

INDIVIDUAL PRACTICE SET #2
LEOPOLD AND GRETCHEN KLEIN
SOLUTION NOTES FOR INSTRUCTOR
INDIVIDUAL FEDERAL INCOME TAX RETURN
2011 ANNUAL EDITION

Form 1040 Department of the Treasury—Internal Revenue Service **2009** (99) IRS Use Only—Do not write or staple in this space.

Label (See instructions.) **Use the IRS label.** Otherwise, please print or type.

For the year Jan. 1–Dec. 31, 2009, or other tax year beginning , 2009, ending , 20

OMB No. 1545-0074

Your first name and initial Leopold M **Last name** Klein

Your social security number 123-45-6781

If a joint return, spouse's first name and initial Gretchen M **Last name** Klein

Spouse's social security number 123-45-6782

Home address (number and street). If you have a P.O. box, see instructions. 338 South Guadalupe Street **Apt. no.**

City, town or post office, state, and ZIP code. If you have a foreign address, see instructions. San Marcos TX 78666

Check here if you, or your spouse if filing jointly, want \$3 to go to this fund (see instructions) ☐ You ☒ Spouse

Filing Status

1 ☐ Single

2 ☒ 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 instr.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶

5 ☐ Qualifying widow(er) with dependent child (see instructions)

Exemptions

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

b ☒ Spouse

c **Dependents:**

(1) First name	Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) X if qualifying child for child tax credit (see instr.)
Charles	Klein	123-45-6784	Son	
Jeffrey	Klein	123-45-6785	Son	X
Killian	Klein	123-45-6786	Son	X

Boxes checked on 6a and 6b 2

No. of children on 6c who:

- lived with you 2
- did not live with you due to divorce or separation (see instructions)

Dependents on 6c not entered above 1

Add numbers on lines above 5

Income

Line	Description	Amount
7	Wages, salaries, tips, etc. Attach Form(s) W-2	127,190
8a	Taxable interest. Attach Schedule B if required	1,535
b	Tax-exempt interest. Do not include on line 8a	0
9a	Ordinary dividends. Attach Schedule B if required	7,200
b	Qualified dividends (see instructions)	7,150
10	Taxable refunds, credits, or offsets of state and local income taxes (see instructions)	0
11	Alimony received	0
12	Business income or (loss). Attach Schedule C or C-EZ	41,309
13	Capital gain or (loss). Attach Schedule D if required. If not required, check here	1,400
14	Other gains or (losses). Attach Form 4797	250
15a	IRA distributions	0
b	Taxable amount (see instr.)	0
16a	Pensions and annuities	0
b	Taxable amount (see instr.)	0
17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	22,480
18	Farm income or (loss). Attach Schedule F	0
19	Unemployment compensation in excess of \$2,400 per recipient (see instructions)	0
20a	Social security benefits	0
b	Taxable amount (see instr.)	0
21	Other income. List type and amount (see instructions) SEE ATTACHED	19,100
22	Add the amounts in the far right column for lines 7 through 21. This is your total income	220,464

Adjusted Gross Income

Line	Description	Amount
23	Educator expenses (see instructions)	0
24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ	0
25	Health savings account deduction. Attach Form 8889	0
26	Moving expenses. Attach Form 3903	0
27	One-half of self-employment tax. Attach Schedule SE	2,918
28	Self-employed SEP, SIMPLE, and qualified plans	0
29	Self-employed health insurance deduction (see instructions)	0
30	Penalty on early withdrawal of savings	0
31a	Alimony paid b Recipient's SSN ▶	0
32	IRA deduction (see instructions)	5,000
33	Student loan interest deduction (see instructions)	0
34	Tuition and fees deduction. Attach Form 8917	0
35	Domestic production activities deduction. Attach Form 8903	0
36	Add lines 23 through 31a and 32 through 35	7,918
37	Subtract line 36 from line 22. This is your adjusted gross income	212,546

KIA For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see instructions. Form **1040** (2009)

