

Homework Solutions

Chapter 4

Chapter 4 homework 1

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?**

Chapter 4 homework 1

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:

- 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? **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]**

Chapter 4 homework 2

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.

- 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		Safe, accurate, FAST! Use				Visit the IRS website at www.irs.gov/efile	
b Employer identification number (EIN) 42-6754321		1 Wages, tips, other compensation 6,287.10		2 Federal income tax withheld 628.00			
c Employer's name, address, and ZIP code MAC'S USED CARS 342 LEMON WAY FLORAL PARK, NY 11002		3 Social security wages 6,287.10		4 Social security tax withheld 389.80			
		5 Medicare wages and tips 6,287.10		6 Medicare tax withheld 91.16			
		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			
AUSTIN L. GEARY 14 SHADY WAY BROOKLYN, NY 11201		13 Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b			
		14 Other		12c			
				12d			
f Employee's address and ZIP code							
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

2013

Department of the Treasury—Internal Revenue Service

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 This information is being furnished to the Internal Revenue Service.

Chapter 4 homework 2

a Employee's social security number 032-78-6543		OMB No. 1545-0008		Safe, accurate, FAST! Use				Visit the IRS website at www.irs.gov/efile		
b Employer identification number (EIN) 42-6754321				1 Wages, tips, other compensation 6,287.10		2 Federal income tax withheld 628.00				
c Employer's name, address, and ZIP code MAC'S USED CARS 342 LEMON WAY FLORAL PARK, NY 11002				3 Social security wages 6,287.10		4 Social security tax withheld 389.80				
				5 Medicare wages and tips 6,287.10		6 Medicare tax withheld 91.16				
				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. AUSTIN L. GEARY 14 SHADY WAY BROOKLYN, NY 11201				11 Nonqualified plans		12a See instructions for box 12				
				13 Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b				
				14 Other		12c				
						12d				
f Employee's address and ZIP code										
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

2013

Department of the Treasury—Internal Revenue Service

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Chapter 4 homework 2

a Employee's social security number 032-78-6543		OMB No. 1545-0008		Safe, accurate, FAST! Use				Visit the IRS website at www.irs.gov/efile		
b Employer identification number (EIN) 42-2181222				1 Wages, tips, other compensation 21,942.49		2 Federal income tax withheld 2,573.00				
c Employer's name, address, and ZIP code MALICK ROOFING 9873 EAVES PARKWAY FRANKLIN SQUARE, NY 11010				3 Social security wages 22,942.49		4 Social security tax withheld 1,422.42				
				5 Medicare wages and tips 22,942.49		6 Medicare tax withheld 332.67				
				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. AUSTIN L. GEARY 14 SHADY WAY BROOKLYN, NY 11201				11 Nonqualified plans		12a See instructions for box 12 D 1,000.00				
				13 Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>		12b				
				14 Other		12c				
						12d				
f Employee's address and ZIP code										
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

2013

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Chapter 4 homework 2

a Employee's social security number 044-65-4321		OMB No. 1545-0008		Safe, accurate, FAST! Use				Visit the IRS website at www.irs.gov/efile		
b Employer identification number (EIN) 42-9867543				1 Wages, tips, other compensation 3,412.14		2 Federal income tax withheld 342.00				
c Employer's name, address, and ZIP code BARGAIN TOWN 4583 VALUE LANE BROOKLYN, NY 11201				3 Social security wages 3,412.14		4 Social security tax withheld 211.55				
				5 Medicare wages and tips 3,412.14		6 Medicare tax withheld 49.48				
				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		
FELICITY N. GEARY		14 SHADY WAY		BROOKLYN, NY 11201		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b		
f Employee's address and ZIP code				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

2013

Department of the Treasury—Internal Revenue Service

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Chapter 4 homework 2

a Employee's social security number 044-65-4321		Safe, accurate, FAST! Use				Visit the IRS website at www.irs.gov/efile	
b Employer identification number (EIN) 42-0123454		1 Wages, tips, other compensation 5,860.00		2 Federal income tax withheld 586.00			
c Employer's name, address, and ZIP code BAR BQ 6284 SANDWICH AVE BROOKLYN, NY 11201		3 Social security wages 5,590.00		4 Social security tax withheld 363.32			
		5 Medicare wages and tips 5,860.00		6 Medicare tax withheld 84.97			
		7 Social security tips 270.00		8 Allocated tips 200.00			
d Control number		9		10 Dependent care benefits			
e Employee's first name and initial		Last name		Suff.		11 Nonqualified plans	
FELICITY N. GEARY		14 SHADY WAY		BROOKLYN, NY 11201		12a See instructions for box 12	
						12b	
						12c	
						12d	
f Employee's address and ZIP code							
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

