

To-Do Notes  
John and Jane Harrison

1. Mike Harrison's social security number should be 068-11-1789.
2. \$1,000 of tax-exempt interest from the 1099 should be on line 8b of Form 1040.
3. Schedule C, page 2, part V, Expense is spelled incorrectly for Pet Food Expense.
4. Schedule D, line 13 should include a \$400 capital gain distribution according to the 1099.
5. Form 8582, part 2, line 8 should be \$0. You subtracted line 6 from line 7, instead of line 7 from line 6.
6. Because of number 5 above, the taxpayers' deductible loss from rental property should be \$0 on Schedule E, line 22, and on line 17 of Form 1040.
7. Line 28 of the 1040 is missing the SEP-IRA deduction of \$5,000.
8. Schedule A, line 6 is missing \$4,000 for the real estate taxes.
9. Schedule SE, the numbers for on line 4 are transposed. Line 4 should be \$36,386. This changes lines 5 and 6 on Schedule SE, as well as lines 27 and 57 on Form 1040.
10. Form 1040, line 52 should be \$0. The child tax credit is phased out for these taxpayers.
11. Form 1040, line 76a should be the same amount as line 75, the taxpayers would like to receive any overpayment as a refund.
12. Form 2441, line 10 should be the tax amount from line 44 of Form 1040.
13. Form 6251, line 3 will change because of note 8 above.
14. Form 6251, line 4 should be \$0, acquisition mortgage interest is not an adjustment for AMT.
15. Form 6251, line 12 should be \$600. The taxpayers received \$600 of tax-exempt private activity bond interest according to the 1099.
16. The tax calculation is incorrect. You correctly taxed the qualified dividends at the special tax rates, but you didn't subtract the qualified dividends out of the amount of income subject to the regular tax rates, essentially taxing the qualifying dividends twice.
17. Be sure to flow the changes through to all forms when you revise the return. Several forms use AGI, which has changed.

18. See corrected amounts, on Form 1040.

Part 2 Variance Analysis – See Excel File

Part 3 Statistics of Income Questions – See Excel File

Form 1040

Department of the Treasury—Internal Revenue Service

(99)

## U.S. Individual Income Tax Return

2016

OMB No. 1545-0047

IRS Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2016, or other tax year beginning

, 2016, ending

, 20

See separate instructions.

Your first name and initial

John

Last name

Harrison

Your social security number

4 5 6 | 7 8 | 9 0 1 2 3

If a joint return, spouse's first name and initial

Jane

Last name

Harrison

Spouse's social security number

3 2 1 | 4 5 | 6 7 8 9 1

Home address (number and street). If you have a P.O. box, see instructions.

610 Market Street

Apt. no.

▲ Make sure the SSN(s) above and on line 8c are correct.

City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).

Wilmington, NC 28403

Presidential Election Campaign  
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/state/county

Foreign postal code

## Filing Status

1 ☐ Single2 ☐ 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

Check only one box.

## Exemptions

6a ☒ Yourself. If someone can claim you as a dependent, do not check box 6a . . . . .b ☒ Spouse . . . . .

Boxes checked on 6a and 6b . . . . . 2

## 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)

No. of children on 6c who:

• lived with you . . . . . 3

• did not live with you due to divorce or separation (see instructions)

Dependents on 6c not entered above

Add numbers on lines above ▶ 5

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

Amy Harrison

0 5 5 | 4 4 | 3 2 3 5

daughter

Chris Harrison

0 4 1 | 1 1 | 3 2 6 8

son

Mike Harrison

0 5 5 | 4 4 | 3 2 3 5

son

d Total number of exemptions claimed . . . . .

## Income

7 Wages, salaries, tips, etc. Attach Form(s) W-2 . . . . .

7 145,000

8a Taxable interest. Attach Schedule B if required . . . . .

8a 3,200

b Tax-exempt interest. Do not include on line 8a . . . . .

8b 1,000

9a Ordinary dividends. Attach Schedule B if required . . . . .

9a 2,500

b Qualified dividends . . . . .

9b 1,700

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 39,400

13 Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ ☐

13 (3,000)

14 Other gains or (losses). Attach Form 4797 . . . . .

14

15a IRA distributions . . . . .

15a

b Taxable amount . . . . .

15b

16a Pensions and annuities . . . . .

16a

b Taxable amount . . . . .

16b

17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E . . . . .

17 (4,820)

18 Farm income or (loss). Attach Schedule F . . . . .

18

19 Unemployment compensation . . . . .

19

20a Social security benefits . . . . .

20a

b Taxable amount . . . . .

