

REVIEW QUESTIONS

These questions are either from the 2021 certification tests or questions designed to increase your understanding of issues that we see when preparing returns. Use Pub. 4012 and the various handouts to answer these questions.

SESSION 3 – INCOME

Note: When doing Practice Problems in the TaxSlayer Practice Lab, make up Social Security Numbers (except don't start the number with a "9" and use "00" as the middle digits). Also, make up addresses and other entries required that are not provided. Although the tax documents shown below say 2021, assume they are for 2022 to answer the questions.

Problem 1 – Gilbert is an elementary school teacher at a public school. Gilbert and Tara are married and choose to file Married Filing Jointly on their 2022 tax return. Tara retired in 2018 and began receiving her pension on October 1st of that year. She explains that this is a joint and survivor annuity. Tara won \$3,000 gambling at a casino and had additional lottery winnings of \$150. Tara has documented casino losses of \$1,500. Gilbert's birth date shown in the Intake Sheet was 5/5/1964 and Tara's was 3/11/1956.

<input type="checkbox"/> CORRECTED (if checked)					
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. OAK ENTERPRISES 2250 DELTA AVENUE YOUR CITY, YOUR STATE, ZIP		1 Gross distribution \$ 18,485.00	OMB No. 1545-0119 2021 Form 1099-R	Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.	
PAYER'S TIN 41-200XXXX		2a Taxable amount \$	2b Taxable amount not determined <input checked="" type="checkbox"/> Total distribution <input type="checkbox"/>	Copy B Report this income on your federal tax return. If this form shows federal income tax withheld in box 4, attach this copy to your return. This information is being furnished to the IRS.	
RECIPIENT'S name TARA WASHINGTON Street address (including apt. no.) 123 TAYLOR AVENUE City or town, state or province, country, and ZIP or foreign postal code YOUR CITY, YOUR STATE, ZIP		3 Capital gain (included in box 2a) \$	4 Federal income tax withheld \$ 1,849.00	5 Employee contributions/ Designated Roth contributions or insurance premiums \$	
RECIPIENT'S TIN 417-00-XXXX		6 Net unrealized appreciation in employer's securities \$	7 Distribution code(s) 7	IRA/SEP/SIMPLE <input type="checkbox"/> 8 Other \$ %	
10 Amount allocable to IRR within 5 years \$		11 1st year of desig. Roth contrib.	12 FATCA filing requirement <input type="checkbox"/>	13 Date of payment \$	14 State tax withheld \$
Account number (see instructions)		15 State/Payer's state no. \$	16 State distribution \$	17 Local tax withheld \$	18 Name of locality \$
9a Your percentage of total distribution %		9b Total employee contributions \$ 13,500.00	19 Local distribution \$		
Form 1099-R		www.irs.gov/Form1099R		Department of the Treasury - Internal Revenue Service	

CORRECTED (if checked)

PAYER'S name, street address, city or town, province or state, country, and ZIP or foreign postal code CHEVY CASINO 1 WINNER CIRCLE YOUR CITY, STATE ZIP		1 Reportable winnings	2 Date won
		\$ 3,000.00	7/04/2021
		3 Type of wager	4 Federal income tax withheld
		SLOT MACHINE	\$
PAYER'S federal identification number 36-800XXXX		5 Transaction	6 Race
		7 Winnings from identical wagers	8 Cashier
PAYER'S telephone number		9 Winner's taxpayer identification no.	10 Window
WINNER'S name TARA WASHINGTON		11 First identification	12 Second identification
Street address (including apt. no.) 123 TAYLOR AVENUE		13 State/Payer's state identification no.	14 State winnings
City or town, province or state, country, and ZIP or foreign postal code YOUR CITY, STATE ZIP		15 State income tax withheld	16 Local winnings
		\$	\$
		17 Local income tax withheld	18 Name of locality
		\$	

OMB No. 1545-0238
Form W-2G
Certain
Gambling
Winnings
 (Rev. January 2021)
 For calendar year 20 21

This information is being furnished to the Internal Revenue Service.

