

1. CP.04.58 (Algorithmic)

Instructions

Daniel B. Butler and Freida C. Butler, husband and wife, file a joint return. The Butlers live at 625 Oak Street in Corbin, KY 40701. Dan's Social Security number is 111-11-1111, and Freida's is 123-45-6789. Dan was born on January 15, 1965, and Freida was born on August 20, 1966.

During 2016, Dan and Freida furnished over half of the total support of each of the following individuals, all of whom still live at home:

- a. Gina, their daughter, age 22, a full-time student, who married on December 21, 2016, has no income of her own and for 2016 did not file a joint return with her husband, Casey, who earned \$10,600 during 2016. Gina's Social Security number is 123-45-6788.
- b. Sam, their son, age 20, who had gross income of \$6,300 in 2016, dropped out of college in October 2016. He had graduated from high school in May 2016. Sam's Social Security number is 123-45-6787.
- c. Ben, their oldest son, age 26, is a full-time graduate student with gross income of \$5,200. Ben's Social Security number is 123-45-6786.

Dan was employed as a manager by WJJJ, Inc. (employer identification number 11-1111111, 604 Franklin Street, Corbin, KY 40702), and Freida was employed as a salesperson for Corbin Realty, Inc. (employer identification number 98-7654321, 899 Central Street, Corbin, KY 40701). Selected information from the W-2 Forms provided by the employers is presented below. Dan and Freida use the cash method.

Line Description	Dan	Freida
1 Wages, tips, other compensation	\$74,000	\$86,000
2 Federal income tax withheld	11,000	12,400
17 State income tax withheld	2,960	3,440

Freida sold a house on December 30, 2016, and will be paid a commission of \$3,100 (not included in the \$86,000 reported on the W-2) on the January 10, 2017 closing date.

Other income (as reported on 1099 Forms) for 2016 consisted of the following:

Dividends on CSX stock (qualified)	\$4,200
Interest on savings at Second Bank	1,600
Interest on City of Corbin bonds	900
Interest on First Bank CD	382

The \$382 from First Bank was original issue discount. Dan and Freida collected \$16,000 on the First Bank CD that matured on September 30, 2016. The CD was purchased on October 1, 2014, for \$14,995, and the yield to maturity was 3.3%.

Dan received a Schedule K-1 from the Falcon Partnership, which showed his distributive share of income as \$7,000 (non passive income).

In addition to the above information, Dan and Freida's itemized deductions included the following:

Paid on 2016 Kentucky income tax	\$700
Personal property tax paid	600
Real estate taxes paid	1,800
Interest on home mortgage (Corbin S&L)	4,900
Cash contributions to the Boy Scouts	800

Sales tax from the sales tax table is \$1,860. Dan and Freida made Federal estimated tax payments of \$8,000. All members of the family had health insurance coverage for all of 2016. Dan and Freida do not wish to contribute to the Presidential Election Campaign. The Kentucky income tax rate is 4%.

Required:

Compute Dan and Freida's 2016 Federal income tax payable (or refund due). Use Form 1040 and Schedules A, B, and E to complete this tax return. If there is a tax overpayment, the Butlers would like a refund. If additional tax is due, assume no underpayment penalty applies.

It may be necessary to complete the tax schedules before completing Form 1040.

- Enter all amounts as positive numbers.
- If an amount box does not require an entry or the answer is zero, enter "0".
- When computing the tax liability, do not round your immediate calculations.
- If required round your answers to the nearest dollar.
- Make realistic assumptions about any missing data.
- Use the 2016 Tax Rate Schedule provided. Do not use the Tax Tables.

Form - W2

a Employee's social security number 123-45-6789	OMB No. 1545-0008 FAST! Use	Safe, accurate, IRS e ~ file Visit the IRS website at www.irs.gov/efile	
b Employer identification number (EIN) 98-7654321	1 Wages, tips, other compensation \$ 86,000	2 Federal income tax withheld \$ 12,400	

c Employer's name, address, and ZIP code Corbin Realty, Inc. 899 Central Street Corbin, KY 40701		3 Social security wages \$ 86,000	4 Social security tax withheld \$ 5,332
		5 Medicare wages and tips \$ 86,000	6 Medicare tax withheld \$ 1,247
		7 Social security tips	8 Allocated tips
d Control number		9	10 Dependent care benefits
e Employee's first name and initial Frieda C. Butler	Last name Suff.	11 Nonqualified plans	12a See instructions for box 12 C o d e
625 Oak Street Corbin, KY 40701		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>	12b C o d e
		14 Other	12c C o d e
			12d C o d e
f Employee's address and ZIP code		15 State wages, tips,	16 State income tax
15 State Employer's state ID		17 Local wages, tips,	18 Local income tax
		19 Local income	20 Locality

number 98-7654321	etc. \$ 86,000	withheld \$ 3,440	etc.	tax	name

Form W-2 Wage and Tax Statement 2016 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.