Form 1040 (2009)		Leopold M Klein		123-45-6781		Page 2	
Tax and Credits		38	Amount from line 37 (adjusted gross income)	38	212,546		
39a Check <input type="checkbox"/> You were born before January 2, 1945, <input type="checkbox"/> Blind. <input type="checkbox"/> Spouse was born before January 2, 1945, <input type="checkbox"/> Blind. Total boxes checked <input type="checkbox"/> 39a							
b If your spouse itemizes on a separate return, or you were a dual-status alien, see instructions and check here <input type="checkbox"/> 39b							
40a Itemized deductions (from Schedule A) or your standard deduction (see left margin)		40a	21,985				
b If you are increasing your standard deduction by certain real estate taxes, new motor vehicle taxes, or a net disaster loss, attach Schedule L and check here (see instructions) <input type="checkbox"/> 40b							
41 Subtract line 40a from line 38		41	190,561				
42 Exemptions. If line 38 is \$125,100 or less and you did not provide housing to a Midwestern displaced individual, multiply \$3,650 by the number on line 6d. Otherwise, see instructions		42	18,250				
43 Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-		43	172,311				
44 Tax (see instructions). Check if any tax is from: a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972		44	35,400				
45 Alternative minimum tax (see instructions). Attach Form 6251		45	0				
46 Add lines 44 and 45		46	35,400				
47 Foreign tax credit. Attach Form 1116 if required		47	100				
48 Credit for child and dependent care expenses. Attach Form 2441		48	600				
49 Education credits from Form 8863, line 29		49	0				
50 Retirement savings contributions credit. Attach Form 8880		50	0				
51 Child tax credit (see instructions)		51	0				
52 Credits from Form: a <input type="checkbox"/> 8396 b <input type="checkbox"/> 8839 c <input type="checkbox"/> 5695		52	0				
53 Other credits from Form: a <input type="checkbox"/> Form 3800 b <input type="checkbox"/> Form 8801 c <input type="checkbox"/>		53	0				
54 Add lines 47 through 53. These are your total credits		54	700				
55 Subtract line 54 from line 46. If line 54 is more than line 46, enter -0-		55	34,700				
Other Taxes		56	Self-employment tax. Attach Schedule SE	56	5,836		
57 Unreported social security and Medicare tax from Form: a <input type="checkbox"/> 4137 b <input type="checkbox"/> 8919		57	0				
58 Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required		58	0				
59 Additional taxes: a <input type="checkbox"/> AEIC payments b <input type="checkbox"/> Household employment taxes. Attach Schedule H		59	0				
60 Add lines 55 through 59. This is your total tax		60	40,536				
Payments		61	Federal income tax withheld from Forms W-2 and 1099	61	22,768		
62 2009 estimated tax payments and amount applied from 2008 return		62	16,000				
63 Making work pay and government retiree credits. Attach Schedule M		63					
64a Earned income credit (EIC)		64a					
b Nontaxable combat pay election <input type="checkbox"/> 64b		64b					
65 Additional child tax credit. Attach Form 8812		65					
66 Refundable education credit from Form 8863, line 16		66					
67 First-time homebuyer credit. Attach Form 5405		67					
68 Amount paid with request for extension to file (see instructions)		68					
69 Excess social security and tier 1 RRTA tax withheld (see instructions)		69	0				
70 Credits from Form: a <input type="checkbox"/> 2439 b <input type="checkbox"/> 4136 c <input type="checkbox"/> 8801 d <input type="checkbox"/> 8865		70	0				
71 Add lines 61, 62, 63, 64a, and 65 through 70. These are your total payments		71	38,768				
Refund		72	If line 71 is more than line 60, subtract line 60 from line 71. This is the amount you overpaid	72			
73a Amount of line 72 you want refunded to you. If Form 8888 is attached, check here <input type="checkbox"/> 73a							
b Routing number XXXXXXXXXX c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings							
d Account number XXXXXXXXXXXXXXXXXXXX							
74 Amount of line 72 you want applied to your 2010 estimated tax		74					
Amount You Owe		75	Amount you owe. Subtract line 71 from line 60. For details on how to pay, see the instructions	75	1,768		
76 Estimated tax penalty (see instructions)		76	0				
Third Party Designee		Do you want to allow another person to discuss this return with the IRS (see instructions)? <input type="checkbox"/> Yes. Complete the following <input checked="" type="checkbox"/> No					
Designee's name		Phone no.		Personal identification number (PIN)			
Sign Here		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 complete. 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	Accountant	512-555-1331			
			Spouse's occupation	Harpist			
Paid Preparer's Use Only		Preparer's signature		Date	Check if self-employed <input type="checkbox"/>	Preparer's SSN or PTIN	
Firm's name (or yours if self-employed), address, and ZIP code						EIN	
						Phone no.	
KIA		Form 1040 (2009)					

**SCHEDULE A
(Form 1040)**Department of the Treasury
Internal Revenue Service (99)**Itemized Deductions**

▶ Attach to Form 1040.

▶ See instructions for Schedule A (Form 1040).