Copy B
Report this income on your federal tax return. If this form shows federal income tax withheld in box 4, attach this copy to your return.

Under penalties of perjury, I declare that, to the best of my knowledge and belief, the name, address, and taxpayer identification number that I have furnished correctly identify me as the recipient of this payment and any payments from identical wagers, and that no other person is entitled to any part of these payments.

Signature ▶ _____ **Date** ▶ _____

Form **W-2G** (Rev. 1-2021) www.irs.gov/FormW2G Department of the Treasury - Internal Revenue Service

Questions

1. What is the taxable portion of Tara's pension from Oak Enterprises using the simplified method?
 - a. \$0
 - b. \$17,862
 - c. \$18,035
 - d. \$18,485
2. What is the total amount of other income reported on the Washington's Form 1040, Schedule 1?
 - a. \$3,900
 - b. \$3,150
 - c. \$1,650
 - d. \$1,500

Problem 2 – Kenneth and Martha are married and would like to file a joint return. Kenneth and Martha received a state income tax refund of \$230. They state that they have never itemized their deductions. Martha began receiving pension benefits on May 1, 2020. She chose a joint and survivor annuity. Kenneth was born on 7/11/1963 and Martha on 5/24/1960.

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. Clark Company Pension Plan 1721 Donnelly Drive Your City, State ZIP		1 Gross distribution \$ 14,400	OMB No. 1545-0119 2021 Form 1099-R		Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
		2a Taxable amount \$	2b Taxable amount not determined <input checked="" type="checkbox"/> Total distribution <input type="checkbox"/>		Copy B Report this income on your federal tax return. If this form shows federal income tax withheld in box 4, attach this copy to your return. This information is being furnished to the IRS.
PAYER'S TIN 40-000XXXX	RECIPIENT'S TIN 456-00-XXXX	3 Capital gain (included in box 2a) \$	4 Federal income tax withheld \$ 1,400		
RECIPIENT'S name Martha Kemper Street address (including apt. no.) 8705 SKIDMORE WAY City or town, state or province, country, and ZIP or foreign postal code YOUR CITY, YOUR STATE, ZIP		5 Employee contributions/ Designated Roth contributions or insurance premiums \$	6 Net unrealized appreciation in employer's securities \$		
		7 Distribution code(s) 7	IRA/ SEP/ SIMPLE <input type="checkbox"/>	8 Other \$ %	
		9a Your percentage of total distribution %	9b Total employee contributions \$ 9,000		
10 Amount allocable to IRR within 5 years \$	11 1st year of desig. Roth contrib.	12 FATCA filing requirement <input type="checkbox"/>	14 State tax withheld \$	15 State/Payer's state no.	16 State distribution \$
Account number (see instructions)		13 Date of payment	17 Local tax withheld \$	18 Name of locality	19 Local distribution \$
Form 1099-R		www.irs.gov/Form1099R		Department of the Treasury - Internal Revenue Service	

Questions

- How much of Kenneth and Martha's state income tax refund is taxable?
 - \$0
 - \$23
 - \$115
 - \$230
- What age is used to compute the taxable amount of the pension using the Simplified Method?
 - 60
 - 115
 - 116
 - 117
- What is the taxable amount of Martha's pension? \$_____

Problem 3 – Keisha and Jay are married and file a joint return. Jay is an employee and received a Form W-2 showing \$30,000 in wages for the year. Keisha is a self-employed driver for Delicious Deliveries. Keisha and Jay had health insurance subsidized by Jay's employer. They paid \$3,600 pre-tax in premiums for the year.

