

**INDIVIDUAL TAX RETURN
PROJECT**

ROBERT ORR INDIVIDUAL FEDERAL

INCOME TAX RETURN

2015-2016 ANNUAL EDITION

ALL DATES RELATE TO YEAR 2015 UNLESS STATED OTHERWISE

Robert G. (age 61), SSN 111-22-1111, is a widower of Barbara Orr, SSN 123-45-6787, who passed away on July 1, 2014. Robert resides at 4 Hook Road, Rye, NY 10580. Robert works as a consulting engineer and is also self-employed. He owns his own Consulting business that he operates in town.

The following filing information relates to Robert:

- Robert is not sure what filing status he should be in 2015 since his wife passed away in 2014.
- Robert does not elect to contribute to the Presidential Election Campaign Fund.
- Robert is a calendar year taxpayer.
- Robert follows the cash basis method.
- Robert prefers that any tax overpayment to be refunded to him.
- Round all cents to the nearest dollar (Round up .50 Round down .49) No cents on the return.

1. Robert's annual salary from King Engineering is included on the attached W-2. King Engineering does not provide any retirement benefits. Robert has a retirement account that he contributes to.

2. Robert maintains a consulting practice, Robert Orr Engineering, through which he advises clients on various matters. Robert rents office space in town, at 45 Main Street, Rye, NY 10580. He drives to his clients' office during the year to conduct business. He uses his personal car to drive to these locations. His professional activity code is 541990 and his employer identification number is 04-9876543. His clients consist of small to medium size local businesses. Robert collected \$101,781 in revenues during 2015. This total includes a \$2,000 payment for work he performed in 2014 and does not include \$4,000 he billed in December for work performed in late 2015. In addition, Robert has an unpaid invoice from a client for \$4,800 for work he performed in 2013. This client has not been heard from since January 2014. Robert has tried to locate this individual to no avail. Robert feels certain that he will never collect the \$4,800 he is owed.

His business expenses for 2015 are as follows:

Wages	\$24,877
Entertainment (on perspective clients)	3,100
Office Expense	1,700
Advertising	2,400
Legal Fees	300
Utilities	3,001
Speeding Ticket	350
Rent	7,200
Health Insurance (this policy covers the whole family)	3,800
Business portion of Repairs, Gas and Oil on Toyota	1,200

In addition, Robert drove his 2014 Jeep (purchased on February 19, 2014) 2,401 miles to perform consulting duties with his clients. Robert does not know if he can take the standard mileage, actual cost allocated to the car or both. Robert drove the car a total of 12,500 miles in 2015.

Robert utilized the following assets in his bookkeeping business:

<u>Description of Property:</u>	<u>Date Placed into Service:</u>	<u>Adjusted Basis when Placed into Service:</u>	<u>Business Use:</u>
Computer	7/1/13	\$1,975	100%
Monitor	7/7/14	780	100%
Desk	1/21/14	3,250	100%
Laptop	2/9/15	1,275	100%
Printer	8/28/15	1,069	100%

All of the assets listed above were purchased new by Robert on the date they were placed into service. For Assets **placed in service in 2015**, Robert elected the cost recovery method that yielded the **highest** possible cost recovery deduction method for that year.

For assets purchased **prior to 2015**, all of these assets were depreciated under the MACRS method (**None** were depreciated under Section 179). For each year of acquisition, the highest possible deduction under MACRS was elected. Accordingly the expense method of §179 was not elected.

No additional first year depreciation was taken in any year.

3. On a morning walk in November 2014, Robert was injured when he was sideswiped by a delivery truck. Robert was hospitalized for several days, and the driver of the truck was ticketed and charged with DUI. The owner of the truck, a national parcel delivery service, was concerned that further adverse publicity might result if the matter went to court. Consequently, the owner offered Robert a settlement if he would sign a release. Under the settlement, his medical expenses were paid and he would receive a cash award of \$225,000. Since he suffered no permanent injury as a result of the mishap, he signed the release in April 2015 and received the \$225,000 settlement. The damages awarded were \$200,000 for personal injury, \$5,000 for punitive damages against the driver and \$20,000 for loss of income because his injuries prevented him from working for some time.

