CHAPTER 3

TAX FORMULA AND TAX DETERMINATION; AN OVERVIEW OF PROPERTY TRANSACTIONS

SOLUTIONS TO PROBLEM MATERIALS

DISCUSSION QUESTIONS

1. (LO 1, 5, 8, 9)
   a. Gambling losses are deductible only to the extent of gambling gains.
   b. Barring an exception for dependents, no deduction is allowed for payment of some other person's expenses.
   c. A Federal income tax refund is not income because it is an adjustment of a prior expenditure that was not deductible.
   d. Fines and penalties are not deductible. It does not matter whether they stem from personal or business activities.
   e. Political contributions are not deductible. It does not matter that the contribution resulted in a benefit to Addison.
   f. Borrowing money does not result in income.
   g. Gains and losses from the sale of personal use assets cannot offset each other. The gains are taxable, and the losses are not deductible.
   h. No deduction can be claimed for income tax purposes for the funeral expenses.
   i. Premiums on personal life insurance policies are not deductible even when paid on behalf of a dependent.

2. (LO 1) The items included in gross income are parts b., c., f., g., h., and i. Explanations follow.
   a. The taxpayer still owns the stock. Because there is no realization event, there is no gross income.
   b. The police officer has earned income, and it is included in gross income.
   c. If the jewelry was sold at a gain, it is included in the mother's gross income (this assumes that the son sold it for his mother). If sold at a loss, it is an unallowable loss on a personal use asset.
   d. Child support payments received are not included in gross income.
   e. The refunded deposit is a nontaxable return of capital.
   f. Interest income on corporate bonds is included in gross income.
   g. The baseball player has earned income, and it is included in gross income.

h. Tips are earned income and included in gross income.

i. Sale of property at a gain, even if the property is personal use property, is included in gross income [less the cost (basis) of the tickets]. If a personal use asset is sold at a loss, the loss is not included in gross income.

j. A gift is an exclusion item, so it is not included in gross income. The grandmother may owe gift tax.

3. (LO 1) The treatment of the stated items follows (with the Code section also noted).

Exclusions	**Inclusions (i.e., *not* excluded from income)**
b. Damages for personal injury (§ 104).	a. Alimony received (§ 71).
d. Repayment of a loan does not involve income. Note that any interest received is income.	c. Prizes are taxable (§ 74).
e. Life insurance proceeds (§ 101).	g. Jury duty fees are income and not excluded (§ 61). Note that if the taxpayer must repay the income to his employer, a deduction for AGI should be allowed (§ 62).
f. Interest on municipal bonds (§ 103).	h. Income from any source derived (even if illegal) is taxable unless excluded (§ 61).
	i. A whistleblower award is taxable, and no exclusion applies (§ 61).
	j. Found money is included in income (§ 61 and Reg. § 1.61–14).

4. (LO 1, 8, 9) The sale of the stock investment will result in a capital loss. The capital loss will offset any capital gain, and any excess (up to $3,000) can be applied against ordinary income to arrive at AGI. The contribution to the traditional IRA is a deduction *for* AGI. Thus, both the capital loss and the IRA contribution reduce AGI. By reducing AGI, the Polks will increase their allowable medical and casualty deductions. [In 2019, the medical deduction is the excess over 10% of AGI, the casualty loss is also the excess over 10% of AGI.]

5. (LO 2)

a. If the taxpayer is 65 or over, an additional standard deduction is available. This might favor the standard deduction choice.

b. If the taxpayer is blind, an additional standard deduction is available. This might favor the standard deduction choice.

c. If the taxpayer is still making house payments, the interest expense deduction on the home mortgage and real property taxes may make itemizing more attractive.

d. Because the amount of the standard deduction varies depending on filing status, this factor is highly relevant to the taxpayer's decision.

e. If married persons file separate returns, the returns must be consistent. Thus, if one spouse itemizes, the other spouse also must itemize.

f. Because a large casualty loss seems probable, this increases the advantage to be gained by itemizing.

g. The number of dependents has no effect on whether a taxpayer itemizes or chooses the standard deduction option.

6. (LO 2, 3, 5)
   a. The filing requirements for persons being claimed as dependents by others are more complex than those applicable to regular taxpayers. The requirements depend on whether the dependent has only earned income, only unearned income, or both earned and unearned income and on the amount of gross income.
   b. In 2019, the basic standard deduction is the greater of $1,100 or earned income plus $350. The total basic standard deduction allowed, however, cannot exceed $12,200 (the 2019 standard deduction for single taxpayers).
   c. The 2019 additional standard deduction of $1,650 is allowed in full since David is 78 (age 65 or over).

7. (LO 4) The son is not a qualifying child due to the age requirement. He probably is not a qualifying relative because of the gross income test. The cousin apparently meets all of the requirements of the qualifying relative category.

8. (LO 4)
   a. Heather is a qualifying child to all three parties.
   b. As the parent, the mother takes precedence. If the mother waives her right to claim Heather as a dependent, then either the grandmother or the uncle—whoever has the higher AGI—will have the right to claim Heather as a dependent.

9. (LO 4) An ex-spouse can qualify as a dependent under the member-of-the-household rule for the qualifying relative category except in the year of the divorce. This explains Caden's actions with reference to Lily for years 2018 and 2019.

10. (LO 4) Under a multiple support agreement, Isabella, Emma, or Jacob can claim either (or both) of their parents as dependents. Jacob is suggesting that his sisters each claim one of their parents as a dependent via a multiple support agreement.

11. (LO 4) Mark will prevail because custody (not support) controls in a divorce setting.

12. (LO 4) Mario should encourage his parents and two aunts to make the move to Mexico. To be claimed as a dependent, the individual must be a U.S. citizen, a U.S. resident, or a resident of Canada or Mexico for some part of the calendar year in which the taxpayer's year begins.

13. (LO 5)
    a. Because he is a U.S. citizen, Oliver must file a Federal income tax return.
    b. If the parties make an election under § 6013(g). Although such an election allows Oliver to file a joint return, it subjects all of Regina's foreign income to U.S. taxation.

14. (LO 4, 5)
    a. If the taxpayer meets the support test, he can claim head-of-household filing status as long as at least one of his parents is his dependent. This seems unlikely, however, because their purchase of an automobile is part of their support. Thus, at a minimum, the taxpayer must have contributed *more than* $62,000 toward total support.
    b. Is the stay in the nursing home temporary or permanent? If the father can be expected to return to the taxpayer's home, she qualifies for head-of-household filing status. If the stay is permanent, then she will need to pay more than half of the nursing home costs.
    c. Head-of-household filing status is available because the son is a dependent under the qualifying child category.

d. Head-of-household filing status is not available. Due to the *age* test, the son is not a qualifying child. (It is assumed that the son is not disabled or a full-time student.) Due to the *gross income* test, the son does not satisfy the requirements of a qualifying relative.

e. Normally, a married taxpayer cannot use head-of-household filing status. However, if the taxpayer qualifies as an abandoned spouse, this filing status is appropriate.

f. Head-of-household filing status is not available. The daughter is not a member of the taxpayer's household.

g. Head-of-household status is not available because the friend, although a dependent, does not meet the relationship test.

15. (LO 5) Once the two-year surviving spouse period ends, the surviving spouse may still be maintaining a household for a dependent child. If this is the case, such a taxpayer meets the requirements for head-of-household filing status.

16. (LO 6)

a. The Tax Table method is structured on a taxable income range (e.g., $30,000 to $30,050). Using the Tax Table method, the tax is determined on the midpoint (e.g., $30,025) of the range. Thus, if the taxable income is more or less than this amount, the tax will differ.

b. The Tax Table *must be used* except in certain limited situations (e.g., taxable income of $100,000 or more).

17. (LO 7)

a. The kiddie tax does not apply to earned income.

b. The kiddie tax does not apply unless unearned income exceeds $2,200 (in 2019, $2,100 in 2018).

c. The kiddie tax does not apply. The age coverage is under 19 or a full-time student under age 24.

d. The kiddie tax does not apply if the child is married *and* files a joint return.

18. (LO 8) Gain on the sale of the stock is a short-term capital gain and is taxed at ordinary income rates. The gain on the sale of the land and houseboat should be combined. As long-term capital gain, the total is subject to tax at preferential rates—20%, 15%, or 0%. The loss on the sale of the reconditioned motorcycle is personal and, therefore, nondeductible.

19. (LO 8)

a. The short-term capital loss is first offset against the long-term capital gain from the gun collection. This has the effect of preserving more of the long-term capital gain from the sale of the land.

b. Because the long-term capital gain from collectibles is taxed at a maximum of 28% and regular long-term capital gains are taxed at preferential rates of 0% or 15% or 20%, the offset sequence followed in part a. favors taxpayers.

