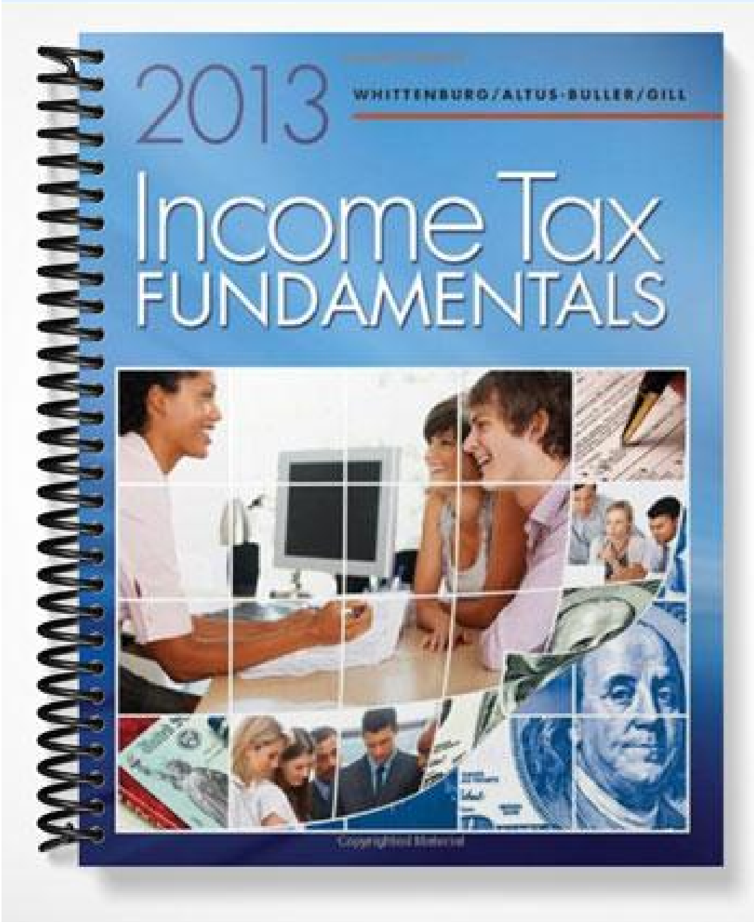
# SOLUTIONS MANUAL



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Form **1040** Department of the Treasury—Internal Revenue Service (99)
**U.S. Individual Income Tax Return** 2011 OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2011, or other tax year beginning , 2011, ending , 20 See separate instructions.

| Your first name and initial | Last name | Your social security number |
|---|---|---|
| Ivan I. | Incisor | 477 34 4321 |
| If a joint return, spouse's first name and initial | Last name | Spouse's social security number |
| Irene I. | Incisor | 637 34 4927 |
| Home address (number and street). If you have a P.O. box, see instructions. | Apt. no. | ▲ Make sure the SSN(s) above and on line 6c are correct. |
| 468 Mule Deer Lane | | |
| City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions). | | **Presidential Election Campaign** |
| Spokane, WA 99206 | | 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/county / Foreign postal code | |



**Filing Status**

Check only one box.

1 ☐ Single
2 ☒ Married filing jointly (even if only one had income)
3 ☐ Married filing separately. Enter spouse's SSN above and full name here. ▶
4 ☐ Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶
5 ☐ Qualifying widow(er) with dependent child

**Exemptions**

6a ☒ **Yourself.** If someone can claim you as a dependent, **do not** check box 6a — Boxes checked on 6a and 6b: 2
b ☒ **Spouse**

c **Dependents:**

| (1) First name / Last name | (2) Dependent's social security number | (3) Dependent's relationship to you | (4) ✓ if child under age 17 qualifying for child tax credit (see instructions) |
|---|---|---|---|
| Ira Incisor | 690 99 9999 | Child | ☒ |
| | | | ☐ |
| | | | ☐ |
| | | | ☐ |

If more than four dependents, see instructions and check here ▶ ☐

No. of children on 6c who:
• lived with you: 1
• did not live with you due to divorce or separation (see instructions):
Dependents on 6c not entered above:

d Total number of exemptions claimed — Add numbers on lines above ▶ 3

**Income**

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.