4. A. Robert sold no stock that was reported on Form 1099-B

B. Robert also sold the following capital assets:

- 1,000 shares of Deep River Corp. The shares were purchased by Robert for \$3,248 on the New York Stock Exchange on January 2. They were sold on the New York Stock Exchange for \$5,948 on December 27.
- Robert inherited an antique gun collection from his father when he died, on December 28, 2014, consisting of mainly large caliber rifles used for buffalo hunting. Robert thinks his father's cost basis was \$5,000 in these guns, the collection had a date-of-death value of \$19,000. Concerned about the maintenance and security of the collection, David sold it to a dealer for \$23,000 on August 18, 2015.
- 800 shares of Boston Bay Corporation. These shares were received by Robert as a gift from his neighbor on May 8, 2012. His neighbors purchased the stock on January 31, 2011 for \$6,500. The fair market value of the stock at the time of the gift was \$7,362. No gift tax was paid on the transfer. The shares were sold to an unrelated party on November 5 for \$8,150.
- Robert acquired 1,000 shares of common stock in Star, Inc. on March 17, 2013, to hold for investment purposes. Robert performed services for the company in late 2013, submitting a bill for \$4,000. Because Star, Inc. was experiencing cash-flow problems at the time, Robert accepted the stock as payment for his services. Unfortunately, Star is currently in bankruptcy, and expectations are that the shareholders will not recover anything on their stock investments. The stock is not publicly traded.
- Robert has a long-term capital loss carryover of \$3,750 from 2014

All of the capital assets listed above were held by the Robert for investment purposes.

5. In March 2014, Joan Myers, one of Robert's clients, left town to get away from a troublesome ex-husband. In order to help Joan establish a business elsewhere, Robert loaned her \$6,000. Joan signed a note dated March 3, 2014, that was payable in one year with 6% interest. On December 3, 2015, Robert learned that Joan had been declared bankrupt and was awaiting trial on felony theft charges. Robert never received payment from Joan, nor did he receive any interest on the loan.

6. Besides the items previously noted, the Robert had the following receipts for 2015:

Interest income:

State of New York bonds	\$875	
Ford Corporate bonds	350	
Bank of America	<u>240</u>	\$ 1,465
Cash gifts from Robert's parents	29,000	
Federal income tax refund (2014 return)	950	
Gambling Winnings	5,100	

Robert was the beneficiary of a life insurance policy that his cousin purchased on his own life. Robert's cousin passed away on May 5. Robert collected \$75,000 from the life insurance policy on September 22.

7. In addition to the items already noted, the Robert had the following expenditures for 2015:

Robert's contribution to Traditional IRA	\$5,500	
Gambling loss	8,125	
Life insurance premiums	3,000	
Medical and dental expenses for Robert	7,500	
Medical expenses paid by Robert for Molly	3,025	
Taxes:		
Taxes on Real Estate	\$4,800	
Ad valorem taxes on personal property	750	
State and local sales taxes	<u>4,210</u>	9,760
Interest paid on VISA credit card during the year	3,987	
Interest paid on Robert's second car	350	
Principle payments on Robert's second car loan	1,987	
Cash Contributions:		
Salvation Army (New York branch)	2,000	
Gifts to Church of God	750	

Cash given to a local family	500	
Donation to New York governor's election fund	<u>100</u>	3,350

The life insurance premiums relate to the universal life insurance policies that Robert owns. The first beneficiary on the policy is Robert's daughter. Robert contributed to the governor's campaign fund because he thinks his influence is key in getting business.

In March 2015, the New York Department of Revenue audited Robert's state income tax returns for 2012 and 2013. She was assessed additional state income tax of \$560 for these years.

Surprisingly, no interest was included in the assessment. Robert paid the back taxes promptly.