COMPUTATIONAL EXERCISES

20. (LO 2) Sam's $2,100 is *unearned* income. Thus, he is allowed the minimum standard deduction of $1,100. Abby's $2,100 is *earned* income, so she is allowed a $2,450 [$2,100 (earned income for the year) + $350] standard deduction.

21. (LO 2)
    a. $1,750. When filing her own tax return, Ellie is limited to the greater of $1,100 or $1,750 (the sum of the earned income for the year plus $350).

    b. $27,000. A taxpayer who is age 65 or over or blind in 2019 qualifies for an additional standard deduction of $1,300 or $1,650, depending on filing status. Ruby and Woody's standard deduction is $24,400 (married filing jointly) plus the additional $1,300 for Ruby being age 65 or older and another $1,300 for Woody's being age 65 or older.

    c. $2,750. When filing her own tax return, Shonda is limited to the greater of $1,100 or $850 (the sum of the $500 of earned income for the year plus $350). This limitation applies only to the "basic" standard deduction. A dependent who is 65 or older or blind is also allowed the additional standard deduction amount on his or her own return. Therefore, Shonda's standard deduction is $2,750 ($1,100 + $1,650).

    d. $0. Frazier is ineligible to use the standard deduction and therefore must itemize because he is married filing a separate return when his spouse itemizes deductions.

22. (LO 5, 9)
    a. If either spouse itemizes deductions *from* AGI, the other spouse also must itemize. Consequently, Paul's suggestion is not proper.

    b. Presuming that they file separately and itemize, their total deduction is $13,600 ($13,200 + $400). If they claim the standard deduction, $24,400 ($12,200 + $12,200) is allowed. The same result takes place on a joint return. For tax purposes, therefore, the standard deduction is the better choice.

23. (LO 6) The basic tax rate structure is progressive, with current rates ranging from 10% to 37%. Since 2019 Tax Tables have not yet been released, the solution is determined using the 2019 Tax Rate Schedules (Appendix A). Several terms are used to describe tax rates. The rates in the Tax Rate Schedules are often referred to as statutory (or nominal) rates. The marginal rate is the highest rate applied in the tax computation for a particular taxpayer. The average rate is equal to the tax liability divided by taxable income.

    a. **Chandler:** Using the rates for a single taxpayer, her tax liability is $16,927.[1] Her marginal rate is 24%. Her average rate is 17.86% ($16,927/$94,800).

    b. **Lazare:** Using the rates for filing as a head of household, his tax liability is $6,989.[2] His marginal rate is 22%. His average rate is 12.25% ($6,989/$57,050).

    [1]$94,800 − $84,200 = $10,600.
    $10,600 × 24% = $2,544.
    $2,544 + $14,382.50 = $16,926.50, rounded to $16,927.

    [2]$57,050 − $52,850 = $4,200.
    $4,200 × 22% = $924.
    $924 + $6,065 = $6,989.

24. (LO 7) In 2019, net unearned income of a dependent child is computed as follows:

Unearned income
Less: $1,100
Less: The greater of
- $1,100 of the standard deduction *or*
- The amount of allowable itemized deductions directly connected with the production of the unearned income

Equals: Net unearned income

Simon's net unearned income is $2,700, computed as follows:

Unearned income: $4,900
Less: $1,100
Less: $1,100 of the standard deduction
Equals: $2,700

Simon's taxable income is $3,800 ($4,900 less his $1,100 standard deduction). Since his taxable income exceeds $3,700, we determine his tax liability as follows:

1. Taxable income (TI) = $3,800.
2. Earned taxable income (ETI) = TI – NUI = $1,100 ($3,800 − $2,700).
3. Simon's tax liability is $394, determined as follows:

(a)	Earned taxable income + $2,600 (taxed using the Single Tax Rate Schedule):	
	ETI + $2,600 = $1,100 + $2,600 = $3,700 × 10%	$ 370
(b)	Net unearned income (NUI) – $2,600 (taxed using the Estate and Trust Tax Rate Schedule, but ignoring the 10% tax bracket):	
	NUI – $2,600 = $2,700 – $2,600 = $100 × 24%	24
	Total Tax Liability	$ 394

25. (LO 8) The concept of realized gain or loss is expressed as follows: Amount realized from the sale − Adjusted basis of the property = Realized gain or loss. The amount realized is the selling price of the property less any costs of disposition (e.g., brokerage commissions) incurred by the seller. All realized gains are recognized (taxable) unless some specific part of the tax law provides otherwise. Generally, losses realized from the disposition of personal use property (property neither held for investment nor used in a trade or business) are not recognized.

The sale of the scooter results in a realized loss of $150 ($700 − $550). The painting results in a realized gain of $300 ($1,200 − $900). However, Rebecca only recognizes the gain on the painting (the scooter is a personal use asset, and the related loss is not allowed).

26. (LO 8) Individual taxpayers combine capital gains and losses in a specific netting process. To arrive at a net capital gain, capital losses must be taken into account. The capital losses are aggregated by holding period (short-term and long-term) and applied against the gains in that category. If excess losses result, they are then shifted to the category carrying the highest tax rate. A net capital gain will occur if the net long-term capital gain (NLTCG) exceeds the net short-term capital loss (NSTCL).

For individual taxpayers, net capital loss can be used to offset ordinary income of up to $3,000 ($1,500 for married persons filing separate returns). If a taxpayer has both short- and long-term capital losses, the short-term category is used first to arrive at the $3,000. Any remaining net capital loss is carried over indefinitely until exhausted. When carried over, the excess capital loss retains its classification as short- or long-term.

Tamara has a net long-term capital gain of $1,000 ($2,000 + $500 − $1,500) and a short-term capital loss of $4,100. When netted, the result is an overall net short-term capital loss of $3,100. As a result, Tamara is allowed a $3,000 deduction in the current year and has a $100 short-term capital loss carryover to the following year.

PROBLEMS

27. (LO 1)

a.	AGI	$125,000
	Less: Itemized deductions	(27,000)
	Taxable income	$ 98,000
b.	AGI	$ 80,000
	Less: Standard deduction (head of household)	(18,350)
	Taxable income	$ 61,650
c.	AGI	$ 75,000
	Less: Standard deduction (surviving spouse)	(24,400)
	Taxable income	$ 50,600
d.	AGI	$ 58,000
	Less: Standard deduction (head of household)	(18,350)
	Taxable income	$ 39,650
e.	AGI	$ 64,000
	Less: Standard deduction (head of household)	(18,350)
	Taxable income	$ 45,650

28. (LO 1, 8)

Salary	$ 85,000
Interest on bonds	1,100
Alimony received	6,000
Capital gain	2,000
IRA contribution	(5,500)
AGI	$ 88,600
Standard deduction	(12,200)
Taxable income	$ 76,400

The alimony payments and bond interest are taxable. The gift is a nontaxable exclusion. The $2,000 of the capital gain is taxable. Net gambling losses are not deductible.

29. (LO 1)

Salary	$ 80,000
Interest on CD	2,000
Dividend	2,200
AGI	$ 84,200
Standard deduction (head of household)	(18,350)
Taxable income	$ 65,850

The interest ($3,000) on the bonds is an exclusion (not taxable). Also excluded from gross income are the life insurance proceeds ($200,000) and the inheritance ($100,000). The loan repayment ($5,000) is a nontaxable return of capital. Aiden chose *not* to itemize his deductions *from* AGI ($9,700); the head-of-household standard deduction ($18,350) provides a larger *from* AGI deduction.

30. (LO 2)

a. $12,200. Although $12,400 (earned income) + $350 = $12,750, the amount allowed cannot exceed the standard deduction available in 2019 for single taxpayers.

b. $5,050. $4,700 (earned income) + $350.

c. $1,150. The greater of $1,100 or $1,150 [$800 (earned income) + $350].

d. $1,100. The greater of $1,100 or $850 [$500 (earned income) + $350].

e. $5,200. $3,200 (earned income) + $350 + $1,650 (additional standard deduction).