If you did not get a W-2, see instructions.

Enclose, but do not attach, any payment. Also, please use **Form 1040-V.**

| | | | | | |
|---|---|---|---|---|---|
| 7 | Wages, salaries, tips, etc. Attach Form(s) W-2 | | | 7 | 65,000 |
| 8a | **Taxable** interest. Attach Schedule B if required | | | 8a | 1,030 |
| b | **Tax-exempt** interest. **Do not** include on line 8a | 8b | 650 | | |
| 9a | Ordinary dividends. Attach Schedule B if required | | | 9a | 1,465 |
| b | Qualified dividends | 9b | 1,320 | | |
| 10 | Taxable refunds, credits, or offsets of state and local income taxes | | | 10 | |
| 11 | Alimony received | | | 11 | |
| 12 | Business income or (loss). Attach Schedule C or C-EZ | | | 12 | |
| 13 | Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ ☐ | | | 13 | |
| 14 | Other gains or (losses). Attach Form 4797 | | | 14 | |
| 15a | IRA distributions | 15a | | 15b | b Taxable amount: |
| 16a | Pensions and annuities | 16a | | 16b | b Taxable amount: |
| 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 | 3,750 |
| 20a | Social security benefits | 20a | | 20b | b Taxable amount: |
| 21 | Other income. List type and amount: Gambling winnings | | | 21 | 6,000 |
| 22 | Combine the amounts in the far right column for lines 7 through 21. This is your **total income** ▶ | | | 22 | 77,245 |

**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 ▶ 667 34 9224 | 31a | 13,000 | | |
| 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 | 13,000 |
| 37 | Subtract line 36 from line 22. This is your **adjusted gross income** ▶ | | | 37 | 64,245 |

**For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions.** Cat. No. 11320B Form **1040** (2011)

* The 2012 version of this form is not available as we go to press. Please see the Web site for the text at www.cengage.com/taxation/whittenburg for solutions updated to 2012 forms.

Form 1040 (2011) Ivan and Irene Incisor 477 34 4321 Page **2**



## Tax and Credits

| | | | |
|---|---|---|---|
| 38 | Amount from line 37 (adjusted gross income) | 38 | 64,245 |
| 39a | Check if: ☐ **You** were born before January 2, 1947, ☐ Blind. ☐ **Spouse** was born before January 2, 1947, ☐ Blind. **Total boxes checked ▶ 39a** | | |
| b | If your spouse itemizes on a separate return or you were a dual-status alien, check here ▶ 39b ☐ | | |
| 40 | **Itemized deductions** (from Schedule A) **or** your **standard deduction** (see left margin) | 40 | 11,900 |
| 41 | Subtract line 40 from line 38 | 41 | 52,345 |
| 42 | **Exemptions.** Multiply $3,700 by the number on line 6d | 42 | 11,400 |
| 43 | **Taxable income.** Subtract line 42 from line 41. If line 42 is more than line 41, enter -0- | 43 | 40,945 |
| 44 | **Tax** (see instructions). Check if any from: **a** ☐ Form(s) 8814 **b** ☐ Form 4972 **c** ☐ 962 election | 44 | 5,074 |
| 45 | **Alternative minimum tax** (see instructions). Attach Form 6251 | 45 | |
| 46 | Add lines 44 and 45 ▶ | 46 | 5,074 |
| 47 | Foreign tax credit. Attach Form 1116 if required | 47 | |
| 48 | Credit for child and dependent care expenses. Attach Form 2441 | 48 | |
| 49 | Education credits from Form 8863, line 23 | 49 | |
| 50 | Retirement savings contributions credit. Attach Form 8880 | 50 | |
| 51 | Child tax credit (see instructions) | 51 | |
| 52 | Residential energy credits. Attach Form 5695 | 52 | |
| 53 | Other credits from Form: **a** ☐ 3800 **b** ☐ 8801 **c** ☐ | 53 | |
| 54 | Add lines 47 through 53. These are your **total credits** | 54 | |
| 55 | Subtract line 54 from line 46. If line 54 is more than line 46, enter -0- ▶ | 55 | 5,074 |

**Standard Deduction for—**
- People who check any box on line 39a or 39b **or** who can be claimed as a dependent, see instructions.
- All others:

Single or Married filing separately, $5,800

Married filing jointly or Qualifying widow(er), $11,600

Head of household, $8,500

## Other Taxes

| | | | |
|---|---|---|---|
| 56 | Self-employment tax. Attach Schedule SE | 56 | |
| 57 | Unreported social security and Medicare tax from Form: **a** ☐ 4137 **b** ☐ 8919 | 57 | |
| 58 | Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required | 58 | |
| 59a | Household employment taxes from Schedule H | 59a | |
| b | First-time homebuyer credit repayment. Attach Form 5405 if required | 59b | |
| 60 | Other taxes. Enter code(s) from instructions | 60 | |
| 61 | Add lines 55 through 60. This is your **total tax** ▶ | 61 | 5,074 |

## Payments

| | | | | | |
|---|---|---|---|---|---|
| 62 | Federal income tax withheld from Forms W-2 and 1099 | 62 | 6,000 | | |
| 63 | 2011 estimated tax payments and amount applied from 2010 return | 63 | | | |
| 64a | **Earned income credit (EIC)** | 64a | | | |
| b | Nontaxable combat pay election 64b | | | | |
| 65 | Additional child tax credit. Attach Form 8812 | 65 | | | |
| 66 | American opportunity credit from Form 8863, line 14 | 66 | | | |
| 67 | First-time homebuyer credit from Form 5405, line 10 | 67 | | | |
| 68 | Amount paid with request for extension to file | 68 | | | |
| 69 | Excess social security and tier 1 RRTA tax withheld | 69 | | | |
| 70 | Credit for federal tax on fuels. Attach Form 4136 | 70 | | | |
| 71 | Credits from Form: **a** ☐ 2439 **b** ☐ 8839 **c** ☐ 8801 **d** ☐ 8885 | 71 | | | |
| 72 | Add lines 62, 63, 64a, and 65 through 71. These are your **total payments** ▶ | | | 72 | 6,000 |

If you have a qualifying child, attach Schedule EIC.

## Refund

| | | | |
|---|---|---|---|
| 73 | If line 72 is more than line 61, subtract line 61 from line 72. This is the amount you **overpaid** | 73 | 926 |
| 74a | Amount of line 73 you want **refunded to you.** If Form 8888 is attached, check here ▶ ☐ | 74a | 926 |
| ▶ b | Routing number ▶ **c** Type: ☐ Checking ☐ Savings | | |
| ▶ d | Account number | | |
| 75 | Amount of line 73 you want **applied to your 2012 estimated tax** ▶ 75 | | |

Direct deposit? See instructions.

## Amount You Owe

| | | | |
|---|---|---|---|
| 76 | **Amount you owe.** Subtract line 72 from line 61. For details on how to pay, see instructions ▶ | 76 | |
| 77 | Estimated tax penalty (see instructions) 77 | | |

## Third Party Designee

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

Designee's name ▶ Phone no. ▶ Personal identification number (PIN) ▶

## Sign Here

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 complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Joint return? See instructions. Keep a copy for your records.

| Your signature | Date | Your occupation | Daytime phone number |
|---|---|---|---|
| | | Dentist | |
| Spouse's signature. If a joint return, **both** must sign. | Date | Spouse's occupation | Identity Protection PIN (see inst.) |
| | | Homemaker | |

## Paid Preparer Use Only

| Print/Type preparer's name | Preparer's signature | Date | Check ☐ if self-employed | PTIN |
|---|---|---|---|---|
| Firm's name ▶ | | Firm's EIN ▶ | | |
| Firm's address ▶ | | Phone no. | | |

**SCHEDULE B** (Form 1040A or 1040) — Department of the Treasury, Internal Revenue Service (99)

# Interest and Ordinary Dividends *

▶ Attach to Form 1040A or 1040. ▶ See instructions on back.

