Basic Scenario 7: Craig and Sarah Knox

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

- Craig, age 64, and Sarah, age 63, elect to file Married Filing Jointly. Neither taxpayer is blind.
- Craig is retired. He received Social Security benefits and a pension.
- Craig and Sarah's daughter Kim, age 21, is a full-time college student in her fourth year of study. Kim is graduating this year with a degree in accounting and does not have a felony drug conviction. She received a Form 1098-T for 2025. Box 7 was not checked on her Form 1098-T for the previous tax year.
- Kim spent the summer at home with her parents, but lived in an apartment near campus during the school year.
- [redacted]
- Craig and Sarah paid more than half the cost of maintaining a home and support for Kim.
- Craig and Sarah do not have enough deductions to itemize on their federal tax return.
- Craig, Sarah, and Kim are U.S. citizens and have valid Social Security numbers. They all lived in the United States for the entire year.
- If Craig and Sarah receive a refund, they would like to deposit it into their checking account. Documents from Community Bank show that the routing number is 111000025. Their checking account number is 11337890.

Form **13614-C** (March 2025)	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

- Complete pages 1-5 of this form.
- You are responsible for the information on your return. Provide complete and accurate information.
- If you have questions, 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 ts.voltax@irs.gov

Your first name	M.I.	Last name	Your date of birth	Your job title
CRAIG		KNOX	9/15/1961	RETIRED
Spouse's first name	**M.I.**	**Last name**	**Spouse's date of birth**	**Spouse's job title**
SARAH		KNOX	3/30/1962	RETAIL

Mailing address	Apt #	City	State	ZIP code
410 BROADWAY DRIVE		YOUR CITY	YS	YOUR ZIP

Your telephone number	Spouse's telephone number	Email address (optional)	Did you live or work in two or more states in 2024
YOUR PHONE NUMBER			☐ Yes ☒ No

Check if you or your spouse were in 2024:

A U.S. citizen	☒ You	☒ Spouse	☐ No	Legally blind	☐ You	☐ Spouse	☒ No
In the U.S. on a visa	☐ You	☐ Spouse	☒ No	Totally and permanently disabled	☐ You	☐ Spouse	☒ No
A full-time student	☐ You	☐ Spouse	☒ No	Issued an identity protection PIN (IPPIN)	☐ You	☐ Spouse	☒ No
				Owners or holders of any digital assets	☐ You	☐ Spouse	☒ No

If due a refund, how would you like your refund
- ☒ Direct deposit
- ☐ Check by mail
- ☐ Split refund between accounts
- ☐ Other _____

If you have a balance due, how would you like to make your payment
- ☒ Bank account
- ☐ IRS.gov Direct Pay
- ☐ Set up installment agreement
- ☐ Mail payment to IRS

Would you like to receive written communications from the IRS in a language other than English ☐ You ☐ Spouse ☒ No
What language _____

Would you, or your spouse if married filing jointly, like $3 to go to the Presidential Election Campaign Fund ☒ You ☐ Spouse ☐ No

As of December 31, 2024, what was your marital status
- ☐ **Never Married**
- ☒ **Married** — If married, were you married for all of 2024 ☒ Yes ☐ No; Did you live with your spouse during any part of the last six months of 2024 ☒ Yes ☐ No
- ☐ **Divorced** — Date of final decree _____
- ☐ **Legally Separated but not Divorced** — Date of separate maintenance decree _____
- ☐ **Widowed** — Year of spouse's death _____

To be completed by certified volunteer: Can anyone else claim the taxpayer or spouse on their tax return ☐ Yes ☐ No

List the names below of everyone who lived with you last year (except your spouse) **AND** anyone you supported but did not live with you last year.

