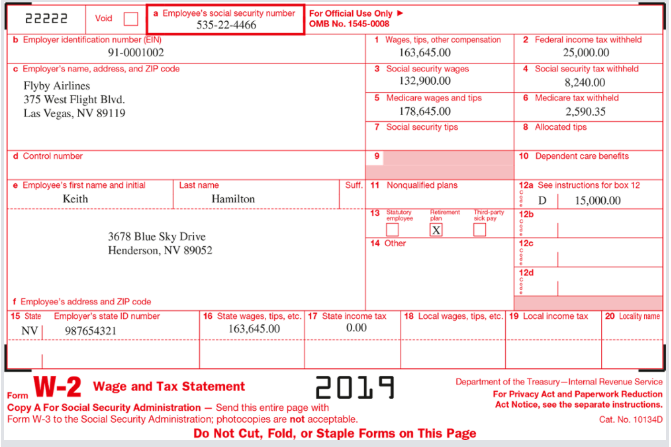
**Tax Return Problems – formerly Appendix C**

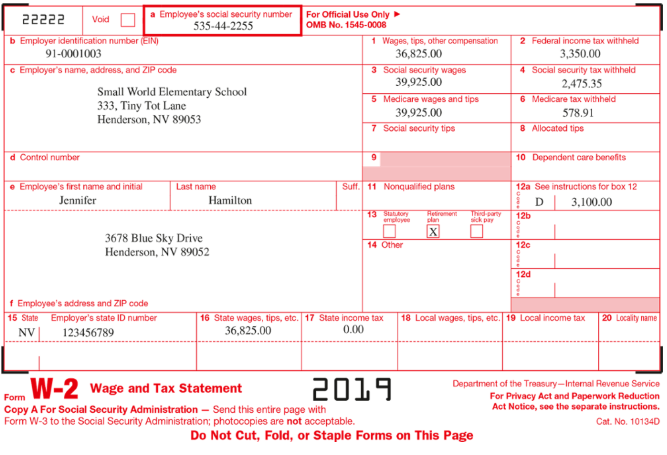
**Individual Tax Return Problem 1**

**Required:**

* Use the following information to complete Keith and Jennifer Hamilton’s 2019 federal income tax return. If any information is missing, use reasonable assumptions to fill in the gaps.
* Form 1040, supporting schedules, and instructions to the forms and schedules can be found at the IRS website ([www.irs.gov](http://www.irs.gov)).

**Facts:**

1. Keith Hamilton is employed as an airline pilot for Flyby Airlines in Las Vegas, Nevada. Jennifer is employed as a teacher’s assistant at Small World Elementary School, in Henderson, Nevada. Keith and Jennifer live in a home they purchased this year. Keith and Jennifer have three children who lived with them all year, Joshua (17), Danielle (14), and Sara (10). None of the children provided more than half of his or her own support. Keith and Jennifer provided the following personal information:
   * Keith and Jennifer do not want to contribute to the presidential election campaign.
   * Keith and Jennifer do not claim itemized deductions.
   * Neither Keith nor Jennifer have any foreign bank accounts or trusts.
   * Neither Keith nor Jennifer acquired, sold, or exchanged virtual currency in 2019.
   * Keith and Jennifer live at 3678 Blue Sky Drive, Henderson, Nevada 89052.
   * Keith’s birthday is 10/12/1974 and his Social Security number is 535-22-4466.
   * Jennifer’s birthday is 7/29/1977 and her Social Security number is 535-44-2255.
   * Joshua’s birthday is 6/30/2002 and his Social Security number is 454-54-5454.
   * Danielle’s birthday is 8/12/2005 and her Social Security number is 343-43-4343.
   * Sara’s birthday is 5/13/2009 and her Social Security number is 232-32-3232.
2. Keith received the following Form W-2 for 2019 from Flyby Airlines.
3. Jennifer received the following Form W-2 for 2019 from Small World Elementary School.



1. During 2019, Keith and Jennifer received $550 in interest from Las Vegas municipal bonds, $1,070 interest from U.S. Treasury bonds, and $65 from their savings account at SCD Credit Union. Keith and Jennifer are joint owners of the Las Vegas city bonds and the U.S. Treasury bonds. They have a joint savings account at SCD Credit Union.
2. On January 21, 2019, Jennifer was involved in a car accident. Because the other driver was at fault, the other driver’s insurance company paid Jennifer $1,350 for medical expenses relating to her injuries from the accident and $300 for emotional distress from the accident. She received payment on March 15, 2019.
3. Keith’s father died on November 15, 2018. Keith received a $100,000 death benefit from his father’s life insurance policy on February 8, 2019.
4. On February 15, 2019, Keith hurt his arm on a family skiing trip in Utah and was unable to fly for two weeks. He received $4,000 for disability pay from his disability insurance policy. He received the check on March 2, 2019. Flyby Airlines paid $600 in premiums on this policy during 2019. The disability insurance policy premiums are paid for by Flyby Airlines as a fully taxable fringe benefit to Keith (the premiums paid on his behalf are included in Keith’s compensation amount on his W-2).
5. Jennifer’s grandmother died on March 10, 2019, leaving Jennifer with an inheritance of $30,000. (She received the inheritance on May 12, 2019.) Flyby Airlines had space available on its Long Island, New York, flight and provided Keith, Jennifer, and their three children with free flights so they could attend the funeral. The value of the ticket for each passenger was $600.
6. On April 1, 2019, Jennifer slipped in the Small World Elementary lunchroom and injured her back. Jennifer received $1,200 in worker’s compensation benefits because her work-related injury caused her to miss two weeks of work. She also received a $2,645 reimbursement for medical expenses from the health insurance company. Small World Elementary pays the premiums for Jennifer’s health insurance policy as a nontaxable fringe benefit.
7. On May 17, 2019, Keith and Jennifer received a federal income tax refund of $975 from their 2018 federal income tax return.
8. On June 5, 2019, Keith and Jennifer sold their home in Henderson, Nevada, for $510,000 (net of commissions). Keith and Jennifer purchased the home 11 years ago for $470,000. On July 12, 2019, they bought a new home for $675,000.
9. On July 25, 2019, Keith’s aunt Beatrice gave Keith $18,000 because she wanted to let everyone know that Keith is her favorite nephew.
10. On September 29, 2019, Jennifer won an iPad valued at $500 in a raffle at the annual fair held at Joshua’s high school.