31. (LO 4)

	Characteristic	**Qualifying Child Test**	**Qualifying Relative Test**
a.	Taxpayer's son has gross income of $7,000.	Gross income—Not Applicable	Gross income—Not Met
b.	Taxpayer's niece has gross income of $3,000.	Gross income—Not Applicable	Gross income—Met
c.	Taxpayer's uncle lives with him.	Relationship—Not Met	Relationship—Met
d.	Taxpayer's daughter is 25 and disabled.	Age—Met	Age—Not Applicable
e.	Taxpayer's daughter is age 18, has gross income of $8,000, and does not live with him.	Residence—Not Met Gross income—Not Applicable	Gross income—Not Met
f.	Taxpayer's cousin does not live with her.	Relationship—Not Met Residence—Not Met	Relationship—Not Met
g.	Taxpayer's brother does not live with her.	Residence—Not Met	Relationship—Met
h.	Taxpayer's sister has dropped out of school, is age 17, and lives with him.	Relationship—Met Residence—Met Age—Met	Relationship—Met
i.	Taxpayer's older nephew is age 23 and a full-time student.	Relationship—Met Age—Not Met	Relationship—Met
j.	Taxpayer's grandson lives with her and has gross income of $7,000.	Relationship—Met Residence—Met	Relationship—Met Gross income—Not Met

32. (LO 3, 4)

a. Two. Elton is a qualifying child, so his gross income does not matter. Trista is not a qualifying child—although a full-time student, she is not under age 24. However, Trista falls within the qualifying relative category. She passes the gross income test because the tuition portion of a scholarship is nontaxable.

b. One. Clint cannot qualify as a member of Audry's household in the year of the divorce. Olive meets the relationship test.

c. Two. Because Andy is a qualified child, he is not subject to the gross income test. Paige meets the gross income requirements of a qualifying relative.

d. One. As a qualifying child, Andy is still immune from the gross income test. In a community property situation, however, Paige is treated as having $4,200 in gross income. Thus, she does not meet the gross income test and cannot be a qualifying relative.

33. (LO 3, 4)

a. Two. The parents qualify as dependents under the Mexico/Canada exception.

b. One. Pablo's father does not qualify because he is a citizen and resident of Panama; as a resident of the United States, Pablo's mother does qualify.

c. Two. The parents qualify because they are U.S. citizens.

d. One. Under a special exception, an adopted child need not be a citizen or resident of the United States (or contiguous country) as long as his or her principal residence is with a U.S. citizen.

34. (LO 3, 4)

a. Three. The niece is in the qualifying child category. The cousin and son are not, due to the relationship and age tests. They both fall within the qualifying relative category.

b. Two. Both persons fall within the qualifying relative category. The stepmother meets the relationship test, and the family friend's son is a member of the taxpayer's household.

c. None. Mariana is not a qualifying child under the exception to the citizenship or residency test. Raul is not her adoptive father.

d. Three. Two fall within the qualifying relative category, and it is assumed that each meets the gross income test. The mother- and brother-in-law satisfy the relationship test. Although the ex-husband is a member of the household, he can qualify except in the year of the divorce. The brother-in-law's age and non-student status have no bearing on the dependency issue.

35. (LO 4)

a. Jenny is a qualifying child as to all three parties. Therefore, the father, uncle, and grandmother are eligible to claim her as a dependent.

b. In this tiebreaker situation, the father (as parent) takes precedence. If the father forgoes claiming Jenny as a dependent, the uncle is next in order of precedence, due to a higher AGI.

36. (LO 4, 9)

a. Son, niece, and brother. The cousin and the family friend do not meet the relationship test.

b. No. The eligible parties can designate who will claim the dependent as they choose.

c. If the eligible person who is selected to claim the dependent also pays the medical expenses, that person can claim them.

37. (LO 3, 7)

a.

Wages	$4,000
Money market interest	1,800
Bond interest (City of Boston bond interest is tax-exempt.)	–0–
Gross income	$5,800
Less: Standard deduction*	(4,350)
Taxable income	$1,450

b.

Net Unearned Income Calculation:	
Money market account interest	$1,800
City of Boston bond interest	–0–
Total unearned income	$1,800
Minus: $1,100 + $1,100 standard deduction	(2,200)
Net unearned income	$ –0–
Income taxed at Taylor's rate	$1,450
Total tax ($1,450 × 10%)**	$ 145

*A dependent's standard deduction is limited to the greater of $1,100 or the sum of his or her earned income plus $350 ($4,000 + $350 = $4,350).

**Because Taylor's unearned income is not more than $2,200, the "kiddie tax" does not apply and her tax is determined using the Single Tax Rate Schedule.

38. (LO 4, 9)

a. Regardless of where the parties reside, the damage of the joint return needs to be undone. The joint return test applies to both the qualifying child and qualifying relative categories of dependents. The situation can be rectified by filing separate returns on or before April 15, 2020. In Louisiana, half of the daughter's income, or $5,500 (50% × $11,000), is assigned to John. Being a qualifying child, the daughter can be claimed as a dependent. John, however, is subject to the gross income test contained in the qualifying relative category. Because $5,500 exceeds $4,200, John cannot be claimed as a dependent.

b. As noted in part a., the joint return problem needs to be resolved. In New Jersey, John earns none of the daughter's income. Consequently, John now meets the gross income test of a qualifying relative. The daughter also can be claimed as a dependent because the gross income test does not apply to the qualifying child category.

39. (LO 1, 2, 3, 4, 5, 6)

Salary	$80,000
Short-term capital loss	(2,000)
Cash prize	4,000
AGI	$82,000
Less: Standard deduction (surviving spouse)	(24,400)
Taxable income	$57,600

Tax on $57,600 using Surviving Spouse Tax Rate Schedule:

$1,940.00 + 12%($57,600 − $19,400) = $6,524.00

In addition, Charlotte qualifies for the child and dependent tax credit:

4 children ($2,000 each)	$ 8,000
2 dependents ($500 each)	1,000
Total	$ 9,000

Charlotte's father is a dependent; he does not fail the gross income test because tax-exempt income is not counted. There is no phaseout of the child and dependent tax credits because Charlotte's AGI does not exceed $400,000 (Charlotte is a surviving spouse). Of the $8,000 child tax credit, $5,600 is refundable ($1,400 × 4), since this amount is less than 15% of Charlotte's earned income in excess of $2,500 [($80,000 − $2,500) × 15% = $11,625]. None of the dependent tax credit is refundable.

40. (LO 1, 2, 3, 4, 5, 6)

Gross income	$95,000
Contribution to traditional IRA	(5,000)
AGI	$90,000
Less: Standard deduction	(18,350)
Taxable income	$71,650

Tax on $72,000 using Head-of-Household Tax Rate Schedule:
$6,065.00 + 22%($71,650 − $52,850) = $10,201.00

In addition, Morgan qualifies for a $1,000 dependent tax credit ($500 × 2) for Tammy and Jen. Although Tammy does not meet the relationship test, she is a member of Morgan's household. Jen meets the relationship test. Although Jerold meets the relationship test (as a resident of Canada), he is not a U.S. citizen or a resident. As a result, he does not qualify for the dependent tax credit. None of the dependent tax credit is refundable.

41. (LO 5)

a. Patricia is not required to file. Her gross income is less than $12,200, and her net earnings from self-employment are less than $400.

b. Mike does not need to file because his gross income of $10,800 is less than the $13,850 filing requirement. If, however, any income taxes were withheld from his pay, Mike should file a tax return to obtain a refund, even though filing is not required.

c. Ronald is not required to file. His gross income of $6,800 is less than his $7,150 standard deduction (earned income plus $350). However, Ronald should file a return to obtain a tax refund if any income taxes were withheld from his pay.

d. Sam and Lana are not required to file because their gross income of $24,250 is less than the $27,000 filing requirement ($24,400 + $1,300 + $1,300).

e. Quinn must file a return. He has unearned income of more than $1,100 and no additional standard deductions.

42. (LO 5, 6, 9)
If Roy and Brandi *do not* marry, their tax status is as follows:

	Roy	Brandi
Gross income and AGI	$ 9,000	$61,000
Standard deduction	(12,200)	(12,200)
Taxable income	$ –0–	$48,800

Tax on $48,800 using the Single Tax Rate Schedule is $4,543.00 + 22%($48,800 − $39,475) = $6,594.50. Thus, $0 (Roy) + $6,594.50 (Brandi) = $6,594.50 total tax for *not* being married.

If Roy and Brandi *do* marry:

Gross income ($9,000 + $61,000)	$70,000
Standard deduction	(24,400)
Taxable income	$45,600

Tax on $45,600 using the Married Filing Jointly Tax Rate Schedule is $1,940.00 + 12%($45,600 − $19,400) = $5,084.00.

By getting married and filing a joint return, $1,510.50 ($6,594.50 − $5,084.00) is saved.

43. (LO 5)

a. Winston qualifies for head-of-household filing status as long as one parent is his dependent.

b. Winston must use single filing status. Except in the case of parents, head-of-household status requires that the dependent be a member of the taxpayer's household.

c. The dependent must meet the relationship test. Therefore, Winston must use single filing status.

d. Winston can qualify for head of household if the mother-in-law is his dependent. He does not meet the requirements of a surviving spouse because a mother-in-law is not a child.

e. Because Winston is still married, he cannot use head-of-household filing status. (He does not satisfy the requirements of an abandoned spouse—a mother-in-law is not a child.) Consequently, Winston must use married filing separately filing status.

