*Please follow the instructions below when organizing the electronic version of your project that you will email to me.*

1. Copy the Forms/Schedules and paste them into a Word document using one of the following approaches. *Please follow these instructions. Trying to compile them into a Word document without following these instructions might compromise your work.*
   1. Go to Edit>Take a Snapshot in Adobe. Take a snapshot of each page and paste it into Word. If you use this approach, you can either create a separate Word document for each Form and Schedule, or you can paste them all into one Word document. If you choose to paste them all into one Word document, then paste them in the following order: Form 1040, Schedule, Schedule 2, Schedule 3, Schedule A, Schedule B, Schedule C, Form 8949, Schedule D, Form 8582, Schedule E, Schedule SE, Form 6251, Form 8995, and Form 8888.
   2. Use the snippet tool and take snippets of each Form/Schedule and send them to me as either jpg or Word files (when they are only one page) and as Word files (when a Form/Schedule has multiple pages). Try taking a snapshot of your screen for each page of each Form/Schedule and create a separate Word document for each Form/Schedule.
   3. *After you complete putting your Forms/Schedules into Word, double check that what is appearing in Word matches what you entered on the Forms and Schedules*.
2. Put supporting calculations in separate Word document.

# Instructions:

Complete the 2020 federal income tax return (Form 1040) for Jason and Katie Manson. The 2021 Form 1040 is not available yet, which is why I am having you complete a 2020 Form 1040. In calculating the Tax on line 16 of Form 1040, you will need to use the 2020 tax rate tables, You will also need to use the 2020 standard deduction amounts if the taxpayers do not itemize their deductions. The 2020 standard deduction amounts for different filing statuses are listed on page 1 of Form 1040 in the margin. They also appear on the second page of the document that contains the 2020 tax rate tables. Most the rules are the same in 2020 as they are in 2021.

In these cases, use the 2020 amounts. Generally, any differences will be stated on the return. For example, the Social Security Wage Base Limit was $137,700 in 2020, which is stated on line 8a of Part I of Schedule SE. Use $137,700 in your calculations. Another difference is that the maximum alternative minimum tax (AMT) exemption amount for married filing jointly (MFJ) taxpayers in 2020 is $113,400, which is stated on Form 6251, Part II. Use $113,400 as the maximum exemption for MFJ. Moreover, the thresholds for the 26% and 28% AMT rates are different in 2020. The 2020 AMT tax rate schedule is 26% on the first 197,900 of AMT base and 28% on AMT base in excess of $197,900, which are stated in Part II of Form 6251. Use the 2020 thresholds. The 2020 IRS mileage rate was 57.5 cents per mile.

Complete Form 8949 even though it is not required. Note that you only have to complete Form 8888 if the taxpayers are due a refund.

In addition to completing the Form 1040 and related Schedules and Forms, please create a Word document in which you explain any calculations that you make for individual line items. This will facilitate the awarding of partial credit.

You only need to complete Part II of Schedule E. Ignore Parts I, III, IV, and V.

On Form 6251, Part III, line 13 equals qualified dividends, and line 20 equals taxable income minus qualified dividends.

Ignore the requirement to attach the Form(s) W-2 to the front page of the Form 1040.

When calculating any potential qualified business income (QBI) deduction resulting from a sole proprietorship, remember to deduct the employer share of self-employment taxes from net profit on the Schedule C to arrive at qualified business income from the sole proprietorship.

In 2020, there were no *additional* child tax credits as there are in 2021. In 2020, the child tax credit was $2,000 for each qualifying child under the age of 17 at year end and $500 for each other qualifying dependent. The credit was phased out in 2020 for taxpayers with AGI above certain thresholds. Taxpayers would lose $50 for every $1,000 or portion thereof that their AGI exceeds threshold. For married filing joint taxpayers, the phaseout threshold was $400,000 in 2020.

When entering numbers on the return, please round up or down to the nearest whole number.

If required information is missing, use reasonable assumptions to fill in the gaps and state any assumptions you make in your supporting document.