a Employee's social security number 111-11-1111		OMB No. 1545-0008 Safe, accurate, FAST! Use	Visit the IRS website at www.irs.gov/efile
b Employer identification number (EIN) 11-1111111		1 Wages, tips, other compensation \$ 74,000	
c Employer's name, address, and ZIP code WJJI, Inc. 604 Franklin Street Corbin, KY 40702		2 Federal income tax withheld \$ 11,000	
		4 Social security tax withheld \$ 4,588	
		6 Medicare tax withheld \$ 1,073	
		8 Allocated tips	
d Control number		10 Dependent care benefits	
e Employee's first name and initial Daniel B. Butler		12a See instructions for box 12 C o d e	
625 Oak Street Corbin, KY 40701		13 Statutory employee Retirement plan Third-party sick pay	

	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	C o d e
14 Other						
12c C o d e						
12d C o d e						
f Employee's address and ZIP code						
15 State Employer's state ID number 11-1111111	16 State wages, tips, etc. \$ 74,000	17 State income tax withheld \$ 2,960	18 Local wages, tips, etc.	19 Local income tax	20 Locality name	

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

2016

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.

Form 1099

CORRECTED (if checked)

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.	OMB No. 1545-0110	<h1>2016</h1>
1a Total ordinary dividends \$ 4,200	<h2>Dividends and Distributions</h2>	

CSX 123 Main Street Anytown, CA		RECIPIENT'S identification number 123-45- 6789		1b Qualified dividends \$ 4,200		Form 1099-DIV			
				2a Total capital gain distr. \$		2b Unrecap. Sec. 1250 gain \$			
RECIPIENT'S name Freida C. Butler		2c Section 1202 gain \$		2d Collectibles (28%) gain \$		<p style="text-align: center;">Copy B</p> <p style="text-align: center;">For Recipient</p> <p>This is important tax information and is being furnished to the Internal Revenue Service. 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.</p>			
				3 Nondividend distributions \$				4 Federal income tax withheld \$ 0	
Street address (including apt. no.) 625 Oak Street		5 Investment expenses \$		6 Foreign tax paid \$					
								7 Foreign country or U.S. possession	
City or town, state or province, country, and ZIP or foreign postal code Corbin, KY 40701		8 Cash liquidation distributions \$		9 Noncash liquidation distributions \$					
								10 Exempt—interest dividends \$	
FATCA filing requirement		FATCA filing requirement		FATCA filing requirement				FATCA filing requirement	

<input type="checkbox"/>	bond interest dividends		\$
Account number (see instructions)	12 State	13 State identification withheld	14 State tax withheld
		no	\$

Form **1099-DIV** (keep for your records) www.irs.gov/form1099div Department of the Treasury - 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. City of Corbin 444 City Blvd. Corbin, KY 40701	Payer's RTN (optional) OMB No. 1545-0112	<h1>2016</h1> Form 1099-INT	
	PAYER'S federal identification number 111-11-1111	RECIPIENT'S identification number 111-11-1111	This is important tax information and is being furnished to the Internal Revenue Service. 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.
RECIPIENT'S name Daniel and Frieda Butler		1 Interest Income \$	2 Early withdrawal penalty \$
3 Interest on U.S. Savings Bonds and Treas. obligations \$		4 Federal income tax withheld \$	5 Investment expenses \$
		6 Foreign \$	7 Foreign \$

Interest Income

Copy B

For Recipient

Street address (including apt. no.) 625 Oak Street City or town, state or province, country, and ZIP or foreign postal code Corbin, KY 40701	tax paid \$ 8 Tax--exempt interest \$ 900 10 Market discount \$ 12	country or U.S. possession 9 Specified private activity bond interest \$ 11 Bond premium \$ 13 Bond premium on tax-exempt bond \$	FATCA filing requirement <input type="checkbox"/>	Account number (see instructions)	14 Tax--exempt and tax credit bond CUSIP no. 15 State identification no. \$ 16 State identification no. \$ 17 State tax withheld \$
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Form **1099-INT** (keep for your records) www.irs.gov/form1099int Department of the Treasury - 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. First Bank 345 First Street	Payer's RTN (optional)	OMB No. 1545-0112	<h1 style="margin: 0;">2016</h1>	<h2 style="margin: 0;">Interest Income</h2>
1 Interest income \$ 382		Form 1099-INT		

Copy B

For Recipient

This is important tax information and is being furnished to the Internal Revenue Service. 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.

