Homework Solutions

Chapter 4

HOMEWORK 1: Answer the questions for each situation.

- 1. Frankie is employed by Sherman Bros. Insurance. In 2013 his salary was \$48,500. Frankie participates in the 401(k) retirement plan his employer has set up. In 2012, Frankie contributed \$4,000 to the plan. Frankie also received the following from his employer in 2012:
- A Florida vacation worth \$3,264 as a prize for meeting his sales goals. Frankie was not able to take the vacation until January 2014.
- \$200 tickets to a pro basketball game as a Christmas present.
- Group health insurance premiums valued at \$3,400.
- \$2,500 as reimbursement for his travel costs. Frankie does not have to account to Sherman Bros. for the reimbursements or return any money he does not spend.
- a. Which of the above 4 items are taxable to Frankie in 2013?
- b. What is the amount of employee compensation that will be shown in box 1 of Frankie's Form W-2?

December 3, 2014

HOMEWORK 1: Answer the questions for each situation.

- 1. Frankie is employed by Sherman Bros. Insurance. In 2013 his salary was \$48,500. Frankie participates in the 401(k) retirement plan his employer has set up. In 2013, Frankie contributed \$4,000 to the plan. Frankie also received the following from his employer in 2013:
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- Group health insurance premiums valued at \$3,400.
- \$2,500 as reimbursement for his travel costs. Frankie does not have to account to Sherman Bros. for the reimbursements or return any money he does not spend.
- a. Which of the above 4 items are taxable to Frankie in 2013? Florida vacation, pro basketball tickets, travel cost reimbursements
- b. What is the amount of employee compensation that will be shown in box 1 of Frankie's Form W-2? \$50,464 [\$48,500 (wages)-\$4,000 (401(k) contribution)+\$3,264 (vacation)+\$200 (tickets)+\$2,500 (travel) = \$50,464]

HOMEWORK 2: Fill out page 1 of Form 1040 through line 7 and page 2, line 62, for the following using the information and forms provided.

1. Austin L. (SSN 032-78-6543, born 5/16/1979) and Felicity N. Geary (SSN 044- 65-4321, born 7/18/1981) are married and, in 2012, lived together at 14 Shady Way, Brooklyn, NY 11201. Their son Ronnie (SSN 511-33-9999, born 8/25/2000) and their daughter Darlene (SSN 511-51-1111, born 5/31/2004) are qualifying children for the child tax credit.

	a Employee's social security number 032-78-6543	OMB No. 1545		Safe, accurate, FAST! Use	~file	Visit the IRS website at www.irs.gov/efile
b Employer identification number (42-6754321				es, tips, other compensation 6,287.10		feral income tax withheld 628.00
c Employer's name, address, and a				6,287.10		389.80
342 LEMON WAY				6,287.10		glicare tax withheld
FLORAL PARK, N	1 11002		7 Soc	cial security tips		cated tips
Employee's first name and initial	Last name	Suff.		nqualified plans		e instructions for box 12
AUSTIN L. GEARY	(13 Statu	dory Ratiromant Third-pa oyaa plan sick pay	3	
BROOKLYN, NY 1	1201		14 Othe	er	12c 2 3 12d	
f Employee's address and ZIP cod					90	
15 State Employer's state ID num	ber 16 State wages, tips, etc.	17 State incom	ne tax	18 Local wages, tips, etc.	19 Local in	ncome tax 20 Locality nam
W-2 Wage and Statemen		2013	}	Departmen	t of the Treas	ury-Internal Revenue Service

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This information is being furnished to the Internal Revenue Service.

	a Employee's social security number 032-78-6543	OMB No. 1545-00	Safe, accurate, FAST! Use	Visit the IRS website at www.irs.gov/efile
b Employer identification number 42-6754321	er (EIN)	1	Wages, tips, other compensation 6,287.10	2 Federal income tax withheld 628.00
MAC'S USED CA 342 LEMON WA FLORAL PARK,	ARS Y	5	6,287.10 Medicare wages and tips 6,287.10 Social security tips	4 Social security tax withheld 389.80 6 Medicare tax withheld 91.16 8 Allocated tips
d Control number	11111002	9		10 Dependent care benefits
Employee's first name and init AUSTIN L. GEAR 14 SHADY WAY BROOKLYN, NY f Employee's address and ZIP of	11201	13	Nonqualified plans Statutory Refirement Third-party sick pay Other	12a See instructions for box 12
15 State Employer's state ID n	umber 16 State wages, tips, etc.	17 State income ta	X 18 Local wages, tips, etc.	19 Local income tax 20 Locality name
W-2 Wage a Statem	and Tax	2013	Department	of the Treasury-Internal Revenue Service

