

TAXRETURN PROBLEM

REQUIREMENT

You are to prepare the Federal Income Tax return
for Robert and Sherry Norwood for the year ended 2013

Robert and Sherry Norwood are married and file a joint return. Robert was born on 3/17/1959 and Sherry was born on 6/19/1962. Robert owns a used book store (self-employed, Sch. C), and Sherry is a college professor. Robert's Social Security number is 354-69-2250, and Sherry's is 448-39-2985. The Norwood's live at 455 Elm St, Grand Rapids, MI 49508. The Norwoods each designate that \$3 is to go to the Presidential Election Campaign Fund.

Robert has one son, David (SS# 307-50-4861; BD 08/04/1990), from a previous marriage. David is age 23 and a full-time law student at Cooley Law School. He worked part-time during the year earning \$3,590, which he spent for his own support. In addition, he received a \$4,500 scholarship from Cooley Law School. David lived at home while not in school and Robert and Sherry provided \$5,800 toward David's support.

They also provided over half the support of Sherry's daughter, Krista (SS# 306-15-8012, BD 05/20/1994), from a previous marriage. Krista is age 19 and a full-time student at Davenport University. Krista worked part-time during the year, earning \$1,800. She filed a joint return with her husband Ryan, who earned \$10,600 during the year.

Robert and Sherry also have twins, Joy (SS 386-45-2189; BD 02/18/2003) and Amy (SS 386-45-2190) age ten, who live with them.

Robert's mother, Virginia, (SS# 101-52-1317), was born on 8/26/1929. Virginia is blind and lives with the Norwoods. The Norwoods pay \$3,800 per year for dependent care expenses for

Virginia, so they can both be employed. The dependent care provider is Senior Care, 1282 Main St, Grand Rapids, MI, 49503 (EIN# 38-6451856). In addition, Robert and his brother Ron each incurred out-of-pocket costs of \$2,950 for Virginia's support. Also, Robert provided lodging for Virginia during the entire year. Robert estimates the fair rental value of the lodging is \$4,800. Virginia received \$8300 in Social Security Benefits and \$950 of interest during the year, all of which she put in the bank. Ron is willing to do whatever is necessary to enable Robert to claim Virginia as a dependent.

Sherry is a professor at Grand Rapids Community College (#38-7854123; 143 Bostwick NE Grand Rapids, MI 49503), where she earned \$ 91,000. The University withheld Federal income tax of \$11,250, state income tax of \$1,187, Grand Rapids city income tax of \$565, and the correct amount of FICA.

The Norwood's received \$5,900 of interest from Michigan Savings Bank on a joint account. They received interest of \$1,700 on City of Denver bonds they bought in January. Robert received a dividend of \$480 on General Bicycle Corporation stock he owns. Sherry received a dividend of \$1475 on Acme Clothing Corporation stock she owns. General Bicycle and Acme Clothing are both domestic Corporations. Robert and Sherry received a dividend of \$985 on jointly owned stock in Maple Leaf Brewing Company, a Canadian corporation. All of the securities were held with a Grand Rapids brokerage firm and are "qualified dividends".

In July, a severe storm came through the area and did considerable damage to the summer home (382 Lovers Ln, Holland, MI 49423) that they had purchased for \$97,000 two years earlier. Fair market value before the storm on the building was \$119,000 and after was \$68,000. Insurance recovery was \$33,000.

Robert's business, Bob's Bargain Books, is located at 645 North Ave., Grand Rapids, MI. 49503, and his employer identification number is #38-3548764. Robert's sales for the year were \$207,000. He uses the cash method of accounting for tax purposes and his business expenses on the cash basis are as follows:

Advertising.....	\$ 1,400
Bank service charges.....	175
Professional dues.....	400
Professional journals.....	360
Contributions to employee benefit plans.....	3,800
Insurance on office contents.....	1,880
Accounting services.....	4,640
Miscellaneous office expense.....	215
Store and equipment rental.....	23,000
Utilities and telephone.....	3,850
Wages.....	25,450
Payroll taxes.....	1,976
Purchases.....	43,000
Beginning Inventory.....	87,400
Ending Inventory.....	65,300

Robert put 36,800 business miles on his truck this year and 12,850 personal miles (total miles= 49,650). He uses the automatic mileage method. Robert purchased the truck July 14, 2009 and did *not* take any Sec 179 Immediate Expensing. He does keep written records of his mileage.

