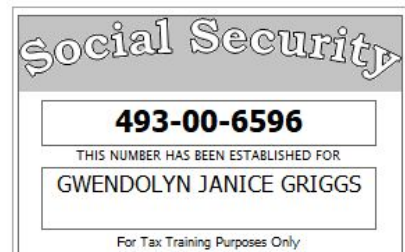
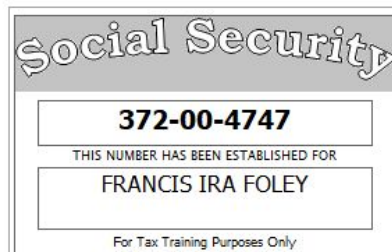
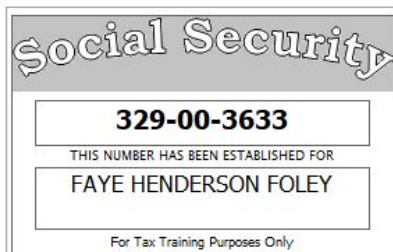


## Exercise 6 - Faye and Frank Foley


### Interview Notes

- Faye and Frank are married and want to file a joint return.
- Faye works as a teller at a credit union, and Frank is a delivery driver.
- In April of the tax year, Faye was diagnosed with COVID-19. She missed approximately two weeks of work as a result, but was not considered unemployed.
- In November, Faye's niece, Gwen, came to live with Faye and Frank when Gwen's mother suddenly died of COVID-19.
- In December, Frank took a distribution from a traditional IRA to help the family cover expenses.
- The Foley's received \$4,000 in Economic Impact Payments.
- Faye and Frank are unsure if they have enough deductions to itemize. In addition to their mortgage interest statement which they have provided, they have documentation for the following expenses.
- Tithes to the church -- \$5,200.
- Donations to United Way -- \$850
- Contributions to a crowd funding campaign for Gwen's mother's funeral -- \$500.
- Over the counter pain reliever and allergy medication for the family -- \$152
- Cloth masks purchased from a drugstore to avoid COVID-19 -- \$108.
- Doctor visit copays for Faye -- \$160
- Prescriptions for Faye -- \$1365
- Emergency room visit for Frank -- \$200.
- Doctor visit copays for Frank -- \$90
- Prescriptions for Frank -- \$360
- Grief counseling services for Gwen -- \$150



**Driver's License (Tax Training Only)**


License No. 20201214235609  
 Name and Address  
 FAYE HENDERSON FOLEY  
 2931 ROWLEY LN  
 YOUR CITY, YS ZIP




Birth Date 04/26/1962  
 Issue Date 04/06/2020      Expiration Date 04/06/2025


**Driver's License (Tax Training Only)**

License No. 20201214235545  
 Name and Address  
 FRANCIS IRA FOLEY  
 2931 ROWLEY LN  
 YOUR CITY, YS ZIP



Birth Date 09/27/1963  
 Issue Date 09/07/2020      Expiration Date 09/07/2025

a. Employee's social security number 329-00-3633		Save. accurate, FAST! Use			Visit the IRS website at <a href="http://www.irs.gov/efile">www.irs.gov/efile</a>	
b. Employer identification number (EIN) 26-6686489		1. Wages, tips, other compensation \$23,895.24		2. Federal income tax withheld \$1,849.21		
c. Employer's name, address, and ZIP code  COMMUNITY CREDIT UNION 1897 CASH AVE YOUR CITY, YS ZIP		3. Social security wages \$24,495.24		4. Social security tax withheld \$1,518.70		
		5. Medicare wages and tips \$24,495.24		6. Medicare tax withheld \$355.18		
		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  FAYE HENDERSON FOLEY 2931 ROWLEY LN YOUR CITY, YS ZIP		11. Nonqualified plans		12a. See instructions for box 12 D      \$600.00		
		13. Statutory Employee <input type="checkbox"/> Retirement Plan <input checked="" type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b. DD      \$6,172.45		
		14. Other		12c.		
				12d.		
15. State YS	Employer's state ID number 00002864661	16. State wages, tips, etc. \$23,895.24	17. State income tax 1,274.12	18. Local wages, tips, etc.	19. Local income tax	20. Locality name
<p>Form <b>W-2</b> Wage and Tax Statement <b>2020</b></p> <p><b>Copy B - To Be Filed With Employee's FEDERAL Tax Return.</b></p> <p>This information is being furnished to the Internal Revenue Service.</p>						