# Use the following information about the taxpayers to complete the return:

Jason and Katie Manson live in Mandeville, LA. Jason is the chief operating officer at a civil engineering firm. Katie is a former school teacher who now has a successful tutoring business. The Mansons have three children Brad (age 17), Jack (age 15), and Elisabeth (age 12). All three children qualify as Jason and Katie’s federal income tax dependents. The Mansons plan to file a joint tax return. The Mansons provided the following information:

* Jason’s social security number is 999-88-7777
* Katie’s social security number is 123-45-6789
* Brad’s social security number is 987-65-4321
* Jack’s social security number is 111-22-3333
* Elisabeth’s social security number is 222-33-4444
* The Manson’s mailing address is 1 Alligator Lane, Mandeville, LA 70471

Jason Manson reported the following information relating to his employment during the year:

|  |  |  |  |
| --- | --- | --- | --- |
| **Employer** | **Gross Wages** | **Federal Income Tax Withholding** | **State Income Tax Withholding** |
| NOLA Demolition  Inc. | $154,184 | $26,226 | $9,252 |

The above amounts do not reflect any income items described below. Jason’s employer withheld all payroll taxes it was required to withhold. The entire Manson family was covered by minimum

essential health insurance during each month in 2020. The insurance was provided by Jason’s employer, NOLA Demolition Inc.

Katie Manson received the following revenue during the year (she uses the cash method of accounting).

Tutoring revenue reported to her on a Form 1099-MISC, Box 7

Our Lady of the Lake School $33,264

St. Tammany Parish Schools $8,836

Archbishop Hannan High School $3,899

Katie is an active participant in her tutoring, and it is considered a specified service trade or business for purposes of the Qualified Business Income Deduction. Katie’s tutoring activity qualifies as a trade or business.

Katie travels to several conferences throughout the year to hone her teaching skills. Most are within driving distance but one is in Washington, DC. During the year, Katie paid the following business expenses related to her tutoring activity:

|  |  |
| --- | --- |
| Airfare | $321 |
| Hotel | $955 |
| Meals | $205 |
| Parking | $170 |

Katie’s tutoring does not require the filing of Form(s) 1099 to report payments she made during the tax year. In addition, Katie drove a 2018 Toyota Camry purchased on June 1, 2018 for all her business mileage. She drove the vehicle a total of 11,025 miles during the year for all purposes.

Tutoring-related:

Katie drove 195 business miles for her consulting-related activities (she has documentation to verify)

|  |  |
| --- | --- |
| Katie has written documentation to support the mileage amounts. vehicle for personal purposes. | She also has access to another |
| The Mansons also received the following during the year: |  |
| Interest income from First National Bank | $333 |
| Interest income from New Orleans City Bond | $208 |
| Interest income from U.S. Treasury Bond | $365 |
| Interest income from Comcast corporate bond | $416 |
| Interest income from the State of Louisiana’s  Historic Landmark Preservation Private Activity Bond | $51,975 |
| Qualified dividend income from The Shaw Group | $780 |
| Qualified dividend income from ExxonMobil | $208 |
| Qualified dividend income from Chesapeake Energy | $442 |

Qualified dividend income from Dell $198

Qualified dividend income from Entergy $197

Qualified dividend income from The Coca-Cola Company $234

Qualified dividend income from Walmart $208

Qualified dividend income from Pfizer $287

Qualified dividend income from CenturyLink $364

Dividend income (not qualified) from Mexico Fund $2,079

The Mansons did not own, control or manage any foreign bank accounts, nor were they grantors or beneficiaries of a foreign trust during the tax year.

The Mansons had the following activity in their brokerage account during the year (all transactions were reported on a Form 1099-B and basis information for each stock sale was reported to the IRS):

|  |  |  |
| --- | --- | --- |
| Sold 2,079 shares of The Shaw Group | 10/5/20 | $23,389 |
| Sold 79 shares of IBM | 7/19/20 | $29,886 |
| Sold 364 shares of ExxonMobil | 12/20/20 | $15,281 |
| Sold 1,040 shares of Chesapeake Energy | 12/15/20 | $36,383 |
| Sold 53 shares of Dell | 4/20/20 | $2,859 |
| Purchased 104 shares of Entergy | 9/12/20 | $8,004 |
| Purchased 364 shares of ExxonMobil | 12/30/20 | $14,553 |
| Purchased 364 shares of The Coca-Cola Company | 8/20/20 | $33,264 |
| Purchased 312 shares of Walmart | 12/16/20 | $21,830 |