Name (first, last)	Date of birth (mm/dd/yy)	Relationship to you (child, parent, none, etc.)	Number of months lived in your home in 2024	Single or Married as of 12/31/2024 (S/M)	Answer Yes or No (Y/N): U.S. Citizen	Resident of U.S., Canada or Mexico	Full-time student	Totally and permanently disabled	Issued IPPIN	**To be completed by certified volunteer (Yes, No, or N/A):** Qualifying child or relative of any other person	This person provided more than 50% of their own support	This person had less than $5,050 of income	Taxpayer(s) provided more than 50% of support for this person	Taxpayer(s) paid more than half the cost of maintaining a home for this person
KIM KNOX	5/8/2004	DAUGHTER	12	S	Y	Y	Y	N	N					

Income: Answer the following questions on the left side of this page. Check only the boxes that apply to you and/or your spouse.

Received money from any of the following in 2024:	(To be completed by certified volunteer) Income to be included	Notes/Comments
☒ (B) Wages as a part-time or full-time employee How many jobs 1	☐ (B) W-2s #	
☐ (B/A) Tips	☐ (B/A) Tips (Basic when reported on W2)	
☒ (B/A) Retirement account, pension or annuity proceeds	☐ (B/A) 1099-R (Basic when taxable amount is reported) # ☐ (A) Qualified Charitable Distribution From 1099-R $	
☐ (B) Disability benefits (such as payments from insurance and worker's compensation)	☐ (B) Disability benefits on 1099-R or W-2 #	
☒ (B) Social Security or Railroad Retirement Benefits	☐ (B) SSA-1099, RRB-1099 #	
☐ (B) Unemployment benefits	☐ (B) 1099-G #	
☐ (B) Refund of state or local income tax	☐ (B) Refund $ ☐ (B) Itemized last year ☐ Yes ☐ No	
☒ (B) Interest or dividends (bank account, bonds, etc.)	☐ (B) 1099-INT # ☐ (B) 1099-DIV #	
☐ (A) Sale of stocks, bonds or real estate Did you report a loss on last year's return ☐ Yes ☐ No	☐ (A) 1099-B (include brokerage statement) # ☐ Capital loss carryover ☐ Yes ☐ No	
☐ (B) Alimony	☐ (B) Alimony $ Excluded from income ☐ Yes ☐ No	
☐ (A/M) Income from renting out your house or a room in your house If yes, did you use the dwelling unit as a personal residence and rent it for fewer than 15 days ☐ Yes ☐ No ☐ Income from renting personal property such as a vehicle	☐ (A/M) Rental income (Advanced when the dwelling is a personal residence and rented for fewer than 15 days) ☐ Rental expense $	
☐ (B) Gambling winnings, including lottery	☐ (B) W-2G or other gambling winnings (list losses below if taxpayer can itemize deductions) #	
☐ (A) Payments for contract or self-employment work Did you report a loss on last year's return ☐ Yes ☐ No	☐ (A) Schedule C ☐ 1099-MISC # ☐ 1099-NEC # ☐ 1099-K # ☐ Other income reported elsewhere ☐ Schedule C expenses $	
☐ Any other money received during the year? (example: cash payments, jury duty, awards, digital assets, royalties, union strike benefits)	☐ Other income (see Pub 4012 for guidance on other income, i.e., scope of service chart)	

Expenses and Tax Related Events: Answer the questions on the left side of this page. Check only the boxes that apply to you and/or your spouse.

Paid any of the following expenses to itemize in 2024?	(To be completed by certified volunteer) Standard or Itemized Deductions	Notes/Comments
☐ (A) Mortgage Interest	☐ (A) 1098 # ____	
☐ (A) Taxes: state, local, real estate, sales, etc.		
☐ (A) Medical, dental, prescription expenses	☐ (B) Standard deduction ☐ (A) Itemized deduction	
☐ (A) Charitable contributions		

Paid any of these expenses in 2024?	(To be completed by certified volunteer) Expenses to report	Notes/Comments
☐ (B) Student loan interest	☐ (B) 1098-E	
☐ (B) Child and dependent care	☐ (B) Child and dependent care credit	
☐ (B/A) Contributions to a retirement account	☐ (B/A) IRA (Basic if a Roth IRA or 401K)	
☐ (B) School supplies by a teacher, teacher's aide or other educator	☐ (B) Educator expenses deduction $	
☐ (B) Alimony payments (do not include child support)	☐ (B) Alimony payments with spouse's SSN $ ____	
	Adjustment to income ☐ Yes ☐ No	

