

# Practice Return 10

Drake Tax 2019

In this scenario, you will practice entering the following:

- Form W-2 Income
- Pending Marketplace Health Care Coverage Exemption
- Minister Income
- Parsonage Allowance
- Schedule C Income

## Instructions

This practice return will help you become familiar with return preparation in Drake Tax. Use the scenario information and the attached source documents to complete the return. After the return is complete, compare your results with the solutions provided online.

Go to [Support.DrakeSoftware.com](https://support.drakesoftware.com) for solutions and more practice returns. After logging in access **Training Tools > Practice Returns**.

To agree with provided solutions:

- Suppress state returns by entering "0" in the **Resident state** field on Screen 1
- Install all program updates
- Correct all EF diagnostic messages

## Attached Source Documents

- Form W-2 (2)

## SCENARIO INFORMATION

Green and Pinto Bean live in Denver, CO with their two children. The Beans are married and lived together in the U.S. all year.

Green nor his wife can be a qualifying child or dependent on anyone else's federal tax return. Both the taxpayer and spouse are U.S. citizens.

Green and Pinto both provided a copy of their CO driver's license. Green's license number is 123456789 and it was issued on 01/01/2017 and expires on 01/01/2021. Pinto's license number is 987654321 and was issued on 01/01/2017. Her license expires on 01/01/2021.

### TAXPAYER INFORMATION

NAME	Green Bean
SSN	400-00-6010
DATE OF BIRTH	05-03-1964
EMAIL:	GreenBean@1040.com
OCCUPATION:	Minister

### SPOUSE INFORMATION

NAME	Pinto Bean
SSN	400-00-6100
DATE OF BIRTH	04-11-1961
EMAIL:	NursePinto@1040.com
OCCUPATION:	Nurse

**Address:** 12345 Garbanzo Rd, Denver CO 80203

**Phone:** 828-524-8020

## DEPENDENT INFORMATION

### DEPENDENT 1 - DAUGHTER

NAME	Lima Bean
SSN	400-77-2222
DATE OF BIRTH	06-21-2006
MTHS IN HOME	12

### DEPENDENT 2 - SON

NAME	Navy Bean
SSN	400-77-5151
DATE OF BIRTH	06-21-1999
MTHS IN HOME	12

#### The dependents:

- are unmarried
- lived with the taxpayers in the U.S. for the entire year
- cannot be claimed by anyone other than the taxpayer

Navy Bean is totally disabled and the taxpayers provided a statement from his doctor to verify his disability. The taxpayers provided health care statements that can be used to verify residency of both dependents.

There is no active Form 8332, Release/Revocation of Claim to Exemption for Child by Custodial Parent, or similar statement in place.

## INCOME

Green Bean is a minister and received Form W-2 from his church reporting his wages. His church also provides him with a parsonage allowance of \$14,400 which is the actual amount of rent he pays annually on his home. The fair rental value of his home is \$14,400.

Green Bean also officiates several weddings during the year for which he receives payment. He collected \$2,500 in gross receipts in 2019. He also incurred the following expenses associated with officiating weddings:

Office Expense	\$500
Supplies	\$350
Travel	\$850

Green Bean has filed Form 4361 and has an IRS approved exemption from SE tax.

Pinto Bean works as a nurse at a local hospital and received Form W-2 from her employer.

The couple does not receive any child support or public assistance.

## HEALTH CARE INFORMATION

No one in the household were covered by health insurance during 2019. Green Bean has applied for a religious conscience exemption from the Marketplace for all members of the family, however, the application is still pending.

## DUE DILIGENCE

For the purposes of this practice return, assume the following:

- the return was completed based on information provided to you by the taxpayer
- you interviewed the taxpayer, asked questions, and documented the taxpayer's responses
- you reviewed adequate information to determine the taxpayer is eligible to claim any credits present on the return
- all information provided appears to be correct, complete, and consistent
- reasonable inquiries were made to determine correct and complete information
- all inquiries were documented
- all record retention requirements are met
- the taxpayer provided documentation to substantiate eligibility for and the amount of the credits present
- any credits present on the return have never been disallowed or reduced in a previous year
- you explained the rules for EIC for taxpayers with qualifying children
- documentation is provided for residency of child (attached child care statement)
- the taxpayer's income appears to be sufficient to support the taxpayer and qualifying child

<b>22222</b>	Void <input type="checkbox"/>	a Employee's social security number <b>400-00-6010</b>	For Official Use Only ►			
b Employer identification number (EIN) <b>32-1111111</b>			1 Wages, tips, other compensation <b>42000.00</b>		2 Federal income tax withheld <b>4300.00</b>	
c Employer's name, address, and ZIP code <b>Big Church</b> <b>588 Church Road</b>  <b>Littleton CO 80123</b>			3 Social security wages		4 Social security tax withheld	
			5 Medicare wages and tips		6 Medicare tax withheld	
			7 Social security tips		8 Allocated tips	
d Control number			9 Verification code		10 Dependent care benefits	
e Employee's first name and initial <b>Green</b>		Last name <b>Bean</b>	Suff.	11 Nonqualified plans		12a See instructions for box 12 
f Employee's address and ZIP code  <b>12345 Garbanzo Road</b>  <b>Denver CO 80203</b>			13 Statutory employee Retirement plan Third party sick pay		12b 	
			14 Other		12c 	
					12d 	
15 State Employer's state ID number		16 State wages, tips, etc	17 State income tax	18 Local wages, tips, etc	19 Local income tax	20 Locality name

Form **W-2** Wage & Tax Statement

<b>22222</b>	Void <input type="checkbox"/>	a Employee's social security number <b>400-00-6010</b>	For Official Use Only ►			
b Employer identification number (EIN) <b>74-1111111</b>			1 Wages, tips, other compensation <b>74000.00</b>		2 Federal income tax withheld <b>8015.00</b>	
c Employer's name, address, and ZIP code <b>Big Hospital</b> <b>8501 Hospital Lane</b>  <b>Littleton CO 80123</b>			3 Social security wages <b>74000.00</b>		4 Social security tax withheld <b>4588.00</b>	
			5 Medicare wages and tips <b>74000.00</b>		6 Medicare tax withheld <b>1073.00</b>	
			7 Social security tips		8 Allocated tips	
d Control number			9 Verification code		10 Dependent care benefits	
e Employee's first name and initial <b>Pinto</b>		Last name <b>Bean</b>	Suff.	11 Nonqualified plans		12a See instructions for box 12 
f Employee's address and ZIP code  <b>12345 Garbanzo Rd</b>  <b>Denver CO 80203</b>			13 Statutory employee Retirement plan Third party sick pay		12b 	
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Form **W-2** Wage & Tax Statement