44. (LO 4, 5)

a. For 2017, Chloe's filing status is married filing jointly. Because she is the executor of Christopher's estate, she can consent on his behalf to file jointly. Being under 19 years of age, her son is a dependent as a qualifying child.

b. For 2018, Chloe's filing status is single. She is not a surviving spouse because she cannot claim Dylan as a dependent. Dylan is not a qualifying child (due to the age test) and is not a qualifying relative (due to the gross income test).

c. For 2019, Chloe's filing status is surviving spouse. She can claim Dylan as a dependent. Dylan is a qualifying child—although not under age 19, he is a full-time student. As a qualifying child, he is not subject to the gross income test.

45. (LO 3, 4, 5)

a. For 2018, Jerold can file a joint return. As executor of Nadia's estate, he can consent to file a joint return on her behalf. For 2019, Jerold can qualify as a surviving spouse. Travis is a qualifying child due to his student status, and Macy is a qualifying relative—her gross income of $3,500 (50% × $7,000) meets the gross income test. As a result, Jerold has two dependents.

b. The answer as to filing status does not change: joint return for 2018 and surviving spouse for 2019. Kansas is a common law state, so all of the $7,000 Macy earns is assigned to her. Travis is a qualifying child. Macy will not be a dependent under the qualifying relative category because of the gross income test. As a result, Jerold has only one dependent (Travis).

46. (LO 1, 3, 7)

Unearned income	$4,200
Minus: $1,100 base amount + $1,100 standard deduction	(2,200)
Net unearned income	$2,000

Computation of Paige's taxable income:

Earned income	$3,900
Interest income	4,200
Gross income	$8,100
Less: Standard deduction [greater of $1,100 or $3,900 (earned income) + $350]	(4,250)
Taxable income	$3,850

Because Paige has earned income, we determine her tax liability as follows:

1. Taxable income (TI) = $3,850.
2. Earned taxable income (ETI) = TI − NUI = $1,850 ($3,850 − $2,000).
3. Determine the tax liability:

   Since Paige's taxable income ($3,850) is less than "earned taxable income + $2,600" ($4,450 = $1,850 + $2,600), we use the Single Tax Rate Schedule to determine her tax liability. Her tax is $385 ($3,850 × 10%).

47. (LO 1, 3, 7)

a.

Earned income	$3,000
Interest income	5,000
Gross income and AGI	$8,000
Less: Standard deduction [greater of $1,100 or $3,000 (earned income) + $350]	(3,350)
Taxable income	$4,650

b.

Unearned income	$5,000
Less: $1,100 + $1,100	(2,200)
Net unearned income	$2,800

c. Because Terri has earned income, we determine her tax liability as follows:

1. Taxable income (TI) = $4,650.
2. Earned taxable income (ETI) = TI − NUI = $1,850 ($4,650 − $2,800).
3. Terri's tax liability is $493, determined as follows:

(a) Earned taxable income + $2,600 (taxed using the Single Tax Rate Schedule):

ETI + $2,600 = $1,850 + $2,600 = $4,450 × 10%	$445

(b) Net unearned income (NUI) − $2,600 (taxed using the Estate and Trust Tax Rate Schedule, but ignoring the 10% tax bracket):

NUI − $2,600 = $2,800 − $2,600 = $200 × 24%	48
Total tax liability	$493

48. (LO 8)

a. Inez has the following results:

LTCG (land)	$3,000
STCG (ADM stock)	4,000
LTCG (boat and trailer)	1,000
Loss on camper (nondeductible)	–0–

Inez has a net LTCG of $4,000 and a net STCG of $4,000. Given her taxable income, Inez has a marginal tax rate of 32%. As a result, her tax is $1,880 [($4,000 × 15%) + ($4,000 × 32%)].

b. $480 [($4,000 × 0%) + ($4,000 × 12%)].

49. (LO 8)

a. Chester has a collectible gain of $6,000, a LTCG of $2,000, and a STCL of $4,000. Offsetting the STCL against the collectible gain leaves $2,000 collectible gain and $2,000 LTCG. His tax liability is $860 [($2,000 × 28%) + ($2,000 × 15%)].

b. $240 [($2,000 × 12%) + ($2,000 × 0%)]. Given his taxable income, Chester has a marginal tax rate of 12%. The collectible gain is taxed at a rate of 12% (the 12% rate is less than the 28% collectible gain tax rate). He pays a 0% tax on the LTCG.

50. (LO 9)

a. By concentrating the payment of three years of charitable contributions (2018, 2019, and 2020) into one year, the Bateses will be able to itemize their deductions *from* AGI in 2019. Otherwise, their itemized deductions (normally $20,000) are of no benefit because they do not exceed the standard deduction ($24,000 in 2018; $24,400 in 2019, although not yet determined).

b. Since the $20,000 of normal itemized deductions already includes one year of church pledge payments, the additional payment of $8,000 ($4,000 for 2018 and $4,000 for 2020) yields itemized deductions of $28,000 ($20,000 + $8,000) for 2019. This exceeds the standard deduction by $3,600 ($28,000 − $24,400) that the Bateses would have claimed. Therefore, the tax savings they earn by concentrating the charitable contributions becomes $864 (24% × $3,600). The Bateses will use the standard deduction in 2020 (assuming that nothing else changes).

c. Young, Nellen, Hoffman, Raabe, & Maloney, CPAs
5191 Natorp Boulevard
Mason, OH 45040

November 22, 2019

Mr. and Mrs. Tom Bates
8212 Bridle Court
Reston, VA 20194

Dear Mr. and Mrs. Bates:

In response to your inquiry regarding the Federal income tax consequences of consolidating your charitable contributions for 2018, 2019, and 2020 into a single year (2019), here is a brief summary of the outcomes:

- Because individual taxpayers are presumed to be on the cash basis, all cash expenditures during a year will be evaluated in determining deductibility. In this case, combining the three $4,000 contributions into a single year makes sense from an income tax perspective.

- By combining all three payments in 2019, you will be able to itemize your deductions in that year while using the standard deduction amount in 2020.
- This $8,000 of additional contributions in 2019 (the $4,000 payments for 2018 and 2020) means that you will have total itemized deductions of $28,000 (which exceeds the 2019 married filing jointly standard deduction amount by $3,600).
- By consolidating these contributions in 2019, your tax savings will be $864 (the $3,600 of total itemized deductions in excess of the standard deduction times your marginal tax rate of 24%).

If I can be of further assistance to you in this matter, please do not hesitate to contact me.

Sincerely,

Heywood R. Floyd
Partner

CUMULATIVE PROBLEMS

51.

Salaries ($60,000 + $41,000)		$101,000
Interest income (Note 1)—		
Ford Motor Company bonds	$ 1,100	
Ally Bank CD	400	1,500
Child support (Note 2)		–0–
Gift from parents (Note 3)		–0–
Injury settlement (Note 4)		–0–
Lottery winnings (Note 5)		600
Federal income tax refund (Note 6)		–0–
IRA contribution (Note 7)		(5,000)
Adjusted gross income (AGI)		$ 98,100
Itemized deductions *from* AGI (Note 8)		
Medical [$7,200 − (7.5% × $98,100)]	$ –0–	
Taxes ($3,600 + $4,200)	7,800	
Interest on home mortgage	6,000	
Charitable contributions	3,600	
Life insurance premiums, traffic fines, political contributions, funeral expenses (Note 9)	–0–	
	$ (17,400)	
Standard deduction		(24,000)
Taxable income		$ 74,100
Tax on taxable income of $74,100 based on 2018 Married Filing Jointly Tax Table		$ 8,514
Less: Withholdings ($4,200 + $2,100)	$ 6,300	
Less: Child and dependent tax credit (Note 10)	2,500	(8,800)
Net tax payable (or refund due)		($ 286)

See the tax return solution beginning on p. 3-23 of this Solutions Manual.

Notes

(1) Interest on state and local bonds is an exclusion from gross income. See Exhibit 3.1 in the text.

(2) Child support is an exclusion from gross income, but alimony is not. The $7,200 that John Allen paid is clearly child support because any alimony obligation terminated when Wanda remarried. See Exhibits 3.1 and 3.2 in the text.

(3) Gifts are exclusions from gross income (Exhibit 3.1 in the text).

(4) Damages for a physical personal injury are exclusions from gross income (Exhibit 3.1) unless they are punitive in nature (Exhibit 3.2). There is no reason to assume that any of the $90,000 settlement is punitive because the matter was never litigated in a court.

(5) Lottery winnings are included in gross income (Exhibit 3.2). If the taxpayer has substantiation, losses can be claimed to the extent of gains.

(6) A Federal income tax refund is a return of a nondeductible expenditure and, therefore, is nontaxable.

