Practice Return 1

Drake Tax 2019

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 <u>Support.DrakeSoftware.com</u> 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

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KIDSZONE

91 Learning Ave Atlanta GA 30326

EIN: 40-0001111

Ponderosa Pine 100 Evergreen Ln Atlanta GA 30302

Date	Description	N a m e	Amount	
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	\$300.00	
December	After-School Program Tuition	Spruce Pine	\$300.00	
			Total \$3600.00	

a Employee's social security number $400-00-6001$		
b Employer identification number (EIN)	1 Wages, tips, other compensation	2 Federal income tax withheld
10-0000000	21,500	2,100
C Employer's name, address, and ZIP code	3 Social security wages	4 Social security tax withheld
UNIVERSITY OF TREES	21,500	1,333
	5 Medicare wages and tips	6 Medicare tax withheld
200 SPRUCE WAY	21,500	312
ATLANTA GA 30325	7 Social security tips	8 Allocated tips
ATEMIA OR SOSES	Social security tos	Alocated tips
d Control number	9 Verification code	10 Dependent care benefits
Employee's first name and initial Last name	Suff. 11 Nonqualified plans	12a See instructions for box 12
PONDEROSA PINE	13 Shihitry Retrement Third-party sick pay	12b
100 EVERGREEN LANE	14 oner	120
ATLANTA GA 30302		G e
		12d
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f Employee's address and ZIP code	1.5	L
15 State Employer's state ID number 16 State wages, tps, etc. 17 State Incor	me tax 18 Local wages, tips, etc. 19 Local in	come tax 20 Locality name
i		

W-2 Wage and Tax Statement

| 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 November 15 th to December 15 th	

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

Thank you for your business!