Did any of the following happen during 2024?	(To be completed by certified volunteer) Information to report	Notes/Comments
☒ (B) You or someone in your family took educational classes (technical school, college, job related, etc.)	☐ (B) Taxable scholarship income ☐ (B) 1098-T (itemized statement from school, invoice, etc.) ☐ (B) Education credit or tuition and fees deduction	
☐ (A) Sell a home	☐ (A) Sale of home (1099-S)	
☐ (A) Have a health savings account (HSA)	☐ (A) HSA contributions ☐ (A) HSA distributions	
☐ (A) Purchase health insurance through the Marketplace (Exchange)	☐ (A) 1095-A	
☐ (A) Purchase and install energy-efficient home items (example: windows, furnace, insulation, etc.)	☐ (A) Energy efficient home improvement credit (Form 5695, Part II only)	
☐ (A) Have credit card, mortgage, or other debt cancelled/forgiven by a lender	☐ (A) 1099-C	
☐ (A) Have a loss related to a declared Federal disaster area	☐ (A) 1099-A ☐ Disaster relief impacts return	
☐ (B) Have a tax credit disallowed (example: earned income credit, child tax credit, or American opportunity credit)	☐ (B) EITC, CTC, AOTC or HOH disallowed in a previous year Year disallowed Reason	
☐ Receive any letter or bill from the IRS	☐ Eligible for Low Income Taxpayer Clinic referral	
☐ (B) Make estimated tax payments or apply last year's refund to 2024 taxes	☐ (B) Estimated tax payments ____ ☐ (B) Last year's refund applied to this year ____ ☐ Last year's return available	

☐ VOID ☐ CORRECTED

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.
Livewell Inc. 322 Palmer Rd. YOUR CITY, YOUR STATE, ZIP	$ 19,000	2025	
	2a Taxable amount $ 19,000	Form 1099-R	
	2b Taxable amount not determined ☐ Total distribution ☐		Copy 1 For State, City, or Local Tax Department

PAYER'S TIN	RECIPIENT'S TIN	3 Capital gain (included in box 2a)	4 Federal income tax withheld
40-100XXXX	127-00-XXXX	$	$ 1,900

RECIPIENT'S name	5 Employee contributions/ Designated Roth contributions or insurance premiums	6 Net unrealized appreciation in employer's securities
Craig Knox	$	$
Street address (including apt. no.) 410 Broadway Drive	7 Distribution code(s): 7 — IRA/SEP/SIMPLE ☐	8 Other: $ — %
City or town, state or province, country, and ZIP or foreign postal code YOUR CITY, YOUR STATE, ZIP	9a Your percentage of total distribution %	9b Total employee contributions $

10 Amount allocable to IRR within 5 years	11 1st year of desig. Roth contrib.	12 FATCA filing requirement	14 State tax withheld	15 State/Payer's state no.	16 State distribution
$		☐	$		$
			$		$
Account number (see instructions)		13 Date of payment	17 Local tax withheld	18 Name of locality	19 Local distribution
			$		$

FORM SSA-1099 – SOCIAL SECURITY BENEFIT STATEMENT

2025 • 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
CRAIG KNOX	**127-00-XXXX**

Box 3. Benefits Paid in 2025	Box 4. Benefits Repaid to SSA in 2025	Box 5. Net Benefits for 2025 *(Box 3 minus Box 4)*
$15,500.00		**$15,500.00**

