

Practice Return 4

Drake Tax 2024

SCENARIO

In this scenario, you will practice entering the following:

- Form W-2 Income
- Interest and Dividend Income
- American Opportunity Tax Credit and Due Diligence

INSTRUCTIONS

This practice return will help you become familiar with return preparation in Drake Tax. Use the scenario information and the attached source documents to complete the return. A video overview for this practice return is available here: <https://www.drakesoftware.com/service-learning/videos/practice-4-tutorial/>

PDF Instructions en [Español](#)

After the return is complete, compare your results with the solutions provided online or click [Here](#) to download the PDF solution.

Go to [Support.DrakeSoftware.com](https://support.drakesoftware.com) for solutions and more practice returns. After logging in, access **Training > Practice Returns**.

To agree with provided solutions:

- Suppress state returns by entering "0" in the **Resident state** field on screen **1**
- Install all program updates
- Correct all EF Messages

SCENARIO INFORMATION

Straw and Blue Berry have been married for two years and live in Towson, MD. Straw works full-time and changed jobs during 2024. Blue works part-time as an event planner and is also a full-time student. They do not have any children.

Neither Straw nor Blue is a non-resident alien or could be the qualifying child of another person. They plan to file as Married Filing Jointly.

Both Straw and Blue provided their MD driver's license. Straw's license number is 123456789 and was issued 01/01/2015 and expires 01/01/2025. Blue's license number is 987654321 and was issued on 01/01/2015 and expires on 01/01/2025.

TAXPAYER INFORMATION

NAME	Straw Berry
TIN	400-00-6004
DATE OF BIRTH	05-15-1987
EMAIL	SBerry@1040.com
OCCUPATION	VP of Operations
ADDRESS	1234 Fruit Loop, Towson, MD 21286
PHONE	(828) 524-8020
BEST CONTACT TIME	Noon

SPOUSE INFORMATION

NAME	Blue Berry
TIN	400-00-2073
DATE OF BIRTH	06-16-1988
EMAIL	BBerry@1040.com
OCCUPATION	Event Planner

INCOME

In 2024, Straw Berry was employed as the Director of Sales at Jam Manufacturer; however, he resigned from that position in September. He accepted a new position as Vice-President of Operations at Produce Technologies. He received Form W-2 from both employers. Blue Berry worked part-time as an event coordinator and received Form W-2 reporting her wages. The Berry's also received income from interest and dividends and received statements reporting the income. They had no interest in, or authority over, any foreign accounts and did not use virtual currency.

FORM W-2

EMPLOYEE'S NAME	Blue Berry
EMPLOYER'S EIN	229999999
EMPLOYER'S NAME AND ADDRESS	Fruit Events, 122 Meeting Place Circle, Owings Mills, MD 21117
WAGES, TIPS, OTHER COMPENSATION	\$21,000
FEDERAL INCOME TAX WITHHELD	\$6,000
SOCIAL SECURITY WAGES	\$21,000
SOCIAL SECURITY TAX WITHHELD	\$1,302
MEDICARE WAGES	\$21,000
MEDICARE TAX WITHHELD	\$305

FORM W-2

EMPLOYEE'S NAME	Straw Berry
EMPLOYER'S EIN	119999999
EMPLOYER'S NAME AND ADDRESS	Jam Manufacturer, 200 Jelly Rd, Owings Mills, MD 21117
WAGES, TIPS, OTHER COMPENSATION	\$125,000
FEDERAL INCOME TAX WITHHELD	\$15,000
SOCIAL SECURITY WAGES	\$125,000
SOCIAL SECURITY TAX WITHHELD	\$7,750
MEDICARE WAGES	\$125,000
MEDICARE TAX WITHHELD	\$1,813

FORM W-2

EMPLOYEE'S NAME	Straw Berry
EMPLOYER'S EIN	228888888
EMPLOYER'S NAME AND ADDRESS	Produce Technologies, 500 Technology Drive, Towson, MD 21286
WAGES, TIPS, OTHER COMPENSATION	\$21,500
FEDERAL INCOME TAX WITHHELD	\$3,200
SOCIAL SECURITY WAGES	\$21,500
SOCIAL SECURITY TAX WITHHELD	\$1,333
MEDICARE WAGES	\$21,500
MEDICARE TAX WITHHELD	\$312

FORM 1099-DIV

PAYER'S NAME	Pineapple Investments
PAYER'S EIN	471111111
PAYER'S ADDRESS	140 Upside Down St, Melville, NY 11747
TOTAL ORDINARY DIVIDENDS	\$2,200
QUALIFIED DIVIDENDS	\$2,200

FORM 1099-DIV

PAYER'S NAME	Mango Holdings
PAYER'S EIN	651111111
PAYER'S ADDRESS	1200 Tango Lane, Coral Gables, FL 33114
TOTAL ORDINARY DIVIDENDS	\$300
QUALIFIED DIVIDENDS	\$300

FORM 1098-T

FILER'S NAME	University of Coconut
FILER'S EIN	661111111
FILER'S ADDRESS	1300 Humid Lane, Coral Gables, FL 33114
PAYMENTS RECEIVED FOR QUALIFIED TUITION AND RELATED EXPENSES	\$16,000
AMOUNTS BILLED FOR QUALIFIED TUITION AND RELATED EXPENSES	\$16,000
AT LEAST A HALF-TIME STUDENT	Yes
YEARS AOTC TAKEN	1

HEALTH COVERAGE INFORMATION

Straw and Blue Berry were covered by healthcare insurance for the entire year. Form 1095A was not provided.

OTHER INFORMATION

In 2024, Blue Berry was a full-time student at the University of Coconut completing her second year toward a bachelor's degree. The total amount of required expenses to be paid to the university was \$16,000 – no other amounts were paid. The University sent her Form 1098-T. Blue has never claimed the Hope Scholarship or American Opportunity Credit. She has never been convicted of a felony of any kind.

DUE DILIGENCE INFORMATION

For the purposes of this practice return, assume the following:

- The return was completed based on information provided to you by the taxpayer
- You interviewed the taxpayer, asked questions, and documented the taxpayer's responses
- You reviewed adequate information to determine the taxpayer is eligible to claim any credits present on the return
- All information provided appears to be correct, complete, and consistent
- Reasonable inquiries were made to determine correct and complete information
- All inquiries were documented
- All record retention requirements are met
- The taxpayer provided documentation to substantiate eligibility for, and the amount of, the credits present
- Any credits present on the return have never been disallowed or reduced in a previous year
- **Tip:** Use the **FAFSA** screen to generate a FAFSA Worksheet to provide Blue Berry with information that may potentially be needed to secure education financial assistance.