



## Federal Tax Law Update Test for Circular 230 Professionals

### Directions

The first three scenarios do not require you to prepare a tax return. Read the interview notes for each scenario carefully and **use the Important Changes lesson in Publication 4491, VITA/TCE Training Guide, or in Link & Learn Taxes to answer the questions after the scenarios.** All questions are based on **calendar year 2021** taxpayers.

### Scenario 1: Herb and Alice Freeman

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#### Interview Notes

- Herb and Alice are married and file a joint return. Herb is 74 years old and Alice is 70. Neither are blind.
- Both Herb and Alice are retired. Herb works part time as a greeter.
- Herb earned \$15,000 in wages. They also received Social Security benefits of \$28,000. They received no other income in 2021.
- Both Herb and Alice are U.S. citizens, lived in the United States all year, and have valid Social Security numbers. They do not have any qualifying children, and no one else lives with them.

### Scenario 1: Test Questions

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1. What is Herb and Alice's standard deduction?
  - a. \$25,100
  - b. \$26,450
  - c. \$27,800
  - d. \$28,500
2. How much of Herb and Alice's Social Security is taxable?
  - a. \$0
  - b. \$14,000
  - c. \$23,800
  - d. \$28,000
3. Herb and Alice qualify for the Earned Income Credit (EIC).
  - a. True, because their daughter offered to let them claim their grandchild.
  - b. True, because they have earned income and adjusted gross income under the EIC threshold.
  - c. False, because their income is too high.
  - d. False, because they are over the age limit.

## Scenario 2: Chloe Carlow

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### Interview Notes

- Chloe, age 48, divorced her husband in 2017.
- Chloe's 4 year old grandson, Marcus, has been living with her since his parents were incarcerated in August 2019. Chloe provided all the support for Marcus and all the costs of keeping up their home in 2021.
- Chloe worked full time and earned \$53,000. She received no other income in 2021.
- Marcus attends daycare while Chloe works. Chloe received a statement from the daycare provider showing she paid \$5,980 for Marcus' care for the year. She did not pay any 2020 expenses in 2021.
- Chloe received the third Economic Impact Payment (EIP 3) of \$2,800 in 2021.
- Chloe received advance payments of the Child Tax Credit totaling \$1,800 in 2021.
- Chloe and Marcus are both U.S. citizens, lived in the United States all year, and have valid Social Security numbers. No one else lives in the household with them.

### Scenario 2: Test Questions

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4. After reconciling the advance payments, how much Child Tax Credit will Chloe be able to claim on her 2021 federal income tax return?
  - a. \$3,600
  - b. \$3,000
  - c. \$2,000
  - d. \$1,800
5. What amount can Chloe claim as qualified dependent care expenses?
  - a. \$3,000
  - b. \$5,980
  - c. \$6,000
  - d. \$8,000
6. Which of the following credits are refundable for a taxpayer who lived in the United States for all of 2021? **(Select all that apply)**
  - a. Child Tax Credit
  - b. Earned Income Credit
  - c. Child and Dependent Care credit
  - d. Retirement Savings Contribution Credit

