

Practice Return 4

Drake Tax 2019

In this scenario, you will practice entering the following:

- Form W-2 Income
- Interest and Dividend Income
- Moving Expenses
- American Opportunity Tax Credit and Due Diligence

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 (3)
- Form 1099-DIV (2)
- Form 1098-T

SCENARIO INFORMATION

Straw and Blue Berry have been married for two years and live in Towson, MD. Straw works full-time and changed jobs during 2019. Blue works part-time as an event planner and is also a full-time student. They do not have any children.

Neither Straw nor Blue is a non-resident alien or could be the qualifying child of another person. They plan to file as Married Filing Jointly for 2019 and have no interest in, or authority over, any foreign accounts.

Both Straw and Blue provided their MD driver's license. Straw's license number is 123456789 and was issued 01/01/2017 and expires 01/01/2021. Blue's license number is 987654321 and was issued on 01/01/2017 and expires on 01/01/2021.

TAXPAYER INFORMATION

NAME	Straw Berry
SSN	400-00-6004
DATE OF BIRTH	05-15-1987
EMAIL	SBerry@1040.com
OCCUPATION	VP of Operations

SPOUSE INFORMATION

NAME	Blue Berry
SSN	400-00-2073
DATE OF BIRTH	06-16-1988
EMAIL	BBerry@1040.com
OCCUPATION-	Event Planner

Address: 1234 Fruit Loop, Towson MD 21286

Phone: 828-524-8020

DEPENDENT INFORMATION

The Berrys do not have any dependents.

INCOME

In 2019, Straw Berry was employed as the Director of Sales at Jam Manufacturer; however, he resigned from that position in September. He accepted a new position as Vice-President of Operations at Produce Technologies. He received Form W-2 from both employers. Blue Berry worked part-time as an event coordinator and received Form W-2 reporting her wages.

The Berry's also received income from interest and dividends and received statements reporting the income.

HEALTH COVERAGE INFORMATION

Both Straw and Blue Berry were covered by Straw's employer plan for every month of the year.

OTHER INFORMATION

In 2019 Straw Berry was **not** a member of the armed forces on active duty. However, moving expenses are deductible on some state returns. This information is entered on screen 3903 for state purposes only. For state tax return purposes when Straw Berry took the new job, the family incurred some job-related moving expenses. Straw's new employer did not reimburse any of the expenses. At the old job, Straw's commute to work from his old house was only 5 miles. The new job he took was 150 miles away from his old residence. He spent \$5,400 transporting all the couple's belongings and personal items to the new residence. The couple also spent \$800 on travel and lodging during the move.

In 2019, Blue Berry was a full-time student at the University of Coconut completing her second year toward a bachelor's degree. The total amount of required expenses to be paid to the university was \$6,700 – no other amounts were paid. The University sent her Form 1098-T. Blue has never claimed the Hope Scholarship or American Opportunity Credit. She has never been convicted of a felony of any kind.

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

		a Employee's social security number 400-00-2073				
b Employer identification number (EIN) 22-9999999		1 Wages, tips, other compensation 9,000		2 Federal income tax withheld 1,000		
c Employer's name, address, and ZIP code FRUIT EVENTS 122 MEETING PLACE CIRCLE OWINGS MILLS MD 21117		3 Social security wages 9,000		4 Social security tax withheld 558		
		5 Medicare wages and tips 9,000		6 Medicare tax withheld 131		
		7 Social security tips		8 Allocated tips		
d Control number		9 Verification code		10 Dependent care benefits		
e Employee's first name and initial BLUE BERRY		Last name		Suff.		
1234 FRUIT LOOP TOWSON MD 21286		11 Nonqualified plans		12a See instructions for box 12		
		13 Statutory employee <input type="checkbox"/> Retirement 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 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 400-00-6004				
b Employer identification number (EIN) 11-9999999		1 Wages, tips, other compensation 55,000		2 Federal income tax withheld 4,000		
c Employer's name, address, and ZIP code JAM MANUFACTURER 200 JELLY RD OWINGS MILLS MD 21117		3 Social security wages 55,000		4 Social security tax withheld 3,410		
		5 Medicare wages and tips 55,000		6 Medicare tax withheld 798		
		7 Social security tips		8 Allocated tips		
d Control number		9 Verification code		10 Dependent care benefits		
e Employee's first name and initial STRAW BERRY		Last name		Suff.		
1234 FRUIT LOOP TOWSON MD 21286		11 Nonqualified plans		12a See instructions for box 12		
		13 Statutory employee <input type="checkbox"/> Retirement 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 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 400-00-6004				
b Employer identification number (EIN) 22-8888888			1 Wages, tips, other compensation 21,500		2 Federal income tax withheld 3,200	
c Employer's name, address, and ZIP code PRODUCE TECHNOLOGIES 500 TECHNOLOGY DRIVE TOWSON MD 21286			3 Social security wages 21,500		4 Social security tax withheld 1,333	
			5 Medicare wages and tips 21,500		6 Medicare tax withheld 312	
			7 Social security tips		8 Allocated tips	
d Control number			9 Verification code		10 Dependent care benefits	
e Employee's first name and initial Last name Suf. STRAW BERRY 1234 FRUIT LOOP TOWSON MD 21286			11 Nonqualified plans		12a See instructions for box 12	
			13 Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		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