OMB No. 1545-0074

2009Attachment
Sequence No. **07**

Name(s) shown on Form 1040

Leopold M Klein

Your social security number
123-45-6781

Medical and Dental Expenses	Caution. Do not include expenses reimbursed or paid by others.			
	1	Medical and dental expenses (see instructions)	1	6,000
	2	Enter amount from Form 1040, line 38	2	212,546
	3	Multiply line 2 by 7.5% (.075)	3	15,941
	4	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-	4	0
Taxes You Paid (See instructions.)	5 State and local (check only one box):			
	a	Income taxes, or	5	2,763
	b	General sales taxes		
	6	Real estate taxes (see instructions)	6	1,520
	7	New motor vehicle taxes from line 11 of the worksheet in the instructions (skip this line if you checked box 5b)	7	
	8	Other taxes. List type and amount ▶	8	0
	9	Add lines 5 through 8	9	4,283
Interest You Paid (See instructions.)	10 Home mortgage interest and points reported to you on Form 1098		10	1,120
	11 Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address ▶			
	Note: Personal interest is not deductible.			
	11		11	0
	12	Points not reported to you on Form 1098. See instructions for special rules	12	0
	13	Qualified mortgage insurance premiums (See instructions)	13	0
	14	Investment interest. Attach Form 4952 if required. (See instr.)	14	
	15	Add lines 10 through 14	15	1,120
Gifts to Charity If you made a gift and got a benefit for it, see instructions.	16 Gifts by cash or check. If you made any gift of \$250 or more, see instructions		16	16,400
	17 Other than by cash or check. If any gift of \$250 or more, see instructions. You must attach Form 8283 if over \$500		17	0
	18 Carryover from prior year		18	0
	19 Add lines 16 through 18		19	16,400
Casualty and Theft Losses	20	Casualty or theft loss(es). Attach Form 4684. (See instructions.)	20	0
Job Expenses and Certain Miscellaneous Deductions (See instructions.)	21 Unreimbursed employee expenses—job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See instructions.) ▶ Travel - 490		21	490
	22 Tax preparation fees		22	
	23 Other expenses—investment, safe deposit box, etc. List type and amount ▶ Hobby losses		23	4,400
	24 Add lines 21 through 23		24	4,890
	25 Enter amount from Form 1040, line 38		25	212,546
	26 Multiply line 25 by 2% (.02)		26	4,251
	27 Subtract line 26 from line 24. If line 26 is more than line 24, enter -0-		27	639
Other Miscellaneous Deductions	28	Other—from list in the instructions. List type and amount ▶	28	0
Total Itemized Deductions	29 Is Form 1040, line 38, over \$166,800 (over \$83,400 if married filing separately)? <input type="checkbox"/> No. Your deduction is not limited. Add the amounts in the far right column for lines 4 through 28. Also, enter this amount on Form 1040, line 40a. <input checked="" type="checkbox"/> Yes. Your deduction may be limited. See instructions for the amount to enter.		29	21,985
	30 If you elect to itemize deductions even though they are less than your standard deduction, check here <input type="checkbox"/>			

KIA For Paperwork Reduction Act Notice, see Form 1040 instructions.

Schedule A (Form 1040) 2009

Schedule A (Form 1040) 2009

Page **2****Worksheet
for Line 7—
New motor
vehicle tax
deduction**

Before you begin: ✓ You cannot take this deduction if the amount on Form 1040, line 38, is equal to or greater than \$135,000 (\$260,000 if married filing jointly).
 ✓ See the instructions for line 7.

Use this
worksheet to
figure the
amount to enter
on line 7.

(Keep a copy
for your
records.)

1	Enter the state or local sales or excise taxes you paid in 2009 for the purchase of a new motor vehicle(s) after February 16, 2009 (see instructions)	1		
2	Enter the purchase price (before taxes) of the new motor vehicle(s)	2		
3	Is the amount on line 2 more than \$49,500? <input type="checkbox"/> No. Enter the amount from line 1. <input type="checkbox"/> Yes. Enter the portion of the tax from line 1 that is attributable to the first \$49,500 of the purchase price of each new motor vehicle and enter it here (see instructions).			3
4	Enter the amount from Form 1040, line 38	4		
5	Enter the total of any— • Amounts from Form 2555, lines 45 and 50; Form 2555-EZ, line 18; and Form 4563, line 15, and • Exclusion of income from Puerto Rico	5		
6	Add lines 4 and 5	6		
7	Enter \$125,000 (\$250,000 if married filing jointly)	7		
8	Is the amount on line 6 more than the amount on line 7? <input type="checkbox"/> No. Enter the amount from line 3 above on Schedule A, line 7. Do not complete the rest of this worksheet. <input type="checkbox"/> Yes. Subtract line 7 from line 6	8		
9	Divide the amount on line 8 by \$10,000. Enter the result as a decimal (rounded to at least three places). If the result is 1.000 or more, enter 1.000	9		
10	Multiply line 3 by line 9			10
11	Deduction for new motor vehicle taxes. Subtract line 10 from line 3. Enter the result here and on Schedule A, line 7			11