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	a Employee's social security number 032-78-6543	OMB No. 1548	5-0008	Safe, accurate, FAST! Use		/isit the IRS website at www.irs.gov/efile
b Employer identification number 42-2181222	(EIN)		1 Wa	ges, tips, other compensation 21,942.49		come tax withheld 2,573.00
c Employer's name, address, and MALICK ROOFIN				cial security wages 22,942.49	1	urity tax withheld 1,422.42
9873 EAVES PAR	KWAY			22,942.49	6 Medicare	332.67
FRANKLIN SQUA	KE, NY 11010			cial security tips	8 Allocated	
Control number Employee's first name and initial	l Last name	Suff.	9	inqualified plans		nt care benefits
AUSTIN L. GEAR		Suii.	13 Star	tutory Retirement Third-party	a D	1,000.00
14 SHADY WAY BROOKLYN, NY	11201		14 Oth	oloyee plan sick pay	12c	
BROOKETN, NT	11201				12d	
f Employee's address and ZIP co	de				4400	
15 State Employer's state ID nur	mber 16 State wages, tips, etc.	17 State incom	ne tax	18 Local wages, tips, etc.	19 Local income	tax 20 Locality name

W-2 Statement

5073

Department of the Treasury-Internal Revenue Service

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	044-65-4321	OMB No. 154	5-0008	FAST! Use	~file w	ww.irs.gov/efile			
b Employer identification number (I 42-9867543	EIN)	•	1 W	ages, tips, other compensation 3,412.14	2 Federal inco	2 Federal income tax withheld 342.00			
BARGAIN TOWN	ZIP code		3 S	3,412.14	4 Social secu	rity tax withheld 211.55			
4583 VALUE LANI			5 M	edicare wages and tips 3,412.14	6 Medicare ta	49.48			
BROOKLYN, NY 1	1201		7 S	ocial security tips	8 Allocated ti	ps			
d Control number			9		10 Dependent	care benefits			
FELICITY N. GEAR	Last name	Suff.	10000	onqualified plans	C od a	ctions for box 12			
14 SHADY WAY				atutory Retirement Third-par aployee plan sick pay	C o o o				
BROOKLYN, NY 1	1201		14 Ot	her	12c				
f Employee's address and ZIP code					12d				
5 State Employer's state ID num		17 State incon	ne tax	18 Local wages, tips, etc.	19 Local income ta	20 Locality nam			
MI 9 Wage and						ernal Revenue Servic			

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December 3, 2014

1 A 2000 1 TO 1	nployee's social security number 044-65-4321	OMB No. 154	5-0008	Safe, accurate, FAST! Use		the IRS website at irs.gov/efile
b Employer identification number (EIN) 42-0123454			1 Wa	5,860.00	The second of th	e tax withheld 86.00
BAR BQ 6284 SANDWICH AVE BROOKLYN, NY 1120	≣		5 M	5,590.00 edicare wages and tips 5,860.00 ocial security tips 270.00	Medicare tax v Allocated tips	63.32
d Control number			9	270.00	10 Dependent ca	
e Employee's first name and initial FELICITY N. GEARY 14 SHADY WAY BROOKLYN, NY 1120 f Employee's address and ZIP code	ast name	Suff.	13 Sta	playee plan sick pay	12a See instruction of the state of the stat	ns for box 12
15 State Employer's state ID number	16 State wages, tips, etc.	17 State incon	ne tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name