June 8, 2013 Robert purchased a new business computer system to track inventory and customers, etc., the cost was \$5,500. On the same date he spent \$13,000 for furniture to refurbish his office. He *did* elect Sec.179 Immediate Expensing, for these items.

Sherry's mother, Delores, died on July 2, 2001, leaving Sherry her entire estate. Included in the estate was Delores's residence at 1562 Harbor Dr., Holland, MI 49424. Delores's basis in the residence was \$30,000. Fair market value of the residence on July 2, 2001 was \$85,000 (this is Sherry's basis). The house was rented the entire year at \$1,200 a month. The house is depreciated using the straight-line method using a 40 year life with zero salvage value. In computing depreciation, they allocate a value of \$27,000 to the lot on which the house is located. They incurred the following expenses during the year on the rental property:

Property insurance.....	\$ 900
Property taxes.....	3,800
Maintenance.....	2,700

The Norwoods sold 1,000 shares of Capp Corp stock they had received as a wedding present on June 25, 1999. The stock was worth \$40 per share in January. By September 3, its value had dropped to \$30 per share, and the Norwoods sold the stock on that date. They had been given the stock by Robert's father, who had paid \$8 per share for it in 1972. Its value at the date of gift was \$16.50 per share. No gift tax was paid on the gift. (The Norwood's basis would be \$8 per share.)

On December 30, 2013 as he was leaving the grocery store, Robert found a Michigan lottery ticket someone had apparently dropped. On January 4, 2014 when the lottery held its weekly drawing, Robert discovered he had won \$15,700, which he received on January 7.

Robert contributed \$5,000 to Self-Employed SEP Plan on December 30. Sherry is covered by a GRCC retirement plan.

Sherry is required by her employer to visit several high schools in the Holland-Muskegon area to evaluate GRCC students who are doing their medical rotations. However, she is not reimbursed for the expenses she incurs in doing this. During the year, she drove her personal automobile 9,200 miles in fulfilling this obligation. Sherry purchased her car in April of 2011, and put a total of 24,600 miles on it in 2013. Except for the 9,200 miles mentioned above, all miles were personal. Sherry did not keep detailed records of her gas and oil purchases and had no major repairs on the car this year. She does journal her business mileage.

Since Sherry must travel out of town, the Norwoods take their twins, Joy and Amy to daycare. Their daycare provider is Betty Bop Babies at 324 Manilow St, Grand Rapids, MI 49508. The

EIN number is #38-4501856. The Norwoods received a receipt for \$5,450 in daycare costs for 2013. The cost was evenly divided for the care for the twins.

Robert and Sherry have given you a file containing the following receipts for expenditures during the year:

Medicines and drugs.....	\$ 586
Doctors and hospital bills.....	1,348
Penalty for underpayment of last year's state income tax.....	412
Real estate taxes on personal residence	7,812
State sales tax on new furniture.....	410
State sales tax on new sailboat.....	290
Interest on Home mortgage (paid to Home Bank).....	9,750
Interest on credit cards.....	535
Cash contributions to Hope Church.....	5,400
Payroll deductions for Sherry's contribution to the United Way.....	400
Professional dues (Sherry).....	390
Professional subscriptions (Sherry).....	275
Fee for preparation of last year's 1040	650

On the 15th of January, April, June and September the Norwood's made quarterly estimated Federal income tax payments of \$1,700 (\$6,800 total payments). They made estimated payments for state income tax of \$2,000 for the year. All Michigan estimated payments were made in 2013.