## Scenario 3: Luther and Lexi Lincoln

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### Interview Notes

- Luther and Lexi are married and file a joint return.
- Luther and Lexi were enrolled in their Marketplace second lowest cost silver (SLCSP) high deductible health plan (HDHP) with family coverage for all of 2021. Their annual enrollment premium was \$10,000 and they received the benefit of an Advance Premium Tax Credit (APTC) of \$5,237.
- Lexi received a large bonus from her employer at the end of 2021, which increased their household income to \$70,000, which is more than 400% of the Federal Poverty Line (FPL) for the other 48 states and DC. They did not contact the marketplace to inform them of the increase in household income. They were not eligible to claim unemployment at any time in 2021.
- In 2021, Luther contributed \$1,500 to his Health Savings Account (HSA). Of that amount, \$1,000 was made pretax through his employer's cafeteria plan and he made the remaining \$500 contribution by electronic deposit into the HSA from his checking account. His employer sent Form W-2 reporting \$1,000 in Box 12a, with code W. Lexi did not contribute to her HSA.
- Lexi received a Form 1099-SA showing a distribution from her HSA of \$700. Lexi has receipts showing they paid \$200 for new eyeglasses for Luther, \$300 for over the counter allergy medicine for Lexi, and \$250 for doctor visit copays and medical tests for Lexi.
- Luther and Lexi donated \$450 by check to their local food bank. The food bank is a qualified organization and provided Luther and Lexi with a written acknowledgment of their donation. They contributed \$50 in cash to a local family in need. They also donated clothing in good condition with fair market value of \$200 to Goodwill. They have a receipt for the donation.
- Luther and Lexi are U.S. citizens with valid Social Security numbers. They do not have enough expenses to itemize their deductions.

### Scenario 3: Test Questions

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7. What amount can Luther take as an HSA deduction?
  - a. \$1,500
  - b. \$1,000
  - c. \$500
  - d. \$0

8. How much of Lexi's Form 1099-SA amount is taxable?
- a. \$0 because they had qualified medical expenses over \$700
  - b. \$150 because Lexi can't use money from her HSA to pay for Luther's medical expenses
  - c. \$250 because the over the counter medicine is **not** a qualified medical expense
  - d. \$700 because all of the contributions were pretax
9. How much of Luther and Lexi's APTC must be repaid for tax year 2021?
- a. \$0
  - b. \$1,187
  - c. \$2,700
  - d. \$5,237
10. How much can Luther and Lexi deduct for their charitable donations?
- a. \$0 because they do **not** have enough expenses to itemize
  - b. \$450 as a charitable contribution deduction
  - c. \$500 as a charitable contribution deduction
  - d. \$600 as a charitable contribution deduction
  - e. \$700 as a charitable contribution deduction

## Scenario 4: Kendall and Siena King

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### Directions

Using the tax software, complete the tax return, including Form 1040 and all appropriate forms, schedules, and worksheets. Answer the questions following the scenario.

*Note: When entering Social Security numbers (SSNs) or Employer Identification Numbers (EINs), replace the Xs as directed, or with any four digits of your choice.*

### Interview Notes

- Kendall and Siena are married and file a joint return.
- Siena is an employee and received a Form W-2. Kendall is a self-employed driver for Delicious Deliveries.
- Kendall and Siena had health insurance subsidized by Siena's employer. They paid \$3,600 pre-tax in premiums for the year.
- Kendall provided a statement from the food delivery service that indicated the amount of mileage driven and fees paid for the year. These fees are considered ordinary and necessary for the food delivery business:
  - 7,200 miles driven while delivering food
  - Insulated box rental: \$300
  - Vehicle safety inspection (required by Delicious Deliveries): \$50
  - GPS device fee: \$120
- Kendall's record keeping application shows he also drove 4,125 miles between deliveries and 4,200 miles driven between his home and his first and last delivery point of the day. Kendall has a separate car for personal use. He bought and started using his second car for business on September 1, 2020.
- Kendall also kept receipts for the following out-of-pocket expenses:
  - \$100 on tolls
  - \$120 for car washes
  - \$48 for parking tickets
  - \$75 for Personal Protective Equipment (PPE) used during deliveries
  - \$150 for snacks and lunches Kendall consumed while working
- Kendall provided the Form 1099-NEC and Form 1099-K that he received from Delicious Deliveries.
- Kendall also received \$300 in cash tips that were not reported elsewhere.
- Kendall won \$10,000 on a scratch off lottery ticket. He has \$3,000 in losing tickets.
- Siena's brother Quincy moved in with them in December 2020. He's a full-time student working on his PhD. He works part-time and earned \$3,800 in 2021. Kendall and Siena pay more than half of Quincy's support. Quincy paid \$5,000 in eligible educational expenses with the proceeds from a student loan. Quincy received a Form 1098-T from Yuma College, EIN 37-700XXXX, showing \$5,000 in Box 1 and having boxes 8 and 9 checked.
- Kendall and Siena received the third Economic Impact Payment (EIP 3) in the amount of \$2,800 in 2021. Quincy received his own EIP 3 of \$1,400 in 2021.
- Kendall, Siena, and Quincy are U.S. citizens, have valid Social Security numbers, and lived in the United States all year.



