# Basic Scenario 7: Owen and Kimberly Walker

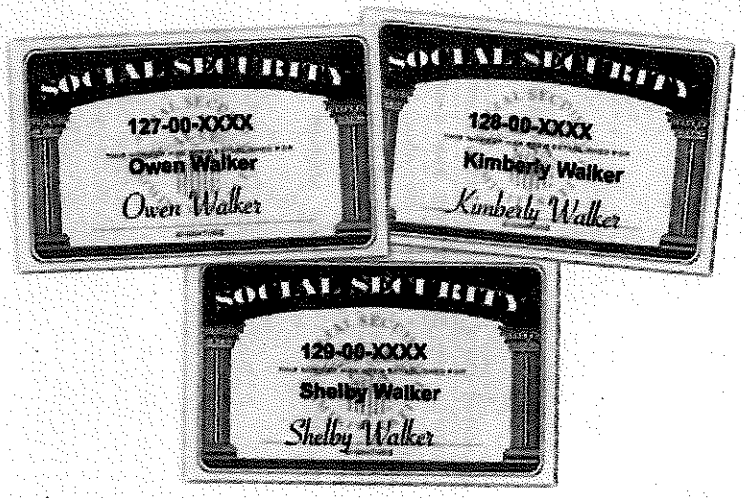
### Directions

Using the tax software, complete the tax return, including Form 1040 and all appropriate forms, schedules, or worksheets. Answer the questions following the scenario.

*When entering Social Security numbers (SSNs) or Employer Identification Numbers (EINs), replace the Xs as directed, or with any four digits of your choice.*

### Interview Notes

- Owen, age 69 and Kimberly, age 64 elect to file Married Filing Jointly. Neither taxpayer is blind.
- Owen is retired. He received Social Security benefits and a pension.
- Owen and Kimberly's daughter Shelby, age 20, is a full-time college student in her third year of study. She is pursuing a degree in nursing and does not have a felony drug conviction. She received a Form 1098-T for 2023. Box 7 was not checked on her Form 1098-T for the previous tax year.
- Shelby spent the summer at home with her parents but lived in an apartment near campus during the school year.
- Shelby received a scholarship that paid the full tuition. Owen and Kimberly paid the cost of course-related books in 2023 not covered by scholarship. They paid $120 for a parking sticker, $5,500 for a meal plan, $850 for textbooks purchased at the college bookstore, and $200 for access to an online textbook.
- Owen and Kimberly paid more than half the cost of maintaining a home and support for Shelby.
- Owen and Kimberly do not have enough deductions to itemize on their federal tax return.
- Owen, Kimberly, and Shelby are U.S. citizens and have valid Social Security numbers. They all lived in the United States for the entire year.
- If Owen and Kimberly receive a refund, they would like to deposit it into their checking account. Documents from Baldwin Bank show that the routing number is 111000025. Their checking account number is 11337890.



| Form **13614-C** (October 2023) | Department of the Treasury - Internal Revenue Service **Intake/Interview and Quality Review Sheet** | OMB Number 1545-1964 |
|---|---|---|

**You will need:**
- **Tax Information such as Forms W-2, 1099, 1098, 1095.**
- **Social Security cards or ITIN letters for all persons on your tax return.**
- **Picture ID (such as valid driver's license) for you and your spouse.**

- **Please complete pages 1-4 of this form.**
- **You are responsible for the information on your return. Please provide complete and accurate information.**
- **If you have questions, please ask the IRS-certified volunteer preparer.**

**Volunteers are trained to provide high quality service and uphold the highest ethical standards.**
**To report unethical behavior to the IRS, email us at wi.voltax@irs.gov**

**Part I – Your Personal Information** (If you are filing a joint return, enter your names in the same order as last year's return)

| | | | | |
|---|---|---|---|---|
| 1. Your first name: OWEN | M.I. | Last name: WALKER | Best contact number: YOUR PHONE NUMBER | Are you a U.S. citizen? ☒ Yes ☐ No |
| 2. Your spouse's first name: KIMBERLY | M.I. | Last name: WALKER | Best contact number: YOUR PHONE NUMBER | Is your spouse a U.S. citizen? ☒ Yes ☐ No |

| | | | |
|---|---|---|---|
| 3. Mailing address: 5 PEBBLE LANE | Apt # | City: YOUR CITY | State: YS / ZIP code: YOUR ZIP |

| | | | |
|---|---|---|---|
| 4. Your Date of Birth: 07/15/~~1954~~ 1957 | 5. Your job title: RETIRED | 6. Last year, were you: b. Totally and permanently disabled ☐ Yes ☒ No | a. Full-time student ☐ Yes ☒ No; c. Legally blind ☐ Yes ☒ No |
| 7. Your spouse's Date of Birth: 01/30/~~1959~~ 1962 | 8. Your spouse's job title: CLERK | 9. Last year, was your spouse: b. Totally and permanently disabled ☐ Yes ☒ No | a. Full-time student ☐ Yes ☒ No; c. Legally blind ☐ Yes ☒ No |