8. Robert house was burglarized on February 5 and his championship ring was stolen. Robert's ring was worth \$41,000. Robert received the ring on May 8, 1994 and has a basis of \$25,500. The ring was never recovered. Insurance recovery was limited to \$9,000.

9. Relevant Social Security numbers are as follows:

Name and Social Security Number

- Derek Orr, SSN 123-45-6783, son of Robert. Born December 3, 1990. Full-time student at the University of Maine. Derek lives with Robert and Robert provided 60% of his support. His income consisted of wages of \$19,000.
- Molly Orr, SSN 123-45-6784, daughter of Robert. Born August 2, 1993. Molly works in a restaurant. Molly is full-time student at SUNY. Robert provides 40% of her support while Molly provides 30% and the balance came from other sources. Molly lives with Robert. Her income consisted of wages of \$27,000.
- Betty Orr, SSN 123-45-6785, daughter of Robert. Born November 1, 1996. Betty works full-time in a local shop. Robert provided 70 percent of her support. Her income consisted of wages of \$21,000. She did live with Robert for the year.
- Robert Orr Jr., SSN 123-45-6786, son of Robert. Born November 1, 1996. Full-time student at the University of New Hampshire. Robert provided 100 percent of his support. He earned no income. He lived with Robert for the year.

Robert also supported the following person:

- Doris Paul, mother of Robert, SSN 123-45-6787. Widow. Born February 29, 1928. Resides in Clearwater, Florida. Robert provided 85 percent of her total support. Her sole income consisted of \$3,900 of pension income and \$7,000 of Social Security benefits.
- John Robert, cousin of Robert, SSN 123-45-6788. Widower. Born October 8, 1961. Lives in an assisted living complex all year long. Robert provided 65 percent of his total support. His sole income consisted of \$9,100 of Social Security benefits

10. Robert made the following deposits with the United States Treasury for their Federal income tax liability from their own personal checking account on the dates indicated:

- April 17, 2015 \$2,000
- June 15, 2015 2,000
- September 17, 2015 2,000
- December 15, 2015 2,000

11. All source documents for wages, dividends, stock sales and interest paid are at the end. These items are not reported in any of the information above. Ignore the year on the source documents and assume that they are all for the tax year 2015.

REQUIREMENT

Prepare the Federal income tax return with all supporting schedules and attachments for Robert Orr for 2015. Specifically, submit the following completed forms with required schedules:

- Form 1040: U.S. Individual Income Tax Return
- Form 1040 Schedule A: Itemized Deductions
- Form 1040 Schedule B: Interest and Ordinary Dividends
- Form 1040 Schedule C: Profit and Loss from Business
- Form 1040 Schedule D: Capital Gains and Losses
- Form 1040 Schedule SE: Self-Employment Tax
- Form 4562: Depreciation and Amortization (For Schedule C)
- Form 4684: Casualties and Thefts
- Form 8949: Sales and Other Dispositions of Capital Assets

Use all opportunities to minimize tax liability. In this regard, assume that the Robert always prefer to forego potential future tax savings in favor of current year tax savings.

22222		Void <input type="checkbox"/>	a Employee's social security number 111-22-1111		For Official Use Only ▶ OMB No. 1545-0008			
b Employer identification number (EIN) 04-8874554			1 Wages, tips, other compensation 60,000		2 Federal income tax withheld 11,000			
c Employer's name, address, and ZIP code KING ENGINEERING 187 MAIN STREET RYE, NY 10580			3 Social security wages 60,000		4 Social security tax withheld 3,720			
			5 Medicare wages and tips 60,000		6 Medicare tax withheld 870			
			7 Social security tips		8 Allocated tips			
			9		10 Dependent care benefits			
d Control number			11 Nonqualified plans		12a See instructions for box 12			
e Employee's first name and initial ROBERT		Last name ORR	Suff.	13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b		
f Employee's address and ZIP code 4 HOOK ROAD RYE, NY 10580			14 Other		12c			
					12d			
15 State NY	Employer's state ID number 04-8874554	16 State wages, tips, etc. 60,000	17 State income tax 4,500	18 Local wages, tips, etc.	19 Local income tax	20 Locality name		

