

Practice Return 3

Drake Tax 2019

In this scenario, you will practice entering the following:

- Form W-2 Income
- Earned Income Credit and Child Tax Credit Due Diligence
- Child-Care Expenses

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 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)
- Child Care Statement

SCENARIO INFORMATION

Basset and Grey Hound are married and lived together all of 2019 in Marietta, GA. The couple has two small children.

Neither Basset nor Grey is a non-resident alien or could be the qualifying child of another person.

Both Basset and Grey provided a copy of their GA driver's license. Basset's license number is 123456789 and it was issued on 01/01/2017 and expires 01/01/2021. Grey's license number is 987654321 and was issued on 01/01/2017 and expires on 01/01/2021.

TAXPAYER INFORMATION

NAME	Basset Hound
SSN	400-00-6003
DATE OF BIRTH	01-01-1967
EMAIL	Hound@1040.com
OCCUPATION	Detective

SPOUSE INFORMATION

NAME	Grey Hound
SSN	400-00-6333
DATE OF BIRTH	01-01-1970
EMAIL	Grey@1040.com
OCCUPATION	Teacher

Address: 1122 Canine Lane, Marietta, GA 30060

Phone: 828-524-8020

DEPENDENT INFORMATION

DEPENDENT 1 - SON

NAME	Terrier Hound
SSN	400-00-4141
DATE OF BIRTH	01-01-2014
MTHS IN HOME	12
CHILD CARE	\$2500.00

DEPENDENT 2 - SON

NAME	Dachshund Hound
SSN	400-00-5151
DATE OF BIRTH	01-01-2015
MTHS IN HOME	12
CHILD CARE	\$2500.00

Both dependents:

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

The Hounds paid for daycare for both children because they both work full-time. The child care statement is attached. There is no active Form 8332, Release/Revocation of Claim to Exemption for Child by Custodial Parent, or similar statement in place.

INCOME

During 2019, Basset Hound was employed full-time as a detective. He received Form W-2 (attached) from his employer. Grey Hound worked full-time as a middle school teacher and received Form W-2.

HEALTH COVERAGE INFORMATION

All members of the household had health care coverage.

DUE DILIGENCE INFORMATION

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



Sunny DayCare

700 Bright Circle
Marietta, GA 30060
(404) 555-1212
EIN: 22-3333333

Basset and Grey Hound
1122 Canine Ln
Marietta, GA 30060

Terrier Hound
Dachshund Hound

Pre-K Room
Toddler Room

Terrier	tuition	\$2,500.00
Dachshund	tuition	\$2,500.00

TOTAL	\$5,000.00
PAYMENTS	\$5,000.00
BALANCE DUE	\$0.00

		a Employee's social security number 400-00-6333			
b Employer identification number (EIN) 36-0000000			1 Wages, tips, other compensation 22,000		2 Federal income tax withheld 2,000
c Employer's name, address, and ZIP code THE MIDDLE SCHOOL 123 TRACK STAR LANE ATLANTA GA 30326			3 Social security wages 22,000		4 Social security tax withheld 1,364
			5 Medicare wages and tips 22,000		6 Medicare tax withheld 319
			7 Social security tips		8 Allocated tips
d Control number			9 Verification code		10 Dependent care benefits
e Employee's first name and initial GREY HOUND 1122 CANINE LN MARIETTA GA 30060			11 Nonqualified plans		12a See instructions for box 12
			13 <input type="checkbox"/> Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay		12b
			14 Other		12c
					12d
f Employee's address and ZIP code					
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 and Tax Statement

		a Employee's social security number 400-00-6003			
b Employer identification number (EIN) 63-0000000			1 Wages, tips, other compensation 19,500		2 Federal income tax withheld 1,700
c Employer's name, address, and ZIP code DETECTIVE SERVICE 1123 SCOUT LANE ATLANTA GA 30326			3 Social security wages 19,500		4 Social security tax withheld 1,209
			5 Medicare wages and tips 19,500		6 Medicare tax withheld 283
			7 Social security tips		8 Allocated tips
d Control number			9 Verification code		10 Dependent care benefits
e Employee's first name and initial BASSET HOUND 1122 CANINE LN MARIETTA GA 30060			11 Nonqualified plans		12a See instructions for box 12
			13 <input type="checkbox"/> Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay		12b
			14 Other		12c
					12d
f Employee's address and ZIP code					
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
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Form **W-2** Wage and Tax Statement