10. Can anyone claim you or your spouse as a dependent? ☐ Yes ☒ No ☐ Unsure

11. Have you, your spouse, or dependents been a victim of tax related identity theft or been issued an Identity Protection PIN? ☐ Yes ☒ No

12. Provide an email address (optional) (this email address will not be used for contacts from the Internal Revenue Service)

**Part II – Marital Status and Household Information**

1. As of December 31, 2023, what was your marital status?
- ☐ Never Married
- ☒ Married
- ☐ Divorced
- ☐ Legally Separated
- ☐ Widowed

(This includes registered domestic partnerships, civil unions, or other formal relationships under state law)
a. If Yes, Did you get married in 2023? ☐ Yes ☒ No
b. Did you live with your spouse during any part of the last six months of 2023? ☒ Yes ☐ No
Date of final decree _____
Date of separate maintenance decree _____
Year of spouse's death _____

2. List the names below of:
- **everyone** who lived with you last year (other than your spouse)
- **anyone** you supported but did not live with you last year

If additional space is needed check here ☐ and list on page 3

| Name (first, last) Do not enter your name or spouse's name below (a) | Date of Birth (mm/dd/yy) (b) | Relationship to you (for example: son, daughter, parent, none, etc) (c) | Number of months lived in your home last year (d) | US Citizen (yes/no) (e) | Resident of US, Canada, or Mexico last year (yes/no) (f) | Single or Married as of 12/31/23 (S/M) (g) | Full-time Student last year (yes/no) (h) | Totally and Permanently Disabled (yes/no) (i) | To be completed by a Certified Volunteer Preparer: Is this person a qualifying child/relative of any other person? (yes/no) | Did this person provide more than 50% of his/her own support? (yes,no,n/a) | Did this person have less than $4,700 of income? (yes,no,n/a) | Did the taxpayer(s) provide more than 50% of support for this person? (yes/no/n/a) | Did the taxpayer(s) pay more than half the cost of maintaining a home for this person? (yes/no) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| SHELBY WALKER | 09/03/~~2002~~ 2004 | DAUGH | 12 | YES | YES | S | YES | NO | | | | | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |

Form W-2

| | | | |
|---|---|---|---|
| a Employee's social security number 128-00-XXXX | OMB No. 1545-0008 | Safe, accurate, FAST! Use IRS e-file | Visit the IRS website at www.irs.gov/efile |
| b Employer identification number (EIN) 25-7XXXXXX | 1 Wages, tips, other compensation $24,000 | 2 Federal income tax withheld $3,500 | |
| c Employer's name, address, and ZIP code<br>CAVE STREET MARKET<br>200 ROCK ROAD<br>YOUR CITY, YOUR STATE, ZIP | 3 Social security wages $24,000 | 4 Social security tax withheld $1,488 | |
| | 5 Medicare wages and tips $24,000 | 6 Medicare tax withheld $348.00 | |
| | 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.<br>KIMBERLY WALKER<br>5 PEBBLE LANE<br>YOUR CITY, YOUR STATE, ZIP | 11 Nonqualified plans | 12a See instructions for box 12 Code DD $2,300 | |
| | 13 Statutory employee ☐ Retirement plan ☒ Third-party sick pay ☐ | 12b Code | |
| | 14 Other OT - $860 | 12c Code | |
| | | 12d Code | |
| 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 |
|---|---|---|---|---|---|---|
| YS | 25-7XXXXXX | $24,000 | | | | |

Form **W-2** **Wage and Tax Statement** 202X

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.