Corbin, KY 40701		2 Early withdrawal penalty	
PAYER'S federal identification number	RECIPIENT'S identification number	\$	
	111-11-1111		
RECIPIENT'S name Daniel and Frieda Butler Street address (including apt. no.) 625 Oak Street City or town, state or province, country, and ZIP or foreign postal code Corbin, KY 40701		3 Interest on U.S. Savings Bonds and Treas. obligations	\$
		4 Federal income tax withheld	\$
		5 Investment expenses	\$
		6 Foreign tax paid	\$
		7 Foreign country or U.S. possession	
		8 Tax-exempt interest	\$
		9 Specified private activity bond interest	\$
		10 Market discount	\$
		11 Bond premium	\$
		12	\$
		13 Bond premium on tax-exempt bond	\$
Account number (see instructions)		14 Tax-exempt and tax	
		15 State identification no.	
		16 State	
		17 State tax withheld	\$

		\$
		\$

Form **1099-INT** (keep for your records) www.irs.gov/form1099int Department of the Treasury - 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. Second Bank 455 Second Street Corbin, KY 40701		Payer's RTN (optional) OMB No. 1545-0112 <h1 style="text-align: center;">2016</h1> Form 1099-INT	<h2 style="font-size: 2em;">Interest Income</h2> <h2 style="font-size: 2em;">Copy B</h2> For Recipient
PAYER'S federal identification number 111-11-1111		1 Interest income \$ 1,600	
RECIPIENT'S identification number 111-11-1111		2 Early withdrawal penalty \$	
RECIPIENT'S name Daniel and Frieda Butler		3 Interest on U.S. Savings Bonds and Treas. obligations \$	
Street address (including apt. no.) 625 Oak Street		4 Federal income tax withheld \$	
City or town, state or province,		5 Investment expenses \$	
City or town, state or province,		6 Foreign tax paid \$	
City or town, state or province,		7 Foreign country or U.S. possession \$	
City or town, state or province,		8 Tax-exempt \$	
City or town, state or province,		9 Specified private activity \$	

This is important tax information and is being furnished to the Internal Revenue Service. 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.

country, and ZIP or foreign postal code Corbin, KY 40701	interest \$	bond interest \$	
FATCA filing requirement <input type="checkbox"/>	10 Market discount \$	11 Bond premium \$	17 State tax withheld \$
	12 Bond premium on tax-exempt bond \$	13 Bond premium on tax-exempt bond \$	
Account number (see instructions)	14 Tax-exempt and tax credit bond CUSIP no.	15 State identification no.	16 State tax withheld \$

Form 1099-INT (keep for your records) www.irs.gov/form1099int Department of the Treasury - Internal Revenue Service

Form 1040

Complete the Butler's Form 1040.

Department of the Treasury—Internal Revenue Service (99)	2016	OMB No. 1545-0074 IRS Use Only.
Form 1040 U.S. Individual Income Tax Return		
For the year Jan. 1–Dec. 31, 2016, or other tax year beginning ,2016, ending ,20		
Your first name and initial DANIEL B	Last name BUTLER	Your social security number 111-11-1111
If a joint return, spouse's first name and initial FREIDA C		Spouse's social security number 123-45-6789
Home address (number and street). If you have a P.O. box, see instructions. 625 OAK STREET		
City, town or post office, state, and ZIP code. If you have a foreign address, also complete		Apt. no. Presidential Election Campaign

spaces below (see instructions).

CORBIN KY 40701

Check here if you, or your spouse if filing jointly, want \$3 to go to this fund.
 Checking a box below will not change your tax or refund.

You Spouse

Foreign country name	Foreign province/state/country	Foreign postal code
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Filing status

Exemptions 6a _____ **Yourself.** If someone can claim you as a dependent, do not check box 6a

b _____ **Spouse**

Boxes checked on 6a and 6b _____
No. of children on 6c who:
 • lived with you _____
 • did not live with you due to divorce or separation (see instructions) _____
Dependents on 6c not entered above _____
Add numbers on lines above _____

c Dependents:

(1) First name	Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) <input checked="" type="checkbox"/> If child under age 17 qualifying for child tax credit (see instructions)
GINA	BUTLER	123-45-6788	Daughter	
SAM	BUTLER	123-45-6787	Son	

If more than four dependents, see instructions and check here.

