## Practice Return 1

In this scenario, you will practice entering the following:

- Form W-2 Income
- Health Care Coverage
- Earned Income Credit and Child Tax Credit and Due Diligence
- Child-Care Expenses


## Instructions

This practice return will help you become familiar with return preparation in Drake Tax. Use the scenario information and the attached source documents to complete the return. After the return is complete, compare your results with the solutions provided online.

Go to Support.DrakeSoftware.com for solutions and more practice returns. After logging in access Training Tools > Practice Returns.

To agree with provided solutions:

- Suppress state returns by entering "0" in the Resident state field on Screen 1
- Install all program updates
- Correct all EF diagnostic messages


## Attached Source Documents

- Form W-2
- Child Care Statement
- Utility Bills and Rent Receipts


## SCENARIO INFORMATION

Ponderosa Pine is unmarried and lives in Atlanta, GA with her 6 year old son, Spruce. Ponderosa works full-time as a botanist at the University of Trees.

Ponderosa and her son are both U.S. citizens and cannot be a qualifying child or dependent on anyone else's federal tax return.

She provided proof of maintenance of the household, including utility bills and rent receipts (attached). There is evidence that Ponderosa paid more than $50 \%$ of the cost of keeping up the home in which she and her son lived. She lived in the U.S. for the entire year.

Ponderosa provided you with a copy of her driver's license. The number is 123456789 issued in VA on 01/01/2019. Her license expires on $01 / 01 / 2021$.

TAXPAYER INFORMATION

| NAME | Ponderosa Pine |
| :--- | :--- |
| SSN | $400-00-6001$ |
| DATE OF BIRTH | $11-08-1974$ |
| EMAIL: | Pine@1040.com |
| OCCUPATION: | Botanist |

Address: 100 Evergreen Lane, Atlanta, GA 30302
Phone: 828-524-8020

## Dependent Information

## The dependent:

- is unmarried and a U.S. citizen
- lived with the taxpayers in the U.S. for the entire year
- cannot be claimed by anyone other than the taxpayer

Ponderosa paid for child care for her son to be enrolled in an after-school program while she worked. The child care statement is attached.

DEPENDENT 1 -SON

| NAME | Spruce Pine |
| :--- | :--- |
| SSN | $400-00-0042$ |
| DATE OF BIRTH | $05-01-2015$ |
| MTHS IN HOME | 12 |
| CHILD CARE | $\$ 3600$ |
|  |  |

There is no active Form 8332, Release/Revocation of Claim to Exemption for Child by Custodial Parent, or similar statement in place.

## INCOME

During 2019, Ponderosa was employed full-time as a botanist. She received Form W-2 (attached) from her employer. She does not have any interest in, or authority over, any foreign accounts.

Ponderosa does not receive any child support or public assistance.

## Health Care Information

Ponderosa and her son were covered by minimum essential coverage for the entire year by an employer's plan.

## Due Diligence

For the purposes of this practice return, assume the following:

- the return was completed based on information provided to you by the taxpayer
- you interviewed the taxpayer, asked questions, and documented the taxpayer's responses
- you reviewed adequate information to determine the taxpayer is eligible to claim any credits present on the return
- all information provided appears to be correct, complete, and consistent
- reasonable inquiries were made to determine correct and complete information
- all inquiries were documented
- all record retention requirements are met
- the taxpayer provided documentation to substantiate eligibility for, and the amount of, the credits present
- any credits present on the return have never been disallowed or reduced in a previous year
- you explained the rules for EIC for taxpayers with qualifying children
- documentation is provided for residency of child (attached child care statement)
- the taxpayer's income appears to be sufficient to support the taxpayer and qualifying child
- you have verified the taxpayer is unmarried and provided more than half the cost of keeping up the home for a qualifying person


| \|RECEIPT Receved from | DATE $7 / 1$ No. 311106 Ponderosa Pine | RECEIPT RECEVED FROMADDRESS ADDRES | DAIE $8 / 1$ No. 311107 Ponderosa Pine |
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# KIDSZONE 

91 Learning Ave
Atlanta GA 30326

EIN: 40-0001111

| Date | De scription | Name | A mount |
| :---: | :--- | :--- | :--- |
| January | After-School Program Tuition | Spruce Pine | $\$ 300.00$ |
| February | After-School Program Tuition | Spruce Pine | $\$ 300.00$ |
| March | After-School Program Tuition | Spruce Pine | $\$ 300.00$ |
| April | After-School Program Tuition | Spruce Pine | $\$ 300.00$ |
| May | After-School Program Tuition | Spruce Pine | $\$ 300.00$ |
| June | After-School Program Tuition | Spruce Pine | $\$ 300.00$ |
| July | After-School Program Tuition | Spruce Pine | $\$ 300.00$ |
| August | After-School Program Tuition | Spruce Pine | $\$ 300.00$ |
| September | After-School Program Tuition | Spruce Pine | $\$ 300.00$ |
| October | After-School Program Tuition | Spruce Pine | $\$ 300.00$ |
| November | After-School Program Tuition | Spruce Pine |  |
| December | After-School Program Tuition | Spruce Pine | $\$ 300.00$ |
|  |  |  | Total |
|  |  | $\$ 300.00$ |  |



V-2 $\begin{aligned} & \text { Wage and Tax } \\ & \text { Statement }\end{aligned}$
Form

## LMN POWER

## INVOICE \#1234

| Bill To |  | Details of Electric Charges |  |
| :---: | :---: | :---: | :---: |
| Customer | Ponderosa Pine | Usage (kWh) | 793 |
| Customer ID\# | 5454545 | Current Reading |  |
| Address | 100 Evergreen Ln Atlanta GA 30302 | 092580 |  |
| Phone | 828-524-8020 | Previous Reading 091787 |  |
| Payment Due | January 15th | Period of Service <br> November $15^{\text {th }}$ to December $15^{\text {th }}$ |  |
|  |  |  |  |


| Electric Summary |  |  |
| :--- | :--- | :--- |
| Balance from last bill | $\$ 178.27$ |  |
| Payment Dec 1 | $-\$ 178.27$ |  |
| New Charges | Total Amount Due | $\$ 201.54$ |
|  |  | $\$ 201.54$ |
|  |  | Total Amount Due by January 15 |

Thank you for your business!

## LMN POWER

100 Light Ln Marietta GA 30060 |
p. 828.524.8020