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Schedule A (Form 1040) 2009

SCHEDULE B
(Form 1040A or 1040)**Interest and Ordinary Dividends**

OMB No. 1545-0074

2009Attachment
Sequence No. **08**Department of the Treasury
Internal Revenue Service (99)

▶ Attach to Form 1040A or 1040.

▶ See instructions.

Name(s) shown on return

Leopold M Klein

Your social security number
123-45-6781**Part I**
Interest(See the
instructions for
Form 1040A, or
Form 1040,
line 8a.)**Note:** If you
received a Form
1099-INT, Form
1099-OID, or
substitute
statement from
a brokerage firm,
list the firm's
name as the
payer and enter
the total interest
shown on that
form.

- 1 List name of payer. If any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see instructions and list this interest first. Also, show that buyer's social security number and address ▶
First State Bank of San Marcos
Bexar County Savings and Loan

Amount1,355
180

1

- 2 Add the amounts on line 1
- 3 Excludable interest on series EE and I U.S. savings bonds issued after 1989. Attach Form 8815
- 4 Subtract line 3 from line 2. Enter the result here and on Form 1040A, or Form 1040, line 8a ▶

1,535

1,535

2

3

4

Note: If line 4 is over \$1,500, you must complete Part III.**Part II**
Ordinary Dividends(See the
instructions for
Form 1040A, or
Form 1040,
line 9a.)**Note:** If you
received a Form
1099-DIV or
substitute
statement from
a brokerage firm,
list the firm's
name as the
payer and enter
the ordinary
dividends shown
on that form.

- 5 List name of payer ▶
Interworld Growth Fund
Ludwig Corp.
Amadeus Corp.
Mexico Progresso

Amount200
3,800
2,200
1,000

5

- 6 Add the amounts on line 5. Enter the total here and on Form 1040A, or Form 1040, line 9a ▶

7,200

6

Note. If line 6 is over \$1,500, you must complete Part III.**Part III**
Foreign Accounts and Trusts(See
instructions.)

You must complete this part if you (a) had over \$1,500 of taxable interest or ordinary dividends; or (b) had a foreign account; or (c) received a distribution from, or were a grantor of, or a transferor to, a foreign trust.

Yes **No**

- 7a At any time during 2009, did you have an interest in or a signature or other authority over a financial account in a foreign country, such as a bank account, securities account, or other financial account? See instructions for exceptions and filing requirements for Form TD F 90-22.1

X

- b If "Yes," enter the name of the foreign country ▶

- 8 During 2009, did you receive a distribution from, or were you the grantor of, or transferor to, a foreign trust? If "Yes," you may have to file Form 3520. See instructions.

X

KIA For Paperwork Reduction Act Notice, see Form 1040A or 1040 instructions.

Schedule B (Form 1040A or 1040) 2009

**SCHEDULE C
(Form 1040)**Department of the Treasury
Internal Revenue Service (99)**Profit or Loss From Business**

(Sole Proprietorship)

Partnerships, joint ventures, etc., generally must file Form 1065 or 1065-B.

Attach to Form 1040, 1040NR, or 1041. See Instructions for Schedule C (Form 1040).

OMB No. 1545-0074

2009Attachment
Sequence No. **09**

Name of proprietor

Leopold M Klein

Social security number (SSN)

123-45-6781

A Principal business or profession, including product or service (see the instructions)

Accounting Services

B Enter code from instructions

541213

C Business name. If no separate business name, leave blank.**D** Employer ID number (EIN), if any**E** Business address (including suite or room no.) 338 South Guadalupe Street

City, town or post office, state, and ZIP code San Marcos TX 78666

F Accounting method: (1) ☒ Cash (2) ☐ Accrual (3) ☐ Other (specify)**G** Did you "materially participate" in the operation of this business during 2009? If "No," see instructions for limit on losses ☒ Yes ☐ No**H** If you started or acquired this business during 2009, check here ☐**Part I Income****1** Gross receipts or sales. **Caution.** See instructions and check the box if:

- This income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked, or
- You are a member of a qualified joint venture reporting only rental real estate income not subject to self-employment tax. Also, see instructions for limit on losses.