Income	7	8a	8b	9a	9b	10	11	12	13	14	15a	15b
Wages, salaries, tips, etc. Attach Form(s) W-2												
Taxable interest. Attach Schedule B if required												
Tax-exempt interest. Do not include on line 8a												
Ordinary dividends. Attach Schedule B if required												
Qualified dividends												
Taxable refunds, credits, or offsets of state and local income taxes												
Alimony received												
Business income or (loss). Attach Schedule C or C-EZ												
Capital gain or (loss). Attach Schedule D if required. If not required, check here												
Other gains or (losses). Attach Form 4797												
IRA distributions												

withheld.				
If you did not get a W-2, see instructions.	16a		amount	
Pensions and annuities			Taxable amount	16b
17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E				17
18 Farm income or (loss). Attach Schedule F				18
19 Unemployment compensation				19
20a Social security benefits	20a		Taxable amount	20b
21 Other income. List type and amount				21
22 Combine the amounts in the far right column for lines 7 through 21. This is your total income ▶				22

Adjusted Gross Income				
23 Educator expenses		23		
24 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ.		24		
25 Health savings account deduction. Attach Form 8889		25		
26 Moving expenses. Attach Form 3903		26		
27 Deductible part of self-employment tax. Attach Schedule SE		27		
28 Self-employed SEP, SIMPLE, and qualified plans		28		
29 Self-employed health insurance deduction		29		
30 Penalty on early withdrawal of savings		30		
31a Alimony paid b Recipient's SSN ▶ _____		31a		
32 IRA deduction		32		
33 Student loan interest deduction		33		
34 Tuition and fees. Attach Form 8917		34		
35 Domestic production activities deduction. Attach Form 8903		35		
36 Add lines 23 through 35				36
37 Subtract line 36 from line 22. This is your adjusted gross income ▶				37

KIA For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Form 1040 (2016)

51	Retirement savings contributions credit. Attach Form 8880	51	
52	Child tax credit. Attach Schedule 8812, if required	52	
53	Residential energy credit. Attach Form 5695	53	
54	Other credits from Form: a <input type="checkbox"/> 3800 b <input type="checkbox"/> 8801 c <input type="checkbox"/>	54	
55	Add lines 48 through 54. These are your total credits	55	
56	Subtract line 55 from line 47. If line 55 is more than line 47, enter -0-	56	
57	Self-employment tax. Attach Schedule SE	57	
Other			
Taxes			
58	Unreported social security and Medicare tax from Form: a <input type="checkbox"/> 4137 b <input type="checkbox"/> 8919	58	
59	Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required	59	
60a	Household employment taxes from Schedule H	60a	
60b	First-time homebuyer credit repayment. Attach Form 5405 if required	60b	
61	Health care: individual responsibility (see instructions) <input checked="" type="checkbox"/> Full-year coverage	61	
62	Taxes from: a <input type="checkbox"/> Form 8959 b <input type="checkbox"/> Form 8960 c <input type="checkbox"/> Instructions; enter code(s) -----	62	
63	Add lines 56 through 62. This is your total tax	63	
Payments			
64	Federal income tax withheld from Forms W-2 and 1099	64	
65	2016 estimated tax payments and amount applied from 2015 return	65	
66a	Earned income credit (EIC)	66a	
66b	Nontaxable combat pay election	66b	
67	Additional child tax credit. Attach Schedule 8812	67	
68	American opportunity credit from Form 8863, line 8	68	

If you have a qualifying child, attach Schedule EIC.

69	Net premium tax credit. Attach Form 8962		69																				
70	Amount paid with request for extension to file		70																				
71	Excess social security and tier 1 RRTA tax withheld		71																				
72	Credit for federal tax on fuels. Attach Form 4136		72																				
73	Credits from Form: a <input type="checkbox"/> 2439 b <input type="checkbox"/> Reserved c <input type="checkbox"/> Reserved d <input type="checkbox"/> _		73																				
74	Add lines 64, 65, 66a, and 67 through 73. These are your total payments	▶	74																				
75	If line 74 is more than line 63, subtract line 63 from line 74. This is the amount you overpaid		75																				
76a	Amount of line 75 you want refunded to you . If Form 8888 is attached, check here <input type="checkbox"/> ▶		76a																				
Direct deposit? See instructions.																							
▶ b	Routing number <table border="1" style="display: inline-table; border-collapse: collapse; text-align: center;"> <tr><td>X</td><td>X</td><td>X</td><td>X</td><td>X</td><td>X</td><td>X</td><td>X</td><td>X</td><td>X</td></tr> </table> ▶ c Type: <input checked="" type="checkbox"/> Checking <input type="checkbox"/> Savings	X	X	X	X	X	X	X	X	X	X												
X	X	X	X	X	X	X	X	X	X														
▶ d	Account number <table border="1" style="display: inline-table; border-collapse: collapse; text-align: center;"> <tr><td>X</td><td>X</td><td>X</td><td>X</td><td>X</td><td>X</td><td>X</td><td>X</td><td>X</td><td>X</td><td>X</td><td>X</td><td>X</td><td>X</td><td>X</td><td>X</td><td>X</td><td>X</td><td>X</td><td>X</td></tr> </table>	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X		
X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X				
77	Amount of line 75 you want applied to your 2017 estimated tax ▶		77																				
78	Amount you owe . Subtract line 74 from line 63. For details on how to pay, see instructions		78																				
79	Estimated tax penalty (see instructions)		79																				

