

1:8-64

Kelly and Chanelle Chambers, ages 47 and 45, are married and live at 584 Thoreau Drive, Boston, MA 59483. Kelly's Social Security number is 111-11-1111 and Chanelle's is 222-22-2222. The Chambers have two children: Emma, age 23, and Chet, age 19. Their Social Security numbers are 333-33-3333 and 444-44-4444, respectively. Emma is a single college student and earned \$8,000 during the summer. Kelly and Chanelle help Emma through school by paying for her room, board, and tuition. Emma lives at home during the summer. Chet has a physical handicap and lives at home. He attends a local university and earned \$4,000 working for a marketing firm. In sum, Kelly and Chanelle provide more than 50% of both Emma's and Chet's total support for the year.

Kelly is a commercial pilot for a small airline. His salary is \$95,000, from which \$19,000 of federal income tax and \$8,000 of state income tax were withheld. Kelly also pays premiums for health, disability, and life insurance. \$2,000 of the premium was for health insurance, \$250 for disability, and \$400 for life insurance.

Chanelle owns Alliance Networks, a proprietorship that does network consulting. During the year, Chanelle's gross revenues were \$23,000. She incurred the following expenses in her business:

Liability insurance	\$ 700
Software rental	5,400
Journals and magazines	150
Training seminars	1,200
Supplies	1,300
Donations to a political campaign fund	800

Kelly enjoys playing guitar and plays in a band. Kelly's band has developed a local following. This year, his gross revenues were \$1,200 for playing shows and \$700 on CD sales. He incurred the following expenses:

Studio rent expense	\$1,300
Sound system repairs	200
CD production	500
New guitar and amplifier	800

Kelly's father passed away during the year. Kelly and Chanelle received \$100,000 from the life insurance policy. Neither Kelly nor Chanelle paid any of the premiums.

Chanelle purchased 100 shares of Thurston Co. stock on May 1, 1992, for \$1,000. Thurston Co. was declared bankrupt during the current year.

Chet's physician recommended that he see a physical therapist to help with his disability. Kelly paid the therapist \$7,000 during the year because his insurance would not cover the bills.

Kelly and Chanelle went to Las Vegas and won \$5,000 at the blackjack table. The next night, they lost \$6,000.

Kelly and Chanelle gave \$900 to their church and, during the year, they had the following other income and expenses:

Real estate taxes	\$1,400
Property taxes on car (determined by value)	500
Home mortgage interest	9,000
Credit card finance charges	2,600
Tax return preparation fees (\$600 is allocable to Chanelle's business)	1,000
Sales tax on purchases during the year	6,200
Interest from a savings account	800
Interest from City of Boston Bonds	700
Dividend from 3M stock	400

Prepare Kelly and Chanelle's tax return Form 1040 and Schedules A, B, C, D, and SE for 2019.