W-2 Wage and Tax Statement

5073

Department of the Treasury-Internal Revenue Service

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1040	U.S. Individual		9))((())	OMB No. 1545-007	IRS	Use Only	o not write or staple	e in this space
	Dec. 31, 2013, or other tax yea		, 2013, ending	. 20			eparate instruct	
Your first name and in AUSTIN L		Last name GEARY				4527/7070000	32-78-65	
If a joint return, spous FELICITY	se's first name and initial N	Last name GEARY		9.		200000000000000000000000000000000000000	's social securi 44-65-43	
Home address (numb	per and street). If you have a F WAY	O. box, see instruct	tions,	Apt.	no.		ake sure the SSI and on line 6c ar	
City, town or post offi Brooklyn,		have a foreign addr	ess, also complete spaces below	(see instructions).		Check he	sidential Election C are if you, or your sp ant \$3 to go to this fi	ouse if filing
Foreign country name	е		Foreign province/state/county	Foreign posta	code		ow will not change	
Check only one box.	1 Single 2 X Married filing joint 3 Married filing separated full name here	arately. Enter spor	e had income) If the	ad of household (with e qualifying person child's name here. alifying widow(er) wi	is a chile	d but not	your depender	1) FOREST (1) [7]
Exemptions	6a X Yourself. If son	neone can claim y	ou as a dependent, do not o	check box 6a			Boxes check on 6a and 6b No. of childre	2
	c Dependents: (1) First name	Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	u chii	if child under qualifying for d tax credit instructions)	did not live	with
	RONNIE GEA	RY	511-33-9999	Son		X	you due to di or separation	
If more than four	DARLENE GE	ARY	511-51-1111	Daughter		X	(see instructi	
dependents, see instructions and check here							Dependents of not entered a	
check here	d Total number of exe	mptions claimed					Add numbers lines above	▶ 4
Incomo	7 Wages, salaries, tip	s, etc. Attach Forn	n(s) W-2			. 7	42,	,123.

Form 1040 Page 2 Line 62

Payments 62 Federal income tax withheld from Forms W-2 and 1099 62 4,571.

December 3, 2014

HOMEWORK 3: Craig R. Gregory (SSN 333-98-7654, born 9/24/1977) is divorced. He keeps up a home for himself and his son Barry (SSN 233-32-3232, born 6/7/2003), who lives with him. Craig has signed Form 8332 allowing his former wife to claim the exemption for Barry. Craig pays 70% of the total support for his widowed stepfather Lucian Alexander (SSN 277-77-8787, born 12/12/1939) who does not live with him. Lucian's gross income in 2012 was \$2,400.

On some weekends, Craig works as a waiter at a banquet hall. In January his tips were \$17 and in March his tips were \$19 in cash. He did not report these tips to his employer. For every other month, Craig received \$20 or more in tips and reported these to his employer.

(Fill out page 1 of Form 1040 through line 7 and page 2, line 62, for the following using the information and forms provided.)

	a Employee's social security number 333-98-7654	OMB No. 1545	-0008	Safe, accurate, FAST! Use	SHOW 4-1 POR	t the IRS website at w.irs.gov/efile
b Employer identification number 16-4484888	(EIN)		1 Wa	ages, tips, other compensation 3,485.48	2 Federal incor	ne tax withheld 349.00
c Employer's name, address, and MICHELLE'S	ZIP code			3,165.48		216.10
234 DINING AVE				3,485.48	6 Medicare tax	50.54
ROCK ISLAND, IL	61201		7 Sc	320.00	8 Allocated tips	\$
d Control number			9		10 Dependent c	are benefits
e Employee's first name and initia	Last name	Suff.	11 No	onqualified plans	12a See instructi	ons for box 12
CRAIG R. GREGO 47-A PARK DRIV			em	butory Retirement Third-party playee plan sick pay	C c c	
ELGIN, IL 60121			14 Oth	ner	12c	
f Employee's address and ZIP coo	de				12d	
15 State Employer's state ID nur	nber 16 State wages, tips, etc.	17 State incom	e tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name
1						

Form W-2 Wage and Tax Statement

5073

Department of the Treasury—Internal Revenue Service

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This information is being furnished to the Internal Revenue Service.