**You will need:**

- Tax Information such as Forms W-2, 1099, 1098, 1095.
- Social security cards or ITIN letters for all persons on your tax return.
- Picture ID (such as valid driver's license) for you and your spouse.

- Please complete pages 1-4 of this form.
- You are responsible for the information on your return. Please provide complete and accurate information.
- If you have questions, please ask the IRS-certified volunteer preparer.

**Volunteers are trained to provide high quality service and uphold the highest ethical standards.  
To report unethical behavior to the IRS, email us at [wi.voltax@irs.gov](mailto:wi.voltax@irs.gov)**

**Part I – Your Personal Information** (If you are filing a joint return, enter your names in the same order as last year's return)

1. Your first name <b>KENDALL</b>	M.I.	Last name <b>KING</b>	Best contact number <b>404-555-4567</b>	Are you a U.S. citizen? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
2. Your spouse's first name <b>SIENA</b>	M.I.	Last name <b>KING</b>	Best contact number	Is your spouse a U.S. citizen? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
3. Mailing address <b>1551 CONCORD CIRCLE</b>		Apt #	City <b>YOUR CITY</b>	State <b>YS</b> ZIP code <b>YOUR ZIP</b>
4. Your Date of Birth <b>04/04/1982</b>	5. Your job title <b>DRIVER</b>		6. Last year, were you:	
		b. Totally and permanently disabled <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		a. Full-time student <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
				c. Legally blind <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
7. Your spouse's Date of Birth <b>06/07/1982</b>	8. Your spouse's job title <b>MANAGER</b>		9. Last year, was your spouse:	
		b. Totally and permanently disabled <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		a. Full-time student <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
				c. Legally blind <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
10. Can anyone claim you or your spouse as a dependent? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Unsure				
11. Have you, your spouse, or dependents been a victim of tax related identity theft or been issued an Identity Protection PIN? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No				
12. Provide an email address (optional) (this email address will not be used for contacts from the Internal Revenue Service)				

**Part II – Marital Status and Household Information**

1. As of December 31, 2021, what was your marital status?  Never Married (This includes registered domestic partnerships, civil unions, or other formal relationships under state law)  Married

a. If Yes, Did you get married in 2021?  Yes  No

b. Did you live with your spouse during any part of the last six months of 2021?  Yes  No

Divorced Date of final decree \_\_\_\_\_

Legally Separated Date of separate maintenance decree \_\_\_\_\_

Widowed Year of spouse's death \_\_\_\_\_

2. List the names below of:

- everyone who lived with you last year (other than your spouse)
- anyone you supported but did not live with you last year

If additional space is needed check here  and list on page 3

										To be completed by a Certified Volunteer Preparer				
Name (first, last) Do not enter your name or spouse's name below	Date of Birth (mm/dd/yy)	Relationship to you (for example: son, daughter, parent, none, etc)	Number of months lived in your home last year	US Citizen (yes/no)	Resident of US, Canada, or Mexico last year (yes/no)	Single or Married as of 12/31/21 (S/M)	Full-time Student last year (yes/no)	Totally and Permanently Disabled (yes/no)	Is this person a qualifying child/relative of any other person? (yes/no)	Did this person provide more than 50% of his/her own support? (yes,no,n/a)	Did this person have less than \$4,300 of income? (yes,no,n/a)	Did the taxpayer(s) provide more than 50% of support for this person? (yes/no/n/a)	Did the taxpayer(s) pay more than half the cost of maintaining a home for this person? (yes/no)	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)						
<b>QUINCY SPELMAN</b>	<b>03/04/1984</b>	<b>BROTHER</b>	<b>12</b>	<b>YES</b>	<b>YES</b>	<b>S</b>	<b>YES</b>	<b>NO</b>						