Form **W-2 Wage and Tax Statement** **2015** Department of the Treasury—Internal Revenue Service
Copy A For Social Security Administration — Send this entire page with Form W-3 to the Social Security Administration; photocopies are **not** acceptable. **For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions.**
 Cat. No. 10134D

9191 VOID CORRECTED

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. SLAPSHOT INC 2350 JEFFERSON BLVD DETROIT, MI 62859		1a Total ordinary dividends \$ 3,130		OMB No. 1545-0110 2015		Dividends and Distributions	
PAYER'S federal identification number 12-8589663		1b Qualified dividends \$ 2,510		Form 1099-DIV			
RECIPIENT'S identification number 111-22-1111		2a Total capital gain distr. \$		2b Unrecap. Sec. 1250 gain \$		Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2015 General Instructions for Certain Information Returns.	
RECIPIENT'S name ROBERT ORR		2c Section 1202 gain \$		2d Collectibles (28%) gain \$			
Street address (including apt. no.) 4 HOOK ROAD		3 Nondividend distributions \$		4 Federal income tax withheld \$			
City or town, state or province, country, and ZIP or foreign postal code RYE, NY 10580		6 Foreign tax paid \$		5 Investment expenses \$			
FATCA filing requirement <input type="checkbox"/>		8 Cash liquidation distributions \$		7 Foreign country or U.S. possession			
Account number (see instructions)		10 Exempt-interest dividends \$		9 Noncash liquidation distributions \$			
2nd TIN not. <input type="checkbox"/>		11 Specified private activity bond interest dividends \$		12 State \$		13 State identification no. \$	
		14 State tax withheld \$					

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PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. BUENO FUNDS 70 STATE STREET BOSTON, MA 02177		1a Total ordinary dividends \$ 1,900	OMB No. 1545-0110 2015 Form 1099-DIV		Dividends and Distributions Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2015 General Instructions for Certain Information Returns.
		1b Qualified dividends \$ 1,900			
PAYER'S federal identification number 04-1146787		2a Total capital gain distr. \$ 700	2b Unrecap. Sec. 1250 gain \$		
RECIPIENT'S identification number 111-22-1111		2c Section 1202 gain \$	2d Collectibles (28%) gain \$		
RECIPIENT'S name ROBERT ORR		3 Nondividend distributions \$	4 Federal income tax withheld \$		
Street address (including apt. no.) 4 HOOK ROAD		6 Foreign tax paid \$	5 Investment expenses \$		
City or town, state or province, country, and ZIP or foreign postal code RYE, NY 10580		8 Cash liquidation distributions \$	7 Foreign country or U.S. possession \$		
		9 Noncash liquidation distributions \$	10 Exempt-interest dividends \$		
FATCA filing requirement <input type="checkbox"/>		11 Specified private activity bond interest dividends \$			
Account number (see instructions)		12 State <input type="checkbox"/>	13 State identification no.	14 State tax withheld \$	

Form **1099-DIV**

Cat. No. 14415N

www.irs.gov/form1099div

Department of the Treasury - Internal Revenue Service

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RECIPIENT'S/LENDER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number BANK OF NEW YORK 63 FRONT STREET HOLYOKE, MA 01040		OMB No. 1545-0901 2015 Form 1098		Mortgage Interest Statement Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2015 General Instructions for Certain Information Returns.
RECIPIENT'S federal identification no. 45-8870211	PAYER'S social security number 111-22-1111	1 Mortgage interest received from payer(s)/borrower(s) \$ 6,000		
PAYER'S/BORROWER'S name ROBERT ORR		2 Points paid on purchase of principal residence \$		
Street address (including apt. no.) 4 HOOK ROAD		3 Refund of overpaid interest \$		
City or town, state or province, country, and ZIP or foreign postal code RYE, NY 10580		4		
Account number (see instructions)		5		

Form **1098**

Cat. No. 14402K

www.irs.gov/form1098

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