222222		Employee's social security number 448-30-2985		OMB No. 1545-0048	
b Employer identification number (EIN) 38-7854123		Employee's name, address, and ZIP code		1 Wages, tips, other compensation \$91,000	
c Employer's name, address, and ZIP code		d Control number		2 Federal income tax withheld \$11,250	
e Employer's first name and initial Last name		f Social security wages \$96,825		3 Social security tax withheld \$ 6,003	
g		8		4 Medicare tax withheld \$ 1,404	
h		7 Social security tips		5 Investment expenses	
i		10 Department case number		6 Foreign tax paid \$	
j		11 Nonqualified plans		7 Foreign country or U.S. possession	
k		12a		8 Tax-exempt interest \$	
l		12b		9 Specified private activity bond interest \$	
m		12c		10 Tax-exempt bond CUSIP no.	
n		12d		11 State	
o		12e		12 State identification no.	
p		12f		13 State tax withheld \$	
q		12g		14	
r		12h		15	
s		12i		16	
t		12j		17	
u		12k		18	
v		12l		19	
w		12m		20	
x		12n		21	
y		12o		22	
z		12p		23	
aa		12q		24	
ab		12r		25	
ac		12s		26	
ad		12t		27	
ae		12u		28	
af		12v		29	
ag		12w		30	
ah		12x		31	
ai		12y		32	
aj		12z		33	
ak		12aa		34	
al		12ab		35	
am		12ac		36	
an		12ad		37	
ao		12ae		38	
ap		12af		39	
aq		12ag		40	
ar		12ah		41	
as		12ai		42	
at		12aj		43	
au		12ak		44	
av		12al		45	
aw		12am		46	
ax		12an		47	
ay		12ao		48	
az		12ap		49	
ba		12aq		50	
bb		12ar		51	
bc		12as		52	
bd		12at		53	
be		12au		54	
bf		12av		55	
bg		12aw		56	
bh		12ax		57	
bi		12ay		58	
bj		12az		59	
bk		12ba		60	
bl		12bb		61	
bm		12bc		62	
bn		12bd		63	
bo		12be		64	
bp		12bf		65	
bq		12bg		66	
br		12bh		67	
bs		12bi		68	
bt		12bj		69	
bu		12bk		70	
bv		12bl		71	
bw		12bm		72	
bx		12bn		73	
by		12bo		74	
bz		12bp		75	
ca		12bq		76	
cb		12br		77	
cc		12bs		78	
cd		12bt		79	
ce		12bu		80	
cf		12bv		81	
cg		12bw		82	
ch		12bx		83	
ci		12by		84	
cj		12bz		85	
ck		12ca		86	
cl		12cb		87	
cm		12cc		88	
cn		12cd		89	
co		12ce		90	
cp		12cf		91	
cq		12cg		92	
cr		12ch		93	
cs		12ci		94	
ct		12cj		95	
cu		12ck		96	
cv		12cl		97	
cw		12cm		98	
cx		12cn		99	
cy		12co		100	

Form **W-2** Wage and Tax Statement **2013** Department of the Treasury - Internal Revenue Service
 Copy 1 - For State, City, or Local Tax Department

VOID CORRECTED

PAYER'S name, street address, city or town, province or state, country, ZIP or foreign postal code, and telephone no.		Payer's PTIN (optional)		OMB No. 1545-0112	
Michigan Savings Bank 5000 28th St SW Grand Rapids, MI 49509				2013 Interest Income	
PAYER'S Federal identification number 38-6684125		RECIPIENT'S identification number 354-69-2250		Form 1099-INT	
RECIPIENT'S name Robert and Sherry Norwood		4 Federal income tax withheld \$		5 Investment expenses \$	
Street address (including apt. no.) 455 Elm St		6 Foreign tax paid \$		7 Foreign country or U.S. possession	
City or town, province or state, country, and ZIP or foreign postal code Grand Rapids, MI 49508		8 Tax-exempt interest \$		9 Specified private activity bond interest \$	
Account number (see instructions)		10 Tax-exempt bond CUSIP no.		11 State \$	
		12 State identification no.		13 State tax withheld \$	

Copy 1
For State Tax Department

VOID CORRECTED

PAYER'S name, street address, city or town, province or state, country, ZIP or foreign postal code, and telephone no.

City of Denver
4300 Bronco Drive
Denver, CO 80204

Payer's RTN (optional)

OMB No. 1545-0112

2013

Interest Income

1 Interest income
\$

Form 1099-INT

2 Early withdrawal penalty
\$

Copy 1

PAYER'S federal identification number

38-2837461

3 Interest on U.S. Savings Bonds and Treas. obligations
\$

For State Tax Department

RECIPIENT'S identification number

4 Federal income tax withheld
\$

RECIPIENT'S name
Robert and Sherry Norwood

5 Investment expenses
\$

Street address (including apt. no.)

455 Elm St

6 Foreign tax paid
\$

7 Foreign country or U.S. possession

City or town, province or state, country, and ZIP or foreign postal code
Grand Rapids, MI 49508

8 Tax-exempt interest
\$

9 Specified private activity bond interest

1,700

Account number (see instructions)

10 Tax-exempt bond CUSIP no.
\$

11 State
\$

12 State identification no.
\$

13 State tax withheld
\$

Form 1099-INT

www.irs.gov/om1099int

Department of the Treasury - Internal Revenue Service

VOID CORRECTED

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.

