

## Practice Tax Return # 8 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. Both spouses have W-2s and the taxpayer has an interest in a partnership.

**Facts:**

### INDIVIDUAL TAX RETURNS

**Personal Data:** David and Margaret Holden are married with no children, their filing status is married filing jointly, and they live at 1011 Hilltop Road, Billings, MI, 59105, Yellowstone County. David's Social Security Number is 400-00-3008, his birth date is September 13, 1951, and he is an attorney. Margaret's Social Security Number is 400-00-1955, her birth date is May 15, 1970, and she is the office manager for a heating and air conditioning company. Their evening phone number is 517-222-3333, David's daytime phone number is 517-222-1111 and Margaret's daytime number is 517-222-4444. Their e-mail address is [davidmargaretholden@oal.com](mailto: davidmargaretholden@oal.com). They paid quarterly estimated federal tax payments of \$3,750.

**Wages and Salaries:** David has a W-2 for \$92,000 and Margaret has a W-2 for \$55,000. See Exhibit A for W-2.

**Pass-through Entities:** David is a general partner and actively participates in The Three Ds Restaurant. His basis in the partnership at the beginning of the year was \$81,810.

Practice Tax Return # 8 Tax Year 2011  
 Exhibit A page 1 of 2  
 David & Margret Holden  
 W-2

<b>Employee's social security number</b> <b>400-00-3008</b>		Safe, accurate, FAST! Use <b>IRS e-file</b>		Visit the IRS website at <a href="http://www.irs.gov/efile">www.irs.gov/efile</a>		
<b>Employer identification number (EIN)</b> <b>22-3332444</b>		<b>1 Wages, tips, other compensation</b> <b>92,000</b>		<b>2 Federal income tax withheld</b> <b>13,000</b>		
<b>Employer's name, address, and ZIP code</b> <b>SMITH BROWN JONES &amp; HOLDEN</b> <b>322 ASYLUM STREET</b> <b>BILLINGS MT 59101</b>		<b>3 Social security wages</b> <b>92,000</b>		<b>4 Social security tax withheld</b> <b>3,864</b>		
		<b>5 Medicare wages and tips</b> <b>92,000</b>		<b>6 Medicare tax withheld</b> <b>1,334</b>		
		<b>7 Social security tips</b>		<b>8 Allocated tips</b>		
<b>Control number</b>		<b>9</b>		<b>10 Dependent care benefits</b>		
<b>Employee's first name and initial</b> <b>DAVID</b> <b>1011 HILLTOP ROAD</b> <b>BILLINGS</b>		<b>Last name</b> <b>HOLDEN</b> <b>MT 59105</b>		<b>11 Nonqualified plans</b>		
				<b>13 Disability pay, health plan, long-term sick pay</b>		
				<b>14 Other</b>		
<b>Employee's address and ZIP code</b>						
<b>15 State</b> <b>MT</b>	<b>Employer's state ID no.</b> <b>81111111111111</b>	<b>16 State wages, tips, etc.</b> <b>92,000</b>	<b>17 State income tax</b> <b>13,000</b>	<b>18 Local wages, tips, etc.</b>	<b>19 Local income tax</b>	<b>20 Locality name</b>

Form **W-2** Wage and Tax Statement 2011  
 Copy 2 - 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 # 8 Tax Year 2011  
 Exhibit A page 2 of 2  
 David & Margret Holden  
 W2

Employee's social security number <b>400-00-1955</b>		Safe, accurate, FAST! Use <b>IRS e-file</b>		Visit the IRS website at <a href="http://www.irs.gov/efile">www.irs.gov/efile</a>	
d Employer identification number (EIN) <b>66-8899889</b>		1 Wages, tips, other compensation <b>55,000</b>	2 Federal income tax withheld <b>7,000</b>		
c Employer's name, address, and ZIP code <b>LUXURY HEAT AND AIR</b>  <b>525 GLENDALE ROAD</b> <b>BILLINGS MT 59105</b>		3 Social security wages <b>55,000</b>	4 Social security tax withheld <b>2,310</b>		
		5 Medicare wages and tips <b>55,000</b>	6 Medicare tax withheld <b>798</b>		
		7 Social security tips	8 Allocated tips		
d Control number		9	10 Dependent care benefits		
e Employee's first name and initial <b>MARGARET</b> <b>HOLDEN</b>  <b>1011 HILLTOP ROAD</b> <b>BILLINGS MT 59105</b>		11 Nonqualified plans		12 See instructions for details	
		13 Disability employee    Health plan    Hospital/sick pay		14 Other	
f Employee's address and ZIP code		15 State    Employer's state ID no.	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.
		<b>MT 8222222222222222</b>	<b>55,000</b>	<b>7,000</b>	

Form **W-2** Wage and Tax Statement                      2011                      Department of the Treasury-Internal Revenue Service  
 Copy 2 - To Be Filed With Employee's FEDERAL Tax Return.  
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Practice Tax Return # 8 Tax Year 2011 - Exhibit B - David & Margret Holden  
1065 K-1

