

Practice Return 5

Drake Tax 2019

In this scenario, you will practice entering the following:

- Form W-2 Income
- Child Tax Credit Due Diligence
- Schedule E Income and Deductions
- Unemployment Compensation

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)
- Form 1099-G

SCENARIO INFORMATION

North and South East are married and have one child. They are both U.S. citizens and lived the entire year at their home in Chicago, IL.

North and South provided copies of their IL driver's license. North's driver's license number is 123456789 and was issued 01/01/2017 and expires 01/01/2021. South's license number is 987654321 and was issued on 01/01/2017 and expires on 01/01/2021.

TAXPAYER INFORMATION

NAME	North East
SSN	400-00-6005
DATE OF BIRTH	11-25-1978
EMAIL	North@1040.com
OCCUPATION	Meteorologist

SPOUSE INFORMATION

NAME	South East
SSN	400-00-5006
DATE OF BIRTH	11-25-1979
EMAIL	South@1040.com
OCCUPATION	Graphic Designer

Address: 725 Windy Ave, Chicago IL 60601

Phone: 828-524-8020

DEPENDENT INFORMATION

The dependent:

- is unmarried and a U.S. citizen
- lived with the taxpayers in the U.S. for the entire year
- cannot be claimed by anyone other than the taxpayers

DEPENDENT 1 - SON

NAME	West East
SSN	400-22-1212
DATE OF BIRTH	11-25-2016
MTHS IN HOME	12

There is no active Form 8332, Release/Revocation of Claim to Exemption for Child by Custodial Parent, or similar statement in place.

INCOME

Both North and South were employed during 2019 and received Form W-2 in January 2019. North was unemployed for a couple of months; therefore, he also received Form 1099-G reporting unemployment compensation.

The taxpayers own a duplex and occupy one half and rent out the other half. This rental is conducted as a Qualified Joint Venture and is operated as a trade or business. The unit was rented for the full year. The Easts spent approximately 650 hours managing the property during 2019. They received \$36,000 in rent in 2019.

They had the following direct expenses attributable to the rental property only:

Legal fees	\$500
Repairs	\$2500
Supplies	\$500

The following expenses are for the entire property including the taxpayers and tenants portion of the property:

Insurance	\$850
Taxes	\$1200
Utilities	\$1000

The duplex was placed in service on January 1, 2019 and the basis of the rental unit is \$275,000. The Easts would like to deduct depreciation for the duplex.

OTHER FACTS

During 2019, the taxpayers made four quarterly estimated payments in the amount of \$500 each.

HEALTH COVERAGE INFORMATION

The Easts were covered by minimum essential coverage for every month of the year through South's employer's plan.

DUE DILIGENCE

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
- school records were provided to document residency of the child
- the taxpayer's income appears to be sufficient to support the taxpayers and qualifying child

CORRECTED (if checked)

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. Employment Security Division 1122 Security Rd Chicago IL 60611		1 Unemployment compensation \$ 3600	Form 1099-G	Certain Government Payments
		2 State or local income tax refunds, credits, or offsets \$		
PAYER'S federal identification number 77-1111111	RECIPIENT'S identification number 400-00-6005	3 Box 2 amount is for tax year	4 Federal income tax withheld \$	
RECIPIENT'S name North East Street address (including apt. no.) 725 Windy Ave City or town, state or province, country, and ZIP or foreign postal code Chicago IL 60601		5 RTAA payments \$	6 Taxable grants \$	
		7 Agriculture payments \$	8 If checked, box 2 is trade or business income <input type="checkbox"/>	
		9 Market gain \$		
Account number (see instructions)		10a State	10b State identification no.	11 State income tax withheld \$
				\$

Form 1099-G