☐ CORRECTED (if checked)

| PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. | 1 Gross distribution | OMB No. 1545-0119 | Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc. |
|---|---|---|---|
| BRADFORD INC.<br>2605 STATE STREET<br>YOUR CITY, YOUR STATE, ZIP | $ 18,000 | 2022 | |
| | 2a Taxable amount<br>$ 18,000 | Form 1099-R | |
| | 2b Taxable amount not determined ☐ Total distribution ☐ | | Copy B<br>Report this income on your federal tax return. If this form shows federal income tax withheld in box 4, attach this copy to your return. |
| PAYER'S TIN: 40-100XXXX | RECIPIENT'S TIN: 127-00-XXXX | 3 Capital gain (included in box 2a)<br>$ | 4 Federal income tax withheld<br>$ 6,000 |
| RECIPIENT'S name<br>OWEN WALKER | | 5 Employee contributions/ Designated Roth contributions or insurance premiums<br>$ | 6 Net unrealized appreciation in employer's securities<br>$ |
| Street address (including apt. no.)<br>5 PEBBLE LANE | | 7 Distribution code(s): 7 IRA/SEP/SIMPLE ☐ | 8 Other<br>$ % |
| City or town, state or province, country, and ZIP or foreign postal code<br>YOUR CITY, YOUR STATE, ZIP | | 9a Your percentage of total distribution % | 9b Total employee contributions<br>$ |
| 10 Amount allocable to IRR within 5 years<br>$ | 11 1st year of desig. Roth contrib. | 12 FATCA filing requirement ☐ | 14 State tax withheld<br>$ |
| | | | 15 State/Payer's state no. |
| | | | 16 State distribution<br>$ |
| Account number (see instructions) | 13 Date of payment | 17 Local tax withheld<br>$ | 18 Name of locality |
| | | | 19 Local distribution<br>$ |

Form 1099-R www.irs.gov/Form1099R Department of the Treasury - Internal Revenue Service

## FORM SSA-1099 – SOCIAL SECURITY BENEFIT STATEMENT

2022 • PART OF YOUR SOCIAL SECURITY BENEFITS SHOWN IN BOX 5 MAY BE TAXABLE INCOME.
• SEE THE REVERSE FOR MORE INFORMATION.

| Box 1. Name | Box 2. Beneficiary's Social Security Number |
|---|---|
| OWEN WALKER | 127-00-XXXX |

| Box 3. Benefits Paid in 2022 | Box 4. Benefits Repaid to SSA in 2022 | Box 5. Net Benefits for 2022 (Box 3 minus Box 4) |
|---|---|---|
| $15,000.00 | | ~~$15,000.00~~ 15,000 |

**DESCRIPTION OF AMOUNT IN BOX 3**

**Paid by check or direct deposit: $12,000.00**

**Medicare Part B premiums deducted from your benefits $1,500**

**DESCRIPTION OF AMOUNT IN BOX 4**

Box 6. Voluntary Federal Income Tax Withholding
**$1,500.00**

Box 7. Address
**5 PEBBLE LANE**
**YOUR CITY, YOUR STATE, ZIP**

Box 8. Claim Number *(Use this number if you need to contact SSA.)*

**Draft as of June 21, 2022 - Subject to Change**

Form SSA-1099-SM (6/2020) DO NOT RETURN THIS FORM TO SSA OR IRS

# Forms 1099-DIV & 1098-T

☐ CORRECTED (if checked)

| PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. | 1a Total ordinary dividends | OMB No. 1545-0110 |
|---|---|---|
| BALDWIN BANK<br>123 BALDWIN AVENUE<br>YOUR CITY, YOUR STATE, ZIP | $ 2,400 | Form **1099-DIV** (Rev. January 2022) |
| | 1b Qualified dividends<br>$ 2,400 | For calendar year 20 23 |

**Dividends and Distributions**

| PAYER'S TIN | RECIPIENT'S TIN | 2a Total capital gain distr. | 2b Unrecap. Sec. 1250 gain |
|---|---|---|---|
| 38-4XXXXXX | 127-00-XXXX | $ | $ |
| | | 2c Section 1202 gain<br>$ | 2d Collectibles (28%) gain<br>$ |
| | | 2e Section 897 ordinary dividends<br>$ | 2f Section 897 capital gain<br>$ |

**Copy B**
**For Recipient**

| RECIPIENT'S name | 3 Nondividend distributions | 4 Federal income tax withheld |
|---|---|---|
| OWEN WALKER | $ | $ 240 |
| Street address (including apt. no.)<br>5 PEBBLE LANE | 5 Section 199A dividends<br>$ | 6 Investment expenses<br>$ |
| City or town, state or province, country, and ZIP or foreign postal code<br>YOUR CITY, YOUR STATE, ZIP | 7 Foreign tax paid<br>$ | 8 Foreign country or U.S. possession |
| | 9 Cash liquidation distributions<br>$ | 10 Noncash liquidation distributions<br>$ |
| 11 FATCA filing requirement ☐ | 12 Exempt-interest dividends<br>$ | 13 Specified private activity bond interest dividends<br>$ |
| Account number (see instructions) | 14 State / 15 State identification no. | 16 State tax withheld<br>$ |
| | | $ |

This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.

