Income Tax Fundamentals 2023 41st edition Whittenburg Solutions Manual

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CHAPTER 2

GROSS INCOME AND EXCLUSIONS

Group 1 – Multiple Choice Questions

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

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

Group 2 – Problems

1. a. Excluded
   b. Included
   c. Included
   d. Included
   e. Excluded
   f. Included
   g. Included
   h. Excluded
   i. Excluded
   j. Excluded
   k. Included (LO 2.1)

2. The non-cash payment of a truck for services performed is includable income to Jane. The tax law states that gross income is "all income from whatever source derived." There is no exception in the law for non-cash items received in exchange for services. The amount of gross income is the market value on the date of the payment which is $6,000. Jane may be able to recognize the $800 loss on the sale of the truck since it was business property. (LO 2.1)

3. a. **$300**. Gross income includes "all income from whatever source derived." The value of the hair styling is income to Larry for the performance of services. There is no gross income exception in the tax law for "barter" income.
   b. **$300**. Gross income includes "all income from whatever source derived." The value of the tax return is income to Sheila for the performance of services. There is no gross income exception in the tax law for "barter" income. (LO 2.1)

4. Illegal income is still taxable since there is no exception excluding it in the tax code. When there is not an explicit exception, gross income is "all income from whatever source derived." (LO 2.1)

5. a. $61,700. Taxable wages are taken from Box 1.
   b. It would appear that Kristen made $3,500 of contributions toward her employer's 401(k) plan. The health care and group term life insurance benefits do not create a difference between Box 1 and wages taxable for Social Security and Medicare in Boxes 3 and 5. (LO 2.2)

6. Student responses are likely to vary. The 10 behavioral factors and an example are:
   1. Instruction. When a worker is told when, where, and how work is to be completed, that is indicative of an employee.

2. Training. An employee receives training on how to perform the job to company standards.
3. Personally rendered. An employee does not generally have the ability to hire subcontractors for their own work.
4. Hiring and supervising assistants. An employee does not generally have the authority to hire additional assistance to increase the likelihood of completing a job on time.
5. Continuing relationship. An employee works for the same business for a long period of time, whereas an independent contractor works on a contract or project basis.
6. Work hours. Employees generally work during hours set by their supervisor whereas independent contractors can complete work at a time suitable to them.
7. Time required. An employee works for the business full-time, 40 hours per week.
8. Workplace. An employee is required to report to the workplace each day to complete the work.
9. Sequence of work. Employees generally have a structure and order to workflow while independent contractors can complete a project in the order that suits them.
10. Reports. An employee provides frequent reports of progress and performance. (LO 2.2)

7. None of the cost of the insurance or amounts paid by the insurance company for surgery or treatment are taxable to Skyler. These amounts are specifically excluded from taxable income under the tax law. (LO 2.3)

8. **$0**. Taxpayers may exclude the total amount received for payment or reimbursement of medical expenses. Premiums for health insurance paid by the taxpayer's employer are also excluded from the taxpayer's gross income. (LO 2.3)

9. a. No. The meals are furnished by the employer on the business premises of the employer during working hours because the employer limits the employee to short meal periods.
   b. No. The meals are furnished by the employer on the business premises of the employer during working hours because the taxpayer must be available for emergency calls.
   c. Yes. The meals are not furnished for the convenience of the employer.
   d. $0. Because Karrie's employer provides meals for the convenience of the employer to more than one-half of the employees, all the employees are eligible for the benefit. (LO 2.4)

10. **$4,850** = $850 + $4,000. The value of the airline tickets is excluded from gross income under the no-additional-cost services rule for employees and their families. The $30 of personal typing is excluded under the de minimis fringe benefits rule. The $850 worth of employee discount coupons for hotel rooms is included in gross income since the hotel division is a different line of business than that in which Linda is employed. The $4,000 tuition payment must be included in gross income since Richard is working on a graduate degree and not providing teaching or research activities. (LO 2.5)

11. Yes. Tom will be better off reducing his taxable income by $2,850 by using the health care flexible spending account. Since his income will be $2,850 less, he will pay less tax than he would otherwise. (LO 2.5)

12. a. **$7,600**.
    b. **$300**. A non-qualified plan award may only be excluded up to $400; thus, $300 is taxable.
    c. **$1,000,000**.
    d. **$30,000**. (LO 2.6)

13. a. **$4,000**.
    b. **$14,500**.
    c. **$0**. (LO 2.6, 2.12)

14. SIMPLIFIED METHOD WORKSHEET

1)	Enter total amount received this year.	1)	$ 7,000
2)	Enter cost in the plan at the annuity starting date.	2)	$48,300
3)	Age at annuity starting date		
	Enter		
	55 and under — 360		
	56–60 — 310		
	61–65 — 260	3)	210
	66–70 — 210		
	71 and older — 160		
4)	Divide line 2 by line 3.	4)	$ 230
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)	$ 1,610
6)	Enter the amount, if any, recovered tax free in prior years.	6)	$ 0
7)	Subtract line 6 from line 2.	7)	$48,300
8)	Enter the smaller of line 5 or 7.	8)	$ 1,610
9)	Taxable amount this year: Subtract line 8 from line 1. Do not enter less than zero.	9)	$ 5,390

(LO 2.7)

15. **$58,000** = $100,000 – $30,000 – $12,000. Since the policy was transferred for valuable consideration, the proceeds are taxable to the extent that they exceed the sum of the cash value at the time of transfer plus the premiums paid. (LO 2.8)

16. **$500**. A beneficiary, must include the entire amount of interest received with respect to the policy proceeds in gross income. The $9,000 principal amount may be excluded from gross income. (LO 2.8)

17. **None.** David has received an accelerated death benefit or viatical settlement which is excluded from taxable income. (LO 2.8)

18. None of the payment is taxable. Life insurance proceeds are generally considered to be tax-free and specifically excluded from taxable income. (LO 2.8)

19. The taxpayer can either (1) report the interest in the year the bonds are cashed or in the year they mature, whichever is earlier (no election is required to use this method), or (2) the taxpayer may elect to report the increase in redemption value each year. (LO 2.9)