Relevant tax basis/holding period information related to sales of securities in the current year: Purchased 2,079 shares of The Shaw Group on 8/4/20 for $21,830

Purchased 208 shares of IBM on 6/30/18 for $93,555 Purchased 321 shares of ExxonMobil on 4/4/17 for $9,356 Purchased 53 shares of ExxonMobil on 9/25/17 for $2,079

Received 1,040 shares of Chesapeake Energy from Katie’s father as a gift on 2/15/04. Her father’s basis in the stock at the time of the gift was $7,277. Fair market value of the stock at the date of the gift was $42,620.

Purchased 104 shares of Dell on 12/14/19 for $6,237

The Mansons have a $44,699 long-term capital loss carryover from the prior tax year. The Mansons received a Louisiana state income tax refund of $416 in July of 2020. The

Mansons received the refund because they overpaid their Louisiana state individual income tax in 2019. On their 2019 Federal income tax return, the Mansons itemized, and deducted and received a tax benefit for all state tax income taxes paid in 2019.

Katie is a 10% owner in a tutoring company named Master the Concept (“MTC”) (EIN 20-

7654321). MTC is a Subchapter S corporation located at 100 St. Charles Avenue, New Orleans, LA, 70118. The company reported ordinary business income for the year of $173,250. Katie received a K-1 from MTC reporting her allocation of this business income. Katie acquired the stock several years ago. Her basis in the stock before considering her 2020 income allocation was $106,260. Katie is a passive owner with respect to this entity, and all her investment is at risk. Katie received no distribution from MTC in 2020. MTC is a specified service business for purposes of the Qualified Business Income Deduction, generating $173,250 of Qualified Business Income and paying $57,750 in W-2 wages to its non-shareholder employees.

Katie is also a 20% owner in Pelican Engineering, Inc. (“PE”) (EIN 24-3456789). PE is a Subchapter S corporation located at 200 Carrolton Avenue, New Orleans, LA 70118. The company reported an ordinary business loss for the year of ($92,400). Katie received a K-1 from PE reporting her allocation of this business loss. Katie acquired the stock several years ago. Her basis in the stock before considering her 2020 loss allocation was $51,975. Katie is a passive owner with respect to this entity. PE is not a specified service business for purposes of the Qualified Business Income Deduction.

Jason received 5,775 shares of restricted (common) stock from his employer on August 1, 2020. The terms of the restricted stock grant are such that if Jason is still employed by NOLA Demolition Inc. on August 1, 2023 the entire 5,775 shares will vest and become his property.

Jason, upon the advice of his tax advisor, prepared and filed an IRC Section 83(b) election on August 8, 2020. On August 1, 2020, the shares were valued at $5.78 per share. Jason estimates the value of the shares in five years will be at least $173 per share. Jason notified NOLA Demolition Inc. about the IRC Section 83(b) election in a timely manner. None of the income tax consequences of this restricted stock grant was included in the $154,184 reported as part of Jason’s gross wages (see above), so if Jason has a 2020 tax consequence from the granting or the 83(b) election, he will report it as other income.

The Mansons paid the following expenses during the year:

Dentist (unreimbursed by insurance) $1,559

Eye doctor (unreimbursed by insurance) $1,365

Doctors (unreimbursed by insurance) $ 2,521

Prescriptions (unreimbursed by insurance) $ 702

Real property taxes on residence $7,823 Vehicle (not used for business) property tax based upon value $2,339 Mortgage interest on principal residence mortgage of $420,000 $21,362 Contribution to Our Lady of the Lake Church $5,198

Contribution to MD Anderson Cancer Center $7,277

Contribution to Archbishop Hannan High School $15,593

The Mansons also donated clothing, household goods, and furniture to Goodwill on December 30, 2020. Estimated thrift value of the goods donated was $525.

Miscellaneous Information

On November 1, the Mansons paid $208 in foreign taxes attributable to the dividend received from the Mexico Fund.

The Mansons would like to receive a refund (if any) of tax they may have overpaid for the year. Their preferred method of receiving the refund is by check.