1 65,280**2** Returns and allowances**2****3** Subtract line 2 from line 1**3** 65,280**4** Cost of goods sold (from line 42 on page 2)**4****5** 65,280**5** Gross profit. Subtract line 4 from line 3**6** Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)**6****7** Gross income. Add lines 5 and 6**7** 65,280**Part II Expenses.** Enter expenses for business use of your home **only** on line 30.**8** Advertising**8** 1,100**9** Car and truck expenses (see instructions)**9** 1,375**10** Commissions and fees**10****11** Contract labor (see instructions)**11****12** Depletion**12****13** Depreciation and section 179 expense deduction (not included in Part III) (see instructions)**13** 4,230**14** Employee benefit programs (other than on line 19)**14****15** Insurance (other than health)**15****16** Interest:**a** Mortgage (paid to banks, etc.)**16a****b** Other**16b****17** Legal and professional services**17** 3,000**18** Office expense**18****19** Pension and profit-sharing plans**19****20** Rent or lease (see instructions):**a** Vehicles, machinery, & equipment**20a**

0

b Other business property**20b****21** Repairs and maintenance**21****22** Supplies (not included in Part III)**22**

1,900

23 Taxes and licenses**23****24** Travel, meals, and entertainment:**a** Travel**24a****b** Deductible meals and entertainment (see instructions)**24b**

600

25 Utilities**25****26** Wages (less employment credits)**26****27** Other expenses (from line 48 on page 2)**27**

8,340

28 Total expenses before expenses for business use of home. Add lines 8 through 27**28** 20,545**29** Tentative profit or (loss). Subtract line 28 from line 7**29** 44,735**30** Expenses for business use of your home. Attach Form 8829**30** 3,426**31** Net profit or (loss). Subtract line 30 from line 29.**31** 41,309

- If a profit, enter on both Form 1040, line 12, and Schedule SE, line 2, or on Form 1040NR, line 13 (if you checked the box on line 1, see instructions). Estates and trusts, enter on Form 1041, line 3.
- If a loss, you must go to line 32.

32 If you have a loss, check the box that describes your investment in this activity (see instructions).

- If you checked 32a, enter the loss on both Form 1040, line 12, and Schedule SE, line 2, or on Form 1040NR, line 13 (if you checked the box on line 1, see the line 31 instructions). Estates and trusts, enter on Form 1041, line 3.
- If you checked 32b, you must attach Form 6198. Your loss may be limited.

32a ☐ All investment is at risk.**32b** ☐ Some investment is not at risk.**KIA** For Paperwork Reduction Act Notice, see the instructions.

Schedule C (Form 1040) 2009

Schedule C (Form 1040) 2009

Leopold M Klein

123-45-6781

Page 2

Part III Cost of Goods Sold (see instructions)

33	Method(s) used to value closing inventory:	a <input type="checkbox"/> Cost	b <input type="checkbox"/> Lower of cost or market	c <input type="checkbox"/> Other (attach explanation)
34	Was there any change in determining quantities, costs, or valuations between opening and closing inventory? If "Yes," attach explanation <input type="checkbox"/> Yes <input type="checkbox"/> No			
35	Inventory at beginning of year. If different from last year's closing inventory, attach explanation	35		
36	Purchases less cost of items withdrawn for personal use	36		
37	Cost of labor. Do not include any amounts paid to yourself	37		
38	Materials and supplies	38		
39	Other costs	39		
40	Add lines 35 through 39	40	0	
41	Inventory at end of year	41		
42	Cost of goods sold. Subtract line 41 from line 40. Enter the result here and on page 1, line 4	42	0	

Part IV Information on Your Vehicle. Complete this part only if you are claiming car or truck expenses on line 9 and are not required to file Form 4562 for this business. See the instructions for line 13 to find out if you must file Form 4562.

43 When did you place your vehicle in service for business purposes? (month, day, year) ▶ _____

44 Of the total number of miles you drove your vehicle during 2009, enter the number of miles you used your vehicle for:

a Business _____ b Commuting (see instructions) _____ c Other _____

45 Was your vehicle available for personal use during off-duty hours? ☐ Yes ☐ No

46 Do you (or your spouse) have another vehicle available for personal use? ☐ Yes ☐ No

47a Do you have evidence to support your deduction? ☐ Yes ☐ No

b If "Yes," is the evidence written? ☐ Yes ☐ No

Part V Other Expenses. List below business expenses not included on lines 8–26 or line 30.