**Check appropriate box for each question in each section**

Yes	No	Unsure	Part III – Income – Last Year, Did You (or Your Spouse) Receive
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1. (B) Wages or Salary? (Form W-2) <b>If yes, how many jobs did you have last year? 1</b> _____
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	2. (A) Tip Income?
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	3. (B) Scholarships? (Forms W-2, 1098-T)
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	4. (B) Interest/Dividends from: checking/savings accounts, bonds, CDs, brokerage? (Forms 1099-INT, 1099-DIV)
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	5. (B) Refund of state/local income taxes? (Form 1099-G)
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	6. (B) Alimony income or separate maintenance payments?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	7. (A) Self-Employment income? (Form 1099-MISC, 1099-NEC, cash, virtual currency, or other property or services)
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	8. (A) Cash/check/virtual currency payments, or other property or services for any work performed not reported on Forms W-2 or 1099?
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	9. (A) Income (or loss) from the sale or exchange of Stocks, Bonds, Virtual Currency or Real Estate? (including your home) (Forms 1099-S, 1099-B)
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	10. (B) Disability income? (such as payments from insurance, or workers compensation) (Forms 1099-R, W-2)
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	11. (A) Retirement income or payments from Pensions, Annuities, and or IRA? (Form 1099-R)
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	12. (B) Unemployment Compensation? (Form 1099G)
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	13. (B) Social Security or Railroad Retirement Benefits? (Forms SSA-1099, RRB-1099)
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	14. (M) Income (or loss) from Rental Property?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	15. (B) Other income? (gambling, lottery, prizes, awards, jury duty, virtual currency, Sch K-1, royalties, foreign income, etc.)
Yes	No	Unsure	Part IV – Expenses – Last Year, Did You (or Your Spouse) Pay
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	1. (B) Alimony or separate maintenance payments? If yes, do you have the recipient's SSN? <input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	2. Contributions or repayments to a retirement account? <input type="checkbox"/> IRA (A) <input type="checkbox"/> 401K (B) <input type="checkbox"/> Roth IRA (B) <input type="checkbox"/> Other
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	3. (B) College or post secondary educational expenses for yourself, spouse or dependents? (Form 1098-T)
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	4. Any of the following? <input type="checkbox"/> (A) Medical & Dental (including insurance premiums) <input type="checkbox"/> (A) Mortgage Interest (Form 1098) <input type="checkbox"/> (A) Taxes (State, Real Estate, Personal Property, Sales) <input type="checkbox"/> (B) Charitable Contributions
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	5. (B) Child or dependent care expenses such as daycare?
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	6. (B) For supplies used as an eligible educator such as a teacher, teacher's aide, counselor, etc.?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	7. (A) Expenses related to self-employment income or any other income you received?
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	8. (B) Student loan interest? (Form 1098-E)
Yes	No	Unsure	Part V – Life Events – Last Year, Did You (or Your Spouse)
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	1. (A) Have a Health Savings Account? (Forms 5498-SA, 1099-SA, W-2 with code W in box 12)
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	2. (A) Have credit card, student loan or mortgage debt cancelled/forgiven by a lender or have a home foreclosure? (Forms 1099-C, 1099-A)
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	3. (A) Adopt a child?
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	4. (B) Have Earned Income Credit, Child Tax Credit or American Opportunity Credit disallowed in a prior year? If yes, for which tax year? _____
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	5. (A) Purchase and install energy-efficient home items? (such as windows, furnace, insulation, etc.)
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	6. (A) Receive the First Time Homebuyers Credit in 2008?
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	7. (B) Make estimated tax payments or apply last year's refund to this year's tax? If so how much? _____
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	8. (A) File a federal return last year containing a "capital loss carryover" on Form 1040 Schedule D?
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	9. (A) Have health coverage through the Marketplace (Exchange)? [Provide Form 1095-A]
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	10. (B) Receive an Economic Impact Payment (stimulus) in 2021?
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	11. (B) Receive Advanced Child Tax Credit payments?