20. Yorick's purchase price is affected by two items: (1) Yorick pays Hamlet for his share of accrued interest at the time of sale between interest payments. This is $123 ($10,000 x 5% ÷ 365 x 90 days since last interest payment). Yorick will report the entire interest payment he receives and also report an offsetting reduction of $123. The price of the bond without the interest is therefore $9,438 ($9,561 – $123). Because of the change in interest rates, the bond is now subject to market discount of $562 ($10,000 – $9,438). The discount can be either included in gross income ratably each year or included when sold or matured. (LO 2.9)

21. **5.77%** = 4.5% ÷ (100% – 22%). (LO 2.9)

22. The tax-exempt municipal bond has the same 5% before and after-tax rate of return. The corporate bond has an after-tax return of 4.55% [7% x (1 – 35%)]. Karen should invest in the tax-exempt municipal bond due to the higher after-tax rate of return. (LO 2.9)

23. Qualified dividends are taxed at either 0%, 15%, or 20% depending on income and filing status. For example, a single taxpayer with income below $41,675 has a capital gain rate of 0%. Income over $41,675 but below $459,750 pays at 15% and the capital gains rate is 20% for income above that. A 3.8% Medicare tax on net investment income will be added to the rates for certain high-income taxpayers. (LO 2.10)

24. a. See Schedule B on Page 2-6.
    b. Line 2a is $400, Line 2b is $1,900
    c. Line 3a is $6,094, Line 3b is $6,100 (LO 2.10)

25. **$5,600**. Inheritances are excluded from taxable income; however, subsequent earnings on inherited property must be included in income. (LO 2.11)

26. $10,000 is taxable. This gift is clearly bonus income in a business setting so it does not qualify for tax-free gift treatment, even if Gwen's client calls the payment a gift. (LO 2.11)

27. None of the gift is taxable. Gifts are excluded from the taxable income of the person receiving the gift. (LO 2.11)

28. $8,000 is taxable since there is no exclusion for payments made for room and board. $12,000 is not taxable, since scholarships for tuition are specifically excluded from taxable income. (LO 2.12)

29. a. (1) **$450**. (2) **$450**. (3) **$0**.
    b. (1) **$0**. (2) **$425,000**. (LO 2.13)

30. Arlen does not deduct the alimony or child support.
    Jane does not report the alimony or child support as income. (LO 2.13)

31. No gain is taxable to Cindy on the transfer of the house since it is part of a property settlement related to a divorce. Allen has a basis of $90,000 in the house for calculating tax on any future sale of the house. (LO 2.13)

32. **$11,172**; Tuition, reasonable room and board, and books. (LO 2.14)

33. **$0**; All distributions are used for qualifying expenses. (LO 2.14)

34. **$3,250**. Unemployment benefits received are included in gross income. (LO 2.15)

35. **$6,460**. See calculation on the worksheet on Page 2-7. (LO 2.16)

36. a. **Yes**. Tax-free municipal bond income is added to AGI in the formula to determine the amount of taxable Social Security benefits.
    b. **Zero**. The taxpayer's income is below the threshold amount used in the formula to determine whether Social Security is taxable.
    c. **85%**. High-income taxpayers must include 85% of Social Security benefits in taxable income. (LO 2.16)

37. a. Kelly $43,800. One half of total wages and joint investment income and all of the inherited investment income. Kerry $35,800.
    b. $39,800. Kelly and Kerry both report one-half of all income (LO 2.17)

38. Son will not recognize any cancellation of debt income. This is cancellation of qualified principle residence debt and thus can be excluded. He will need to reduce his basis in the home by the amount of excluded income. (LO 2.18)

Group 2: Problem 24

SCHEDULE B (Form 1040)
Department of the Treasury
Internal Revenue Service

Interest and Ordinary Dividends

Go to *www.irs.gov/ScheduleB* for instructions and the latest information.
Attach to Form 1040 or 1040-SR.

OMB No. 1545-0074
2022
Attachment Sequence No. **08**

Name(s) shown on return: Sally and Charles Colonel
Your social security number: 313-13-1313

Part I Interest

(See instructions and the Instructions for Form 1040, line 2b.)

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.

			Amount
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 the instructions and list this interest first. Also, show that buyer's social security number and address:		
	Porcine Bank	1	1,200
	River Bank		700
2	Add the amounts on line 1	2	1,900
3	Excludable interest on series EE and I U.S. savings bonds issued after 1989. Attach Form 8815	3	
4	Subtract line 3 from line 2. Enter the result here and on Form 1040 or 1040-SR, line 2b	4	1,900

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

Part II Ordinary Dividends

(See instructions and the Instructions for Form 1040, line 3b.)

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.

			Amount
5	List name of payer:		
	Kentucky East Corp	5	700
	Altus, Inc.		2,000
	Buller Corporation		400
	Gene Corporation		3,000
6	Add the amounts on line 5. Enter the total here and on Form 1040 or 1040-SR, line 3b	6	6,100

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

Part III Foreign Accounts and Trusts

Caution: If required, failure to file FinCEN Form 114 may result in substantial penalties. Additionally, you may be required to file Form 8938, Statement of Specified Foreign Financial Assets. See instructions.

You must complete this part if you (**a**) had over $1,500 of taxable interest or ordinary dividends; (**b**) had a foreign account; or (**c**) received a distribution from, or were a grantor of, or a transferor to, a foreign trust.

