

Federal Taxation I
Module 8: Comprehensive Tax Return Project

Jared and Ashley have come to you for help filing their 2018 tax return. They are married on December 31, 2018 and are both age 40. They live with their three qualifying children, Nick, Betty, and Roger, who are 12, 14, and 17 years old, respectively.

They have made the following requests:

- They wish to file a joint tax return.
- If they overpaid their taxes this year, they would like to receive half as a refund and have half applied to next year's federal tax return.

Jared and Ashley have the following income items during 2018:

- Jared's wages of \$50,000
- Jared's unemployment compensation of \$5,000
- Ashley's wages of \$60,000
- Interest from a city of Chicago bond of \$2,000
- Interest from a corporate bond of \$3,000
- Ordinary dividends of \$2,000
- Gift from Leonard's father of a new computer that cost \$3,000
- A \$3,000 refund from the State of Illinois for income taxes paid in 2017

Jared and Ashley incurred the following expenses/losses during 2018:

- Contributions of \$5,500 to each of Jared and Ashley's traditional IRAs, i.e., \$11,000 total (they are not covered by any other qualified retirement plans)
- Qualified medical expenses of \$9,000
- Personal credit card interest expense of \$8,000
- Charitable contributions of \$4,000
- Ten \$25 parking tickets totaling \$250
- Mortgage interest on primary residence of \$8,000 (mortgage is \$200,000)
- Property taxes on the primary residence of \$6,500
- Illinois state and local income taxes paid of \$5,500
- Federal tax withholding on Jared and Ashley's W-2s of \$10,000

They also provide you with the following information about their prior year return:

- On their prior year federal tax return, they claimed itemized deductions.
- Jared and Ashley elected to have \$139 of their 2017 tax refund applied to 2018.

Filing status: ☐ Single ☒ Married filing jointly ☐ Married filing separately ☐ Head of household ☐ Qualifying widow(er)

Your first name and initial Last name Your social security number

Your standard deduction: ☐ Someone can claim you as a dependent ☐ You were born before January 2, 1954 ☐ You are blind

If joint return, spouse's first name and initial Last name Spouse's social security number

Spouse standard deduction: ☐ Someone can claim your spouse as a dependent ☐ Spouse was born before January 2, 1954 ☐ Full-year health care coverage or exempt (see inst.)
☐ Spouse is blind ☐ Spouse itemizes on a separate return or you were dual-status alien

Home address (number and street). If you have a P.O. box, see instructions. Apt. no. Presidential Election Campaign (see inst.) ☐ You ☐ Spouse

City, town or post office, state, and ZIP code. If you have a foreign address, attach Schedule 6. If more than four dependents, see inst. and ✓ here ☐

Dependents (see instructions):		(2) Social security number	(3) Relationship to you	(4) ✓ if qualifies for (see inst.):	
(1) First name	Last name			Child tax credit	Credit for other dependents
				☐	☐
				☐	☐
				☐	☐
				☐	☐

Sign Here Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Joint return? See instructions. Keep a copy for your records. Your signature Date Your occupation If the IRS sent you an Identity Protection PIN, enter it here (see inst.)
 Spouse's signature. If a joint return, both must sign. Date Spouse's occupation If the IRS sent you an Identity Protection PIN, enter it here (see inst.)

Paid Preparer Use Only Preparer's name Preparer's signature PTIN Firm's EIN Check if:
 Firm's name ▶ Phone no. ☐ 3rd Party Designee
 Firm's address ▶ ☐ Self-employed

Attach Form(s)
W-2. Also attach
Form(s) W-2G and
1099-R if tax was
withheld.

**Standard
Deduction for—**
• Single or married
filing separately,
\$12,000
• Married filing
jointly or Qualifying
widow(er),
\$24,000
• Head of
household,
\$18,000
• If you checked
any box under
Standard
deduction,
see instructions.