2013

Department of the Treasury—Internal Revenue Service

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Chapter 4 homework 2

Form 1040	Department of the Treasury—Internal Revenue Service (99)	2013	OMB No. 1545-0074	IRS Use Only—Do not write or staple in this space
For the year Jan. 1–Dec. 31, 2013, or other tax year beginning , 2013, ending , 20			See separate instructions.	
Your first name and initial AUSTIN L	Last name GEARY	Your social security number 032-78-6543		
If a joint return, spouse's first name and initial FELICITY N	Last name GEARY	Spouse's social security number 044-65-4321		
Home address (number and street). If you have a P.O. box, see instructions. 14 SHADY WAY		Apt. no.	▲ Make sure the SSN(s) above and on line 6c are correct.	
City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions). Brooklyn, NY 11201				Presidential Election Campaign Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund. <input type="checkbox"/> You <input type="checkbox"/> Spouse
Foreign country name		Foreign province/state/county	Foreign postal code	
Filing Status	1 <input type="checkbox"/> Single 2 <input checked="" type="checkbox"/> Married filing jointly (even if only one had income) 3 <input type="checkbox"/> Married filing separately. Enter spouse's SSN above and full name here. ▶ 4 <input type="checkbox"/> Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶ 5 <input type="checkbox"/> Qualifying widow(er) with dependent child			
Exemptions	6a <input checked="" type="checkbox"/> Yourself. If someone can claim you as a dependent, do not check box 6a b <input checked="" type="checkbox"/> Spouse c Dependents:			Boxes checked on 6a and 6b 2 No. of children on 6c who: • lived with you 2 • did not live with you due to divorce or separation (see instructions) Dependents on 6c not entered above Add numbers on lines above ▶ 4
	(1) First name	Last name	(2) Dependent's social security number	(3) Dependent's relationship to you
	RONNIE	GEARY	511-33-9999	Son
	DARLENE	GEARY	511-51-1111	Daughter
	d Total number of exemptions claimed			
Income	7 Wages, salaries, tips, etc. Attach Form(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.
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Chapter 4 homework 3

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.)

Chapter 4 homework 3

a Employee's social security number 333-98-7654		Safe, accurate, FAST! Use				Visit the IRS website at www.irs.gov/efile					
b Employer identification number (EIN) 16-4484888				1 Wages, tips, other compensation 3,485.48		2 Federal income tax withheld 349.00					
c Employer's name, address, and ZIP code MICHELLE'S 234 DINING AVE ROCK ISLAND, IL 61201				3 Social security wages 3,165.48		4 Social security tax withheld 216.10					
				5 Medicare wages and tips 3,485.48		6 Medicare tax withheld 50.54					
				7 Social security tips 320.00		8 Allocated tips					
d Control number				9		10 Dependent care benefits					
e Employee's first name and initial Last name Suff. CRAIG R. GREGORY 47-A PARK DRIVE ELGIN, IL 60121				11 Nonqualified plans		12a See instructions for box 12					
				13 Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b					
				14 Other		12c					
						12d					
f Employee's address and ZIP code											
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

2013

Department of the Treasury—Internal Revenue Service

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Chapter 4 homework 3

a Employee's social security number 333-98-7654		OMB No. 1545-0008		Safe, accurate, FAST! Use				Visit the IRS website at www.irs.gov/efile		
b Employer identification number (EIN) 16-8181632				1 Wages, tips, other compensation 24,816.52		2 Federal income tax withheld 2,978.00				
c Employer's name, address, and ZIP code NEW TIMES, INC 235 PILOT STREET ROCK ISLAND, IL 61201				3 Social security wages 24,816.52		4 Social security tax withheld 1,538.62				
				5 Medicare wages and tips 24,816.52		6 Medicare tax withheld 359.84				
				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. CRAIG R. GREGORY 47-A PARK DRIVE ELGIN, IL 60121				11 Nonqualified plans		12a See instructions for box 12				
				13 Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b				
				14 Other		12c				
						12d				
f Employee's address and ZIP code										
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

2013

Department of the Treasury—Internal Revenue Service

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Chapter 4 homework 3

Form 1040		Department of the Treasury—Internal Revenue Service (99)		CHAPTER 4 HOMEWORK 3		OMB No. 1545-0074		IRS Use Only—Do not write or staple in this space	
U.S. Individual Income Tax Return		2013							
For the year Jan. 1–Dec. 31, 2013, or other tax year beginning				, 2013, ending		, 20		See separate instructions.	
Your first name and initial CRAIG R		Last name GREGORY		Your social security number 333-98-7654					
If a joint return, spouse's first name and initial		Last name		Spouse's social security number					
Home address (number and street). If you have a P.O. box, see instructions. 47 A PARK DRIVE						Apt. no.		▲ Make sure the SSN(s) above and on line 6c are correct.	
City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions). Elgin, IL 60121						Foreign country name		Foreign province/state/county	
						Foreign postal code		Presidential Election Campaign Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Check in a box below will not change your tax or refund. <input type="checkbox"/> You <input type="checkbox"/> Spouse	
Filing Status		1 <input type="checkbox"/> Single		4 <input checked="" type="checkbox"/> Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶		3 <input type="checkbox"/> Married filing jointly (even if only one had income)		5 <input type="checkbox"/> Qualifying widow(er) with dependent child	
Check only one box.		2 <input type="checkbox"/> Married filing separately. Enter spouse's SSN above and full name here. ▶							
Exemptions		6a <input checked="" type="checkbox"/> Yourself. If someone can claim you as a dependent, do not check box 6a		Boxes checked on 6a and 6b		1			
		b <input type="checkbox"/> Spouse		No. of children on 6c who:		1			
		c Dependents:		(2) Dependent's social security number		(3) Dependent's relationship to you		(4) <input checked="" type="checkbox"/> if child under age 17 qualifying for child tax credit (see instructions)	
		(1) First name Last name		277-77-8787		Parent		• lived with you	
		LUCIAN ALEXANDER						• did not live with you due to divorce or separation (see instructions)	
If more than four dependents, see instructions and check here ▶ <input type="checkbox"/>		d Total number of exemptions claimed						Dependents on 6c not entered above	
								1	
								Add numbers on lines above ▶	
								2	
Income		7 Wages, salaries, tips, etc. Attach Form(s) W-2		7		28,338.			

Form 1040 Page 2 Line 62

Payments	62	Federal income tax withheld from Forms W-2 and 1099	62	3,327.
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Questions & Answers