DESCRIPTION OF AMOUNT IN BOX 3

Paid by check or direct deposit: $13,280

Medicare Part B premiums deducted from your benefits $2,220

DESCRIPTION OF AMOUNT IN BOX 4

Box 6. Voluntary Federal Income Tax Withholding
$0.00

Box 7. Address
410 Broadway Drive
YOUR CITY, YOUR STATE, ZIP

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

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

Form W-2

22222	a Employee's social security number 128-00-XXXX	OMB No. 1545-0029	
b Employer identification number (EIN) 25-7XXXXXX		1 Wages, tips, other compensation $25,000	2 Federal income tax withheld $2,500
c Employer's name, address, and ZIP code Fashionista 210 Main St. YOUR CITY, YOUR STATE, ZIP		3 Social security wages $25,000	4 Social security tax withheld $1,550
		5 Medicare wages and tips $25,000	6 Medicare tax withheld $362.50
		7 Social security tips	8 Allocated tips
d Control number		9	10 Dependent care benefits
e Employee's first name and initial: Sarah; Last name: Knox; Suff.		11 Nonqualified plans	12a Code DD $2,500
410 Broadway Drive YOUR CITY, YOUR STATE, ZIP		13 Statutory employee ☐ Retirement plan ☒ Third-party sick pay ☐	12b Code
		14 Other OT - $1250	12c Code
f Employee's address and ZIP code			12d 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	$25,000				

Form **W-2** **Wage and Tax Statement** 2025 Department of the Treasury—Internal Revenue Service

Copy 1—For State, City, or Local Tax Department

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	**Dividends and Distributions**
Community Bank 123 Baldwin Avenue YOUR CITY, YOUR STATE, ZIP	$ 2,600	Form **1099-DIV**	
	1b Qualified dividends $ 2,600	(Rev. January 2024) For calendar year 2025	
	2a Total capital gain distr. $	2b Unrecap. Sec. 1250 gain $	**Copy B For Recipient**
PAYER'S TIN: 38-4XXXXXX / RECIPIENT'S TIN: 127-00-XXXX	2c Section 1202 gain $	2d Collectibles (28%) gain $	
	2e Section 897 ordinary dividends $	2f Section 897 capital gain $	
RECIPIENT'S name: Craig Knox	3 Nondividend distributions $	4 Federal income tax withheld $ 260	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.
Street address (including apt. no.): 410 Broadway Drive	5 Section 199A dividends $	6 Investment expenses $	
City or town, state or province, country, and ZIP or foreign postal code: YOUR CITY, YOUR STATE, ZIP	7 Foreign tax paid $	8 Foreign country or U.S. possession	
	9 Cash liquidation distributions $	10 Noncash liquidation distributions $	
11 FATCA filing requirement ☐	12 Exempt-interest dividends $	13 Specified private activity bond interest dividends $	
Account number (see instructions)	14 State / 15 State identification no.	16 State tax withheld $	

Form **1099-DIV** (Rev. 1-2024) (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 $ 12,000	OMB No. 1545-1574 **2025** Form **1098-T**	**Tuition Statement**
Baldwin University 3700 Baldwin Avenue YOUR CITY, YOUR STATE, ZIP	2		
FILER'S employer identification no.: 89-7XXXXXX / STUDENT'S TIN: 129-00-XXXX	3		**Copy B For Student**
STUDENT'S name: Kim Knox	4 Adjustments made for a prior year $	5 Scholarships or grants $ 10,000	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.
Street address (including apt. no.): 410 Broadway Drive	6 Adjustments to scholarships or grants for a prior year $	7 Checked if the amount in box 1 includes amounts for an academic period beginning January–March 2026 ☐	
City or town, state or province, country, and ZIP or foreign postal code: 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 ☐	10 Ins. contract reimb./refund $

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

Basic Scenario 7: Test Questions

14. Craig and Sarah's standard deduction amount is $31,500.

    a. True

    b. False

15. Craig and Sarah's total qualified education expenses used to calculate the American Opportunity Credit are:

    a. [redacted] 0

    b. [redacted] $2000

    c. [redacted] $10000

    d. [redacted] $12,000

16. Craig and Sarah Knox can claim the Credit for Other Dependents.

    a. True

    b. False

17. What is the total amount of the Knox's federal income tax withholding?

    a. $1,900

    b. $2,500

    c. $4,660

    d. $6,560

18. The taxable amount of Craig's Social Security is $13,175.00.

    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.

Checkpoint Answers

Total Income 59775

Adjusted Gross Inc 59775

Taxable Income 28275

Total Tax 904

Total Payments 5460

Refund 4556