1	Wages, salaries, tips, etc. Attach Form(s) W-2	1	
2a	Tax-exempt interest	2a	
3a	Qualified dividends	3a	
4a	IRAs, pensions, and annuities	4a	
5a	Social security benefits	5a	
6	Total income. Add lines 1 through 5. Add any amount from Schedule 1, line 22	6	
7	Adjusted gross income. If you have no adjustments to income, enter the amount from line 6; otherwise, subtract Schedule 1, line 36, from line 6	7	
8	Standard deduction or itemized deductions (from Schedule A)	8	
9	Qualified business income deduction (see instructions)	9	
10	Taxable income. Subtract lines 8 and 9 from line 7. If zero or less, enter -0-	10	
11	a Tax (see inst.) (check if any from: 1 ☐ Form(s) 8814 2 ☐ Form 4972 3 ☐)	11	
12	b Add any amount from Schedule 2 and check here ☐	12	
13	a Child tax credit/credit for other dependents b Add any amount from Schedule 3 and check here ☐	13	
14	Subtract line 12 from line 11. If zero or less, enter -0-	14	
15	Other taxes. Attach Schedule 4	15	
16	Total tax. Add lines 13 and 14	16	
17	Federal income tax withheld from Forms W-2 and 1099	17	
18	Refundable credits: a EIC (see inst.) b Sch. 8812 c Form 8863	18	
19	Add any amount from Schedule 5	19	
20a	Add lines 16 and 17. These are your total payments	20a	
21	If line 18 is more than line 15, subtract line 15 from line 18. This is the amount you overpaid	21	
22a	Amount of line 19 you want refunded to you . If Form 8888 is attached, check here ☐	22a	
23	Routing number	23	
24	Account number	24	
25	Amount of line 19 you want applied to your 2019 estimated tax	25	
26	Amount you owe. Subtract line 18 from line 15. For details on how to pay, see instructions	26	
27	Estimated tax penalty (see instructions)	27	

Refund

Direct deposit?
See instructions.

Amount You Owe

SCHEDULE 1
(Form 1040)

Department of the Treasury
Internal Revenue Service

Additional Income and Adjustments to Income

► Attach to Form 1040.
► Go to www.irs.gov/Form1040 for instructions and the latest information.

OMB No. 1545-0074

2018
Attachment
Sequence No. **01**

Name(s) shown on Form 1040

Your social security number

Additional Income	1-9b	Reserved	1-9b	
	10	Taxable refunds, credits, or offsets of state and local income taxes	10	
	11	Alimony received	11	
	12	Business income or (loss). Attach Schedule C or C-EZ	12	
	13	Capital gain or (loss). Attach Schedule D if required. If not required, check here ► ☐	13	
	14	Other gains or (losses). Attach Form 4797	14	
	15a	Reserved	15b	
	16a	Reserved	16b	
	17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	17	
	18	Farm income or (loss). Attach Schedule F	18	
	19	Unemployment compensation	19	
	20a	Reserved	20b	
	21	Other income. List type and amount ► _____	21	
	22	Combine the amounts in the far right column. If you don't have any adjustments to income, enter here and include on Form 1040, line 6. Otherwise, go to line 23	22	
Adjustments to Income	23	Educator expenses	23	
	24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	24	
	25	Health savings account deduction. Attach Form 8889	25	
	26	Moving expenses for members of the Armed Forces. Attach Form 3903	26	
	27	Deductible part of self-employment tax. Attach Schedule SE	27	
	28	Self-employed SEP, SIMPLE, and qualified plans	28	
	29	Self-employed health insurance deduction	29	
	30	Penalty on early withdrawal of savings	30	
	31a	Alimony paid b Recipient's SSN ► _____	31a	
	32	IRA deduction	32	
	33	Student loan interest deduction	33	
	34	Reserved	34	
	35	Reserved	35	
	36	Add lines 23 through 35	36	

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 71479F

Schedule 1 (Form 1040) 2018

SCHEDULE 5
(Form 1040)

Department of the Treasury
Internal Revenue Service

Name(s) shown on Form 1040

Other Payments and Refundable Credits

► **Attach to Form 1040.**

► **Go to www.irs.gov/Form1040 for instructions and the latest information.**

OMB No. 1545-0074

2018

Attachment
Sequence No. **05**

Your social security number

Other Payments and Refundable Credits	65	Reserved	65		
	66	2018 estimated tax payments and amount applied from 2017 return	66		
	67a	Reserved	67a		
	b	Reserved	67b		
	68-69	Reserved	68-69		
	70	Net premium tax credit. Attach Form 8962	70		
	71	Amount paid with request for extension to file (see instructions)	71		
	72	Excess social security and tier 1 RRTA tax withheld	72		
	73	Credit for federal tax on fuels. Attach Form 4136	73		
	74	Credits from Form: a ☐ 2439 b ☒ Reserved c ☐ 8885 d ☐ _____	74		
75	Add the amounts in the far right column. These are your total other payments and refundable credits . Enter here and include on Form 1040, line 17.	75			

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 71482C

Schedule 5 (Form 1040) 2018

**SCHEDULE A
(Form 1040)**

Department of the Treasury
Internal Revenue Service (99)

Name(s) shown on Form 1040

Itemized Deductions

► Go to www.irs.gov/ScheduleA for instructions and the latest information.

► Attach to Form 1040.