		Yes	No
7a	At any time during 2022, 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		X
	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, list the name(s) of the foreign country(-ies) where the financial account(s) are located:		
8	During 2022, 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		X

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 17146N **Schedule B (Form 1040) 2022**

Group 2: Problem 35

1.	Enter the total amount of social security income	**1.**	$7,600
2.	Enter one-half of line 1	**2.**	3,800
3.	Enter the total of taxable income items on Form 1040 except social security income	**3.**	14,700
4.	Enter the amount of tax exempt interest income	**4.**	30,000
5.	Add lines 2, 3, and 4	**5.**	48,500
6.	Enter all adjustments for AGI except for student loan interest and the tuition and fees deduction	**6.**	-0-
7.	Subtract line 6 from line 5. If zero or less, stop here, none of the social security benefits are taxable	**7.**	48,500
8.	Enter $25,000 ($32,000 if married filing jointly; $0 if married filing separately and living with spouse at any time during the year)	**8.**	25,000
9.	Subtract line 8 from line 7. If zero or less, enter -0-	**9.**	23,500
Note:	*If line 9 is zero or less, stop here;* **none of your benefits are taxable**. *Otherwise, go on to line 10.*		
10.	Enter $9,000 ($12,000 if married filing jointly; $0 if married filing separately and living with spouse at any time during the year)	**10.**	9,000
11.	Subtract line 10 from line 9. If zero or less, enter -0-	**11.**	14,500
12.	Enter the **smaller** of line 9 or line 10	**12.**	9,000
13.	Enter one-half of line 12	**13.**	4,500
14.	Enter the **smaller** of line 2 or line 13	**14.**	3,800
15.	Multiply line 11 by 85% (.85). If line 11 is zero, enter -0-	**15.**	12,325
16.	Add lines 14 and 15	**16.**	16,125
17.	Multiply line 1 by 85% (.85)	**17.**	6,460
18.	**Taxable benefits**. Enter the **smaller** of line 16 or line 17	**18.**	$6,460

Group 3 – Writing Assignment

Research Solution:

Whittenburg and Gill, CPAs
San Diego, CA 92111
August 3, 20xx

Ms. Vanessa Lazo
1550 Mesa Rosa Drive
San Diego, CA 92182

Dear Ms. Lazo,

Thank you for requesting my advice concerning the tax treatment of your scholarship and employment at Prestige Private University (PPU). I have researched your question and have determined that a portion of your scholarship is taxable, but a portion is excluded from gross income.

The tuition reduction from $43,000 to $13,000 is not considered gross income that you must report as taxable. The reduction simply represents a lower negotiated price for tuition in much the same way you may negotiate a price below the sticker price for a new car. That purchase price reduction is not income.

PPU is providing you with a $20,000 scholarship. The portion you use for tuition ($13,000) is excluded from gross income as a qualified scholarship; however, the additional $7,000 being used for room and board is taxable and must be included in gross income.

Lastly, a payment for services such as the $1,500 you are receiving for serving as a lab assistant, is compensation and is included in gross income.

As a result, your total gross income from PPU will be $8,500 and the excludable scholarship is $13,000.

My conclusion is based upon the facts that you have provided me. If you have any questions or would like further explanation, please do not hesitate to call.

Sincerely,
Trevor Malcolm
for Whittenburg and Gill, CPAs

Group 4 – Comprehensive Problems

1. See Pages 2-9 through 2-12.

2A. See Pages 2-13 through 2-18.

2B. See Pages 2-19 through 2-22.

Group 5 – Cumulative Software Problem

The solution to the Cumulative Software Problem is posted on the website for the textbook at ***www.cengage.com/login***.

Comprehensive Problem 1

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

Filing Status Check only one box.
☐ Single ☒ Married filing jointly ☐ Married filing separately (MFS) ☐ Head of household (HOH) ☐ Qualifying surviving spouse (QSS)

If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QSS box, enter the child's name if the qualifying person is a child but not your dependent:

Your first name and middle initial	Last name	Your social security number
Donna	Hoser	465 74 3322
If joint return, spouse's first name and middle initial	**Last name**	**Spouse's social security number**
Chris	Hoser	465 57 9935

Home address (number and street). If you have a P.O. box, see instructions: 1313 W. Washington Street — Apt. no.:

City, town, or post office. If you have a foreign address, also complete spaces below: Stephenville — State: TX — ZIP code: 76401

Foreign country name: — Foreign province/state/county: — Foreign postal code:

Presidential Election Campaign Check here if you, or your spouse if filing jointly, want $3 to go to this fund. Checking a box below will not change your tax or refund. ☐ You ☐ Spouse

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

Standard Deduction **Someone can claim:** ☐ You as a dependent ☐ Your spouse as a dependent
☐ Spouse itemizes on a separate return or you were a dual-status alien

Age/Blindness **You:** ☐ Were born before January 2, 1958 ☐ Are blind **Spouse:** ☐ Was born before January 2, 1958 ☐ Is blind

Dependents (see instructions): If more than four dependents, see instructions and check here ☐

(1) First name Last name	(2) Social security number	(3) Relationship to you	(4) Child tax credit	(4) Credit for other dependents
			☐	☐
			☐	☐
			☐	☐
			☐	☐

Income

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

1a	Total amount from Form(s) W-2, box 1 (see instructions)			1a	53,398
b	Household employee wages not reported on Form(s) W-2			1b	
c	Tip income not reported on line 1a (see instructions)			1c	
d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)			1d	
e	Taxable dependent care benefits from Form 2441, line 26			1e	
f	Employer-provided adoption benefits from Form 8839, line 29			1f	
g	Wages from Form 8919, line 6			1g	
h	Other earned income (see instructions)			1h	
i	Nontaxable combat pay election (see instructions)	1i			
z	Add lines 1a through 1h			1z	53,398
2a	Tax-exempt interest	2a	122	b Taxable interest 2b	624
3a	Qualified dividends	3a	320	b Ordinary dividends 3b	320
4a	IRA distributions	4a		b Taxable amount 4b	
5a	Pensions and annuities	5a		b Taxable amount 5b	
6a	Social security benefits	6a		b Taxable amount 6b	
c	If you elect to use the lump-sum election method, check here (see instructions) ☐				
7	Capital gain or (loss). Attach Schedule D if required. If not required, check here ☐			7	
8	Other income from Schedule 1, line 10			8	10,000
9	Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your **total income**			9	64,342
10	Adjustments to income from Schedule 1, line 26			10	
11	Subtract line 10 from line 9. This is your **adjusted gross income**			11	64,342
12	**Standard deduction or itemized deductions** (from Schedule A)			12	25,900
13	Qualified business income deduction from Form 8995 or Form 8995-A			13	
14	Add lines 12 and 13			14	25,900
15	Subtract line 14 from line 11. If zero or less, enter -0-. This is your **taxable income**			15	38,442

Attach Sch. B if required.