Do you want to allow another person to discuss this return with the IRS (see instructions)? Yes. No

Third Party Designee

Complete below. No Yes

Designee's name ▶	Phone no. ▶	Personal identification number (PIN) ▶			
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Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and accurately list all amounts and sources of income I received during the tax year. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature	Date	Your occupation	Daytime phone number
MANAGER			
Spouse's signature. If a joint return, both must sign.			
Date	Spouse's occupation	If the IRS sent you an Identity Protection PIN, enter it here (see inst.)	
	REALTOR		

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
Firm's name ▶				Firm's EIN ▶

Firm's address ▶

Phone no.

KIA

www.irs.gov/form1040

Form 1040 (2016)

Schedule A

Complete the Butler's Schedule A for 2016.

**SCHEDULE A
(Form 1040)**

Department of the Treasury Internal Revenue Service (99)

Itemized Deductions

▶ Information about Schedule A and its separate instructions is at www.irs.gov/schedulea.
▶ Attach to Form 1040.

OMB No. 1545-0074

2016

Attachment Sequence No. 07

Your social security number 111-11-1111

Name(s) shown on Form 1040
DANIEL B BUTLER

Medical and Dental Expenses

Caution. Do not include expenses reimbursed or paid by others.

- 1 Medical and dental expenses (see instructions)
- 2 Enter amount from Form 1040, line 38
- 3 Multiply line 2 by 10% (0.10). But if either you or your spouse was born before January 2, 1952, multiply line 2 by 7.5% (0.075) instead
- 4 Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-

Taxes You Paid

5 State and local (check only one box):

- a Income taxes
- b General sales taxes
- 6 Real estate taxes (see instructions)
- 7 Personal property taxes
- 8 Other taxes. List type and amount ▶

9 Add lines 5 through 8		9
Interest You Paid		
Note. Your mortgage interest deduction may be limited (see instructions).		
10 Home mortgage interest and points reported to you on Form 1098	10	
11 Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address ▶ -----	11	
12 Points not reported to you on Form 1098. See instructions for special rules	12	
13 Mortgage insurance premiums (see instructions)	13	
14 Investment interest. Attach Form 4952 if required. (See instructions.)	14	
15 Add lines 10 through 14	15	
Gifts to Charity		
16 Gifts by cash or check. If you made any gift of \$250 or more, see instructions	16	
17 Other than by cash or check. If any gift of \$250 or more, see instructions. You must attach Form 8283 if over \$500	17	
18 Carryover from prior year	18	
19 Add lines 16 through 18	19	
Casualty and Theft		
20 Casualty or theft loss(es). Attach Form 4684. (See instructions.)	20	
Losses		
21 Unreimbursed employee expenses—job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See instructions.) ▶ -----	21	
22 Tax preparation fees	22	
23 Other expenses—investment, safe deposit box, etc. List type and amount ▶ -----	23	
24 Add lines 21 through 23	24	
25 Enter amount from Form 1040, line 38	25	

	26			
26 Multiply line 25 by 2% (0.02)				
27 Subtract line 26 from line 24. If line 26 is more than line 24, enter -0-				27
28 Other—from list in instructions. List type and amount ▶	-----			28
Total Itemized Deductions				
29 Is Form 1040, line 38, over \$155,650?				
<input type="checkbox"/> No. Your deduction is not limited. Add the amounts in the far right column for lines 4 through 28. Also, enter this amount on Form 1040, line 40.				
<input checked="" type="checkbox"/> Yes. Your deduction may be limited. See the Itemized Deductions Worksheet in the instructions to figure the amount to enter.				
30 If you elect to itemize deductions even though they are less than your standard deduction, check here				29

KIA For Paperwork Reduction Act Notice, see Form 1040 instructions. Schedule A (Form 1040) 2016

Schedule B

Complete the Butler's Schedule B for 2016.

Interest and Ordinary Dividends

SCHEDULE B
(Form 1040A or 1040)

Department of the Treasury Internal Revenue Service (99)

OMB No. 1545-0074

2016

Attachment Sequence No. 08

Your social security number 111-11-1111

Name(s) shown on return
DANIEL B BUTLER

Part I

1 List name of payer. If any interest is from a seller-financed

Amount

Interest

(See instructions Schedule B, and the instructions for Form 1040A, or Form 1040, line 8a.)