**Additional Information and Questions Related to the Preparation of Your Return**

1. Would you like to receive written communications from the IRS in a language other than English?  Yes  No If yes, which language? \_\_\_\_\_
2. Presidential Election Campaign Fund *(If you check a box, your tax or refund will not change)*  
 Check here if you, or your spouse if filing jointly, want \$3 to go to this fund  You  Spouse
3. If you are due a refund, would you like:
 

a. Direct deposit	b. To purchase U.S. Savings Bonds	c. To split your refund between different accounts
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
4. If you have a balance due, would you like to make a payment directly from your bank account?  Yes  No
5. Did you live in an area that was declared a Federal disaster area?  Yes  No If yes, where? \_\_\_\_\_
6. Did you, or your spouse if filing jointly, receive a letter from the IRS?  Yes  No

**Many free tax preparation sites operate by receiving grant money or other federal financial assistance. The data from the following questions may be used by this site to apply for these grants or to support continued receipt of financial funding. Your answer will be used only for statistical purposes. These questions are optional.**

7. Would you say you can carry on a conversation in English, both understanding & speaking?  Very well  Well  Not well  Not at all  Prefer not to answer
8. Would you say you can read a newspaper or book in English?  Very well  Well  Not well  Not at all  Prefer not to answer
9. Do you or any member of your household have a disability?  Yes  No  Prefer not to answer
10. Are you or your spouse a Veteran from the U.S. Armed Forces?  Yes  No  Prefer not to answer
11. Your race?
 

<input type="checkbox"/> American Indian or Alaska Native	<input type="checkbox"/> Asian	<input type="checkbox"/> Black or African American	<input type="checkbox"/> Native Hawaiian or other Pacific Islander	<input type="checkbox"/> White	<input checked="" type="checkbox"/> Prefer not to answer
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12. Your spouse's race?
 

<input type="checkbox"/> American Indian or Alaska Native	<input type="checkbox"/> Asian	<input type="checkbox"/> Black or African American	<input type="checkbox"/> Native Hawaiian or other Pacific Islander	<input type="checkbox"/> White	<input checked="" type="checkbox"/> Prefer not to answer
<input type="checkbox"/> No spouse					
13. Your ethnicity?  Hispanic or Latino  Not Hispanic or Latino  Prefer not to answer
14. Your spouse's ethnicity?  Hispanic or Latino  Not Hispanic or Latino  Prefer not to answer  No spouse

Additional comments

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**Privacy Act and Paperwork Reduction Act Notice**

The Privacy Act of 1974 requires that when we ask for information we tell you our legal right to ask for the information, why we are asking for it, and how it will be used. We must also tell you what could happen if we do not receive it, and whether your response is voluntary, required to obtain a benefit, or mandatory. Our legal right to ask for information is 5 U.S.C. 301. We are asking for this information to assist us in contacting you relative to your interest and/or participation in the IRS volunteer income tax preparation and outreach programs. The information you provide may be furnished to others who coordinate activities and staffing at volunteer return preparation sites or outreach activities. The information may also be used to establish effective controls, send correspondence and recognize volunteers. Your response is voluntary. However, if you do not provide the requested information, the IRS may not be able to use your assistance in these programs. The Paperwork Reduction Act requires that the IRS display an OMB control number on all public information requests. The OMB Control Number for this study is 1545-1964. Also, if you have any comments regarding the time estimates associated with this study or suggestion on making this process simpler, please write to the Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, Washington, DC 20224