Standard Deduction for—
- Single or Married filing separately, $12,950
- Married filing jointly or Qualifying surviving spouse, $25,900
- Head of household, $19,400
- If you checked any box under *Standard Deduction*, see instructions.

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form **1040** (2022)

Comprehensive Problem 1, cont.

Form 1040 (2022) Page 2

Tax and Credits	16	**Tax** (see instructions). Check if any from Form(s): 1 ☐ 8814 2 ☐ 4972 3 ☐		16	4,164
	17	Amount from Schedule 2, line 3		17	
	18	Add lines 16 and 17		18	4,164
	19	Child tax credit or credit for other dependents from Schedule 8812		19	
	20	Amount from Schedule 3, line 8		20	
	21	Add lines 19 and 20		21	
	22	Subtract line 21 from line 18. If zero or less, enter -0-		22	4,164
	23	Other taxes, including self-employment tax, from Schedule 2, line 21		23	
	24	Add lines 22 and 23. This is your **total tax**		24	4,164
Payments	25	Federal income tax withheld from:			
	a	Form(s) W-2	25a 4,170		
	b	Form(s) 1099	25b		
	c	Other forms (see instructions)	25c		
	d	Add lines 25a through 25c		25d	4,170
If you have a qualifying child, attach Sch. EIC.	26	2022 estimated tax payments and amount applied from 2021 return		26	
	27	Earned income credit (EIC)	27		
	28	Additional child tax credit from Schedule 8812	28		
	29	American opportunity credit from Form 8863, line 8	29		
	30	Reserved for future use	30		
	31	Amount from Schedule 3, line 15	31		
	32	Add lines 27, 28, 29, and 31. These are your **total other payments and refundable credits**		32	
	33	Add lines 25d, 26, and 32. These are your **total payments**		33	4,170
Refund	34	If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you **overpaid**		34	6
	35a	Amount of line 34 you want **refunded to you**. If Form 8888 is attached, check here ☐		35a	6
Direct deposit? See instructions.	b	Routing number	**c** Type: ☐ Checking ☐ Savings		
	d	Account number			
	36	Amount of line 34 you want **applied to your 2023 estimated tax**	36		
Amount You Owe	37	Subtract line 33 from line 24. This is the **amount you owe**. For details on how to pay, go to *www.irs.gov/Payments* or see instructions		37	
	38	Estimated tax penalty (see instructions)	38		

Third Party Designee Do you want to allow another person to discuss this return with the IRS? See instructions ☐ **Yes.** Complete below. ☐ **No**

Designee's name | Phone no. | Personal identification number (PIN)

Sign Here Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature	Date	Your occupation: Nurse	If the IRS sent you an Identity Protection PIN, enter it here (see inst.)
Spouse's signature. If a joint return, **both** must sign.	Date	Spouse's occupation: Student	If the IRS sent your spouse an Identity Protection PIN, enter it here (see inst.)
Phone no.	Email address		

Joint return? See instructions. Keep a copy for your records.

Paid Preparer Use Only

Preparer's name	Preparer's signature	Date	PTIN	Check if: ☐ Self-employed
Firm's name			Phone no.	
Firm's address			Firm's EIN	

Go to *www.irs.gov/Form1040* for instructions and the latest information. Form **1040** (2022)

Comprehensive Problem 1, cont.

SCHEDULE 1 (Form 1040)
Department of the Treasury Internal Revenue Service

Additional Income and Adjustments to Income

Attach to Form 1040, 1040-SR, or 1040-NR.
Go to *www.irs.gov/Form1040* for instructions and the latest information.

OMB No. 1545-0074
2022
Attachment Sequence No. **01**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR: Donna and Chris Hoser
Your social security number: 465-74-3322

Part I Additional Income

1	Taxable refunds, credits, or offsets of state and local income taxes			1	
2a	Alimony received			2a	
b	Date of original divorce or separation agreement (see instructions):				
3	Business income or (loss). Attach Schedule C			3	
4	Other gains or (losses). Attach Form 4797			4	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E			5	
6	Farm income or (loss). Attach Schedule F			6	
7	Unemployment compensation			7	
8	Other income:				
a	Net operating loss	8a	( )		
b	Gambling	8b			
c	Cancellation of debt	8c			
d	Foreign earned income exclusion from Form 2555	8d	( )		
e	Income from Form 8853	8e			
f	Income from Form 8889	8f			
g	Alaska Permanent Fund dividends	8g			
h	Jury duty pay	8h			
i	Prizes and awards	8i	10,000		
j	Activity not engaged in for profit income	8j			
k	Stock options	8k			
l	Income from the rental of personal property if you engaged in the rental for profit but were not in the business of renting such property	8l			
m	Olympic and Paralympic medals and USOC prize money (see instructions)	8m			
n	Section 951(a) inclusion (see instructions)	8n			
o	Section 951A(a) inclusion (see instructions)	8o			
p	Section 461(l) excess business loss adjustment	8p			
q	Taxable distributions from an ABLE account (see instructions)	8q			
r	Scholarship and fellowship grants not reported on Form W-2	8r			
s	Nontaxable amount of Medicaid waiver payments included on Form 1040, line 1a or 1d	8s	( )		
t	Pension or annuity from a nonqualifed deferred compensation plan or a nongovernmental section 457 plan	8t			
u	Wages earned while incarcerated	8u			
z	Other income. List type and amount:	8z			
9	Total other income. Add lines 8a through 8z			9	10,000
10	Combine lines 1 through 7 and 9. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8			10	10,000

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

Comprehensive Problem 1, cont.

Donna and Chris Hoser

Qualified Dividends and Capital Gain Tax Worksheet—Line 16

Keep for Your Records

Before you begin:
- ✓ See the earlier instructions for line 16 to see if you can use this worksheet to figure your tax.
- ✓ Before completing this worksheet, complete Form 1040 or 1040-SR through line 15.
- ✓ If you don't have to file Schedule D and you received capital gain distributions, be sure you checked the box on Form 1040 or 1040-SR, line 7.