Keisha provided a statement from the food delivery service that indicated the amount of mileage driven and fees paid for the year. These fees are considered ordinary and necessary for the food delivery business: 7,200 miles driven while delivering food; insulated box rental of \$300; vehicle safety inspection (required by Delicious Deliveries) of \$50; and GPS device fee of \$120. Keisha also

kept receipts for the following out-of-pocket expenses: \$100 for tolls; \$120 for car washes; \$48 for parking tickets; \$75 for Personal Protective Equipment (PPE) used during deliveries; and \$150 for snacks and lunches Keisha consumed while working. Keisha’s record-keeping application shows she also drove 4,120 miles between deliveries and 4,200 miles driven between her home and her first and last delivery point of the day. Her miles were split evenly between the first half of 2022 and the second half. Keisha has a separate car for personal use. She bought and started using her second car for business on September 1, 2020. Keisha provided the Form 1099-NEC and Form 1099-K that she received from Delicious Deliveries. Keisha also received \$300 in cash tips that were not reported elsewhere.

Keisha won \$10,000 on a scratch-off lottery ticket. She has \$3,000 of losing tickets.

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		RECIPIENT'S TIN		1 Nonemployee compensation		<input type="checkbox"/> CORRECTED (if checked) 2021 Form 1099-NEC	Nonemployee Compensation
Delicious Deliveries 567 ALVIN AVENUE YOUR CITY, YOUR STATE, ZIP		345-00-XXXX		\$ 1,800.00			
PAYER'S TIN 20-400XXXX		RECIPIENT'S name Keisha Johnson Street address (including apt. no.) 789 DANA DRIVE City or town, state or province, country, and ZIP or foreign postal code YOUR CITY, YOUR STATE, ZIP		2 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale <input type="checkbox"/> 3		Copy B For Recipient This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.	
Account number (see instructions)		4 Federal income tax withheld \$		5 State tax withheld \$		6 State/Payer's state no. \$	
Form 1099-NEC (keep for your records)		www.irs.gov/Form1099NEC		Department of the Treasury - Internal Revenue Service		7 State income \$	

CORRECTED (if checked)

FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. Delicious Deliveries 567 ALVIN AVENUE YOUR CITY, YOUR STATE, ZIP		FILER'S TIN 20-400XXXX	OMB No. 1545-2205	2021 Payment Card and Third Party Network Transactions	
		PAYEE'S TIN 345-00-XXXX	Form 1099-K		
		1a Gross amount of payment card/third party network transactions \$ 15,245.00			
Check to indicate if FILER is a (an): Payment settlement entity (PSE) <input type="checkbox"/> Electronic Payment Facilitator (EPF)/Other third party <input checked="" type="checkbox"/>		Check to indicate transactions reported are: Payment card <input type="checkbox"/> Third party network <input checked="" type="checkbox"/>		Copy B For Payee This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if taxable income results from this transaction and the IRS determines that it has not been reported.	
PAYEE'S name Keisha Johnson Street address (including apt. no.) 789 DANA DRIVE City or town, state or province, country, and ZIP or foreign postal code YOUR CITY, YOUR STATE, ZIP		3 Number of payment transactions 3,300	4 Federal income tax withheld \$		
PSE'S name and telephone number		5a January \$ 1,270.00	5b February \$ 1,200.00		
		5c March \$ 1,340.00	5d April \$ 1,250.00		
Account number (see instructions)		5e May \$ 1,290.00	5f June \$ 1,300.00		
		5g July \$ 1,240.00	5h August \$ 1,140.00		
PSE'S name and telephone number		5i September \$ 1,270.00	5j October \$ 1,235.00		
		5k November \$ 1,310.00	5l December \$ 1,400.00		
Account number (see instructions)		6 State	7 State identification no.		8 State income tax withheld \$
					\$

Form **1099-K** (Keep for your records) www.irs.gov/Form1099K Department of the Treasury - Internal Revenue Service

Questions

1. What is Keisha's Schedule C **net profit** (gross profit less expenses)?
 - a. \$6,992
 - b. \$7,310
 - c. \$9,533
 - d. \$9,851
2. How much of Keisha's gambling winnings must be included in adjusted gross income (AGI)?
\$ _____
3. Which of the following statements is true:
 - a. Keisha can add the \$3,600 they paid for health insurance premiums to her self-employment expenses on Schedule C.
 - b. Keisha can claim the \$3,600 they paid for health insurance premiums as a self-employed health insurance deduction on Schedule 1.
 - c. Keisha can claim her portion of the health insurance premiums, \$1,800, as a self-employed health insurance deduction on Schedule 1.
 - d. Keisha can add her portion of the health insurance premiums, \$1,800, to her self-employment expenses on Schedule C.
 - e. Keisha is **not** eligible for a self-employed health insurance deduction.
4. What if the amount in Box 1A of Form 1099-K showed \$5,245 rather than \$15,245?