(7) A contribution to a traditional IRA is a deduction *for* AGI.

(8) Because their itemized deductions do not exceed $24,000 (the married filing jointly standard deduction), the Deans will use the standard deduction.

(9) Life insurance premiums, traffic fines, political contributions, and funeral costs are not deductible.

(10) Wanda may claim the children as dependents because she has custody and did not issue a Form 8332 waiver in favor of John Allen (the father). Because Penny is a qualifying child, she is not subject to the gross income limitation. (In terms of age, Penny falls under the student exception.) The facts do not indicate whether Kyle is a student, but this status is not necessary because he has met the age test (i.e., under 19) for a qualifying child. The Deans are able to claim a $2,000 child tax credit (for Kyle) and a $500 dependent tax credit (for Penny). Since their AGI does not exceed $400,000, there is no phaseout of the child and dependent tax credits. In addition, up to $1,400 of the child tax credit is refundable [this amount is less than 15% of earned income in excess of $2,500; $14,775 = ($101,000 – $2,500) × 15%)].

52. *Part 1—Tax Computation*

Salary			$ 80,000
Interest income—			
Omni Bank		$ 300	
Boone State Bank		1,100	
City of Springfield bonds (Note 1)		–0–	1,400
Inheritance (Note 2)			–0–
Life insurance proceeds (Note 3)			–0–
Sale of lot held as an investment (Note 4)			(3,000)
Estate sale (Note 5)			–0–
Federal income tax refund (Note 6)			–0–
Adjusted gross income (AGI)			$ 78,400
Itemized deductions *from* AGI (greater than $24,000 standard deduction)			
Medical [$11,500 − (7.5% × $78,400)]		$5,620	
Taxes—			
State income tax	$4,200		
Property tax	4,500	8,700	
Interest on home mortgage		5,600	
Charitable contributions (Note 7)		4,800	(24,720)
Taxable income			$ 53,680
Tax on taxable income of $53,680 based on 2018 Married Filing Jointly (Surviving Spouse) Tax Table (Note 8)			$ 6,060
Less: Withholdings		$4,500	
Less: Dependent tax credit (Note 9)		1,500	(6,000)
Net tax payable (or refund due)			$ 60

See the tax return solution beginning on p. 3-26 of this Solutions Manual.

Notes

(1) Interest on state and local bonds is excluded from gross income. See Exhibit 3.1 in the text.

(2) Inheritances are excluded from gross income. See Exhibit 3.1 in the text.

(3) Life insurance proceeds are nontaxable. See Exhibit 3.1 in the text.

(4) Logan has a realized long-term capital loss of $5,000 [$80,000 (selling price) − $85,000 (cost basis)] from the sale of the lot. Absent any offsetting capital gains, however, he can deduct only $3,000 against ordinary income. The $2,000 unabsorbed capital loss can be carried over to 2019.

(5) The basis of the property inherited is its fair market value on the date of the decedent's death. The basis of any other property that was sold is its cost (see Chapter 14 in the text). Consequently, the estate sale most likely resulted in a realized loss. Because the loss is personal, it cannot be recognized. Thus, the estate sale results in no income tax consequences.

(6) A Federal income tax refund is a return of a nondeductible expenditure and, therefore, is nontaxable.

(7) Charitable contributions are deductible in the year paid ($2,400 + $2,400 = $4,800). Therefore, the year for which they were pledged does not matter.

(8) Logan is a surviving spouse for filing purposes.

(9) Helen and Mia meet the qualifying relative tests. Asher is a qualifying child (under age 24 and a full-time student), so he is not subject to the gross income test. Logan is able to claim a $1,500 dependent tax credit (3 × $500; for Asher, Mia, and Helen). Neither Mia nor Asher qualifies for the child tax credit; both are over 16 years old. The dependent tax credit is not subject to phaseout (Logan's AGI does not exceed $400,000), and it is not refundable.

Part 2—Follow-Up Advice

Young, Nellen, Hoffman, Raabe, & Maloney, CPAs
5191 Natorp Boulevard
Mason, OH 45040

February 28, 2019

Logan B. Taylor
4680 Dogwood Lane
Springfield, MO 65801

Dear Mr. Taylor:

In response to your inquiry regarding the Federal income tax situation for 2019, the news is not good. The following developments will cause an increase in your taxes:

- Your filing status moves from surviving spouse to single. The result is a shift from the lowest to the highest progressive tax rates.

- The capital loss deduction is $2,000, or $1,000 less than last year.

- For various reasons, your children and mother no longer qualify as dependents. As a result, the dependent tax credit ($1,500 in 2018) will not be available to you in 2019.

- Because of less medical expense and no interest and charitable deductions, your itemized deductions will decrease. As a result, you will use the single standard deduction of $12,200.

Based on last year's data, an *estimate* of your Federal income tax liability for 2019 is $10,643* (or $4,583 more than the $6,060 for 2018).

If I can be of further assistance to you in this matter, please do not hesitate to contact me.

Sincerely,

Charles Spain
Partner

*$81,400 (AGI without $3,000 capital loss deduction) − $2,000 (capital loss carryover) = $79,400 (AGI) − $12,200 (single standard deduction) = $67,200 (taxable income). Tax is $10,642.50 [$4,543.00 + 22%($67,200 − $39,475)] under the 2019 Tax Rate Schedules for single taxpayers.

RESEARCH PROBLEMS

1. CLIENT LETTER

Young, Nellen, Hoffman, Raabe, & Maloney, CPAs
5191 Natorp Boulevard
Mason, OH 45040

March 6, 2020

Mr. Brett Ouray
16 Lahinch
Chicago, IL 60608

Dear Brett:

This letter is in response to your inquiry about which filing status is most appropriate for you in the current tax year.

Generally, married taxpayers who do not file a joint return must file as married filing separately. However, there exists a special classification called abandoned spouse that allows a married person to be treated as being single. Single persons can qualify for head-of-household filing status.

To be considered an abandoned spouse (in other words, to be considered not married for tax purposes), you must satisfy all of the following requirements:

(1) You maintain a household that for more than half the year is the principal living place of a child whom you claim as a dependent.
(2) You furnish more than half the cost of maintaining the home.
(3) Your spouse was not a member of the household for the last six months of the year.

Although in your situation the first two requirements are satisfied, the third requirement is likely not satisfied. Both the IRS and the courts have concluded that taxpayers must live in separate residences to be considered living apart. Despite the fact that you and your wife are estranged, because you live in the same house, you will not be considered unmarried for tax purposes. As such, given that you are not yet divorced, the appropriate filing status in the current year would be married filing jointly. If you and your wife are sufficiently estranged that it would not be possible to file jointly, the appropriate filing status would then be married filing separately.

If I can be of further assistance to you in this matter, please feel free to contact me.

Sincerely,

Janice Dodd, CPA

Instructor note: IRC § 7703(b) addresses married taxpayers who live apart and specifies the requirements listed above. Although § 7703(b) does not provide much detail about what being a member of a household involves, Reg. § 1.7703–1(b)(5) clarifies that an individual's spouse is not a member of the household during a taxable year if such household does not constitute such spouse's place of residence at any time during the year. The facts in the problem closely mirror the facts in *Keith Chiosie v. Commissioner*, T.C.Memo. 2000–117. The opinion in this case confirms that not to be considered members of the same household, taxpayers must live apart. The opinion provides a helpful discussion of how courts have interpreted the "living apart" requirement and references other cases that also specify that there must be geographic distance between the taxpayers to satisfy the third requirement.

2. a. The Bakers have two dependents: Florence and Darin. With regard to Janet's parents, the following table summarizes the components involved.

Support Provided	Calvin	Florence
Funds spent on clothing, transportation, and recreation (1/2 of $8,000)	$4,000	$4,000
Fair rental value of lodging (1/7 × $14,000)	2,000	2,000
Share of food (1/7 × $10,500)	1,500	1,500
Dental bills	—	1,000
Life insurance premium	—	—
Parents' total support	$7,500	$8,500

Of Calvin's total support of $7,500, the Bakers provide only $3,500 ($2,000 + $1,500), which is not more than 50%. Life insurance premiums are not considered to be an item of support. In Florence's case, however, the Bakers furnish $4,500 ($2,000 + $1,500 + $1,000), which is more than $4,250 (50% of $8,500).

As a qualifying child (under age 19), Darin's income is immaterial (as long as he is not self-supporting). Because he satisfies the age requirement, his student status does not matter.

Andrea is not a qualifying child because she meets neither the age nor student test. She is not a qualifying relative because the support test is not met. The facts do not state what other types of support (e.g., clothing, recreation, medical) the Bakers pay for, but it would have to be significant for the total (including room and board) to exceed $21,000.

