe. Subtract line 74 from line 63. For details on how to pay, see instructions ▶ <b>78</b>			
	<b>79</b> Estimated tax penalty (see instructions) ▶ <b>79</b>			
<b>Third Party Designee</b>	Do you want to allow another person to discuss this return with the IRS (see instructions)? <input type="checkbox"/> Yes. Complete below. <input type="checkbox"/> No			
	Designee's name ▶ Phone no. ▶ Personal identification number (PIN) ▶			
<b>Sign Here</b>	Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.			
	Your signature	Date	Your occupation <i>Factory worker</i>	Daytime phone number
	Spouse's signature. If a joint return, both must sign.	Date	Spouse's occupation <i>Homemaker</i>	If the IRS sent you an Identity Protection PIN, enter it here (see inst.) <input type="text"/>
	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed PTIN
<b>Paid Preparer Use Only</b>	Firm's name ▶	Firm's EIN ▶		
	Firm's address ▶	Phone no.		

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

<b>Adjusted Gross Income (Line 21)</b>	<u>55,644</u>
<b>Taxable Income (Line 27)</b>	<u>35,044</u>
<b>Tax Liability (Line 39)</b>	<u>4,286</u>
<b>Tax Overpaid (Line 47)</b>	<u>1,214</u>

**Comprehensive Problem 2A**

<b>Adjusted Gross Income (Line 37)</b>	<u>61,373</u>
<b>Taxable Income (Line 43)</b>	<u>40,773</u>
<b>Tax Liability (Line 63)</b>	<u>5,194</u>
<b>Tax Overpaid (Line 75)</b>	<u>4,326</u>

**Comprehensive Problem 2B**

<b>Adjusted Gross Income (Line 37)</b>	<u>71,477</u>
<b>Taxable Income (Line 43)</b>	<u>50,877</u>
<b>Tax Liability (Line 63)</b>	<u>6,709</u>
<b>Tax Overpaid (Line 75)</b>	<u>3,017</u>