Caution: If you are claiming a net qualified disaster loss on Form 4684, see the instructions for line 16.

OMB No. 1545-0074

2018

Attachment
Sequence No. **07**

Your social security number

Medical and Dental Expenses	Caution: Do not include expenses reimbursed or paid by others. 1 Medical and dental expenses (see instructions) 2 Enter amount from Form 1040, line 7 3 Multiply line 2 by 7.5% (0.075) 4 Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-	1 2 3 4	
Taxes You Paid	5 State and local taxes. a State and local income taxes or general sales taxes. You may include either income taxes or general sales taxes on line 5a, but not both. If you elect to include general sales taxes instead of income taxes, check this box ► ☐ b State and local real estate taxes (see instructions) c State and local personal property taxes d Add lines 5a through 5c e Enter the smaller of line 5d or \$10,000 (\$5,000 if married filing separately) 6 Other taxes. List type and amount ► 7 Add lines 5e and 6	5a 5b 5c 5d 5e 6 7	
Interest You Paid	Caution: Your mortgage interest deduction may be limited (see instructions). 8 Home mortgage interest and points. If you didn't use all of your home mortgage loan(s) to buy, build, or improve your home, see instructions and check this box ► ☐ a Home mortgage interest and points reported to you on Form 1098 b Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address ► c Points not reported to you on Form 1098. See instructions for special rules d Reserved e Add lines 8a through 8c 9 Investment interest. Attach Form 4952 if required. See instructions 10 Add lines 8e and 9	8a 8b 8c 8d 8e 9 10	
Gifts to Charity	11 Gifts by cash or check. If you made any gift of \$250 or more, see instructions 12 Other than by cash or check. If any gift of \$250 or more, see instructions. You must attach Form 8283 if over \$500 13 Carryover from prior year 14 Add lines 11 through 13	11 12 13 14	
Casualty and Theft Losses	15 Casualty and theft loss(es) from a federally declared disaster (other than net qualified disaster losses). Attach Form 4684 and enter the amount from line 18 of that form. See instructions	15	
Other Itemized Deductions	16 Other—from list in instructions. List type and amount ►	16	
Total Itemized Deductions	17 Add the amounts in the far right column for lines 4 through 16. Also, enter this amount on Form 1040, line 8	17	
	18 If you elect to itemize deductions even though they are less than your standard deduction, check here ► ☐		

SCHEDULE B
(Form 1040)

Department of the Treasury
Internal Revenue Service (99)

Interest and Ordinary Dividends

► Go to www.irs.gov/ScheduleB for instructions and the latest information.
► Attach to Form 1040.

OMB No. 1545-0074

2018
Attachment
Sequence No. 08

Name(s) shown on return

Your social security number

Part I

Interest

(See instructions and the instructions for Form 1040, line 2b.)

Note: If you received a Form 1099-INT, Form 1099-OID, or substitute statement from a brokerage firm, list the firm's name as the payer and enter the total interest shown on that form.

1 List name of payer. If any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see the instructions and list this interest first. Also, show that buyer's social security number and address ►

2 Add the amounts on line 1

3 Excludable interest on series EE and I U.S. savings bonds issued after 1989. Attach Form 8815

4 Subtract line 3 from line 2. Enter the result here and on Form 1040, line 2b . . ►

Note: If line 4 is over \$1,500, you must complete Part III.

Part II

Ordinary Dividends

(See instructions and the instructions for Form 1040, line 3b.)

Note: If you received a Form 1099-DIV or substitute statement from a brokerage firm, list the firm's name as the payer and enter the ordinary dividends shown on that form.

5 List name of payer ►

6 Add the amounts on line 5. Enter the total here and on Form 1040, line 3b . . ►

Note: If line 6 is over \$1,500, you must complete Part III.

Part III

You must complete this part if you **(a)** had over \$1,500 of taxable interest or ordinary dividends; **(b)** had a foreign account; or **(c)** received a distribution from, or were a grantor of, or a transferor to, a foreign trust.

Foreign Accounts and Trusts

(See instructions.)

7a At any time during 2018, did you have a financial interest in or signature authority over a financial account (such as a bank account, securities account, or brokerage account) located in a foreign country? See instructions

If "Yes," are you required to file FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR), to report that financial interest or signature authority? See FinCEN Form 114 and its instructions for filing requirements and exceptions to those requirements

b If you are required to file FinCEN Form 114, enter the name of the foreign country where the financial account is located ►

8 During 2018, did you receive a distribution from, or were you the grantor of, or transferor to, a foreign trust? If "Yes," you may have to file Form 3520. See instructions

Amount

1

2

3

4

Amount

5

6

Yes

No