1.	Enter the amount from Form 1040 or 1040-SR, line 15. However, if you are filing Form 2555 (relating to foreign earned income), enter the amount from line 3 of the Foreign Earned Income Tax Worksheet			**1.**	38,442		
2.	Enter the amount from Form 1040 or 1040-SR, line 3a*	**2.**	320				
3.	Are you filing Schedule D?* ☐ **Yes.** Enter the **smaller** of line 15 or 16 of Schedule D. If either line 15 or 16 is blank or a loss, enter -0-. ☒ **No.** Enter the amount from Form 1040 or 1040-SR, line 7.	**3.**	0				
4.	Add lines 2 and 3	**4.**	320				
5.	Subtract line 4 from line 1. If zero or less, enter -0-			**5.**	38,122		
6.	Enter: $41,675 if single or married filing separately, $83,350 if married filing jointly or qualifying widow(er), $55,800 if head of household.			**6.**	83,350		
7.	Enter the smaller of line 1 or line 6			**7.**	38,442		
8.	Enter the smaller of line 5 or line 7			**8.**	38,122		
9.	Subtract line 8 from line 7. This amount is taxed at 0%			**9.**	320		
10.	Enter the smaller of line 1 or line 4			**10.**	320		
11.	Enter the amount from line 9			**11.**	320		
12.	Subtract line 11 from line 10			**12.**	0		
13.	Enter: $459,750 if single, $258,600 if married filing separately, $517,200 if married filing jointly or qualifying widow(er), $488,500 if head of household.			**13.**	517,200		
14.	Enter the smaller of line 1 or line 13			**14.**	38,442		
15.	Add lines 5 and 9			**15.**	38,442		
16.	Subtract line 15 from line 14. If zero or less, enter -0-			**16.**	0		
17.	Enter the smaller of line 12 or line 16			**17.**	0		
18.	Multiply line 17 by 15% (0.15)					**18.**	0
19.	Add lines 9 and 17			**19.**	320		
20.	Subtract line 19 from line 10			**20.**	0		
21.	Multiply line 20 by 20% (0.20)					**21.**	0
22.	Figure the tax on the amount on line 5. If the amount on line 5 is less than $100,000, use the Tax Table to figure the tax. If the amount on line 5 is $100,000 or more, use the Tax Computation Worksheet					**22.**	4,164
23.	Add lines 18, 21, and 22					**23.**	4,164
24.	Figure the tax on the amount on line 1. If the amount on line 1 is less than $100,000, use the Tax Table to figure the tax. If the amount on line 1 is $100,000 or more, use the Tax Computation Worksheet					**24.**	4,200
25.	**Tax on all taxable income.** Enter the **smaller** of line 23 or 24. Also include this amount on the entry space on Form 1040 or 1040-SR, line 16. If you are filing Form 2555, don't enter this amount on the entry space on Form 1040 or 1040-SR, line 16. Instead, enter it on line 4 of the Foreign Earned Income Tax Worksheet					**25.**	4,164

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

This worksheet adapted from the 2021 worksheet.

Comprehensive Problem 2A

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

Filing Status Check only one box.
☐ Single ☒ Married filing jointly ☐ Married filing separately (MFS) ☐ Head of household (HOH) ☐ Qualifying surviving spouse (QSS)

If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QSS box, enter the child's name if the qualifying person is a child but not your dependent:

Your first name and middle initial	Last name	Your social security number
Ray	Gomez	469 21 5523
If joint return, spouse's first name and middle initial	Last name	Spouse's social security number
Maria	Gomez	444 65 9912

Home address (number and street). If you have a P.O. box, see instructions. 1610 Sonora Avenue Apt. no.

City, town, or post office. If you have a foreign address, also complete spaces below. McAllen State TX ZIP code 78503

Foreign country name Foreign province/state/county Foreign postal code

Presidential Election Campaign Check here if you, or your spouse if filing jointly, want $3 to go to this fund. Checking a box below will not change your tax or refund. ☐ You ☐ Spouse

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

Standard Deduction **Someone can claim:** ☐ You as a dependent ☐ Your spouse as a dependent
☐ Spouse itemizes on a separate return or you were a dual-status alien

Age/Blindness **You:** ☐ Were born before January 2, 1958 ☐ Are blind **Spouse:** ☐ Was born before January 2, 1958 ☐ Is blind

Dependents (see instructions): If more than four dependents, see instructions and check here ☐

(1) First name	Last name	(2) Social security number	(3) Relationship to you	(4) Child tax credit	(4) Credit for other dependents
Jaime	Gomez	721 34 1134	Son	☒	☐
				☐	☐
				☐	☐
				☐	☐

Income

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

1a	Total amount from Form(s) W-2, box 1 (see instructions)		1a	75,980
b	Household employee wages not reported on Form(s) W-2		1b	
c	Tip income not reported on line 1a (see instructions)		1c	
d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)		1d	
e	Taxable dependent care benefits from Form 2441, line 26		1e	
f	Employer-provided adoption benefits from Form 8839, line 29		1f	
g	Wages from Form 8919, line 6		1g	
h	Other earned income (see instructions)		1h	
i	Nontaxable combat pay election (see instructions)	1i		
z	Add lines 1a through 1h		1z	75,980
2a	Tax-exempt interest	2a 400	2b Taxable interest	1,348
3a	Qualified dividends	3a 1,000	3b Ordinary dividends	1,000
4a	IRA distributions	4a	4b Taxable amount	
5a	Pensions and annuities	5a	5b Taxable amount	
6a	Social security benefits	6a	6b Taxable amount	
c	If you elect to use the lump-sum election method, check here (see instructions) ☐			
7	Capital gain or (loss). Attach Schedule D if required. If not required, check here ☒		7	60
8	Other income from Schedule 1, line 10		8	1,000
9	Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your **total income**		9	79,388
10	Adjustments to income from Schedule 1, line 26		10	2,400
11	Subtract line 10 from line 9. This is your **adjusted gross income**		11	76,988
12	**Standard deduction or itemized deductions** (from Schedule A)		12	25,900
13	Qualified business income deduction from Form 8995 or Form 8995-A		13	
14	Add lines 12 and 13		14	25,900
15	Subtract line 14 from line 11. If zero or less, enter -0-. This is your **taxable income**		15	51,088

Attach Sch. B if required.