Morgan could be a qualifying child except that she appears to be self-supporting. Furthermore, she cannot be a qualifying relative due to the support test. As was the case for Andrea, however, the facts do not reflect what other types of support (besides room and board) her parents might provide. It is unlikely that the total would exceed the $20,000 Morgan furnishes herself.

b. Calvin could have been a dependent if Janet had not paid the life insurance premium. Instead, she should have applied the funds on Calvin's behalf toward a support item (e.g., help pay for the vacation). Thus, Calvin could pay the premium from his own funds without jeopardizing the support percentage.

In the case of Andrea, her parents would have had a better chance of meeting the support test if the cost of the car had not been so high. In this regard, could leasing rather than purchasing the Camaro have accomplished this result? Perhaps the Bakers could have contributed whatever portion of the cost is needed to satisfy the more-than-50% requirement for the dependency status.

Research Problems 3 to 6

These research problems require that students utilize online resources to research and answer the questions. As a result, solutions may vary among students and courses. You should determine the skill and experience levels of the students before assigning these problems, coaching where necessary. Encourage students to use reliable websites and blogs of the IRS and other government agencies, media outlets, businesses, tax professionals, academics, think tanks, and political outlets to research their answers.

3. Students should be able to locate IRS data by going to the web page:

   irs.gov/statistics/soi-tax-stats-individual-statistical-tables-by-size-of-adjusted-gross-income

   Under the All Returns: Sources of Income panel, the 2016 data is contained in the following downloadable file: 16in14ar.xls.

   Data for other years are also available, so you could make this assignment more robust by asking students to analyze data across several years.

4. Form 2120 is the multiple support declaration form. Technically, no one has to sign the form; the taxpayer claiming the dependent must have a signed statement from each other person eligible to claim the taxpayer in question as a dependent. A multiple support agreement can only be used to claim a qualifying relative as a dependent.

5. The form is used to request innocent spouse relief. The form should be filed as soon as the taxpayer (the innocent spouse) becomes aware of a tax liability for which he or she believes only his or her spouse or former spouse should be held responsible.

6. On **irs.gov**, search for the following term: nonresident alien filing. The website **irs.gov/individuals/international-taxpayers/taxation-of-nonresident-aliens** provides details about the taxation of nonresident aliens.

CHECK FIGURES

20. Sam has $2,100 *unearned* income.
21.a. $1,750.
21.b. $27,000.
21.c. $2,750.
21.d. $0.
22.a. Both spouses must itemize.
22.b. Claim standard deduction.
23.a. $16,927; 24%; 17.86%.
23.b. $6,989; 22%; 12.25%.
24. $2,700; $3,700; $394.
25. $150; loss; $300; gain; painting.
26. Short-term capital loss; $3,100.
27.a. $98,000.
27.b. $61,650.
27.c. $50,600.
27.d. $39,650.
27.e. $45,650.
28. $76,400.
29. $65,850.
30.a. $12,200.
30.b. $5,050.
30.c. $1,150.
30.d. $1,100.
30.e. $5,200.
31.a. QC: NA; QR: Not met.
31.b. QC: NA; QR: Met.
31.c. QC: Not met; QR: Met.
31.d. QC: Met; QR: NA.
31.e. QC: Residence: Not met; QR: Not met.
31.f. QC: No tests met; QR: Not met.
31.g. QC: Not met; QR: Met.
31.h. QC: All tests met; QR: Met.
31.i. QC: Age: Not met; QR: Met.
31.j. QC: All tests met; QR: GI: Not met.
32.a. Two.
32.b. One.
32.c. Two.
32.d. One.
33.a. Two.
33.b. One.
33.c. Two.
33.d. One.
34.a. Three.
34.b. Two.
34.c. None.
34.d. Three.
35.a. All three are eligible.
36.a. Son, niece, and brother.
37.a. $1,450.
37.b. $145.
39. $6,524.
40. $10,201.
41.a. Patricia is not required to file.
41.b. Mike is not required to file.
41.c. Ronald is not required to file.
41.d. Sam and Lana are not required to file.
41.e. Quinn is required to file.
42. Joint return saves $1,510.50.
43.a. Head of household.
43.b. Single.
43.c. Single.
43.d. Potentially head of household.
43.e. Married filing separately.
44.a. 2017 married filing jointly.
44.b. 2018 single.
44.c. 2019 surviving spouse.
45.a. 2018 filing jointly; 2019 surviving spouse.
45.b. 2018 filing jointly; 2019 surviving spouse.
46. Taxable income $3,850; tax $385.
47.a. $4,650.
47.b. $2,800.
47.c. $493.
48.a. $1,880.
48.b. $480.
49.a. $860.
49.b. $240.
50.b. Saves $864.
51. Refund due $286.
52. Part 1—tax due $60.
Part 2—income tax increases by $4,583.

SOLUTIONS TO ETHICS & EQUITY FEATURES

Whose Qualifying Child Is He? (p. 3-20). Until recently, the procedure suggested by the Rands would have worked. However, Congress changed the Internal Revenue Code to prohibit this [§ 152(c)(4)(C)]. Under current law, another eligible taxpayer may claim a person as a qualified child only if the person has an adjusted gross income (AGI) higher than the highest AGI of any of his or her parents. This new provision eliminates Belinda because her AGI ($15,000) is not higher than her parent's AGI ($400,000). Therefore, regardless of the Rands' willingness to waive claiming him, Henry remains their qualifying child.

Abandoned Spouse? (p. 3-27). A married individual is not treated as unmarried under the abandoned spouse rules if the individual's spouse occupies the same residence, even if they maintain separate bedrooms and bathrooms {see, for example, *Lyddan v. U.S.* [51 AFTR 2d 83−808 (D.Ct., CT, 1982), *aff'd* 52 AFTR 2d 83−6254 (CA–2, 1983)]}. The same is true if one spouse moves into the basement while the other spouse and children reside in the upper levels (see *Elsawah*, T.C. Summary Opinion 2004−33).

According to *Lyddan*, there is a need for a "bright line" test that does not depend on a factual inquiry into the intimate living details of an estranged couple. Further, according to *Dawkins* (T.C.Memo. 1991−225), Congress did not intend spouses living under the same roof to be treated as living "separated and apart."

So the question in this case is whether the detached garage would be considered "under the same roof" or "occupying the same residence." In the Second Circuit decision in *Lyddan*, the Court wrote: "We think the phrase requires a geographical separation and means living in separate residences." If so, then it is highly likely that Bob and Carol are "occupying the same residence." As such, they would be considered "married" and Carol would not qualify for head-of-household status.

SOLUTIONS TO BECKER CPA REVIEW QUESTIONS

Detailed answer feedback for Becker CPA Review questions is available on the instructor companion site (**cengage.com/login**).

1.	a	7.	b
2.	c	8.	c
3.	b	9.	d
4.	b	10.	d
5.	c	11.	b
6.	d		

51.

Form **1040** Department of the Treasury — Internal Revenue Service (99) **U.S. Individual Income Tax Return** **2018** OMB No. 1545-0074 IRS Use Only — Do not write or staple in this space.

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
Lance H. Dean		123-45-6786

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
Wanda B. Dean		123-45-6787

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.

431 Yucca Drive

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.

Santa Fe, NM 87501

If more than four dependents, see inst. and ✓ here ► ☐

Dependents (see instructions):

(1) First name Last name	(2) Social security number	(3) Relationship to you	(4) ✓ if qualifies for (see inst.): Child tax credit	Credit for other dependents
Penny Allen	123-45-6788	Child	☐	☒
Kyle Allen	123-45-6780	Child	☒	☐
			☐	☐
			☐	☐

Sign Here
Joint return? See instructions.
Keep a copy for your records.

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.