Secretarial Services	7,720
AICPA Dues	350
Texas CPA License Fee	270
48 Total other expenses. Enter here and on page 1, line 27	48 8,340

KIA

Schedule C (Form 1040) 2009

**SCHEDULE D
(Form 1040)**Department of the Treasury
Internal Revenue Service (99)**Capital Gains and Losses**▶ Attach to Form 1040 or Form 1040NR. ▶ See instructions for Schedule D (Form 1040).
▶ Use Schedule D-1 to list additional transactions for lines 1 and 8.

OMB No. 1545-0074

2009Attachment
Sequence No. **12**

Name(s) shown on return

Leopold M Klein

Your social security number

123-45-6781

Part I Short-Term Capital Gains and Losses—Assets Held One Year or Less

(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold (Mo., day, yr.)	(d) Sales price (see the instructions)	(e) Cost or other basis (see the instructions)	(f) Gain or (loss) Subtract (e) from (d)
1 1000 Shares Parli Corp.	07/03/09	12/15/09	2,000	3,000	-1,000
	12/31/09	12/31/09	0	3,000	-3,000
2 Enter your short-term totals, if any, from Schedule D-1, line 2	2	0			0
3 Total short-term sales price amounts. Add lines 1 and 2 in column (d)	3	2,000			
4 Short-term gain from Form 6252 and short-term gain or (loss) from Forms 4684, 6781, and 8824	4				0
5 Net short-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1	5				
6 Short-term capital loss carryover. Enter the amount, if any, from line 10 of your Capital Loss Carryover Worksheet in the instructions.	6	(0)			
7 Net short-term capital gain or (loss). Combine lines 1 through 6 in column (f)	7				-4,000

Part II Long-Term Capital Gains and Losses—Assets Held More Than One Year

(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold (Mo., day, yr.)	(d) Sales price (see the instructions)	(e) Cost or other basis (see the instructions)	(f) Gain or (loss) Subtract (e) from (d)
8 500 Shares Amadeus Corp.	11/19/05	11/13/09	48,000	50,000	-2,000
200 Shares Ludwig Corp.	03/17/04	06/27/09	4,000	2,500	1,500
Diamond Pendant	INHERIT	06/15/09	15,000	12,000	3,000
Silver Tea Service	09/25/03	07/17/09	900	300	600
9 Enter your long-term totals, if any, from Schedule D-1, line 9	9	0			0
10 Total long-term sales price amounts. Add lines 8 and 9 in column (d)	10	67,900			
11 Gain from Form 4797, Part I; long-term gain from Forms 2439 and 6252; and long-term gain or (loss) from Forms 4684, 6781, and 8824	11				700
12 Net long-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1	12				5,000
13 Capital gain distributions. See the instructions	13				700
14 Long-term capital loss carryover. Enter the amount, if any, from line 15 of your Capital Loss Carryover Worksheet in the instructions	14	(-4,100)			
15 Net long-term capital gain or (loss). Combine lines 8 through 14 in column (f). Then go to Part III on page 2	15				5,400

KIA For Paperwork Reduction Act Notice, see Form 1040 or Form 1040NR instructions.

Schedule D (Form 1040) 2009

Part III Summary

16	Combine lines 7 and 15 and enter the result	16	1,400
<p>If line 16 is:</p> <ul style="list-style-type: none"> • A gain, enter the amount from line 16 on Form 1040, line 13, or Form 1040NR, line 14. Then go to line 17 below. • A loss, skip lines 17 through 20 below. Then go to line 21. Also be sure to complete line 22. • Zero, skip lines 17 through 21 below and enter -0- on Form 1040, line 13, or Form 1040NR, line 14. Then go to line 22. 			
17	Are lines 15 and 16 both gains?		
	<input checked="" type="checkbox"/> Yes . Go to line 18.		
	<input type="checkbox"/> No . Skip lines 18 through 21, and go to line 22.		
18	Enter the amount, if any, from line 7 of the 28% Rate Gain Worksheet in the instructions	18	0
19	Enter the amount, if any, from line 18 of the Unrecaptured Section 1250 Gain Worksheet in the instructions	19	0
20	Are lines 18 and 19 both zero or blank?		
	<input checked="" type="checkbox"/> Yes . Complete Form 1040 through line 43, or Form 1040NR through line 40. Then complete the Qualified Dividends and Capital Gain Tax Worksheet in the Instructions for Form 1040 (or in the Instructions for Form 1040NR). Do not complete lines 21 and 22 below.		
	<input type="checkbox"/> No . Complete Form 1040 through line 43, or Form 1040NR through line 40. Then complete the Schedule D Tax Worksheet in the instructions. Do not complete lines 21 and 22 below.		
21	If line 16 is a loss, enter here and on Form 1040, line 13, or Form 1040NR, line 14, the smaller of:	21	()
	<ul style="list-style-type: none"> • The loss on line 16 or • (\$3,000), or if married filing separately, (\$1,500) 		
	Note. When figuring which amount is smaller, treat both amounts as positive numbers.		
22	Do you have qualified dividends on Form 1040, line 9b, or Form 1040NR, line 10b?		
	<input type="checkbox"/> Yes . Complete Form 1040 through line 43, or Form 1040NR through line 40. Then complete the Qualified Dividends and Capital Gain Tax Worksheet in the Instructions for Form 1040 (or in the Instructions for Form 1040NR).		
	<input type="checkbox"/> No . Complete the rest of Form 1040 or Form 1040NR.		