20b

21 Other income. List type and amount . . . . .

21

22 Combine the amounts in the far right column for lines 7 through 21. This is your total income ▶

22 182,280

187,100

## 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 12,440

27 Deductible part of self-employment tax. Attach Schedule SE . . . . .

27 2,783

28 Self-employed SEP, SIMPLE, and qualified plans . . . . .

28 5,000

29 Self-employed health insurance deduction . . . . .

29

30 Penalty on early withdrawal of savings . . . . .

30

31a Alimony paid b Recipient's SSN ▶ 2 4 5 | 1 1 | 7 5 6

31a 8,000

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 23,258

37 Subtract line 36 from line 22. This is your adjusted gross income ▶

37 159,022

28223

158877

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 11320B

Form 1040 (2016)



**Tax and Credits****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, \$6,300

Married filing jointly or Qualifying widow(er), \$12,600

Head of household, \$9,300

**Other Taxes****Payments**

If you have a qualifying child, attach Schedule EIC.

**Refund**

Direct deposit? See instructions.

**Amount You Owe****Third Party Designee****Sign Here**

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

**Paid Preparer Use Only**

38	Amount from line 37 (adjusted gross income)	38	159,822	158,877
39a	Check <input type="checkbox"/> You were born before January 2, 1952, <input type="checkbox"/> Blind. <input type="checkbox"/> Spouse was born before January 2, 1952, <input type="checkbox"/> Blind. checked <input checked="" type="checkbox"/> 39a	Total boxes		
b	If your spouse itemizes on a separate return or you were a dual-status alien, check here <input type="checkbox"/> 39b			
40	Itemized deductions (from Schedule A) or your standard deduction (see left margin)	40	32,590	36,590
41	Subtract line 40 from line 38	41	126,432	122,287
42	Exemptions. If line 38 is \$135,650 or less, multiply \$4,050 by the number on line 6d. Otherwise, see instructions	42	20,250	
43	Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-	43	106,182	102,037
44	Tax (see instructions). Check if any from: a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972 c <input type="checkbox"/>	44	18,343	16,882
45	Alternative minimum tax (see instructions). Attach Form 6251	45		
46	Excess advance premium tax credit repayment. Attach Form 8962	46		
47	Add lines 44, 45, and 46	47	18,343	16,882
48	Foreign tax credit. Attach Form 1116 if required	48		
49	Credit for child and dependent care expenses. Attach Form 2441	49	500	
50	Education credits from Form 8863, line 19	50	1,500	
51	Retirement savings contributions credit. Attach Form 8880	51		
52	Child tax credit. Attach Schedule 8812, if required.	52	2,000	
53	Residential energy credits. Attach Form 5695	53		
54	Other credits from Form: a <input type="checkbox"/> 3800 b <input type="checkbox"/> 8801 c <input type="checkbox"/>	54		
55	Add lines 48 through 54. These are your total credits	55	4,000	2,000
56	Subtract line 55 from line 47. If line 55 is more than line 47, enter -0-	56	14,343	14,882
57	Self-employment tax. Attach Schedule SE	57	5,636	5567
58	Unreported social security and Medicare tax from Form: a <input type="checkbox"/> 4137 b <input type="checkbox"/> 8919	58		
59	Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required	59		
60a	Household employment taxes from Schedule H	60a		
b	First-time homebuyer credit repayment. Attach Form 5405 if required	60b		
61	Health care: Individual responsibility (see instructions) Full-year coverage <input type="checkbox"/>	61		
62	Taxes from: a <input type="checkbox"/> Form 8959 b <input type="checkbox"/> Form 8960 c <input type="checkbox"/> Instructions; enter code(s)	62		
63	Add lines 56 through 62. This is your total tax	63	19,979	20,449
64	Federal income tax withheld from Forms W-2 and 1099	64	18,650	
65	2016 estimated tax payments and amount applied from 2015 return	65	4,000	
66a	Earned income credit (EIC)	66a		
b	Nontaxable combat pay election <input type="checkbox"/> 66b			
67	Additional child tax credit. Attach Schedule 8812	67		
68	American opportunity credit from Form 8863, line 8	68	1,000	
69	Net premium tax credit. Attach Form 8962	69		
70	Amount paid with request for extension to file	70		
71	Excess social security and tier 1 RRTA tax withheld	71		
72	Credit for federal tax on fuels. Attach Form 4136	72		
73	Credits from Form: a <input type="checkbox"/> 2439 b <input type="checkbox"/> Reserved c <input type="checkbox"/> 8885 d <input type="checkbox"/>	73		
74	Add lines 64, 65, 66a, and 67 through 73. These are your total payments	74	23,650	
75	If line 74 is more than line 63, subtract line 63 from line 74. This is the amount you overpaid	75	3,671	3,201
76a	Amount of line 75 you want refunded to you. If Form 8888 is attached, check here <input type="checkbox"/>	76a	3,201	
b	Routing number			
c	Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings			
d	Account number			
77	Amount of line 75 you want applied to your 2017 estimated tax	77		
78	Amount you owe. Subtract line 74 from line 63. For details on how to pay, see instructions	78		
79	Estimated tax penalty (see instructions)	79		

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)

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 accurately list all amounts and sources of income I received during the tax year. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature

Date

Your occupation

Daytime phone number

Spouse's signature. If a joint return, both must sign.

Date

Spouse's occupation

If the IRS sent you an Identity Protection PIN, enter it here (see Inst.)

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.