Form **1099-DIV** (Rev. 1-2022) (keep for your records) www.irs.gov/Form1099DIV Department of the Treasury - Internal Revenue Service

☐ CORRECTED

| FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number | 1 Payments received for qualified tuition and related expenses | OMB No. 1545-1574 |
|---|---|---|
| BALDWIN UNIVERSITY<br>3700 BALDWIN AVENUE<br>YOUR CITY, YOUR STATE, ZIP | $ 9,500 | 2023 Form **1098-T** |
| | 2 | |

**Tuition Statement**

| FILER'S employer identification no. | STUDENT'S TIN | 3 |
|---|---|---|
| 89-7XXXXXX | 129-00-XXXX | |
| STUDENT'S name<br>SHELBY WALKER | | 4 Adjustments made for a prior year<br>$ |
| Street address (including apt. no.)<br>5 PEBBLE LANE | | 6 Adjustments to scholarships or grants for a prior year<br>$ |
| City or town, state or province, country, and ZIP or foreign postal code<br>YOUR CITY, YOUR STATE, ZIP | | |
| Service Provider/Acct. No. (see instr.) | 8 Checked if at least half-time student ☑ | 9 Checked if a graduate student ☐ |

| 5 Scholarships or grants | 7 Checked if the amount in box 1 includes amounts for an academic period beginning January–March 2024 ☐ |
|---|---|
| $ 9,500 | |
| | 10 Ins. contract reimb./refund<br>$ |

**Copy B**
**For Student**

This is important tax information and is being furnished to the IRS. This form must be used to complete Form 8863 to claim education credits. Give it to the tax preparer or use it to prepare the tax return.

Form **1098-T** (keep for your records) www.irs.gov/Form1098T Department of the Treasury - Internal Revenue Service

**Baldwin University**
**Meal Plan**

Baldwin College Student Housing
3700 Baldwin Avenue
Your City, Your State, ZIP

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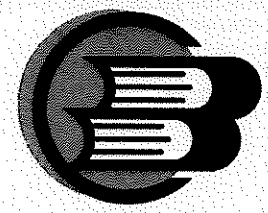
Received from:
Shelby Walker
$5,500.00



College Books
3710 Baldwin Avenue
Your City, State, ZIP

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Receipt
3 Textbooks: $850.00
Parking Sticker: $120.00

*Payment for books is also on the college website.*

Invoice #05684

## Baldwin University

3700 Baldwin Avenue

| Date | To | Ship To |
|---|---|---|
| August 12, 2023 | **Shelby Walker**<br>5 Pebble Lane | Same as recipient |

| Quantity | Description | Unit Price | Total |
|---|---|---|---|
| | Online Textbook | $200 | $200 |
| | | | |
| | | | |
| | | | |
| | | Subtotal | $200 |
| | | Sales Tax | |
| | | Shipping & Handling | |
| | | **Total** | **$200** |

Thank you for your business!

## Basic Scenario 7: Test Questions

**14.** Owen and Kimberly's standard deduction amount is $29,200.

**a.** True

**b.** False

**15.** Owen and Kimberly's total qualified education expenses used to calculate the American Opportunity Credit is:

**a.** $850

**b.** $1,050

**c.** $2,500

**d.** $5,620

**16.** Owen and Kimberly Walker can claim the Credit for Other Dependents.

**a.** True

**b.** False

**17.** What is the total amount of the Walker's federal income tax withholding.

**a.** $7,500

**b.** $9,500

**c.** $11,000

**d.** $11,240

**18.** The taxable amount of Owen's Social Security is $12,715.00.

**a.** True

**b.** False

**19.** Which of the following statements are true?

**a.** Qualified dividends are part of the total ordinary dividends.

**b.** Qualified dividends qualify for lower, long-term capital gains tax rates.

**c.** Qualified dividends are reported on Form 1099-DIV.

**d.** All of the above.