Note. If you received a Form 1099-INT, Form 1099-OID, or substitute statement from a brokerage firm, list the firm's name as the payer and enter the total interest shown on that form.

mortgage and the buyer used the property as a personal residence, see instructions and list this interest first. Also, show that buyer's social security number and address ▶

1		<input type="text"/>
2		<input type="text"/>
3		<input type="text"/>
4		<input type="text"/>

2 Add the amounts on line 1

3 Excludable interest on series EE and I U.S. savings bonds issued after 1989. Attach Form 8815

4 Subtract line 3 from line 2. Enter the result here and on Form 1040A, or Form 1040, line 8a

Note. If line 4 is over \$1,500, you must complete Part III.

Part II

5 List name of payer

Ordinary Dividends

(See instructions for Schedule B, and the instructions for Form 1040A, or Form 1040, line 9a.)

Note. If you received a Form 1099-DIV or substitute statement from a brokerage firm, list the firm's name as the payer and enter the ordinary dividends shown on that form.

5		<input type="text"/>
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6 Add the amounts on line 5. Enter the total here and on Form 1040A, or Form 1040, line 9a

6		<input type="text"/>
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Note. If line 6 is over \$1,500, you must complete Part III.

You must complete this part if you (a) had over \$1,500 of taxable interest or ordinary dividends; (b) had a foreign account; or (c) received a distribution from, or were a grantor of, or a transferor to, a foreign trust.

Part III

Foreign Accounts and Trusts

7a At any time during 2016, did you have a financial interest in or signature authority over a financial account (such as a bank account, securities account, or brokerage account) located in a foreign country? See instructions If "Yes," are you required to file FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR), to report that financial interest or signature authority? See FinCEN Form 114 and its instructions for filing

	Yes	No
	X	

(See requirements and exceptions to those requirements)

instructions.) **b** If you are required to file FinCEN Form 114, enter the name of the foreign country where the financial account is located ▶ -----

8 During 2016, did you receive a distribution from, or were you the grantor of, or transferor to, a foreign trust? If "Yes," you may have to file Form 3520. See instructions

	X
--	---

KIA For Paperwork Reduction Act Notice, see your tax return instructions. Schedule B (Form 1040A or 1040) 2016

Schedule E

Complete the Butler's Schedule E for 2016.

<p>SCHEDULE E (Form 1040) Department of the Treasury Internal Revenue Service (99)</p>	<p style="text-align: center;">Supplemental Income and Loss (From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.)</p> <p style="text-align: center;">▶ Attach to Form 1040, 1040NR, or Form 1041. ▶ Information about Schedule E and its separate instructions is at www.irs.gov/schedulee.</p>
	<p>OMB No. 1545-0074</p> <p style="font-size: 2em; font-weight: bold;">2016</p> <p>Attachment Sequence No. 13</p>

Name(s) shown on return **DANIEL B BUTLER** Your social security number 111-11-1111

Part Income or Loss From Rental Real Estate and Royalties Note: If you are in the business of renting personal property, use

I Schedule C or C-EZ (see instructions). If you are an individual, report farm rental income or loss from **Form 4835** on page 2, line 40.

A Did you make any payments in 2016 that would require you to file Form(s) 1099? (see instructions) Yes No

B If "Yes," did you or will you file required Forms 1099? Yes No

1a Physical address of each property (street, city, state, ZIP code)

A				
B				
C				

2 For each rental real estate property listed above, report the number of fair rental and personal use days. Check the **QJV** box only if you meet the requirements to file as a qualified joint venture. See instructions.

Property 1b (from list below)	Fair Rental Days	Personal Use Days	QJV

A		A	
B		B	
C		C	

Type of Property:

- 1 Single Family Residence
- 2 Multi-Family Residence
- 3 Vacation/Short-Term Rental
- 4 Commercial
- 5 Land
- 6 Royalties
- 7 Self-Rental
- 8 Other (describe)

Income:	Properties:		
	A	B	C
3 Rents received	3		
4 Royalties received	4		
Expenses:			
5 Advertising	5		
6 Auto and travel (see instructions)	6		
7 Cleaning and maintenance	7		
8 Commissions	8		
9 Insurance	9		
10 Legal and other professional fees	10		
11 Management fees	11		
12 Mortgage interest paid to banks, etc. (see instructions)	12		
13 Other interest	13		
14 Repairs	14		
15 Supplies	15		
16 Taxes	16		
17 Utilities	17		
18 Depreciation expense or depletion	18		
19 Other (list) ▶	19		
20 Total expenses. Add lines 5 through 19	20		
21 Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a (loss), see instructions to find out if you must file Form 6198	21		
22 Deductible rental real estate loss after limitation, if any, on Form 8582 (see instructions)	22	()	()
23a Total of all amounts reported on line 3 for all rental properties	23a		
b Total of all amounts reported on line 4 for all royalty properties	23b		
c Total of all amounts reported on line 12 for all properties	23c		
d Total of all amounts reported on line 18 for all properties	23d		

e Total of all amounts reported on line 20 for all properties	23e
24 Income. Add positive amounts shown on line 21. Do not include any losses	24
25 Losses. Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here.	25 ()
26 Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Form 1040, line 17, or Form 1040NR, line 18. Otherwise, include this amount in the total on line 41 on page 2	26

