

## Practice Tax Return # 2 Tax Year 2011

*Before starting this practice return, review the General Instructions.*

**Issues:** This practice situation involves a 2011 individual tax return for a single taxpayer who has W-2 earnings, dividend income, and a stock sale.

**Comments:** There are new reporting requirements and penalties for foreign bank accounts. Therefore, it is important to answer the question on the bottom of Form 1040 Schedule B.

**Facts:**

### INDIVIDUAL TAX RETURNS

**Personal Data** (screen **1**): Don Knight's filing status is single, his Social Security Number is 400-00-3002, and his birth date is July 13, 1961. Don lives at 300 123<sup>rd</sup> Ave, Spartanburg, SC 29303, Spartanburg County and he is a plumber for the city. His daytime phone number is 803-591-1200 and his evening phone number is 803-591-1522. His e-mail address is [donknight@oal.com](mailto:donknight@oal.com). Don made four estimated tax payments of \$500.

**Wages and Salaries** (screen **W2**): Don has one W-2 with wages of \$28,000. See Exhibit A for W-2.

**Investment Income** (screens **DIV, INT, and 8949**): Don received from Infidelity Security Company the following; 1099-INT of \$2,600, 1099-DIV of \$800 (qualified \$650), and nontaxable distributions of \$400. Also from Infidelity Security was a 1099-B for the sale of 200 shares of ABC Corp stock on 10/15/2011 for \$8,000. The basis was not included on the 1099-B, but Don purchased 100 shares of ABC Corp stock on 06/16/2000 for \$35.00 a share and ABC Corp had a 2 for 1 stock split on 10/01/2010.

Practice Tax Return # 2 Tax Year 2010  
Exhibit A  
Don Knight  
W-2

<b>a</b> Employee's social security number <b>400-00-3002</b>		OMB No. 1545-0008		Safe, accurate, FAST! Use		IRS e-file		Visit the IRS website at www.irs.gov/efile						
<b>b</b> Employer identification number (EIN) <b>05-555555</b>			<b>1</b> Wages, tips, other compensation <b>28,000</b>		<b>2</b> Federal income tax withheld <b>2,900</b>									
<b>c</b> Employer's name, address, and ZIP code <b>CHILD CARE</b>  <b>21 SILVER SPRING ROAD</b> <b>FORT SCOTT KS 66701</b>			<b>3</b> Social security wages <b>28,000</b>		<b>4</b> Social security tax withheld <b>1,176</b>									
			<b>5</b> Medicare wages and tips <b>28,000</b>		<b>6</b> Medicare tax withheld <b>406</b>									
			<b>7</b> Social security tips		<b>8</b> Allocated tips									
<b>d</b> Control number			<b>9</b>		<b>10</b> Dependent care benefits									
<b>e</b> Employee's first name and Initial Last name Suffix  <b>DON KNIGHT</b>  <b>300 123RD AVE</b> <b>SPARTANBURG SC 29303</b>			<b>11</b> Nonqualified plans		<b>12a</b> See instructions for box 12									
			<b>13</b> Statutory employee Retiree Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		<b>12b</b>									
			<b>14</b> Other		<b>12c</b>									
<b>f</b> Employee's address and ZIP code			<b>15</b> State Employer's state ID no. <b>SC KS83333</b>		<b>16</b> State wages, tips, etc. <b>28,000</b>		<b>17</b> State income tax <b>1,225</b>		<b>18</b> Local wages, tips, etc.		<b>19</b> Local income tax		<b>20</b> Locality name	

Form **W-2** Wage and Tax Statement EEA **2011** Department of the Treasury-Internal Revenue Service  
 Copy B - To Be Filed With Employee's FEDERAL Tax Return.  
 This information is being furnished to the Internal Revenue Service.

The information on the Form W-2 was used to prepare the taxpayer's 2011 Federal tax return by Drake Software