SCHEDULE E
(Form 1040)Department of the Treasury
Internal Revenue Service (99)**Supplemental Income and Loss**(From rental real estate, royalties, partnerships,
S corporations, estates, trusts, REMICs, etc.)

OMB No. 1545-0074

2009Attachment
Sequence No **13**

Name(s) shown on return

Leopold M Klein

▶ Attach to Form 1040, 1040NR, or Form 1041. ▶ See Instructions for Schedule E (Form 1040).

Your social security number

123-45-6781

Part I **Income or Loss From Rental Real Estate and Royalties** **Note.** If you are in the business of renting personal property, use Schedule C or C-EZ (see instructions). If you are an individual, report farm rental income or loss from Form 4835 on page 2, line 40.

1	List the type and location of each rental real estate property:	2	For each rental real estate property listed on line 1, did you or your family use it during the tax year for personal purposes for more than the greater of:	Yes	No
A			• 14 days or		
B	100.0%		• 10% of the total days rented at fair rental value?		X
C			(See instructions.)		

Income:		Properties			Totals
		A	B	C	(Add columns A, B, and C.)
3	Rents received	3	0		3 0
4	Royalties received	4	5,000	0	4 5,000
Expenses:					
5	Advertising	5	0	0	
6	Auto and travel (see instructions)	6	0	0	
7	Cleaning and maintenance	7	0	0	
8	Commissions	8	0	0	
9	Insurance	9	0	0	
10	Legal and other professional fees	10	0	0	
11	Management fees	11	0	0	
12	Mortgage interest paid to banks, etc. (see instructions)	12	0	0	12 0
13	Other interest	13	0	0	
14	Repairs	14	0	0	
15	Supplies	15	0	0	
16	Taxes	16	0	0	
17	Utilities	17	0	0	
18	Other (list) ▶	18	0	0	
			0	0	
			0	0	
			0	0	
19	Add lines 5 through 18	19	0	0	19 0
20	Depreciation expense or depletion (see instructions)	20	0	0	20 0
21	Total expenses. Add lines 19 and 20	21	0	0	
22	Income or (loss) from rental real estate or royalty properties. Subtract line 21 from line 3 (rents) or line 4 (royalties). If the result is a (loss), see instructions to find out if you must file Form 6198	22	5,000	0	0
23	Deductible rental real estate loss. Caution. Your rental real estate loss on line 22 may be limited. See instructions to find out if you must file Form 8582. Real estate professionals must complete line 43 on page 2	23	()	(0)	()
24	Income. Add positive amounts shown on line 22. Do not include any losses	24			5,000
25	Losses. Add royalty losses from line 22 and rental real estate losses from line 23. Enter total losses here.	25			(0)
26	Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Form 1040, line 17, or Form 1040NR, line 18. Otherwise, include this amount in the total on line 41 on page 2	26			5,000

KIA For Paperwork Reduction Act Notice, see instructions.

Schedule E (Form 1040) 2009

Schedule E (Form 1040) 2009

Attachment Sequence No. 13

Page 2

Name(s) shown on return. Do not enter name and social security number if shown on page 1.

