

Practice Tax Return # 5 Tax Year 2011

Before starting this practice return, review the General Instructions.

Issues: This practice situation involves a 2011 individual tax return for a married couple with W-2 income, and one dependent child. The taxpayer is in the military and both the taxpayer and spouse have W-2 income. Also, the spouse has unemployment income. The couple owns real estate (a duplex), residing in one unit, and renting the other unit. The two units are the same size.

Facts:

INDIVIDUAL TAX RETURNS

Personal Data (screen **1**): Thomas and Terri Westwood are married, file a joint tax return, and have one child. Thomas's birth date is August 11, 1968, his Social Security Number is 400-00-3005, and he serves in the military in a non-combat zone position. Terri's birth date is November 21, 1978 and her Social Security Number is 400-00-2042. She is a graphic artist who was laid off and has been drawing unemployment since September 2011. Thomas and Terri live at: 9303 Green Grove Lane, Newport News, VA 23607, Newport News City. The Westwood's daytime phone number is 757-555-2222. Their evening number is 757-565-2552, and their e-mail is thomasterriwestwood@oal.com.

Dependents (screen **2**): Their son, Clint, lived with them the entire year. Clint's birth date is February 11, 1996; his Social Security Number is 400-00-2052. Clint is unmarried and no other person qualifies to claim this child.

Wages and Salaries (screen **W2**): For 2011 Thomas has one W-2 for \$48,750 and Terri has one W-2 for \$24,000. See Exhibit A for copies of the W-2s.

Unemployment (screen **99G**): For 2011, Terri received unemployment compensation in the amount of \$3,600. The unemployment income is received from Unemployment, located on Main Street, Newport News, VA 23607, and the federal identification number is 22-2222222.

Rental Income (screen **E**): Thomas and Terri jointly own a rental property located at 9303 Green Grove Lane in Newport News, VA 23607. It is a duplex, and they live in one of the two the units, and the other unit was rented for the entire 2011 tax year. Their rental income was \$12,000. They did not make any payments in 2011 that would require them to file Form(s) 1099. This property is considered a Multi-Family Residence.

They materially participate in the management of this rental activity, in which all investment was at risk. The activity type is **A**. It was not used for personal purposes nor was it disposed of in 2011.

Their expenses included:

	Direct	Indirect
Advertising	300	
Insurance		1,150
Interest – Mortgage		2,850
Repairs		1,200
Supplies	100	
Taxes		2,100
Utilities		2,000

Enter the information below on screen **4562** to calculate depreciation:

The duplex on Green Grove Lane in Newport News, VA was purchased on May 29, 2002 for \$337,500 and 20% (\$67,500) is allocated to land. Fifty percent of the building cost is allocated to the rental unit. The depreciation method is MACRS over 27.5 years. Prior depreciation is \$36,799.

Comment: To depreciate residential real property in Drake Software, go to screen **4562**, under depreciation, select **ARR** as the method. In the year of acquisition, this selection will report the depreciation for residential real estate on the correct line of the Form 4562.

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 Exhibit A page 1 of 2
 Thomas and Terri Westwood
 W-2

a Employee's social security number 400-00-3005		OMB No. 1545-0008		Safe, accurate. FAST! Use		IRS e-file		Visit the IRS website at www.irs.gov/efile		
b Employer identification number (EIN) 01-7654321				1 Wages, tips, other compensation 48,750		2 Federal income tax withheld 4,500				
c Employer's name, address, and ZIP code US NAVY NORFOLK NAVAL SHIPYARD PORTSMOUTH VA 23709				3 Social security wages 48,750		4 Social security tax withheld 2,048				
				5 Medicare wages and tips 48,750		6 Medicare tax withheld 707				
				7 Social security tips		8 Allocated tips				
d Control number				9		10 Dependent care benefits				
e Employee's first name and Initial Last name Suf. THOMAS WESTWOOD 9303 GREEN GROVE LANE NEWPORT NEWS VA 23607				11 Nonqualified plans		12a See instructions for box 12				
				13 Statutory employee <input type="checkbox"/> Retmt. plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b				
				14 Other		12c				
				f Employee's address and ZIP code		12d				
15 State Employer's state ID no. VA 5111111111		16 State wages, tips, etc. 48,750		17 State income tax 500		18 Local wages, tips, etc.		19 Local income tax		20 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



Practice Tax return # 5 Tax Year 2011
 Exhibit A page 2 of 2
 Thomas and Terri Westwood
 W-2

a Employee's social security number 400-00-2042		OMB No. 1545-0008		Safe, accurate. FAST! Use		IRS e-file		Visit the IRS website at www.irs.gov/efile	
b Employer identification number (EIN) 85-9531256				1 Wages, tips, other compensation 24,000		2 Federal income tax withheld 3,400			
c Employer's name, address, and ZIP code RESULTS ADVERTISING 5665 MAIN STREET NORFOLK VA 23505				3 Social security wages 24,000		4 Social security tax withheld 1,008			
				5 Medicare wages and tips 24,000		6 Medicare tax withheld 348			
				7 Social security tips		8 Allocated tips			
				9		10 Dependent care benefits			
d Control number				11 Nonqualified plans		12a See instructions for box 12			
e Employee's first name and Initial Last name Suffix. TERRI WESTWOOD 9303 GREEN GROVE LANE NEWPORT NEWS VA 23607				13 Statutory employee Retmnt. plan Third-party sick pay		12b			
				14 Other		12c			
						12d			
f Employee's address and ZIP code				15 State Employer's state ID no. VA 5222222222		16 State wages, tips, etc. 24,000		17 State income tax 300	
18 Local wages, tips, etc.		19 Local income tax		20 Locality name					

Form **W-2** Wage and Tax Statement EEA 2011 Department of the Treasury-Internal Revenue Service
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