General Bicycle Corporation
333 Wright Brothers Ave
Dayton, OH 45414

1a Total ordinary dividends
\$ 480

OMB No. 1545-0110

2013
Dividends and Distributions

PAYER'S federal identification number
38-9955442

RECIPIENT'S identification number
354-69-2250

Form 1099-DIV

Copy 1

For State Tax Department

RECIPIENT'S name
Robert Norwood

1b Qualified dividends
\$ 480

2a Total capital gain distr.
\$

2b Unrecap. Sec. 1220 gain
\$

Street address (including apt. no.)
455 Elm St

2c Section 1202 gain
\$

2d Collectibles (28%) gain
\$

City or town, state or province, country, and ZIP or foreign postal code
Grand Rapids, MI 49508

3 Nondividend distributions
\$

4 Federal income tax withheld
\$

4 Foreign tax paid
\$

5 Investment expenses
\$

8 Cash liquidation distributions
\$

7 Foreign country or U.S. possession
\$

9 Noncash liquidation distributions
\$

9 Noncash liquidation distributions
\$

10 Exempt-interest dividends
\$

11 Specified private activity bond interest dividends
\$

12 State
\$

14 State tax withheld
\$

Account number (see instructions)

Form 1099-DIV

www.irs.gov/om1099div

Department of the Treasury - Internal Revenue Service

Dividends and Distributions

2013

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For State Tax Department

PAYER'S federal identification number 38-1758643		RECIPIENT'S identification number 448-39-2985	
RECIPIENT'S name Sherry Norwood			
Street address (including apt. no.) 455 Elm St Grand Rapids, MI 49508			
City or town, state or province, country, and ZIP or foreign postal code			
Account number (see instructions)			
1a	1b	2a	2b
1,475	1,475	1,475	1,475
2a	2b	2c	2d
Total capital gain 68%	985	985	985
3	4	5	6
Nondividend distributions	Federal income tax withheld	Investment expenses	Foreign country or U.S. possession
\$	\$	\$	\$
7	8	9	10
Foreign tax paid	Cash liquidation distributions	Specified private activity bond interest dividends	State tax withheld
\$	\$	\$	\$
11	12	13	14
State tax withheld	State tax withheld	State tax withheld	State tax withheld
\$	\$	\$	\$

Department of the Treasury - Internal Revenue Service
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 www.irs.gov/omvdivstaxforms

Copy 1
For State Tax Department

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. Maple Leaf Brewing Company 333 Gretzky Rd. Toronto, Ontario CA M4C 3X5		RECIPIENT'S identification number 354-69-2250	
RECIPIENT'S name Robert and Sherry Norwood			
Street address (including apt. no.) 455 Elm St Grand Rapids, MI 49508			
City or town, state or province, country, and ZIP or foreign postal code			
Account number (see instructions)			
1a	1b	2a	2b
985	985	985	985
2a	2b	2c	2d
Total capital gain 68%	985	985	985
3	4	5	6
Nondividend distributions	Federal income tax withheld	Investment expense	Foreign country or U.S. possession
\$	\$	\$	\$
7	8	9	10
Foreign tax paid	Cash liquidation distributions	Specified private activity bond interest dividends	State tax withheld
\$	\$	\$	\$
11	12	13	14
State tax withheld	State tax withheld	State tax withheld	State tax withheld
\$	\$	\$	\$

Department of the Treasury - Internal Revenue Service
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Copy B
For Recipient
This is important tax information and is being furnished to the Internal Revenue Service. No negligence penalty or other sanction may be imposed on you if this notice is received and the IRS determines that it was reported.

Form 1099-DIV PAYER'S name, street address, city, state, ZIP code, and telephone no. Capp Corporation 15 Capp Ln Seattle, WA 98113		RECIPIENT'S identification number 854-69-2250	
RECIPIENT'S name Robert and Sherry Norwood			
Street address (including apt. no.) 455 Elm St Grand Rapids, MI 49508			
City, state, and ZIP code			
Account number (see instructions)			
1a	1b	2a	2b
30,000	30,000	30,000	30,000
2a	2b	2c	2d
Total capital gain 68%	30,000	30,000	30,000
3	4	5	6
Cost or other basis	Federal income tax withheld	Wash state loss disallowed	Foreign tax paid
\$	\$	\$	\$
7	8	9	10
Bartering	Nonreversed security	Specified private activity bond interest dividends	State tax withheld
\$	\$	\$	\$
11	12	13	14
State tax withheld	State tax withheld	State tax withheld	State tax withheld
\$	\$	\$	\$

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