KIA For Paperwork Reduction Act Notice, see the separate instructions. Schedule E (Form 1040) 2016

Schedule E (Form 1040) 2016 Attachment Sequence No. **13** Page **2**

Name(s) shown on return. Do not enter name and social security number if shown on page 1. **Your social security number**

DANIEL B BUTLER 111-11-1111

Caution. The IRS compares amounts reported on your tax return with amounts shown on Schedule(s) K-1.

Part

II Income or Loss From Partnerships and S Corporations Note: If you report a loss from an at-risk activity for which any amount is **not** at risk, you **must** check the box in column (e) on line 28 and attach **Form 6198**. See instructions.

27 Are you reporting any loss not allowed in a prior year due to the at-risk, excess farm loss, or basis limitations, a prior year unallowed loss from a passive activity (if that loss was not reported on Form 8582), or unreimbursed partnership expenses? If you answered "Yes," see instructions before completing this section. **Yes** **No**

28	(a) Name	(b) Enter P for partnership; S for S corporation	(c) Check if foreign partnership	(d) Employer identification number	(e) Check if any amount is not at risk
A				12-1212121	<input type="checkbox"/>
B					<input type="checkbox"/>
C					<input type="checkbox"/>
D					<input type="checkbox"/>

Passive Income and Loss		Nonpassive Income and Loss		
(f) Passive loss allowed (attach Form 8582 if required)	(g) Passive income from Schedule K-1	(h) Nonpassive loss from Schedule K-1	(i) Section 179 expense deduction from Form 4562	(j) Nonpassive income from Schedule K-1
A				
B				
C				

D				
29a Totals				
b Totals				
30	Add columns (g) and (j) of line 29a			
31	Add columns (f), (h), and (i) of line 29b			
32	Total partnership and S corporation income or (loss). Combine lines 30 and 31. Enter the result here and include in the total on line 41 below			

Part III Income or Loss From Estates and Trusts

33 (a) Name (b) Employer identification number

A	
B	

		Passive Income and Loss		Nonpassive Income and Loss	
		(c) Passive deduction or loss allowed (attach Form 8582 if required)	(d) Passive income from Schedule K-1	(e) Deduction or loss from Schedule K-1	(f) Other income from Schedule K-1
A					
B					
34a Totals					
b Totals					
35	Add columns (d) and (f) of line 34a				
36	Add columns (c) and (e) of line 34b				
37	Total estate and trust income or (loss). Combine lines 35 and 36. Enter the result here and include in the total on line 41 below				

Part IV Income or Loss From Real Estate Mortgage Investment Conduits (REMICs) — Residual Holder

38 (a) Name	(b) Employer identification number	(c) Excess inclusion from Schedules Q, line 2c (see instructions)	(d) Taxable income (net loss) from Schedules Q, line 1b	(e) Income from Schedules Q, line 3b

415,050 120,529.75 + 39.6%		441,000 125,936.00 + 39.6%		441,000	
Married filing jointly or Qualifying widow(er) —Schedule Y-1		Married filing separately—Schedule Y-2			
If taxable income is:	But not over—	The tax is:		But not over—	of the amount over—
		Over—	10%		
\$0	\$18,550	\$0	10%	\$0	\$0
18,550	75,300	\$1,855.00	+ 15%	9,275	9,275
75,300	151,900	10,367.50	+ 25%	37,650	37,650
151,900	231,450	29,517.50	+ 28%	75,950	75,950
231,450	413,350	51,791.50	+ 33%	115,725	115,725
413,350	466,950	111,818.50	+ 35%	206,675	206,675
466,950	130,578.50	+ 39.6%	233,475	233,475

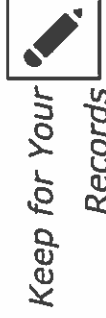
Qualified Dividends and Capital Gain Tax Worksheet

The worksheet will assist you in determining the tax liability. If an amount is zero, enter "0".

Use the 2016 Tax Rate Schedule provided. Do not use the Tax Tables.