Your signature	Date	Your occupation	If the IRS sent you an Identity Protection PIN, enter it here (see inst.)
		Manager	
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.)**
		Paralegal	

Paid Preparer Use Only

Preparer's name	Preparer's signature	PTIN	Firm's EIN	Check if:
	Self-Prepared			☐ 3rd Party Designee
Firm's name ►		Phone no.		☐ Self-employed
Firm's address ►				

BAA For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Form **1040** (2018)

FDIA0112L 10/02/18

51. continued

Form 1040 (2018) Lance H. and Wanda B. Dean 123-45-6786 Page **2**

Attach Form(s) W-2. Also attach Form(s) W-2G and 1099-R if tax was withheld.	**1** Wages, salaries, tips, etc. Attach Form(s) W-2	**1**	101,000.
	2a Tax-exempt interest **2a** 1,000. **b** Taxable interest	**2b**	1,500.
	3a Qualified dividends **3a** **b** Ordinary dividends	**3b**	
	4a IRAs, pensions, and annuities **4a** **b** Taxable amount	**4b**	
	5a Social security benefits **5a** **b** Taxable amount	**5b**	
	6 Total income. Add lines 1 through 5. Add any amount from Schedule 1, line 22 600.	**6**	103,100.
	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**	98,100.
Standard Deduction for —	**8** **Standard deduction or itemized deductions** (from Schedule A)	**8**	24,000.
• Single or married filing separately, $12,000	**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**	74,100.
• Married filing jointly or Qualifying widow(er), $24,000	**11** **a** Tax (see inst.) 8,514. (check if any from: **1** ☐ Form(s) 8814 **2** ☐ Form 4972 **3** ☐) **b Add** any amount from Schedule 2 and check here ► ☐	**11**	8,514.
• Head of household, $18,000	**12** **a** Child tax credit/credit for other dependents 2,500. **b Add** any amount from Schedule 3 and check here ► ☐	**12**	2,500.
• If you checked any box under Standard deduction, see instructions.	**13** Subtract line 12 from line 11. If zero or less, enter -0-	**13**	6,014.
	14 Other taxes. Attach Schedule 4	**14**	
	15 Total tax. Add lines 13 and 14	**15**	6,014.
	16 Federal income tax withheld from Forms W-2 and 1099	**16**	6,300.
	17 Refundable credits: **a** EIC (see inst.) **b** Sch. 8812 **c** Form 8863 Add any amount from Schedule 5	**17**	
	18 Add lines 16 and 17. These are your total payments	**18**	6,300.
Refund	**19** If line 18 is more than line 15, subtract line 15 from line 18. This is the amount you **overpaid**	**19**	286.
	20a Amount of line 19 you want **refunded to you.** If Form 8888 is attached, check here ► ☐	**20a**	286.
Direct deposit? See instructions.	► **b** Routing number XXXXXXXXXX ► **c** Type: ☐ Checking ☐ Savings ► **d** Account number XXXXXXXXXXXXXXXXXXXXXXXXX		
	21 Amount of line 19 you want **applied to your 2019 estimated tax** ► **21**		
Amount You Owe	**22** **Amount you owe.** Subtract line 18 from line 15. For details on how to pay, see instructions. ►	**22**	
	23 Estimated tax penalty (see instructions) **23**		

Go to *www.irs.gov/Form1040* for instructions and the latest information. Form **1040** (2018)

FDIA0112L 12/30/18

51. continued

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: Lance H. and Wanda B. Dean
Your social security number: 123-45-6786

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 State Lottery Winnings	21	600.
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	600.

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	5,000.		
33	Student loan interest deduction	33			
34	Reserved	34			
35	Reserved	35			
36	Add lines 23 through 35			36	5,000.

BAA For Paperwork Reduction Act Notice, see your tax return instructions. **Schedule 1 (Form 1040) 2018**

FDIA0103L 08/23/18

52.

Form **1040** Department of the Treasury — Internal Revenue Service (99)
U.S. Individual Income Tax Return **2018** OMB No. 1545-0074 IRS Use Only — Do not write or staple in this space.

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
Logan B. Taylor		123-45-6787

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.
4680 Dogwood Lane

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.
Springfield, MO 65801

If more than four dependents, see inst. and ✓ here ► ☐

Dependents (see instructions): (1) First name Last name	(2) Social security number	(3) Relationship to you	(4) ✓ if qualifies for (see inst.): Child tax credit	Credit for other dependents
Helen Taylor	123-45-6780	Parent	☐	X
Asher Taylor	123-45-6783	Child	☐	X
Mia Taylor	123-45-6784	Child	☐	X
			☐	☐

Sign Here
Joint return? See instructions.
Keep a copy for your records.

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.

Your signature	Date	Your occupation	If the IRS sent you an Identity Protection PIN, enter it here (see inst.)
		Paralegal	
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:
	Self-Prepared			☐ 3rd Party Designee
Firm's name ►		Phone no.		☐ Self-employed
Firm's address ►				

[DO NOT FILE]

BAA For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Form **1040** (2018)

FDIA0112L 10/02/18

52. continued

Form 1040 (2018) Logan B. Taylor 123-45-6787 Page **2**

Attach Form(s) W-2. Also attach Form(s) W-2G and 1099-R if tax was withheld.	**1**	Wages, salaries, tips, etc. Attach Form(s) W-2	**1**	80,000.
	2a	Tax-exempt interest **2a** 3,000. **b** Taxable interest	**2b**	1,400.
	3a	Qualified dividends **3a** **b** Ordinary dividends	**3b**	
	4a	IRAs, pensions, and annuities **4a** **b** Taxable amount	**4b**	
	5a	Social security benefits **5a** **b** Taxable amount	**5b**	
	6	Total income. Add lines 1 through 5. Add any amount from Schedule 1, line 22 -3,000.	**6**	78,400.
	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**	78,400.
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.	**8**	**Standard deduction or itemized deductions** (from Schedule A)	**8**	24,720.
	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**	53,680.
	11	**a** Tax (see inst.) 6,060. (check if any from: **1** ☐ Form(s) 8814 **2** ☐ Form 4972 **3** ☐) **b Add** any amount from Schedule 2 and check here ► ☐	**11**	6,060.
	12	**a** Child tax credit/credit for other dependents 1,500. **b Add** any amount from Schedule 3 and check here ► ☐	**12**	1,500.
	13	Subtract line 12 from line 11. If zero or less, enter -0-	**13**	4,560.
	14	Other taxes. Attach Schedule 4	**14**	
	15	Total tax. Add lines 13 and 14	**15**	4,560.
	16	Federal income tax withheld from Forms W-2 and 1099	**16**	4,500.
	17	Refundable credits: **a** EIC (see inst.) **b** Sch. 8812 **c** Form 8863 Add any amount from Schedule 5	**17**	
	18	Add lines 16 and 17. These are your total payments	**18**	4,500.
Refund	**19**	If line 18 is more than line 15, subtract line 15 from line 18. This is the amount you **overpaid**	**19**	
	20a	Amount of line 19 you want **refunded to you.** If Form 8888 is attached, check here ► ☐	**20a**	
Direct deposit? See instructions.	► **b**	Routing number ► **c** Type: ☐ Checking ☐ Savings		
	► **d**	Account number		
	21	Amount of line 19 you want **applied to your 2019 estimated tax** ► **21**		
Amount You Owe	**22**	**Amount you owe.** Subtract line 18 from line 15. For details on how to pay, see instructions. ►	**22**	60.
	23	Estimated tax penalty (see instructions) **23**		

Go to *www.irs.gov/Form1040* for instructions and the latest information. Form **1040** (2018)

[DO NOT FILE]

FDIA0112L 12/30/18

52. continued

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: Logan B. Taylor
Your social security number: 123-45-6787

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	-3,000.
	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	-3,000.
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	0.

BAA For Paperwork Reduction Act Notice, see your tax return instructions. **Schedule 1 (Form 1040) 2018**

FDIA0103L 01/21/19

52. continued

SCHEDULE A (Form 1040)
Department of the Treasury Internal Revenue Service (99)

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**

Name(s) shown on Form 1040: Logan B. Taylor
Your social security number: 123-45-6787

Medical and Dental Expenses		**Caution:** Do not include expenses reimbursed or paid by others.				
	1	Medical and dental expenses (see instructions)	1	11,500.		
	2	Enter amount from Form 1040, line 7 — 2 — 78,400.				
	3	Multiply line 2 by 7.5% (0.075)	3	5,880.		
	4	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-			4	5,620.
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 ► ☐	5a	4,200.		
	b	State and local real estate taxes (see instructions)	5b	4,500.		
	c	State and local personal property taxes	5c			
	d	Add lines 5a through 5c	5d	8,700.		
	e	Enter the smaller of line 5d or $10,000 ($5,000 if married filing separately)	5e	8,700.		
	6	Other taxes. List type and amount ►	6			
	7	Add lines 5e and 6			7	8,700.
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	8a	5,600.		
	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 ►	8b			
	c	Points not reported to you on Form 1098. See instructions for special rules	8c			
	d	Reserved	8d			
	e	Add lines 8a through 8c	8e	5,600.		
	9	Investment interest. Attach Form 4952 if required. See instructions	9			
	10	Add lines 8e and 9			10	5,600.
Gifts to Charity If you made a gift and got a benefit for it, see instructions.	11	Gifts by cash or check. If you made any gift of $250 or more, see instructions	11	4,800.		
	12	Other than by cash or check. If any gift of $250 or more, see instructions. You **must** attach Form 8283 if over $500	12			
	13	Carryover from prior year	13			
	14	Add lines 11 through 13			14	4,800.
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	0.
Other Itemized Deductions	16	Other—from list in instructions. List type and amount ►			16	0.
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	24,720.
	18	If you elect to itemize deductions even though they are less than your standard deduction, check here ► ☐				

[DO NOT FILE]

BAA For Paperwork Reduction Act Notice, see the Instructions for Form 1040. FDIA0301L 11/29/18 Schedule A (Form 1040) 2018

52. continued

SCHEDULE D
(Form 1040)

Department of the Treasury
Internal Revenue Service (99)

Capital Gains and Losses

► Attach to Form 1040 or Form 1040NR.
► Go to *www.irs.gov/ScheduleD* for instructions and the latest information.
► Use Form 8949 to list your transactions for lines 1b, 2, 3, 8b, 9, and 10.