CORRECTED (if checked)

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. Pineapple Investments 140 Upside Down St Melville NY 11747		1a Total ordinary dividends \$ 2200.00		Dividends and Distributions
		1b Qualified dividends \$ 2200.00		
PAYER'S federal identification number 47-11111111		RECIPIENT'S identification number 400-00-6004 400-00-2073		2a Total capital gain distr. \$
RECIPIENT'S name Straw and Blue Berry		2c Section 1202 gain \$		2b Unrecap. Sec. 1250 gain \$
Street address (including apt. no.) 1234 Fruit Loop		3 Nondividend distributions \$		2d Collectibles (28%) gain \$
City or town, state or province, country, and ZIP or foreign postal code Towson MD 21286		4 Federal income tax withheld \$		5 Investment expenses \$
FATCA filing requirement <input type="checkbox"/>		6 Foreign tax paid \$		7 Foreign country or U.S. possession
Account number (see instructions)		8 Cash liquidation distributions \$		9 Noncash liquidation distributions \$
		10 Exempt-interest dividends \$		11 Specified private activity bond interest dividends \$
		12 State	13 State identification no.	14 State tax withheld \$
				\$

CORRECTED (if checked)

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. Mango Holdings 1200 Tango Lane Coral Gables FL 33114		1a Total ordinary dividends \$ 300.00	Form 1099-DIV		Dividends and Distributions
		1b Qualified dividends \$ 300.00			
PAYER'S federal identification number 65-11111111	RECIPIENT'S identification number 400-00-6004	2a Total capital gain distr. \$	2b Unrecap. Sec. 1250 gain \$		
		2c Section 1202 gain \$	2d Collectibles (28%) gain \$		
RECIPIENT'S name Straw Berry		3 Nondividend distributions \$	4 Federal income tax withheld \$		
Street address (including apt. no.) 1234 Fruit Loop		6 Foreign tax paid \$	5 Investment expenses \$		
City or town, state or province, country, and ZIP or foreign postal code Towson MD 21286		8 Cash liquidation distributions \$	7 Foreign country or U.S. possession		
		10 Exempt-interest dividends \$	9 Noncash liquidation distributions \$		
		FATCA filing requirement <input type="checkbox"/>	11 Specified private activity bond interest dividends \$		
Account number (see instructions)		12 State	13 State identification no.	14 State tax withheld \$	
				\$	

Form 1099-DIV

CORRECTED

FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number University of Coconut 555 Tropical Lane Baltimore MD 21287		1 Payments received for qualified tuition and related expenses \$ 6700.00	Form 1098-T		Tuition Statement
		2 Amounts billed for qualified tuition and related expenses \$ 6700.00			
FILER'S federal identification no. 40-9999999	STUDENT'S taxpayer identification no. 400-00-2073	3 If this box is checked, your educational institution has changed its reporting method for 2016 <input type="checkbox"/>			
STUDENT'S name Blue Berry		4 Adjustments made for a prior year \$	5 Scholarships or grants \$		
Street address (including apt. no.) 1234 Fruit Loop		6 Adjustments to scholarships or grants for a prior year \$	7 Checked if the amount in box 1 or 2 includes amounts for an academic period beginning January - March 2017 <input type="checkbox"/>		
City or town, state or province, country, and ZIP or foreign postal code Towson MD 21286					
Service Provider/Acct. No. (see instr.)	8 Check if at least half-time student <input checked="" type="checkbox"/>	9 Checked if a graduate student <input type="checkbox"/>	10 Ins. contract reimb./refund \$		

Form 1098-T