a. Employee's social security number 372-00-4747		Save. accurate, FAST! Use				Visit the IRS website at www.irs.gov/efile	
b. Employer identification number (EIN) 72-2524333		1. Wages, tips, other compensation \$32,750.88		2. Federal income tax withheld \$2,824.33			
c. Employer's name, address, and ZIP code  PACKAGE DELIVERY SERVICES 840 PARCEL PLAZA SAINT PAUL, MN 55101		3. Social security wages \$34,350.88		4. Social security tax withheld \$2,129.75			
		5. Medicare wages and tips \$34,350.88		6. Medicare tax withheld \$498.09			
		7. Social security tips		8. Allocated tips			
d. Control number		9.		10. Dependant care benefits			
e. Employee's first name and initial Employee's address and ZIP code  FRANCIS IRA FOLEY 2931 ROWLEY LN YOUR CITY, YS ZIP		11. Nonqualified plans		12a. See instructions for box 12 C   \$18.86			
		13. Statutory Employee <input type="checkbox"/> Retirement Plan <input checked="" type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b. D   \$1,600.00			
		14. Other		12c. DD   \$6,024.00			
				12d.			
15. State YS	Employer's state ID number 00073784237	16. State wages, tips, etc. \$32,750.88	17. State income tax 1,599.84	18. Local wages, tips, etc.	19. Local income tax	20. Locality name	
<p>Form <b>W-2</b> Wage and Tax Statement <b>2020</b></p> <p><b>Copy B - To Be Filed With Employee's FEDERAL Tax Return.</b></p> <p>This information is being furnished to the Internal Revenue Service.</p>							

<input type="checkbox"/> CORRECTED (if checked)			<b>2020</b> Form 1099-R		<b>Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.</b>
PAYER'S name Street address City or town, state or province, country, ZIP or foreign postal code Telephone no.  WORLDWIDE INVESTMENTS, INC. PO BOX 346837 WORCESTER, MA 01605			1 Gross distribution <b>\$10,000.00</b>	<b>2020</b> Form 1099-R	
			2a Taxable amount <b>\$10,000.00</b>		
			2b Taxable amount not determined. <input type="checkbox"/>		
			3 Capital gain (included in box 2a).	4 Federal income tax withheld <b>\$2,000.00</b>	
PAYER'S TIN <b>09-6753943</b>	RECIPIENT'S TIN <b>372-00-4747</b>		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 <b>FRANCIS IRA FOLEY</b> <b>2931 ROWLEY LN</b> <b>YOUR CITY, YS ZIP</b>			7 Distribution Code(s) <b>1</b>	IRA/ SEP/ SIMPLE <input checked="" type="checkbox"/>	8 Other %
			9a Your percentage of total distribution %	9b Total Employee Contributions	
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. <b>YS/00017324873</b>	
Account number (see instructions)		Date of payment	15 Local tax withheld	16 Name of locality	17 Local distribution
Form <b>1099-R</b>					

**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

<input type="checkbox"/> CORRECTED (if checked)			<b>2020</b> Form 1098		<b>Mortgage Interest Statement</b>
RECIPIENT'S/LENDER'S name, street address, city or town, state or province, country, ZIP or foreign postal code and telephone no.  MORTGAGE PROS, LTD. P.O. BOX 667842 BRISTOL, VA 24205			* Caution: The amount shown may not be fully deductible by you. Limits based on the loan amount and the cost and value of the secured property may apply. Also, you may only deduct interest to the extent it was incurred by you, actually paid by you, and not reimbursed by another person.		<b>Copy B</b> For Payer/Borrower
			1. Mortgage interest received from payer(s)/borrower(s) * <b>\$3,827.52</b>		
RECIPIENT'S/LENDER'S TIN <b>16-6784243</b>	PAYER'S/BORROWER'S TIN <b>329-00-3633</b>		2. Outstanding mortgage principal as of 1/1/2020 <b>\$52,014.67</b>	3. Mortgage origination date <b>09/30/2017</b>	
PAYER'S/BORROWER'S name, street address, city or town, state or province, country, ZIP or foreign postal code and telephone no.  FAYE HENDERSON FOLEY 2931 ROWLEY LN YOUR CITY, YS ZIP			4. Refund of overpaid interest	5. Mortgage insurance premiums <b>\$432.00</b>	The information in boxes 1 through 9 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 the IRS determines that an underpayment of tax results because you overstated a deduction for this mortgage interest or for these points, reported in boxes 1 and 6; or because you didn't report the refund of interest (box 4); or because you claimed a non-deductible item.
			6. Points paid on purchase of principal residence		
			7. <input checked="" type="checkbox"/> If address of property securing mortgage is the same as PAYER'S/BORROWER'S address, the box is checked, or the address or description is entered in box 8.		
9. Number of properties securing the mortgage	10. Other		8. Address or description of property securing mortgage (see Instructions)		
Account number (see instructions)					
Form <b>1098</b>					

## Practice Questions

1. What is the total amount of eligible medical expenses the Foley's may deduct on their tax return if they have enough deductions to itemize?

A. \$2,585

B. \$2,325

C. \$2,175

D. \$1,975

2. What is the amount of the penalty that Frank must pay on the distribution from his traditional IRA?

A. \$2,500

B. \$2,000