Problem 4 – Cynthia is age 29, and single. Cynthia has investment income and has a consolidated broker's statement.

Cynthia began a cleaning service business in 2020. She was paid on Form 1099- NEC for 2022. She also received additional cash receipts of \$400 not reported on Form 1099-NEC. Cynthia has receipts for the following expenses: \$350 for cleaning supplies; \$225 for business cards; \$450 for a mop, broom, and vacuum cleaner; \$150 for work gloves; \$125 for lunches; and \$175 for work clothes suitable for everyday use. Cynthia has a detailed mileage log reporting for 2022:

- Mileage from her home to her first client's home and mileage from her last client's home to her home – 750 miles, 300 of which were from January to June and 450 from July to December
- In addition, on the days Cynthia worked for multiple clients, she kept track of the mileage from the first client's home to the second client's home in case that mileage was also deductible. She logged 450 miles (not included in the 750 miles), 150 from January to June, and 300 from July to December.

<input type="checkbox"/> CORRECTED (if checked)		OMB No. 1545-0116		2021 Form 1099-NEC	Nonemployee Compensation
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. HOUSEKEEPERS HELPERS 123 TIDY WAY YOUR CITY, YOUR STATE, ZIP					
PAYER'S TIN 63-400XXXX	RECIPIENT'S TIN 419-00-XXXX	1 Nonemployee compensation \$ 4,000		Copy B For Recipient This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.	
RECIPIENT'S name CYNTHIA SIMON		2 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale <input type="checkbox"/>			
Street address (including apt. no.) 159 ARCHER AVENUE		3			
City or town, state or province, country, and ZIP or foreign postal code YOUR CITY, YOUR STATE, ZIP		4 Federal income tax withheld \$			
Account number (see instructions)		5 State tax withheld \$	6 State/Payer's state no.	7 State income \$	
Form 1099-NEC (keep for your records)		www.irs.gov/Form1099NEC		Department of the Treasury - Internal Revenue Service	

ABC INVESTMENTS456 Pima Plaza
Your City, YS ZIP**2021 TAX REPORTING STATEMENT**Cynthia Simon
159 Archer Avenue
Your City, YS ZIP
Account No. 111-222
Recipient ID No. 419-00-XXXX
Payer's Fed ID Number: 40-200XXXX**Form 1099-DIV* 2021 Dividends and Distributions**

Copy B for Recipient (OMB NO. 1545-0110)

1a	Total Ordinary Dividends	150.00
1b	Qualified Dividends	75.00
2a	Total Capital Gain Distributions (Includes 2b- 2d)	300.00
2b	Capital Gains that represent Unrecaptured 1250 Gain	0.00
2c	Capital Gains that represent Section 1202 Gain	0.00
2d	Capital Gains that represent Collectibles (28%) Gain	0.00
2	Nondividend Distributions	0.00
4	Federal Income Tax Withheld	0.00
5	Investment Expenses	0.00
6	Foreign Country or U.S. Possession	0.00
7	Cash Liquidation Distributions	0.00
8	Non-Cash Liquidation Distributions	0.00
9	Exempt Interest Dividends	0.00
10	Specified Private Activity Bond Interest Dividends	0.00
11	State	
12	State Identification No.	
13	State Tax Withheld	0.00

Form 1099-MISC* 2021 Miscellaneous Income

Copy B for Recipient (OMB NO. 1545-0115)

2	Royalties	0.00
4	Federal Income Tax Withheld	0.00
8	Substitute Payments in Lieu of Dividends or Interest	0.00
16	State Tax Withheld	0.00
17	State/ Payer's State No.	
18	State Income	0.00