<p>Schedule K-1 (Form 1065)</p> <p>Department of the Treasury Internal Revenue Service</p> <p>For calendar year 2011, or tax year beginning _____, 2011, ending _____, 20__</p> <p>Partner's Share of Income, Deductions, Credits, etc.</p> <p>▶ See page 2 of form and separate instructions.</p>		<p>2011</p> <p>Final K-1 <input type="checkbox"/> Amended K-1 <input type="checkbox"/></p> <p>651110 OMB No. 1545-0045</p>																																							
<p><b>Part I Information About the Partnership</b></p> <p>A Partnership's employer identification number <b>45-5667777</b></p> <p>B Partnership's name, address, city, state, and ZIP code <b>The Three Ds Restaurant</b> <b>11 Montana Mountain Rd</b> <b>Billings, MT 59103</b></p> <p>C IRS Center where partnership filed return <b>efile</b></p> <p>D <input type="checkbox"/> Check if this is a publicly traded partnership (PTP)</p>		<p><b>Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items</b></p> <table border="1"> <tr> <td>1 Ordinary business income (loss)</td> <td>15 Credits</td> </tr> <tr> <td>2 Net rental real estate income (loss)</td> <td></td> </tr> <tr> <td>3 Other net rental income (loss)</td> <td>16 Foreign transactions</td> </tr> <tr> <td>4 Guaranteed payments</td> <td></td> </tr> <tr> <td>5 Interest income</td> <td></td> </tr> <tr> <td>6A Ordinary dividends</td> <td></td> </tr> <tr> <td>6B Qualified dividends</td> <td></td> </tr> <tr> <td>7 Royalties</td> <td></td> </tr> <tr> <td>8 Net short-term capital gain (loss)</td> <td></td> </tr> <tr> <td>9A Net long-term capital gain (loss)</td> <td>17 Alternative minimum tax (AMT) items</td> </tr> <tr> <td>9B Collectibles (28%) gain (loss)</td> <td></td> </tr> <tr> <td>9C Unrecaptured section 1250 gain</td> <td></td> </tr> <tr> <td>10 Net section 1231 gain (loss)</td> <td>18 Tax-exempt income and nondeductible expenses</td> </tr> <tr> <td>11 Other income (loss)</td> <td></td> </tr> <tr> <td>12 Section 179 deduction</td> <td>19 Distributions</td> </tr> <tr> <td>13 Other deductions</td> <td></td> </tr> <tr> <td>14 Self-employment earnings (loss)</td> <td>20 Other information</td> </tr> <tr> <td>A <b>22,498</b></td> <td>A <b>1,000</b></td> </tr> <tr> <td>C <b>22,498</b></td> <td></td> </tr> </table> <p>*See attached statement for additional information.</p>		1 Ordinary business income (loss)	15 Credits	2 Net rental real estate income (loss)		3 Other net rental income (loss)	16 Foreign transactions	4 Guaranteed payments		5 Interest income		6A Ordinary dividends		6B Qualified dividends		7 Royalties		8 Net short-term capital gain (loss)		9A Net long-term capital gain (loss)	17 Alternative minimum tax (AMT) items	9B Collectibles (28%) gain (loss)		9C Unrecaptured section 1250 gain		10 Net section 1231 gain (loss)	18 Tax-exempt income and nondeductible expenses	11 Other income (loss)		12 Section 179 deduction	19 Distributions	13 Other deductions		14 Self-employment earnings (loss)	20 Other information	A <b>22,498</b>	A <b>1,000</b>	C <b>22,498</b>	
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<p><b>Part II Information About the Partner</b></p> <p>E Partner's identifying number <b>400-00-3008</b></p> <p>F Partner's name, address, city, state, and ZIP code <b>David Holden</b> <b>1011 Hilltop Rd</b> <b>Billings, MT 59105</b></p> <p>G <input checked="" type="checkbox"/> General partner or LLC member-manager <input type="checkbox"/> Limited partner or other LLC member</p> <p>H <input checked="" type="checkbox"/> Domestic partner <input type="checkbox"/> Foreign partner</p> <p>I What type of entity is this partner? <b>INDIVIDUAL</b></p> <p>J Partner's share of profit, loss, and capital (see instructions).</p> <table border="1"> <thead> <tr> <th colspan="2">Beginning</th> <th colspan="2">Ending</th> </tr> </thead> <tbody> <tr> <td>Profit</td> <td><b>33,330,000</b> %</td> <td><b>33,330,000</b> %</td> <td></td> </tr> <tr> <td>Loss</td> <td><b>33,330,000</b> %</td> <td><b>33,330,000</b> %</td> <td></td> </tr> <tr> <td>Capital</td> <td><b>33,330,000</b> %</td> <td><b>33,330,000</b> %</td> <td></td> </tr> </tbody> </table> <p>K Partner's share of liabilities at year end:</p> <p>Nonrecourse ..... \$ _____</p> <p>Qualified nonrecourse financing ..... \$ _____</p> <p>Recourse ..... \$ _____</p> <p>L Partner's capital account analysis:</p> <table border="1"> <tr> <td>Beginning capital account</td> <td>\$ <b>107,310</b></td> </tr> <tr> <td>Capital contributed during the year</td> <td>\$ _____</td> </tr> <tr> <td>Current year increase (decrease)</td> <td>\$ <b>23,498</b></td> </tr> <tr> <td>Withdrawals &amp; distributions</td> <td>\$ ( _____ )</td> </tr> <tr> <td>Ending capital account</td> <td>\$ <b>130,808</b></td> </tr> </table> <p><input type="checkbox"/> Tax basis <input checked="" type="checkbox"/> GAAP <input type="checkbox"/> Section 179(e) book</p> <p><input type="checkbox"/> Other (explain)</p> <p>M Did the partner contribute property with a built-in gain or loss? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If "Yes", attach statement (see instructions)</p>		Beginning		Ending		Profit	<b>33,330,000</b> %	<b>33,330,000</b> %		Loss	<b>33,330,000</b> %	<b>33,330,000</b> %		Capital	<b>33,330,000</b> %	<b>33,330,000</b> %		Beginning capital account	\$ <b>107,310</b>	Capital contributed during the year	\$ _____	Current year increase (decrease)	\$ <b>23,498</b>	Withdrawals & distributions	\$ ( _____ )	Ending capital account	\$ <b>130,808</b>	<p>FOR IRS USE ONLY</p>													
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