Standard Deduction for—
- Single or Married filing separately, $12,950
- Married filing jointly or Qualifying surviving spouse, $25,900
- Head of household, $19,400
- If you checked any box under *Standard Deduction*, see instructions.

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form **1040** (2022)

Comprehensive Problem 2A, cont.

Form 1040 (2022) Page 2

Tax and Credits

16	**Tax** (see instructions). Check if any from Form(s): 1 ☐ 8814 2 ☐ 4972 3 ☐			16	5,592
17	Amount from Schedule 2, line 3			17	
18	Add lines 16 and 17			18	5,592
19	Child tax credit or credit for other dependents from Schedule 8812			19	2,000
20	Amount from Schedule 3, line 8			20	
21	Add lines 19 and 20			21	2,000
22	Subtract line 21 from line 18. If zero or less, enter -0-			22	3,592
23	Other taxes, including self-employment tax, from Schedule 2, line 21			23	
24	Add lines 22 and 23. This is your **total tax**			24	3,592

Payments

25	Federal income tax withheld from:				
a	Form(s) W-2	25a	7,651		
b	Form(s) 1099	25b			
c	Other forms (see instructions)	25c			
d	Add lines 25a through 25c			25d	7,651
26	2022 estimated tax payments and amount applied from 2021 return			26	
27	Earned income credit (EIC)	27			
28	Additional child tax credit from Schedule 8812	28			
29	American opportunity credit from Form 8863, line 8	29			
30	Reserved for future use	30			
31	Amount from Schedule 3, line 15	31			
32	Add lines 27, 28, 29, and 31. These are your **total other payments and refundable credits**			32	
33	Add lines 25d, 26, and 32. These are your **total payments**			33	7,651

If you have a qualifying child, attach Sch. EIC.

Refund

34	If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you **overpaid**			34	4,059
35a	Amount of line 34 you want **refunded to you**. If Form 8888 is attached, check here ☐			35a	4,059
b	Routing number — c Type: ☐ Checking ☐ Savings				
d	Account number				
36	Amount of line 34 you want **applied to your 2023 estimated tax**	36			

Direct deposit? See instructions.

Amount You Owe

37	Subtract line 33 from line 24. This is the **amount you owe**. For details on how to pay, go to *www.irs.gov/Payments* or see instructions			37	
38	Estimated tax penalty (see instructions)	38			

Third Party Designee

Do you want to allow another person to discuss this return with the IRS? See instructions ☐ **Yes.** Complete below. ☐ **No**

Designee's name | Phone no. | Personal identification number (PIN)

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature	Date	Your occupation	If the IRS sent you an Identity Protection PIN, enter it here (see inst.)
		Maintenance Supervisor	
Spouse's signature. If a joint return, **both** must sign.	Date	Spouse's occupation	If the IRS sent your spouse an Identity Protection PIN, enter it here (see inst.)
		Cashier	
Phone no.	Email address		

Joint return? See instructions. Keep a copy for your records.

Paid Preparer Use Only

Preparer's name	Preparer's signature	Date	PTIN	Check if: ☐ Self-employed
Firm's name			Phone no.	
Firm's address			Firm's EIN	

Go to *www.irs.gov/Form1040* for instructions and the latest information. Form **1040** (2022)

Comprehensive Problem 2A, cont.

SCHEDULE 1 (Form 1040)
Department of the Treasury Internal Revenue Service

Additional Income and Adjustments to Income

Attach to Form 1040, 1040-SR, or 1040-NR.
Go to *www.irs.gov/Form1040* for instructions and the latest information.

OMB No. 1545-0074
2022
Attachment Sequence No. **01**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR: Ray and Maria Gomez
Your social security number: 469-21-5523

Part I Additional Income

1	Taxable refunds, credits, or offsets of state and local income taxes			1	
2a	Alimony received			2a	
b	Date of original divorce or separation agreement (see instructions):				
3	Business income or (loss). Attach Schedule C			3	
4	Other gains or (losses). Attach Form 4797			4	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E			5	
6	Farm income or (loss). Attach Schedule F			6	
7	Unemployment compensation			7	
8	Other income:				
a	Net operating loss	8a	( )		
b	Gambling	8b	1,000		
c	Cancellation of debt	8c			
d	Foreign earned income exclusion from Form 2555	8d	( )		
e	Income from Form 8853	8e			
f	Income from Form 8889	8f			
g	Alaska Permanent Fund dividends	8g			
h	Jury duty pay	8h			
i	Prizes and awards	8i			
j	Activity not engaged in for profit income	8j			
k	Stock options	8k			
l	Income from the rental of personal property if you engaged in the rental for profit but were not in the business of renting such property	8l			
m	Olympic and Paralympic medals and USOC prize money (see instructions)	8m			
n	Section 951(a) inclusion (see instructions)	8n			
o	Section 951A(a) inclusion (see instructions)	8o			
p	Section 461(l) excess business loss adjustment	8p			
q	Taxable distributions from an ABLE account (see instructions)	8q			
r	Scholarship and fellowship grants not reported on Form W-2	8r			
s	Nontaxable amount of Medicaid waiver payments included on Form 1040, line 1a or 1d	8s	( )		
t	Pension or annuity from a nonqualifed deferred compensation plan or a nongovernmental section 457 plan	8t			
u	Wages earned while incarcerated	8u			
z	Other income. List type and amount:	8z			
9	Total other income. Add lines 8a through 8z			9	1,000
10	Combine lines 1 through 7 and 9. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8			10	1,000

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

Comprehensive Problem 2A, cont.

Schedule 1 (Form 1040) 2022 Page **2**

Part II Adjustments to Income

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

Schedule 1 (Form 1040) 2022

Comprehensive Problem 2A, cont.

SCHEDULE B (Form 1040)
Department of the Treasury
Internal Revenue Service

Interest and Ordinary Dividends

Go to *www.irs.gov/ScheduleB* for instructions and the latest information.
Attach to Form 1040 or 1040-SR.