Form 1099-INT* 2021 Interest Income

Copy B for Recipient (OMB NO. 1545-0112)

1	Interest Income	250.00
2	Early Withdrawal Penalty	0.00
3	Interest on U.S. Savings Bonds and Treas. Obligations	0.00
4	Federal Income Tax Withheld	0.00
5	Investment Expenses	0.00
6	Foreign Tax Paid	0.00
7	Foreign Country or U.S. Possession	0.00
8	Tax-Exempt Interest	0.00
9	Specified Private Activity Bond Interest	0.00
14	Tax-Exempt Bond CUSIP No.	

Summary of 2021 Proceeds From Broker and Barter Exchange Transactions

Sales Price of Stocks, Bonds, etc.	6,150.00
Federal Income Tax Withheld	0.00

Gross Proceeds from each of your security transactions are reported individually to the IRS. Refer to the Form 1099-B section of this statement.
Report gross proceeds individually for each security on the appropriate IRS tax return. Do not report gross proceeds in aggregate.

ABC INVESTMENTS456 Pima Plaza
Your City, YS ZIP**2021 TAX REPORTING STATEMENT**Cynthia Simon
159 Archer Avenue
Your City, YS ZIP
Account No. 111-222
Recipient ID No. 419-00-XXXX
Payer's Fed ID Number: 40-200XXXX**FORM 1099-B* 2021 Proceeds from Broker and Barter Exchange Transactions**

Copy B for Recipient OMB NO. 1545-0715

Short-term transactions for which basis is reported to the IRS
Report on Form 8949 with Box A checked and/or Schedule D, Part I
(This Label is a Substitute for Boxes 1c & 6)

8 Description, 1d Stock or Other Symbol, CUSIP (IRS Form 1099-B box numbers are shown below in bold type)

Action	1b Date Acquired	1c Date sold disposed	1a Quantity Sold	1d Proceeds	1e Cost or Other Basis	Gain / Loss (-)	1g Wash Sale Loss Disallowed	4 Federal Income Tax Withheld	14 State Tax Withheld	15 State Tax Withheld
Iowa Co. Common Stock										
Sale	01/08/2021	10/30/2021	200.000	2,650.00	2,000.00	650.00				
TOTALS				2,650.00	2,000.00					

FORM 1099-B* 2021 Proceeds from Broker and Barter Exchange Transactions

Copy B for Recipient OMB NO. 1545-0715

Long-term transactions for which basis is not reported to the IRS
Report on Form 8949 with Box E checked and/or Schedule D, Part II
(This Label is a Substitute for Boxes 1c & 6)

8 Description, 1d Stock or Other Symbol, CUSIP (IRS Form 1099-B box numbers are shown below in bold type)

Action	1b Date Acquired	1c Date sold disposed	1a Quantity Sold	1d Proceeds	1e Cost or Other Basis	Gain / Loss (-)	1g Wash Sale Loss Disallowed	4 Federal Income Tax Withheld	14 State Tax Withheld	15 State Tax Withheld
Iowa Co. Common Stock										
Sale	10/12/2008	11/01/2021	200.000	3,500.00	2,100.00	1,400.00				
TOTALS				3,500.00	2,100.00					

This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.

Questions (I suggest putting the capital gain information and her self-employment income and expenses in TaxSlayer to answer these questions.)

1. What is the net short-term capital gain reported on Cynthia's Schedule D?
 - a. \$2,350
 - b. \$1,400
 - c. \$650
 - d. \$300
2. What is the net long-term capital gain reported on Cynthia's Schedule D?
 - a. \$2,350
 - b. \$2,050
 - c. \$1,700
 - d. \$1,400
3. Which of the following **cannot** be claimed as a business expense on Cynthia's Schedule C?
 - a. Cleaning supplies
 - b. Business cards
 - c. Lunches
 - d. Work gloves
4. What are her total miles that qualify for the cents-per-mile deduction? _____
5. What is her net income shown on Schedule C? _____