

RETURN PROBLEM 3
Spring 2017

Tax Forms

Form 1040
Schedule A/B
Form 2106
Form 3903

Information for the Problem

Charlene J. Fagan, whose Social Security number is 489-20-2016, is a 47-year-old divorced taxpayer who moved to 2016 Gafford Lane, St. Louis, Missouri 63146 during 2016. She had previously lived in Milwaukee, Wisconsin. She provides 90% of the support of her 16-year-old daughter, Elissa Rae Fagan, whose Social Security number is 506-06-0616, and her 14-year-old son, David Andrew Fagan whose Social Security number is 409-09-0916.

Charlene is employed as a regional sales manager for Zerocks, Inc., of St. Louis and was transferred by her employer during January of 2016. Her 2016 Form W-2 is provided.

Charlene received forms 1099 describing the following interest and dividends earned on her investments:

City of St. Louis bonds.....	\$ 482
Gateway State Bank.....	1,759
Zerocks, Inc (ordinary).....	1,802

Charlene received a federal income tax refund of \$386.

Charlene provided the following information and incurred the following costs, none of which were reimbursed, in their move from Wisconsin to Missouri:

Transportation to St. Louis to find suitable house.....	\$ 850
Meals while on trip to find house	130
Payment for moving furniture and household belongings.....	3,690
Meals while en route.....	68
Expenses for 4 days waiting for furniture to arrive and carpets in new house to be cleaned:	
Hotel	396
Meals.....	220
Miles driven	458 miles

Return Problem 3

In her job as a sales manager, Charlene is required to travel occasionally for tax purposes. During 2016 Charlene incurred various overnight travel expenses as follows:

Hotel.....	\$ 920
Transportation.....	1,630
Meals.....	825
Laundry and dry cleaning.....	<u>125</u>
Total Expenses (while away from home).....	<u>\$3,500</u>

In addition, Charlene's business records indicate that \$1,500 of miscellaneous expenses were incurred in 2016 as follows:

Luncheons in St. Louis with potential customers.....	\$ 375
Taxi fares from office to regional plant locations	105
Educational expenses for sales seminars at Drury University:	
Tuition	860
Textbooks and Supplies	<u>160</u>
Total	<u>\$1,500</u>


Her employer provides her a fixed monthly expense account to cover all the costs she incurs for business purposes. The reimbursement totaling \$3,500 was not included in the amount reported on her W-2 form. (Hint: Refer to text problem 9-57.)

Charlene itemized her deductions on her 2015 return. Her personal records disclose the following expenditures in 2016:

Balance due on 2015 Wisconsin income tax return	\$ 349
Real estate taxes on personal residence	1,841
Interest expense—Home Mortgage Bank (from form 1098)	3,306
Interest expense--Title Savings (proceeds used to purchase City of St. Louis bonds)	135
Contributions to Methodist Church	8,416
Contributions to Oral Roberts University	500
2015 tax return preparation fee	300
Safe deposit box rental (used to store stocks and securities)	100

Instructions

Prepare a 2016 Form 1040 for Charlene J. Fagan with accompanying Schedules A, B, and Forms 2106 (not EZ) and 3903, if appropriate. Round all numbers to whole amounts (no cents).

		a Employee's social security number		OMB No. 1545-0008		Safe, accurate, FAST! Use				Visit the IRS website at www.irs.gov/efile		
b Employer identification number (EIN)				1 Wages, tips, other compensation		2 Federal income tax withheld						
c Employer's name, address, and ZIP code				3 Social security wages		4 Social security tax withheld						
				5 Medicare wages and tips		6 Medicare tax withheld						
				7 Social security tips		8 Allocated tips						
d Control number				9		10 Dependent care benefits						
e Employee's first name and initial		Last name		Suff.		11 Nonqualified plans		12a See instructions for box 12				
f Employee's address and ZIP code						13 Statutory employee Retirement plan Third-party sick pay		12b				
						<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>				
						14 Other		12c				
								12d				
15 State		Employer's state ID number		16 State wages, tips, etc.		17 State income tax		18 Local wages, tips, etc.		19 Local income tax		20 Locality name

Form **W-2** Wage and Tax Statement

2016

Department of the Treasury—Internal Revenue Service

Copy B—To Be Filed With Employee's FEDERAL Tax Return.
This information is being furnished to the Internal Revenue Service.