OMB No. 1545-0074
2022
Attachment Sequence No. **08**

Name(s) shown on return: Ray and Maria Gomez
Your social security number: 469-21-5523

Part I Interest

(See instructions and the Instructions for Form 1040, line 2b.)

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.

			Amount
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 the instructions and list this interest first. Also, show that buyer's social security number and address:	1	
	McAllen State Bank		724
	Friar Tuck Investments		24
	Friar Tuck US Govt		600
2	Add the amounts on line 1	2	1,348
3	Excludable interest on series EE and I U.S. savings bonds issued after 1989. Attach Form 8815	3	
4	Subtract line 3 from line 2. Enter the result here and on Form 1040 or 1040-SR, line 2b	4	1,348

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

Part II Ordinary Dividends

(See instructions and the Instructions for Form 1040, line 3b.)

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.

			Amount
5	List name of payer:	5	
	Friar Tuck Investments		1,000
6	Add the amounts on line 5. Enter the total here and on Form 1040 or 1040-SR, line 3b	6	1,000

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

Part III Foreign Accounts and Trusts

Caution: If required, failure to file FinCEN Form 114 may result in substantial penalties. Additionally, you may be required to file Form 8938, Statement of Specified Foreign Financial Assets. See instructions.

You must complete this part if you (**a**) had over $1,500 of taxable interest or ordinary dividends; (**b**) had a foreign account; or (**c**) received a distribution from, or were a grantor of, or a transferor to, a foreign trust.

		Yes	No
7a	At any time during 2022, 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		X
	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, list the name(s) of the foreign country(-ies) where the financial account(s) are located:		
8	During 2022, 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		X

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 17146N **Schedule B (Form 1040) 2022**

Note: Form B is not required since neither Interest nor Dividend income exceeds $1,500.
Provided for informational purposes only.

Comprehensive Problem 2A, cont.

Ray and Maria Gomez

Qualified Dividends and Capital Gain Tax Worksheet—Line 16

Keep for Your Records

Before you begin:
- ✓ See the earlier instructions for line 16 to see if you can use this worksheet to figure your tax.
- ✓ Before completing this worksheet, complete Form 1040 or 1040-SR through line 15.
- ✓ If you don't have to file Schedule D and you received capital gain distributions, be sure you checked the box on Form 1040 or 1040-SR, line 7.

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

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

This worksheet adapted from the 2021 worksheet.

Comprehensive Problem 2B

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

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

Filing Status Check only one box. ☐ Single ☒ Married filing jointly ☐ Married filing separately (MFS) ☐ Head of household (HOH) ☐ Qualifying surviving spouse (QSS)

If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QSS box, enter the child's name if the qualifying person is a child but not your dependent:

Your first name and middle initial	Last name	Your social security number
Carl	Conch	835 21 5423
If joint return, spouse's first name and middle initial	**Last name**	**Spouse's social security number**
Mary	Duval	633 65 7912

Home address (number and street). If you have a P.O. box, see instructions.	Apt. no.
1234 Mallory Square	64

City, town, or post office. If you have a foreign address, also complete spaces below.	State	ZIP code
Key West	FL	33040

Foreign country name	Foreign province/state/county	Foreign postal code

Presidential Election Campaign Check here if you, or your spouse if filing jointly, want $3 to go to this fund. Checking a box below will not change your tax or refund. ☐ You ☐ Spouse

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

Standard Deduction **Someone can claim:** ☐ You as a dependent ☐ Your spouse as a dependent
☐ Spouse itemizes on a separate return or you were a dual-status alien

Age/Blindness **You:** ☒ Were born before January 2, 1958 ☐ Are blind **Spouse:** ☐ Was born before January 2, 1958 ☐ Is blind

Dependents (see instructions): If more than four dependents, see instructions and check here ☐

(1) First name Last name	(2) Social security number	(3) Relationship to you	(4) Child tax credit	(4) Credit for other dependents
			☐	☐
			☐	☐
			☐	☐
			☐	☐

Income

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.

If you did not get a Form W-2, see instructions.

Attach Sch. B if required.

Standard Deduction for—
- Single or Married filing separately, $12,950
- Married filing jointly or Qualifying surviving spouse, $25,900
- Head of household, $19,400
- If you checked any box under *Standard Deduction*, see instructions.

1a	Total amount from Form(s) W-2, box 1 (see instructions)			1a	23,000
b	Household employee wages not reported on Form(s) W-2			1b	
c	Tip income not reported on line 1a (see instructions)			1c	
d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)			1d	
e	Taxable dependent care benefits from Form 2441, line 26			1e	
f	Employer-provided adoption benefits from Form 8839, line 29			1f	
g	Wages from Form 8919, line 6			1g	
h	Other earned income (see instructions)			1h	
i	Nontaxable combat pay election (see instructions)	1i			
z	Add lines 1a through 1h			1z	23,000
2a	Tax-exempt interest	2a		b Taxable interest 2b	
3a	Qualified dividends	3a		b Ordinary dividends 3b	
4a	IRA distributions	4a		b Taxable amount 4b	
5a	Pensions and annuities	5a	13,400	b Taxable amount 5b	13,400
6a	Social security benefits	6a	7,600	b Taxable amount 6b	5,926
c	If you elect to use the lump-sum election method, check here (see instructions) ☐				
7	Capital gain or (loss). Attach Schedule D if required. If not required, check here ☐			7	
8	Other income from Schedule 1, line 10			8	6,301
9	Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your **total income**			9	48,627
10	Adjustments to income from Schedule 1, line 26			10	
11	Subtract line 10 from line 9. This is your **adjusted gross income**			11	48,627
12	**Standard deduction or itemized deductions** (from Schedule A)			12	27,300
13	Qualified business income deduction from Form 8995 or Form 8995-A			13	
14	Add lines 12 and 13			14	27,300
15	Subtract line 14 from line 11. If zero or less, enter -0-. This is your **taxable income**			15	21,327

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form **1040** (2022)

Comprehensive Problem 2B, cont.

