

INDIVIDUAL TAX RETURN PROBLEM 4

Required:

- Use the following information to complete Phillip and Claire Dunphy's 2012 federal income tax return. If information is missing, use reasonable assumptions to fill in the gaps. Ignore the alternative minimum tax for this problem.
- Any required forms, schedules, and instructions can be found at the IRS Web site (www.irs.gov). The instructions can be helpful in completing the forms.

Facts:

1. Phillip and Claire are married and file a joint return. Phillip is self-employed as a real estate agent, and Claire is a flight attendant. Phillip and Claire have three dependent children. All three children live at home with Phillip and Claire for the entire year.

The Dunphys provide you with the following additional information:

- The Dunphys do not want to contribute to the presidential election campaign.
 - The Dunphys live at 3701 Brighton Avenue, Los Angeles, CA 90018.
 - Phillip's birthday is 11/5/1966 and his Social Security number is 321-44-5766.
 - Claire's birthday is 5/12/1969 and her Social Security number is 567-77-1258.
 - Haley's birthday is 11/6/2000 and her Social Security number is 621-18-7592.
 - Alex's birthday is 2/1/2002 and her Social Security number is 621-92-8751.
 - Luke's birthday is 12/12/2006 and his Social Security number is 621-99-9926.
 - The Dunphys do not have any foreign bank accounts or trusts.
2. Claire is a flight attendant for Western American Airlines (WAA), where she earned \$57,000 in salary. WAA withheld federal income tax of \$6,375, state income tax of \$1,800, Los Angeles city income tax of \$675, Social Security tax of \$3,600, and Medicare tax of \$825.
 3. Phillip and Claire received \$300 of interest from State Savings Bank on a joint account. They also received a qualified dividend of \$395 on jointly owned stock in Xila Corporation.
 4. Phillip's real estate business is named "Phillip Dunphy Realty." His business is located at 645 Grove Street, Los Angeles, CA 90018, and his employer identification number is 93-3488888. Phillip's gross receipts during the year were \$730,000. Phillip uses the cash method of accounting for his business. Phillip's business expenses are as follows:

Advertising	\$ 5,000
Professional dues	800
Professional journals	200
Employee wages	48,000
Insurance on office contents	1,120
Accounting services	2,100
Miscellaneous office expense	500
Utilities and telephone	3,360
Payroll taxes	3,600
Depreciation	To be calculated

On March 20, Phillip moved his business out of the old offices at 1103 Allium Lane into a newly constructed and equipped office on Grove Street. Phillip sold

the old office building and all its furnishings. Phillip's expenditures for the new office building are as follows:

Date Acquired	Asset	Cost
3/20	Land	\$300,000
3/20	Office building	2,500,000
3/20	Furniture	200,000
4/1	Computer system	350,000
6/1	Artwork	150,000

Phillip computes his cost recovery allowance using MACRS. He would like to use the §179 immediate expensing, but he has elected to not claim any bonus depreciation. Phillip has never claimed §179 or bonus depreciation before. The assets Phillip sold on March 20 are as follows:

Date Acquired	Asset	Sales Price	Original Cost	Accumulated Depreciation as of Beginning of the Year
5/1/06	Office building	\$940,000	\$900,000	\$129,825
5/1/06	Land	200,000	100,000	0
7/1/06	Furniture	50,000	239,000	206,998
8/13/08	Furniture	10,000	324,000	222,782
4/12/09	Office equipment	100,000	120,000	67,524
5/13/11	Computers	\$ 30,000	50,000	10,000

Phillip has never sold any assets relating to his business before this transaction.

5. The Dunphys sold 60 shares of Fizbo Corporation common stock on September 3, for \$65 a share (minus a \$50 total commission). The Dunphys purchased the stock on November 8, 2011, for \$90 a share. They also sold a painting for \$13,000 on March 1. Claire purchased the painting for \$20,050 on September 1, 2005, as an investment.
6. The Dunphys filed their 2011 federal, state, and local returns on April 13, 2012. They paid the following additional 2011 taxes with their returns: federal income taxes of \$630, state income taxes of \$250, and city income taxes of \$75.
7. The Dunphys made timely estimated federal income tax payments of \$16,000 each quarter during 2012. They also made estimated state income tax payments of \$1,000 each quarter and estimated city income tax payments of \$300 each quarter. The Dunphys made all fourth-quarter payments on December 31, 2012. They would like to receive a refund for any overpayments.

INDIVIDUAL TAX RETURN PROBLEM 5

Required:

- Use the following information to complete Paul and Judy Vance's 2012 federal income tax return. If information is missing, use reasonable assumptions to fill in the gaps.
- You may need the following forms and schedules to complete the project: Form 1040, Schedule A, Schedule B, Schedule C, Schedule D, Schedule E,