	a Employee's social security number 333-98-7654	OMB No. 1545	-0008	Safe, accurate, FAST! Use	≁ file	Visit the www.ir	e IRS website at s.gov/efile
b Employer identification numb 16-8181632	er (EIN)		1 Wa	ges, tips, other compensation 24,816.52	2 Fede		8.00
c Employer's name, address, and NEW TIMES, INC	•			24,816.52 dicare wages and tips		1,53 care tax wit	8.62
235 PILOT STRE ROCK ISLAND,			7 Soc	24,816.52 cial security tips	8 Alloc	35 ated tips	9.84
d Control number			9		10 Depe	endent care	benefits
e Employee's first name and init CRAIG R. GREG 47-A PARK DRIV ELGIN, IL 60121	ORY /E	Suff.	13 State emp	loyee plan sick pay	12b 0000 12c 0000 12d 0000 12d		s for box 12
15 State Employer's state ID n	umber 16 State wages, tips, etc.	17 State incom	e tax	18 Local wages, tips, etc.	19 Local inc	come tax	20 Locality name

Statement Statement

5073

Department of the Treasury-Internal Revenue Service

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This information is being furnished to the Internal Revenue Service.

CHAPTER 4 HOMEWORK 3

£1040	U.S. Individual	Income Tax	x Return 40	13	OMB No.	1545-0074	IRS U	se Onl	ly—Do r	not write or s	staple in this space
For the year Jan, 1-D	Dec. 31, 2013, or other tax year	ar beginning	, 2013, endi	ng	, 20			Se	e sep	arate inst	ructions.
Your first name and in CRAIG R	nitial	Last name GREGORY						You		ial security	
If a joint return, spous	se's first name and initial	Last name						Spo	ouse's	social sec	curity number
Home address (numb	per and street). If you have a li DRIVE	P.O. box, see instruc	tions.			Apt. no		4			SSN(s) above c are correct.
City, town or post offi Elgin, IL	ce, state, and ZIP code. If you 60121	ı have a foreign addr	ress, also complete space	es below ((see instruct	ions).			ck here	if you, or you	ion Campaign ur spouse if filing this fund. Checkir
Foreign country name	е		Foreign province/stat	te/county	For	eign postal c	ode		x below		Spouse
Filing Status	1 Single 2 Married filing join	tly (even if only on	4 e had income)	If the		person is	a child		-34,500		structions.) ident, enter
Check only one box.	Married filing sep and full name her	arately. Enter spore. ▶	use's SSN above 5			w(er) with	100	dent	child		
	and full name her	re. ▶	use's SSN above 5[Qual	lifying wide	w(er) with	100	dent	child	Boxes ch on 6a and	16b I
one box.	and full name her	re. ▶	(2) Dependent social security	Qual lo not ch lent's number	neck box 6	ow(er) with a pendent's ship to you	(4) Vitage 17 of child		under ng for	on 6a and No. of chi on 6c who • lived w • did not	ildren o: ith you live with
Exemptions If more than four	and full name her 6a X Yourself. If sor b Spouse c Dependents: (1) First name	re. ▶ meone can claim y	ou as a dependent, o	Qual lo not ch lent's number	neck box 6	ow(er) with a pendent's ship to you	(4) Vitage 17 of child	child qualifyii tax cre	under ng for	on 6a and No. of chi on 6c who • lived w • did not	ildren o: ith you live with o divorce
Exemptions	and full name her 6a X Yourself. If sor b Spouse c Dependents: (1) First name	neone can claim y	(2) Dependent social security	Qual lo not ch lent's number	neck box 6	ow(er) with a pendent's ship to you	(4) Vitage 17 of child	child qualifyii tax cre	under ng for	on 6a and No. of chi on 6c who • lived w • did not you due t or separa (see instr Dependen not entere	ildren o: ith you live with to divorce tition ructions) nts on 6c ed above 1
Exemptions If more than four dependents, see instructions and	and full name her 6a X Yourself. If sor b Spouse c Dependents: (1) First name	neone can claim y Last name	(2) Dependent social security	Qual lo not ch dent's number	(3) Deprelations	ow(er) with a pendent's ship to you	(4) Vitage 17 of child	child qualifyii tax cre	under ng for	on 6a and No. of chi on 6c who • lived w • did not you due t or separa (see instr Depender	ildren o: ith you live with to divorce tition uctions) nts on 6c ed above bers on

December 3, 2014 13

Federal income tax withheld from Forms W-2 and 1099

Payments

62

3,327.

62

Questions & Answers