

Phase 3 Task 2

Ned B. Quick is married to Susan C. Quick. Ned is an office manager and his work telephone number is 866-813-1836. His date of birth is January 1, 1944. His Social Security number is 987-63-2102. Susan retired in early 2008 shortly after an accident at work that left her legally blind. Her date of birth is June 13, 1955. Her Social Security number is 987-62-2020. They reside at 5550 Prairie Stone Parkway Hoffman Branch, TX 76525.

Ned and Susan had legal custody of Terry N. Slick, their grandchild, since he was ten years old. Terry's date of birth is March 13, 1988. His Social Security number is 126-37-9856. Terry is now a full-time college student and still resides with them when he is not at his college. Terry just completed his second tax year of college courses at the local university. He is a sophomore. Terry took out student loans to pay for his qualifying education expenses during 2008. Ned and Susan presented a 1098-T with their tax documents, which showed what was billed by the university during the tax year. They also produced an account summary by term from Terry's university which showed that \$32,753 was paid to the university during the tax year.

Ned and Susan received an economic stimulus payment of \$1200 during 2008. Their filing status for 2007 was Married Filing Jointly. In addition, they received a refund from their federal income tax return when they filed it for the 2007 tax year.

Ned worked two jobs during 2008. He received two W-2s and has presented them to you. The data on the first W-2 (his management position) contains the following details:

Box 1 (Wages, tips, etc.) \$97,212
Box 2 (Federal income tax withheld) \$6,027
Box 3 (Social Security wages) \$97,212
Box 4 (Social Security tax withheld) \$6,027
Box 5 (Medicare wages and tips) \$97,212
Box 6 (Medicare tax withheld) \$1,410
Box 15 TX

No other data was entered into other boxes on this W-2.

Ned's second job is a part-time job teaching management courses at the local community college. He teaches two courses per semester and does not teach summer classes because he

uses that time to travel for his consulting business. His second W-2 contained the following details:

Box 1 (Wages, tips, etc.) \$7,800
Box 2 (Federal income tax withheld) \$925
Box 3 (Social Security wages) \$7,800
Box 4 (Social Security tax withheld) \$484
Box 5 (Medicare wages and tips) \$7,800
Box 6 (Medicare tax withheld) \$113
Box 15 TX

No other data was entered into other boxes on this W-2.

Susan received a W-2 for her job as a food preparation supervisor in a food processing plant prior to her mandatory retirement due to an industrial accident. Her W-2 contained the following details:

Box 1 (Wages, tips, etc.) \$3,274
Box 2 (Federal income tax withheld) \$300
Box 3 (Social Security wages) \$3,274
Box 4 (Social Security tax withheld) \$203
Box 5 (Medicare wages and tips) \$3,274
Box 6 (Medicare tax withheld) \$47
Box 15 TX

No other data was entered into other boxes on this W-2.

Susan also received a 1099-R from her former employer showing a 7 for the distribution code, a gross distribution of \$15,723, and a taxable amount of \$15,603. Federal income tax withholding for this W-2 shows \$1,572.

Ned received a 1099-R showing a distribution from his Roth IRA of \$1,273. The distribution code on this form is Q.

Ned received a 1099-INT from MidFirst Bank showing interest received of \$15. Susan received a 1099-INT showing \$213 interest income received from a City of New York bond that she purchased earlier in the tax year.

Ned received a 1099-DIV from Amcap Fund A showing total ordinary dividends of \$1,576, qualified dividends of \$572, and capital gains distributions of \$147.

Ned disclosed that he had gambled while on a business trip. He won \$6,800 but lost \$7,298 during this trip.

Ned received a SSA-1099 showing that he had received Social Security benefits (box 5) of \$10,274 during the year. Also, the form discloses that he paid \$1,575 for Medicare part D premiums. Federal income tax withheld from this income source was \$1,370.

Ned does some consulting and expert witness work during his summers for a few businesses. This allows him to earn money while traveling to different locations while on vacation from his primary job. The principal business or profession is "Consultant" and its business code is "541100." The accounting method is cash. He reported the following account balances to you:

- Service revenue \$12,346
- Accounting costs \$423
- Bank charges \$39
- Professional dues and subscriptions \$345
- Liability insurance \$540
- Attorney fees \$3500
- Printing fees \$237
- Supplies \$120
- Business use of personal property tax \$30
- Office telephone expense \$1200
- Travel costs:
 - Plane tickets \$723
 - Hotel \$636
 - Rental car and related expenses \$624

Ned discloses that he wants to take the *per diem* deduction for each allowable day during his business trip. His trip lasted 8 days. He spent five days traveling and working for his business. He spent the remaining 3 days visiting friends, family, and sightseeing in the Chicago, IL area.

Ned uses part of his home as an office for his business. It occupies 96 square feet of his 4,321 square foot home. He paid \$250,000 for the home on June 19, 1995. \$25,000 of the home's purchase price is land. He received a 1098 that showed he had paid \$9,634 in interest on

his home mortgage and \$16,756 in property taxes. He disclosed that the home's utilities cost him \$4800 for the year.

Ned sold 1400 shares of AIG stock on September 23, 2008 for \$5 per share. He purchased this stock on December 22, 2000 for \$96 per share. He incurred a selling expense of \$167.

Susan sold 50 silver coins for a total of \$45,237 on March 5, 2008. She acquired these coins on December 25, 1973 and had a basis of \$146.

Using the injury settlement funds that Susan received from her employer's insurance carrier, Susan purchased some rental properties. A rental condominium at 1 Wolf's Lane, Pelham, NY 10803 was purchased on March 15, 2008 for \$750,000. She received \$52,800 in rental revenue. She paid the following expenses:

- Advertising \$150
- Cleaning and maintenance \$3,725
- Insurance \$12,500
- Management fees \$8,800
- Mortgage interest \$30,000 (reported on a 1098)
- Property taxes \$20,250
- Utilities \$4,200

On March 2, 2008, Susan acquired an apartment complex that is located at 3301 College Ave, Ft Lauderdale, FL 33314. She received \$396,000 in rental revenue and paid the following expenses:

- Advertising \$2,400
- Cleaning and maintenance \$68,723
- Management fees \$66,000
- Mortgage interest \$89,000 (reported on a 1098)
- Painting \$8,700
- Pest control \$4,400
- Plumbing and electrical repairs \$7,598
- General repairs \$10,036
- Supplies \$795
- Property taxes \$42,600

Ned paid \$6798 for his health insurance coverage with after-tax dollars. This is in addition to his coverage through his employer and Medicare. Susan's health insurance coverage is provided by her former employer. They drove 127 miles (between January 1, 2008 and June 30, 2008) and 72 miles (between July 1, 2008 and December 31, 2008) for medical purposes to and from their home to the doctor's office and a hospital. They paid the following out-of-pocket medical expenses during the tax year:

Prescription medication \$1,356

Doctor's appointments \$365

Hospital expenses \$3,327

After receiving the injury settlement in February 2008, Susan donated \$10,235 to establish a college fund at the local community college.

On February 15, 2008, Ned purchased a 2008 Mercury Mariner Hybrid 2WD vehicle for his personal use. He paid \$25,067 for it. He drove 12,375 miles during 2008. All of the miles are personal use.

Your task is to prepare their 2008 federal tax return using the most appropriate (the simplest) federal tax return form(s) and the information supplied in this tax return scenario assuming that their 2008 tax return was prepared and filed by April 15, 2009. Only 2008 federal tax return forms, schedules, and rules may be used for this scenario.