OMB No. 1545-0074
2018
Attachment Sequence No. **12**

Name(s) shown on return: Logan B. Taylor
Your social security number: 123-45-6787

Part I Short-Term Capital Gains and Losses — Generally Assets Held One Year or Less (see instructions)

See instructions for how to figure the amounts to enter on the lines below. This form may be easier to complete if you round off cents to whole dollars.	(d) Proceeds (sales price)	(e) Cost (or other basis)	(g) Adjustments to gain or loss from Form(s) 8949, Part I, line 2, column (g)	(h) Gain or (loss) Subtract column (e) from column (d) and combine the result with column (g)
1a Totals for all short-term transactions reported on Form 1099-B for which basis was reported to the IRS and for which you have no adjustments (see instructions). However, if you choose to report all these transactions on Form 8949, leave this line blank and go to line 1b				
1b Totals for all transactions reported on Form(s) 8949 with **Box A** checked				
2 Totals for all transactions reported on Form(s) 8949 with **Box B** checked				
3 Totals for all transactions reported on Form(s) 8949 with **Box C** checked				

4 Short-term gain from Form 6252 and short-term gain or (loss) from Forms 4684, 6781, and 8824	4	
5 Net short-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1	5	
6 Short-term capital loss carryover. Enter the amount, if any, from line 8 of your **Capital Loss Carryover Worksheet** in the instructions	6	
7 Net short-term capital gain or (loss). Combine lines 1a through 6 in column (h). If you have any long-term capital gains or losses, go to Part II below. Otherwise, go to Part III on the back	7	

[DO NOT FILE]

Part II Long-Term Capital Gains and Losses — Generally Assets Held More Than One Year (see instructions)

See instructions for how to figure the amounts to enter on the lines below. This form may be easier to complete if you round off cents to whole dollars.	(d) Proceeds (sales price)	(e) Cost (or other basis)	(g) Adjustments to gain or loss from Form(s) 8949, Part II, line 2, column (g)	(h) Gain or (loss) Subtract column (e) from column (d) and combine the result with column (g)
8a Totals for all long-term transactions reported on Form 1099-B for which basis was reported to the IRS and for which you have no adjustments (see instructions). However, if you choose to report all these transactions on Form 8949, leave this line blank and go to line 8b				
8b Totals for all transactions reported on Form(s) 8949 with **Box D** checked				
9 Totals for all transactions reported on Form(s) 8949 with **Box E** checked				
10 Totals for all transactions reported on Form(s) 8949 with **Box F** checked	80,000.	85,000.		-5,000.

11 Gain from Form 4797, Part I; long-term gain from Forms 2439 and 6252; and long-term gain or (loss) from Forms 4684, 6781, and 8824	11	
12 Net long-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1	12	
13 Capital gain distributions. See the instrs.	13	
14 Long-term capital loss carryover. Enter the amount, if any, from line 13 of your **Capital Loss Carryover Worksheet** in the instructions	14	
15 Net long-term capital gain or (loss). Combine lines 8a through 14 in column (h). Then go to Part III on the back	15	-5,000.

BAA For Paperwork Reduction Act Notice, see your tax return instructions. **Schedule D (Form 1040) 2018**

FDIA0612L 08/27/18

52. continued

Schedule D (Form 1040) 2018 Logan B. Taylor 123-45-6787 Page **2**

Part III Summary

16 Combine lines 7 and 15 and enter the result . . . . . . **16** -5,000.

- If line 16 is a **gain,** enter the amount from line 16 on Schedule 1 (Form 1040), line 13, or Form 1040NR, line 14. Then go to line 17 below.
- If line 16 is a **loss,** skip lines 17 through 20 below. Then go to line 21. Also be sure to complete line 22.
- If line 16 is **zero,** skip lines 17 through 21 below and enter -0- on Schedule 1 (Form 1040), line 13, or Form 1040NR, line 14. Then go to line 22.

17 Are lines 15 and 16 **both** gains?

☐ **Yes.** Go to line 18.

☐ **No.** Skip lines 18 through 21, and go to line 22.

18 If you are required to complete the **28% Rate Gain Worksheet** (see instructions), enter the amount, if any, from line 7 of that worksheet . . . . . . ► **18**

19 If you are required to complete the **Unrecaptured Section 1250 Gain Worksheet** (see instructions), enter the amount, if any, from line 18 of that worksheet . . . . . . ► **19**

20 Are lines 18 and 19 **both** zero or blank?

☐ **Yes.** Complete the **Qualified Dividends and Capital Gain Tax Worksheet** in the instructions for Form 1040, line 11a (or in the instructions for Form 1040NR, line 42). **Don't** complete lines 21 and 22 below.

☐ **No.** Complete the **Schedule D Tax Worksheet** in the instructions. **Don't** complete lines 21 and 22 below.

21 If line 16 is a loss, enter here and on Schedule 1 (Form 1040), line 13, or Form 1040NR, line 14, the **smaller** of:

- The loss on line 16; or
- ($3,000), or if married filing separately, ($1,500) . . . . . . **21** -3,000.

Note: When figuring which amount is smaller, treat both amounts as positive numbers.

22 Do you have qualified dividends on Form 1040, line 3a, or Form 1040NR, line 10b?

☐ **Yes.** Complete the **Qualified Dividends and Capital Gain Tax Worksheet** in the instructions for Form 1040, line 11a (or in the instructions for Form 1040NR, line 42).

☒ **No.** Complete the rest of Form 1040 or Form 1040NR.

Schedule D (Form 1040) 2018

FDIA0612L 08/27/18

52. continued

Form **8949** (2018) Attachment Sequence No. **12A** Page **2**

Name(s) shown on return. Name and SSN or taxpayer identification no. not required if shown on other side: Logan B. Taylor

SSN or taxpayer identification number: 123-45-6787

Before you check Box D, E, or F below, see whether you received any Form(s) 1099-B or substitute statement(s) from your broker. A substitute statement will have the same information as Form 1099-B. Either will show whether your basis (usually your cost) was reported to the IRS by your broker and may even tell you which box to check.

Part II **Long-Term.** Transactions involving capital assets you held more than 1 year are generally long-term (see instructions). For short-term transactions, see page 1.

Note: You may aggregate all long-term transactions reported on Form(s) 1099-B showing basis was reported to the IRS and for which no adjustments or codes are required. Enter the totals directly on Schedule D, line 8a; you aren't required to report these transactions on Form 8949 (see instructions).

You *must* check Box D, E, *or* F below. Check only one box. If more than one box applies for your long-term transactions, complete a separate Form 8949, page 2, for each applicable box. If you have more long-term transactions than will fit on this page for one or more of the boxes, complete as many forms with the same box checked as you need.

☐ **(D)** Long-term transactions reported on Form(s) 1099-B showing basis was reported to the IRS (see **Note** above)

☐ **(E)** Long-term transactions reported on Form(s) 1099-B showing basis **wasn't** reported to the IRS

☒ **(F)** Long-term transactions not reported to you on Form 1099-B

1 (a) Description of property (Example: 100 shares XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold or disposed of (Mo., day, yr.)	(d) Proceeds (sales price) (see instructions)	(e) Cost or other basis. See the **Note** below and see *Column (e)* in the separate instructions	Adjustment, if any, to gain or loss. If you enter an amount in column (g), enter a code in column (f). **See the separate instructions.** (f) Code(s) from instructions	(g) Amount of adjustment	(h) **Gain or (loss).** Subtract column (e) from column (d) and combine the result with column (g)
Land; St. Louis, MO	5/02/13	1/02/18	80,000.	85,000.			-5,000.
2 Totals. Add the amounts in columns (d), (e), (g), and (h) (subtract negative amounts). Enter each total here and include on your Schedule D, **line 8b** (if **Box D** above is checked), **line 9** (if **Box E** above is checked), or **line 10** (if **Box F** above is checked) ►			80,000.	85,000.		0.	-5,000.

Note: If you checked Box D above but the basis reported to the IRS was incorrect, enter in column (e) the basis as reported to the IRS, and enter an adjustment in column (g) to correct the basis. See *Column (g)* in the separate instructions for how to figure the amount of the adjustment.

FDIA9212L 08/24/18 Form **8949** (2018)