OMB No. 1545-0074 — 2011 — Attachment Sequence No. 08

Name(s) shown on return: Ivan and Irene Incisor — Your social security number: 477 34 4321



## Part I Interest

(See instructions on back 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.

| | | | Amount |
|---|---|---|---|
| 1 | List name of payer. If any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see instructions on back and list this interest first. Also, show that buyer's social security number and address ▶ | 1 | |
| | Pacific Northwest Bank | | 380 |
| | Big Electric Company | | 650 |
| 2 | Add the amounts on line 1 | 2 | 1,030 |
| 3 | Excludable interest on series EE and I U.S. savings bonds issued after 1989. Attach Form 8815 | 3 | |
| 4 | Subtract line 3 from line 2. Enter the result here and on Form 1040A, or Form 1040, line 8a ▶ | 4 | 1,030 |

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

## Part II Ordinary Dividends

(See instructions on back 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.

| | | | Amount |
|---|---|---|---|
| 5 | List name of payer ▶ | 5 | |
| | Big Bank | | 850 |
| | Big Gas Company | | 470 |
| | Mango Mutual Fund | | 145 |
| 6 | Add the amounts on line 5. Enter the total here and on Form 1040A, or Form 1040, line 9a ▶ | 6 | 1,465 |

**Note.** If line 6 is over $1,500, you must complete Part III.

## Part III Foreign Accounts and Trusts

(See instructions on back.)

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.

| | | Yes | No |
|---|---|---|---|
| 7a | At any time during 2011, 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 | | X |
| | If "Yes," are you required to file Form TD F 90-22.1 to report that financial interest or signature authority? See Form TD F 90-22.1 and its instructions for filing requirements and exceptions to those requirements | | |
| b | If you are required to file Form TD F 90-22.1, enter the name of the foreign country where the financial account is located ▶ | | |



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## Qualified Dividends and Capital Gain Tax Worksheet — Line 44 *

*Keep for Your Records*

**Before you begin:**
√ See the instructions for line 44 on page 35 to see if you can use this worksheet to figure your tax.
√ 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 worksheet on page 36 . . . 1. | | 40,945 | |
| 2. | Enter the amount from Form 1040, line 9b* . . . 2. | 1,320 | | |
| 3. | Are you filing Schedule D?* ☐ **Yes.** Enter the **smaller** of line 15 or 16 of Schedule D. If either line 15 or line 16 is a loss, enter -0- ☒ **No.** Enter the amount from Form 1040, line 13 . . . 3. | 0 | | |
| 4. | Add lines 2 and 3 . . . 4. | 1,320 | | |
| 5. | If filing Form 4952 (used to figure investment interest expense deduction), enter any amount from line 4g of that form. Otherwise, enter -0- . . . 5. | 0 | | |
| 6. | Subtract line 5 from line 4. If zero or less, enter -0- . . . 6. | | 1,320 | |
| 7. | Subtract line 6 from line 1. If zero or less, enter -0- . . . 7. | | 39,625 | |
| 8. | Enter: \$35,350 if single or married filing separately, \$70,700 if married filing jointly or qualifying widow(er), \$47,350 if head of household. . . . 8. | | 70,700 | |
| 9. | Enter the smaller of line 1 or line 8 . . . 9. | | 40,945 | |
| 10. | Enter the smaller of line 7 or line 9 . . . 10. | | 39,625 | |
| 11. | Subtract line 10 from line 9. This amount is taxed at 0% . . . 11. | | 1,320 | |
| 12. | Enter the smaller of line 1 or line 6 . . . 12. | | 1,320 | |
| 13. | Enter the amount from line 11 . . . 13. | | 1,320 | |
| 14. | Subtract line 13 from line 12 . . . 14. | | 0 | |
| 15. | Multiply line 14 by 15% (.15) . . . 15. | | | 0 |
| 16. | 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 this tax. If the amount on line 7 is \$100,000 or more, use the Tax Computation Worksheet . . . 16. | | | 5,074 |
| 17. | Add lines 15 and 16 . . . 17. | | | 5,074 |
| 18. | 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 this tax. If the amount on line 1 is \$100,000 or more, use the Tax Computation Worksheet . . . 18. | | | 5,269 |
| 19. | **Tax on all taxable income.** Enter the **smaller** of line 17 or line 18. 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 worksheet on page 36 . . . 19. | | | 5,074 |

**If you are filing Form 2555 or 2555-EZ, see the footnote in the worksheet on page 36 before completing this line.*

* The 2010 worksheet above has been adjusted to include the 2012 amounts.