Qualified Dividends and Capital Gain Tax Worksheet—Line

44



Before you begin:

- See the earlier instructions for line 44 to see if you can use this worksheet to figure your tax.
- Before completing this worksheet, complete Form 1040 through line 43.
- If you do not have to file Schedule D and you received capital gain distributions, be sure you checked the box on line 13 of Form 1040.

1. Enter the amount from Form 1040, line 43. However, if you are filing Form 2555 or 2555-EZ (relating to foreign earned income), enter the amount from line 3 of the Foreign Earned Income Tax Worksheet (*Taxable income*)

2. Enter the amount from Form 1040, line 9b*

3. Are you filing Schedule D?*

- Enter the **smaller** of line 15 or 16 of Schedule D. If either line 15 or line 16 is blank or a loss, enter -0-
- No** Enter the amount from Form 1040, line 13



- 4. Add lines 2 and 3
- 5. If filing Form 4952 (used to figure investment interest expense deduction), enter any amount from line 4g of that form. Otherwise, enter -0- . . .
- 6. Subtract line 5 from line 4. If zero or less, enter -0-
- 7. Subtract line 6 from line 1. If zero or less, enter -0-
- 8. Enter:
 - \$37,650 if single or married filing separately,
 - \$75,300 if married filing jointly or qualifying widow(er),
 - \$50,400 if head of household.

- 9. Enter the smaller of line 1 or line 8
- 10. Enter the smaller of line 7 or line 9
- 11. Subtract line 10 from line 9. This amount is taxed at 0%
- 12. Enter the smaller of line 1 or line 6
- 13. Enter the amount from line 11
- 14. Subtract line 13 from line 12
- 15. Enter:
 - \$415,050 if single,
 - \$233,475 if married filing separately,
 - \$466,950 if married filing jointly or qualifying widow(er),
 - \$441,000 if head of household.

- 16. Enter the smaller of line 1 or line 15
- 17. Add lines 7 and 11
- 18. Subtract line 17 from line 16. If zero or less, enter -0-
- 19. Enter the smaller of line 14 or line 18
- 20. Multiply line 19 by 15% (0.15)

21. Add lines 11 and 19	<input type="text"/>	21.	<input type="text"/>
22. Subtract line 21 from line 12	<input type="text"/>	22.	<input type="text"/>
23. Multiply line 22 by 20% (0.20)	<input type="text"/>	23.	<input type="text"/>
24. Figure the tax on the amount on line 7. If the amount on line 7 is less than \$100,000, use the Tax Table to figure the tax. If the amount on line 7 is \$100,000 or more, use the Tax Computation Worksheet	<input type="text"/>	24.	<input type="text"/>
25. Add lines 20, 23, and 24	<input type="text"/>	25.	<input type="text"/>
26. Figure the tax on the amount on line 1. If the amount on line 1 is less than \$100,000, use the Tax Table to figure the tax. If the amount on line 1 is \$100,000 or more, use the Tax Computation Worksheet	<input type="text"/>	26.	<input type="text"/>
27. Tax on all taxable income. Enter the smaller of line 25 or line 26. Also include this amount on Form 1040, line 44. If you are filing Form 2555 or 2555-EZ, do not enter this amount on Form 1040, line 44. Instead, enter it on line 4 of the Foreign Earned Income Tax Worksheet	<input type="text"/>	27.	<input type="text"/>

* If you are filing Form 2555 or 2555-EZ, see the footnote in the Foreign Earned Income Tax Worksheet before completing this line.

Tax Planning

Dan plans to reduce his work schedule and work only half-time for WJJI in 2017. He has been writing songs for several years and wants to devote more time to developing a career as a songwriter. Because of the uncertainty in the music business, however, he would like you to make all computations assuming that he will have no income from songwriting in 2017. To make up for the loss of income, Freida plans to increase the amount of time she spends selling real estate. She estimates that she will be able to earn \$90,000 in 2017.

- Assume that all other income and expense items will be approximately the same as they were in 2016.
- Assume that Sam will be enrolled in college as a full-time student for the summer and fall semesters. Gina and Sam will continue to qualify as dependents.
- Assume a personal exemption amount of \$4,050 for 2017.
- The \$3,100 commission received on January 10, 2017, is included in the \$90,000 income to be earned by Freida in 2017.
- The 25% 2016 marginal tax rate remains the same in 2017.
- Interest income, dividend income, partnership income, and itemized deductions are the same for 2017.

Complete the following paragraph regarding whether the Butlers will have more or less disposable income (after Federal income tax) in 2017.

There will be a net \$ reduction in salary and wages which will also result in a decrease the . The net reduction in the Butler's aftertax cash flow will be approximately .