Form 1040 (2022) Page 2

Tax and Credits

16	**Tax** (see instructions). Check if any from Form(s): 1 ☐ 8814 2 ☐ 4972 3 ☐			16	2,148
17	Amount from Schedule 2, line 3			17	
18	Add lines 16 and 17			18	2,148
19	Child tax credit or credit for other dependents from Schedule 8812			19	
20	Amount from Schedule 3, line 8			20	
21	Add lines 19 and 20			21	
22	Subtract line 21 from line 18. If zero or less, enter -0-			22	2,148
23	Other taxes, including self-employment tax, from Schedule 2, line 21			23	
24	Add lines 22 and 23. This is your **total tax**			24	2,148

Payments

25	Federal income tax withheld from:				
a	Form(s) W-2	25a	2,400		
b	Form(s) 1099	25b	1,900		
c	Other forms (see instructions)	25c			
d	Add lines 25a through 25c			25d	4,300
26	2022 estimated tax payments and amount applied from 2021 return			26	
27	Earned income credit (EIC)	27			
28	Additional child tax credit from Schedule 8812	28			
29	American opportunity credit from Form 8863, line 8	29			
30	Reserved for future use	30			
31	Amount from Schedule 3, line 15	31			
32	Add lines 27, 28, 29, and 31. These are your **total other payments and refundable credits**			32	
33	Add lines 25d, 26, and 32. These are your **total payments**			33	4,300

If you have a qualifying child, attach Sch. EIC.

Refund

34	If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you **overpaid**			34	2,152
35a	Amount of line 34 you want **refunded to you**. If Form 8888 is attached, check here ☐			35a	2,152
b	Routing number	c Type: ☐ Checking ☐ Savings			
d	Account number				
36	Amount of line 34 you want **applied to your 2023 estimated tax**	36			

Direct deposit? See instructions.

Amount You Owe

37	Subtract line 33 from line 24. This is the **amount you owe**. For details on how to pay, go to *www.irs.gov/Payments* or see instructions			37	
38	Estimated tax penalty (see instructions)	38			

Third Party Designee

Do you want to allow another person to discuss this return with the IRS? See instructions ☐ **Yes.** Complete below. ☐ **No**

Designee's name | Phone no. | Personal identification number (PIN)

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature	Date	Your occupation	If the IRS sent you an Identity Protection PIN, enter it here (see inst.)
		Baker	
Spouse's signature. If a joint return, **both** must sign.	Date	Spouse's occupation	If the IRS sent your spouse an Identity Protection PIN, enter it here (see inst.)
		Unemployed	
Phone no.	Email address		

Joint return? See instructions. Keep a copy for your records.

Paid Preparer Use Only

Preparer's name	Preparer's signature	Date	PTIN	Check if: ☐ Self-employed
Firm's name			Phone no.	
Firm's address			Firm's EIN	

Go to *www.irs.gov/Form1040* for instructions and the latest information. Form **1040** (2022)

Comprehensive Problem 2B, cont.

SCHEDULE 1 (Form 1040)
Department of the Treasury Internal Revenue Service

Additional Income and Adjustments to Income

Attach to Form 1040, 1040-SR, or 1040-NR.
Go to *www.irs.gov/Form1040* for instructions and the latest information.

OMB No. 1545-0074
2022
Attachment Sequence No. **01**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR: Carl Conch and Mary Duval
Your social security number: 835-21-5423

Part I Additional Income

1	Taxable refunds, credits, or offsets of state and local income taxes			1	
2a	Alimony received			2a	
b	Date of original divorce or separation agreement (see instructions):				
3	Business income or (loss). Attach Schedule C			3	
4	Other gains or (losses). Attach Form 4797			4	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E			5	
6	Farm income or (loss). Attach Schedule F			6	
7	Unemployment compensation			7	2,301
8	Other income:				
a	Net operating loss	8a	( )		
b	Gambling	8b			
c	Cancellation of debt	8c	4,000		
d	Foreign earned income exclusion from Form 2555	8d	( )		
e	Income from Form 8853	8e			
f	Income from Form 8889	8f			
g	Alaska Permanent Fund dividends	8g			
h	Jury duty pay	8h			
i	Prizes and awards	8i			
j	Activity not engaged in for profit income	8j			
k	Stock options	8k			
l	Income from the rental of personal property if you engaged in the rental for profit but were not in the business of renting such property	8l			
m	Olympic and Paralympic medals and USOC prize money (see instructions)	8m			
n	Section 951(a) inclusion (see instructions)	8n			
o	Section 951A(a) inclusion (see instructions)	8o			
p	Section 461(l) excess business loss adjustment	8p			
q	Taxable distributions from an ABLE account (see instructions)	8q			
r	Scholarship and fellowship grants not reported on Form W-2	8r			
s	Nontaxable amount of Medicaid waiver payments included on Form 1040, line 1a or 1d	8s	( )		
t	Pension or annuity from a nonqualifed deferred compensation plan or a nongovernmental section 457 plan	8t			
u	Wages earned while incarcerated	8u			
z	Other income. List type and amount:	8z			
9	Total other income. Add lines 8a through 8z			9	4,000
10	Combine lines 1 through 7 and 9. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8			10	6,301

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

Comprehensive Problem 2B, cont.

Simplified Taxable Social Security Worksheet (for most people)

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

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

10. Enter $9,000 ($12,000 if married filing jointly; $0 if married filing separately and living with spouse at any time during the year).	10.	12,000
11. Subtract line 10 from line 9. If zero or less, enter –0–.	11.	2,501
12. Enter the **smaller** of line 9 or line 10.	12.	12,000
13. Enter one-half of line 12.	13.	6,000
14. Enter the **smaller** of line 2 or line 13.	14.	3,800
15. Multiply line 11 by 85% (.85). If line 11 is zero, enter –0–.	15.	2,126
16. Add lines 14 and 15.	16.	5,926
17. Multiply line 1 by 85% (.85).	17.	6,460
18. **Taxable benefits**. Enter the **smaller** of line 16 or line 17.	18.	5,926

Key Number Tax Return Summary

Chapter 2

Comprehensive Problem 1

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

Comprehensive Problem 2A

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

Comprehensive Problem 2B

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