a Employee's social security number <b>601-00-XXXX</b>		Safe, 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) <b>20-900XXXX</b>		1 Wages, tips, other compensation <b>\$32,000.00</b>		2 Federal income tax withheld <b>\$3,200.00</b>	
c Employer's name, address, and ZIP code  <b>DUKE, DILLARD AND DUQUESNE 143 ROCK ROAD YOUR CITY, YOUR STATE, ZIP</b>		3 Social security wages <b>\$32,000.00</b>		4 Social security tax withheld <b>\$1,984.00</b>	
		5 Medicare wages and tips <b>\$32,000.00</b>		6 Medicare tax withheld <b>\$464.00</b>	
		7 Social security tips		8 Allocated tips	
d Control number		9		10 Dependent care benefits	
e Employee's first name and initial Last name Suff.  <b>SIENA KING 1551 CONCORD CIRCLE YOUR CITY, YOUR STATE, ZIP</b>		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	
f Employee's address and ZIP code					
15 State Employer's state ID number <b>YS 123456-7</b>	16 State wages, tips, etc. <b>\$32,000.00</b>	17 State income tax <b>\$960.00</b>	18 Local wages, tips, etc.	19 Local income tax	20 Locality name

Form **W-2** Wage and Tax Statement **2021** 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.

CORRECTED (if checked)

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.  <b>Delicious Deliveries 567 ALVIN AVENUE YOUR CITY, YOUR STATE, ZIP</b>		OMB No. 1545-0116  <b>2021</b> Form <b>1099-NEC</b>		<b>Nonemployee Compensation</b>	
PAYER'S TIN <b>20-400XXXX</b>	RECIPIENT'S TIN <b>345-00-XXXX</b>	1 Nonemployee compensation <b>\$ 1,800.00</b>		<b>Copy B For Recipient</b> 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 this income is taxable and the IRS determines that it has not been reported.	
RECIPIENT'S name  <b>KENDALL KING</b>  Street address (including apt. no.) <b>1551 CONCORD CIRCLE</b>  City or town, state or province, country, and ZIP or foreign postal code <b>YOUR CITY, YOUR STATE, ZIP</b>		2 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale <input type="checkbox"/>			
Account number (see instructions)		3			
		4 Federal income tax withheld <b>\$</b>			
		5 State tax withheld <b>\$</b>	6 State/Payer's state no.	7 State income <b>\$</b>	

Form **1099-NEC** (keep for your records) [www.irs.gov/Form1099NEC](http://www.irs.gov/Form1099NEC) Department of the Treasury - Internal Revenue Service

CORRECTED (if checked)

FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.  
**Delicious Deliveries**  
**567 ALVIN AVENUE**  
**YOUR CITY, YOUR STATE, ZIP**

FILER'S TIN  
**20-400XXXX**

OMB No. 1545-2205

PAYEE'S TIN  
**345-00-XXXX**

**2021**

**Payment Card and  
Third Party  
Network  
Transactions**

**1a** Gross amount of payment card/third party network transactions  
**\$ 15,245.00**

Form **1099-K**

**1b** Card Not Present transactions  
**\$**

**2** Merchant category code

Check to indicate if FILER is a (an):  
 Payment settlement entity (PSE)   
 Electronic Payment Facilitator (EPF)/Other third party

Check to indicate transactions reported are:  
 Payment card   
 Third party network

**3** Number of payment transactions  
**3,300**

**4** Federal income tax withheld  
**\$**

**Copy B  
For Payee**

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.

