

**RETURN PROBLEM 3**  
**(5 points)**  
**Spring 2010**

Tax Forms

Form 1040  
Schedule A/B  
Form 2106  
Form 3903

Information for the Problem

Charlene J. Fagan, whose Social Security number is 489-20-2009, is a 47-year-old divorced taxpayer who moved to 2009 Gafford Lane, St. Louis, Missouri 63125 during 2009. She had previously lived in Milwaukee, Wisconsin. She provides 90% of the support of her 16-year-old daughter, Elissa Rae Fagan, whose Social Security number is 506-06-0609, and her 14-year-old son, David Andrew Fagan whose Social Security number is 409-09-0909.

Charlene is employed as a regional sales manager for Zerocks, Inc., of St. Louis and was transferred by her employer during January of 2009. Her 2009 Form W-2 is provided.

Charlene received forms 1099 describing the following interest and dividends earned on her investments:

|                               |        |
|-------------------------------|--------|
| City of St. Louis bonds ..... | \$ 479 |
| Gateway State Bank .....      | 1,759  |
| Zerocks, Inc (ordinary). .... | 1,802  |

Charlene received a federal income tax refund of \$385.

Charlene provided the following information and incurred the following costs, none of which were reimbursed, in their move from Wisconsin to Missouri:

|  |           |
|--|-----------|
| Transportation to St. Louis to find suitable house .....                                       | \$ 850    |
| Meals while on trip to find house .....  | 130       |
| Payment for moving furniture and household belongings ...                                      | 3,667     |
| Meals while en route .....   | 54        |
| Expenses for 4 days waiting for furniture to arrive and carpets<br>in new house to be cleaned: |           |
| Hotel .....  | 395       |
| Meals .....  | 220       |
| Miles driven .....   | 458 miles |

**Return Problem 3**

In her job as a sales manager, Charlene is required to travel occasionally for tax purposes. During 2009 Charlene incurred various overnight travel expenses as follows:

|   |                |
|---|----------------|
| Hotel .....                                 | \$ 920         |
| Transportation .....                        | 1,630          |
| Meals .....                                 | 825            |
| Laundry and dry cleaning .....              | <u>125</u>     |
| Total Expenses (while away from home) ..... | <u>\$3,500</u> |

In addition, Charlene's business records indicate that \$1,500 of miscellaneous expenses were incurred in 2009 as follows:

|  |                |
|--|----------------|
| Luncheons in St. Louis with potential customers .....        | \$ 375         |
| Taxi fares from office to regional plant locations .....     | 105            |
| Educational expenses for sales seminars at Drury University: |                |
| Tuition .....  | 860            |
| Textbooks and Supplies .....                                 | <u>160</u>     |
| Total .....  | <u>\$1,500</u> |


Her employer provides her a fixed monthly expense account to cover all the costs she incurs for business purposes. The reimbursement totaling \$3,500 was not included in the amount reported on her W-2 form. (Hint: Refer to text problem 9-57.)

Charlene itemized her deductions on her 2008 return. Her personal records disclose the following expenditures in 2009:

|  |        |
|--|--------|
| Balance due on 2008 Wisconsin income tax return .....  | \$ 349 |
| Real estate taxes on personal residence .....  | 1,629  |
| Interest expense—Home Mortgage Bank (from form 1098) .....                                   | 4,531  |
| Interest expense--Title Savings (proceeds used to purchase<br>City of St. Louis bonds) ..... | 135    |
| Contributions to Methodist Church .....  | 7,203  |
| Contributions to Oral Roberts University .....   | 500    |
| 2008 tax return preparation fee .....  | 300    |
| Safe deposit box rental (used to store stocks and securities) .....                          | 100    |

Instructions

Prepare a 2009 Form 1040 for Charlene J. Fagan with accompanying Schedules A, B, and Forms 2106 (not EZ) and 3903, if appropriate. Round all numbers to whole amounts (no cents).

|   |  |  |  |  |  |   |  |   |  |  |  |                         |  |
|---|--|--|--|--|--|---|--|---|--|--|--|-------------------------|--|
|   |  | <b>a</b> Employee's social security number |  | OMB No. 1545-0008                        |  | Safe, accurate,<br><b>FAST! Use</b>                   |  |  |  | Visit the IRS website<br>at <a href="http://www.irs.gov/efile">www.irs.gov/efile</a> . |  |                         |  |
| <b>b</b> Employer identification number (EIN)   |  |  |  | <b>1</b> Wages, tips, other compensation |  | <b>2</b> Federal income tax withheld                  |  |   |  |  |  |                         |  |
| <b>c</b> Employer's name, address, and ZIP code |  |  |  | <b>3</b> Social security wages           |  | <b>4</b> Social security tax withheld                 |  |   |  |  |  |                         |  |
|   |  |  |  | <b>5</b> Medicare wages and tips         |  | <b>6</b> Medicare tax withheld                        |  |   |  |  |  |                         |  |
|   |  |  |  | <b>7</b> Social security tips            |  | <b>8</b> Allocated tips                               |  |   |  |  |  |                         |  |
| <b>d</b> Control number                         |  |  |  | <b>9</b> Advance EIC payment             |  | <b>10</b> Dependent care benefits                     |  |   |  |  |  |                         |  |
| <b>e</b> Employee's first name and initial      |  | Last name                                  |  | Suff.                                    |  | <b>11</b> Nonqualified plans                          |  | <b>12a</b> See instructions for box 12  |  |  |  |                         |  |
|   |  |  |  |  |  | <b>13</b> Statutory employee <input type="checkbox"/> |  | Retirement plan <input type="checkbox"/>  |  | Third-party sick pay <input type="checkbox"/>  |  | <b>12b</b>              |  |
|   |  |  |  |  |  | <b>14</b> Other                                       |  |   |  | <b>12c</b>   |  |                         |  |
|   |  |  |  |  |  |   |  |   |  | <b>12d</b>   |  |                         |  |
| <b>f</b> Employee's address and ZIP code        |  |  |  |  |  |   |  |   |  |  |  |                         |  |
| <b>15</b> State                                 |  | Employer's state ID number                 |  | <b>16</b> State wages, tips, etc.        |  | <b>17</b> State income tax                            |  | <b>18</b> Local wages, tips, etc.   |  | <b>19</b> Local income tax   |  | <b>20</b> Locality name |  |
|   |  |  |  |  |  |   |  |   |  |  |  |                         |  |

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

2009

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.