



Exercise 4: Dorothy Dunn

Interview Notes

- Dorothy is married and lived with her husband, Daniel, all year, but they will not file a joint return.
- Neither Dorothy nor Daniel will itemize deductions.
- Daniel's Social Security Number is 326-00-4353.
- Dorothy retired from teaching art at the local high school in 2018. She works part time at a flower shop.
- Dorothy settled a credit card debt for less than the amount she owed. Her assets were more than her liabilities, meaning she was solvent when the debt was canceled.
- Dorothy and her husband received economic impact payments of \$1,800 each.
- Dorothy's insurance is provided through Medicare and not from the Marketplace.
- Dorothy would like to handle any refunds or payments electronically.
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Driver's License (Tax Training Only)		
License No.	20201128111753	
Name and Address	DOROTHY DUNN 5329 LAUREL ST YOUR CITY, YS, YOUR ZIP	
Birth Date	02/26/1953	
Issue Date	02/06/2020	Expiration Date 02/06/2025

Social Security
367-00-6849
THIS NUMBER HAS BEEN ESTABLISHED FOR
DOROTHY DUNN
For Tax Training Purposes Only

a. Employee's social security number 367-00-6849		Save. accurate, FAST! Use				Visit the IRS website at www.irs.gov/efile	
b. Employer identification number (EIN) 33-8373289		1. Wages, tips, other compensation \$14,982.77		2. Federal income tax withheld \$1,520.32			
c. Employer's name, address, and ZIP code DEVEREAUX'S FLOWER SHIP 1877 BLAKELY BLVD YOUR CITY, YS YOUR ZIP		3. Social security wages \$14,982.77		4. Social security tax withheld \$928.93			
		5. Medicare wages and tips \$14,982.77		6. Medicare tax withheld \$217.25			
		7. Social security tips		8. Allocated tips			
d. Control number		9.		10. Dependant care benefits			
e. Employee's first name and initial Last name Suff. Employee's address and ZIP code DOROTHY DUNN 5329 LAUREL ST YOUR CITY, YS, YOUR ZIP		11. Nonqualified plans		12a. See instructions for box 12			
		13. Statutory Employee Retirement Plan Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b.			
		14. Other		12c.			
		-----		12d.			
15. State YS	Employer's state ID number 0000356937	16. State wages, tips, etc. \$14,982.77	17. State income tax 799.02	18. Local wages, tips, etc.	19. Local income tax	20. Locality name	
<p>Form W-2 Wage and Tax Statement 2020</p> <p>Copy B - To Be Filed With Employee's FEDERAL Tax Return.</p> <p>This information is being furnished to the Internal Revenue Service.</p>							

<input type="checkbox"/> CORRECTED (if checked)				2020 Form 1099-R		Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.						
PAYER'S name Street address City or town, state or province, country, ZIP or foreign postal code Telephone no. TEACHER'S RETIREMENT SYSTEM 7836 SCHOOLHOUSE BLVD YOUR CITY, YS YOUR ZIP			1 Gross distribution \$18,547.56		2020 Form 1099-R	Copy B Report this income on your federal tax return. If this form shows federal income tax withheld in box 4, attach this copy to your return. This information is being furnished to the IRS						
			2a Taxable amount \$18,547.56									
			2b Taxable amount not determined. <input type="checkbox"/>		Total Distribution <input type="checkbox"/>							
PAYER'S TIN 83-2243770			RECIPIENT'S TIN 367-00-6849		5 Employee contributions/ Designated Roth contributions or		6 Net unrealized appreciation in employer's securities					
			RECIPIENT'S name Street address (including apt.no.) City or town, state or province, country, ZIP or foreign postal DOROTHY DUNN 5329 LAUREL ST YOUR CITY, YS, YOUR ZIP		7 Distribution Code(s) 7		IRA/ SEP/ SIMPLE <input type="checkbox"/>		8 Other %			
10 Amount allocable to IRR within 5 years			11 1st year of desig. Roth contrib.		FATCA filing requirement <input type="checkbox"/>		12 State tax withheld		13 State/Payer's state no. YS/0000638797		14 State distribution	
Account number (see instructions)			Date of payment		15 Local tax withheld		16 Name of locality		17 Local distribution			
Form 1099-R												

FORM SSA-1099 - SOCIAL SECURITY BENEFIT STATEMENT

2020

PART OF YOUR SOCIAL SECURITY BENEFITS SHOWN IN BOX 5 MAY BE TAXABLE INCOME.
 SEE THE REVERSE FOR MORE INFORMATION.

Box 1. Name DOROTHY DUNN		Box 2. Beneficiary's Social Security 367-00-6849
Box 3. Benefits Paid in 2020 \$21,748.00	Box 4. Benefits Repaid to SSA in 2020	Box 5. Net Benefits Paid for 2020 (Box 3 minus Box 4) \$21,748.00
DESCRIPTION OF AMOUNT IN BOX 3 Paid by check or direct deposit \$20,102.00 Medicare Part B premiums deducted from your benefits \$1,646.00 Medicare Prescription Drug premiums (Part D) deducted from your benefits \$.00 Total Additions \$21,748.00 Benefits for 2020 \$21,748.00 Benefits for 2019 Benefits for 2018 Benefits for 2017		DESCRIPTION OF AMOUNT IN BOX 4 Box 6. Voluntary Federal Income Tax Withheld Box 7. Address DOROTHY DUNN 5329 LAUREL ST YOUR CITY, YS, YOUR ZIP Box 8. Claim Number (use this number if you need to contact SSA) 367-00-6849A

Form **SSA-1099-SM**

<input type="checkbox"/> CORRECTED (if checked)				Cancellation of Debt
CREDITOR'S name Street address City or town, state or province, country, ZIP or foreign postal code Telephone no. SECOND BANK P.O. BOX 3328 DALLAS, TX 75261		1 Date of Identifiable Event 09/12/YYYY	OMB No. 1545-1424 2020 Form 1099-C	
CREDITOR'S TIN 73-2663226		DEBTOR'S TIN 367-00-6849		Copy B For Debtor This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if taxable income results from this transaction and the IRS determines that it has not been reported.
DEBTOR'S name Street address (including apt.no) City or town, state or province, country, ZIP or foreign postal code DOROTHY DUNN 5329 LAUREL ST YOUR CITY, YS, YOUR ZIP		4 Debt description CREDIT CARD DEBT		
Account number (see instructions)		5 If checked, the debtor was personally liable for repayment of this debt > <input checked="" type="checkbox"/>	6 Identifiable Event Code G	
Form 1099-C				

DOROTHY DUNN	1234
5329 LAUREL ST YOUR CITY, YS, YOUR ZIP	
PAY TO THE ORDER OF _____	\$ _____
_____	DOLLARS
YOUR BANK ADDRESS CITY, STATE ZIP	
For _____	
325070760 987123654 1234	

Practice Questions

1. How does the canceled debt from Dorothy's credit card company affect her tax return?
 - A. It has no effect because she really needed the money.
 - B. It is treated as taxable income because Dorothy was solvent at the time the debt was canceled.
 - C. It is deducted from her income because she no longer has the credit card.
 - D. 85% of the discharged debt is taxable.
2. Because Dorothy has chosen to file a separate return from her husband, the entire amount of her Social Security benefits is taxable.
 - A. True
 - B. False