PAYEE'S name  
**KENDALL KING**  
 Street address (including apt. no.)  
**1551 CONCORD CIRCLE**  
 City or town, state or province, country, and ZIP or foreign postal code  
**YOUR CITY, YOUR STATE, ZIP**

**5a** January  
**\$ 1,270.00**

**5b** February  
**\$ 1,200.00**

**5c** March  
**\$ 1,340.00**

**5d** April  
**\$ 1,250.00**

**5e** May  
**\$ 1,290.00**

**5f** June  
**\$ 1,300.00**

**5g** July  
**\$ 1,240.00**

**5h** August  
**\$ 1,140.00**

**5i** September  
**\$ 1,270.00**

**5j** October  
**\$ 1,235.00**

**5k** November  
**\$ 1,310.00**

**5l** December  
**\$ 1,400.00**

PSE'S name and telephone number

Account number (see instructions)

**6** State

**7** State identification no.

**8** State income tax withheld  
**\$**  
**\$**

Form **1099-K**

(Keep for your records)

www.irs.gov/Form1099K

Department of the Treasury - Internal Revenue Service

CORRECTED (if checked)

PAYER'S name, street address, city or town, province or state, country, and ZIP or foreign postal code  
**STATE LOTTO BOARD**  
**123 MAIN STREET**  
**YOUR CITY, STATE ZIP**

**1** Reportable winnings  
**\$ 10,000.00**

**2** Date won  
**6/1/2021**

**3** Type of wager  
**Lottery**

**4** Federal income tax withheld  
**\$ 2,800.00**

**5** Transaction

**6** Race

**7** Winnings from identical wagers  
**\$**

**8** Cashier

PAYER'S federal identification number  
**65-000XXXX**

PAYER'S telephone number  
**404-555-1212**

**9** Winner's taxpayer identification no.  
**345-00-XXXX**

**10** Window

WINNER'S name  
**KENDALL KING**

**11** First identification

**12** Second identification

Street address (including apt. no.)  
**1551 CONCORD CIRCLE**

**13** State/Payer's state identification no.

**14** State winnings  
**\$**

City or town, province or state, country, and ZIP or foreign postal code  
**YOUR CITY, YOUR STATE, ZIP**

**15** State income tax withheld  
**\$**

**16** Local winnings  
**\$**

**17** Local income tax withheld  
**\$**

**18** Name of locality

OMB No. 1545-0238

**Form W-2G  
Certain  
Gambling  
Winnings**

(Rev. January 2021)

For calendar year 20 \_\_\_\_

This information is being furnished to the Internal Revenue Service.

**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.**

Under penalties of perjury, I declare that, to the best of my knowledge and belief, the name, address, and taxpayer identification number that I have furnished correctly identify me as the recipient of this payment and any payments from identical wagers, and that no other person is entitled to any part of these payments.

Signature ▶

Date ▶

Form **W-2G** (Rev. 1-2021)

www.irs.gov/FormW2G

Department of the Treasury - Internal Revenue Service

## Scenario 4: Test Questions

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11. Which of the following tax benefits do Kendall and Siena qualify for because of Quincy? **(Select all that apply)**
- a. They qualify for a \$500 credit for other dependents (ODC)
  - b. They qualify for a lifetime learning credit
  - c. They get a \$4,300 dependency deduction
  - d. They do **not** qualify for any benefits because Quincy is **not** their dependent.
12. What is the amount of Kendall's Schedule C gross income?
- a. \$300
  - b. \$1,800
  - c. \$15,245
  - d. \$17,345
13. What are Kendall's Schedule C expenses?
- a. \$6,987
  - b. \$7,305
  - c. \$9,339
  - d. \$9,647
14. How much of Kendall's gambling winnings is included in adjusted gross income?  
\$ \_\_\_\_\_
15. Which of the following statements is true:
- a. Kendall can add the \$3,600 they paid for health insurance premiums to his self-employment expenses on Schedule C.
  - b. Kendall can claim the \$3,600 they paid for health insurance premiums as a self-employed health insurance deduction on Schedule 1.
  - c. Kendall can claim his portion of the health insurance premiums, \$1,800, as a self-employed health insurance deduction on Schedule 1.
  - d. Kendall can add his portion of the health insurance premiums, \$1,800, to his self-employment expenses on Schedule C.
  - e. Kendall is **not** eligible for a self-employed health insurance deduction.