

Tax Return Problems – formerly Appendix C

Individual Tax Return Problem 3

Required:

- Use the following information to complete Rhonda Hill's 2020 federal income tax return. If any information is missing, use reasonable assumptions to fill in the gaps.
- The forms, schedules, and instructions can be found at the IRS website (www.irs.gov). The instructions can be helpful in completing the forms.

Facts:

1. Rhonda Hill (unmarried) is employed as an office manager at the main office of Carter and Associates CPA firm. Rhonda lives in a home she purchased 20 years ago. Rhonda's older cousin Mabel Wright lives with Rhonda in the home. Mabel is retired and receives \$2,400 of Social Security payments each year. Mabel is able to save this money because Rhonda provides all of Mabel's support. Rhonda also provided the following information:

- Rhonda does not want to contribute to the presidential election campaign.
- Rhonda lives at 1234 Blue Ridge Way, Tulsa, Oklahoma 74101.
- Rhonda's birthday is 12/18/1956 and her Social Security number is 335-67-8910.
- Mabel's birthday is 11/2/1947 and her Social Security number is 566-77-8899.
- Rhonda does not have any foreign bank accounts or trusts.

2. Rhonda received a Form W-2 from Carter and Associates (her employer) that contained the following information:

• Line 1 Wages, tips, other compensation	\$72,000
• Line 2 Federal income tax withheld	7,800
• Line 3 Social Security wages	72,000
• Line 4 Social Security tax withheld	4,464
• Line 5 Medicare wages and tips	72,000
• Line 6 Medicare tax withheld	1,044
• Line 16 State wages, tips, etc.	72,000
• Line 17 State income tax	2,700
• Carter and Associates address is 1234 CPA Way Tulsa, Oklahoma 74101; its FEIN is 91-0001002; and its State ID number is 123456678	

3. Rhonda received \$250 in interest from Tulsa City bonds, \$120 interest from IBM bonds, and \$15 from her savings account at UCU Credit Union. She also received a \$460 dividend from Huggies Company and \$500 from Bicker Corporation. Both dividends are qualified dividends.
4. Rhonda sold 200 shares of DM stock for \$18 a share on June 15, 2020. She purchased the stock on December 12, 2013, for \$10 a share. She also sold 50 shares of RSA stock for \$15 a share on October 2, 2020. She purchased the stock for \$65 a share on February 2, 2020. Stock basis amounts and proceeds have been reported to the IRS.
5. The following is a record of the medical expenses that Rhonda paid for herself during the year. The amounts reported are amounts she paid in excess of insurance reimbursements. Rhonda drove 210 miles for medical purposes in 2020.

Insurance premiums	\$3,700
Prescription medications	100
Over-the-counter medications	250
Doctor and dentist visits	1,450
Eyeglasses	300
Physical therapy	200

6. Rhonda paid \$6,800 in mortgage interest during the year to UCU credit union (reported to her on Form 1098). She also paid \$1,240 in real property taxes during the year.
7. Rhonda contributed \$5,400 to Heavenly Church during the year. Heavenly Church's address is 1342 Religion Way, Tulsa, Oklahoma 74101.
8. Rhonda did not buy, sell, exchange, or otherwise acquire any financial interest in a virtual currency.
9. Rhonda received two Economic Impact Payments (stimulus checks) in the full amount before filing their 2020 tax return.