Leopold M Klein

Your social security number

123-45-6781

Caution. The IRS compares amounts reported on your tax return with amounts shown on Schedule(s) K-1.**Part II Income or Loss From Partnerships and S Corporations** Note. If you report a loss from an at-risk activity for which any amount is not at risk, you must check the box in column (e) on line 28 and attach Form 6198. See instructions.27 Are you reporting any loss not allowed in a prior year due to the at-risk or basis limitations, a prior year unallowed loss from a passive activity (if that loss was not reported on Form 8582), or unreimbursed partnership expenses? If you answered "Yes," see instructions before completing this section. ☐ Yes ☒ No

28	(a) Name	(b) Enter P for partnership; S for S corporation	(c) Check if foreign partnership	(d) Employer identification number	(e) Check if any amount is not at risk
A	Harrison Tubulars, LP	P		11-1111112	
B	San Felipe Oil & Gas	P		11-1111113	
C	San Felipe Oil & Gas	P		11-1111113	
D	Klein Brothers, Inc.	S		11-1111114	

Passive Income and Loss		Nonpassive Income and Loss		
(f) Passive loss allowed (attach Form 8582 if required)	(g) Passive income from Schedule K-1	(h) Nonpassive loss from Schedule K-1	(i) Section 179 expense deduction from Form 4562	(j) Nonpassive income from Schedule K-1
A 1,500				
B	750			
C	750			
D		4,000		
29a Totals	1,500	4,000	0	21,480
b Totals	1,500	4,000	0	
30 Add columns (g) and (j) of line 29a			30	22,980
31 Add columns (f), (h), and (i) of line 29b			31	(5,500)
32 Total partnership and S corporation income or (loss). Combine lines 30 and 31. Enter the result here and include in the total on line 41 below		See Attached	32	17,480

Part III Income or Loss From Estates and Trusts

33	(a) Name	(b) Employer identification number
A		
B		

Passive Income and Loss		Nonpassive Income and Loss	
(c) Passive deduction or loss allowed (attach Form 8582 if required)	(d) Passive income from Schedule K-1	(e) Deduction or loss from Schedule K-1	(f) Other income from Schedule K-1
A			
B			
34a Totals	0	0	0
b Totals	0	0	
35 Add columns (d) and (f) of line 34a			35 0
36 Add columns (c) and (e) of line 34b			36 (0)
37 Total estate and trust income or (loss). Combine lines 35 and 36. Enter the result here and include in the total on line 41 below			37 0

Part IV Income or Loss From Real Estate Mortgage Investment Conduits (REMICs)—Residual Holder

38	(a) Name	(b) Employer identification number	(c) Excess inclusion from Schedules Q, line 2c (see instructions)	(d) Taxable income (net loss) from Schedules Q, line 1b	(e) Income from Schedules Q, line 3b
			0	0	0
39 Combine columns (d) and (e) only. Enter the result here and include in the total on line 41 below					0

Part V Summary

40 Net farm rental income or (loss) from Form 4835. Also, complete line 42 below	40	0
41 Total income or (loss). Combine lines 26, 32, 37, 39, and 40. Enter the result here and on Form 1040, line 17, or Form 1040NR, line 18	41	22,480
42 Reconciliation of farming and fishing income. Enter your gross farming and fishing income reported on Form 4835, line 7; Schedule K-1 (Form 1065), box 14, code B; Schedule K-1 (Form 1120S), box 17, code T; and Schedule K-1 (Form 1041), line 14, code F (see instructions)	42	
43 Reconciliation for real estate professionals. If you were a real estate professional (see instructions), enter the net income or (loss) you reported anywhere on Form 1040 or Form 1040NR from all rental real estate activities in which you materially participated under the passive activity loss rules	43	0

KIA

Schedule E (Form 1040) 2009

SCH E PART II ATT **SCHEDULE E PART II ATTACHMENT** **2009**
 Leopold M Klein **SSN:** 123-45-6781

PART II INCOME OR LOSS FROM PARTNERSHIPS AND S CORPORATIONS

27 Are you reporting any loss not allowed in a prior year due to the at-risk or basis limitations, a prior year unallowed loss from a passive activity (if that loss was not reported on Form 8582), or unreimbursed partnership expenses? ☐ Yes ☒ No

28. (a) Name	(b) P/S	(c) Foreign	(d) EIN	(e) Not at risk
A Southwest Harps, Inc.	S	<input type="checkbox"/>	11-1111115	<input type="checkbox"/>
B		<input type="checkbox"/>		<input type="checkbox"/>
C		<input type="checkbox"/>		<input type="checkbox"/>
D		<input type="checkbox"/>		<input type="checkbox"/>

Passive Activities		Nonpassive Activities		
(f) Pass. loss	(g) Pass. Inc	(h) Nonpass. loss	(i) Sec 179	(j) Nonpass. inc
A				21,480
B				
C				
D				
29a.	0			21,480
29b.	0	0	0	
30. Add amounts in columns (g) and (j), line 29a				30 21,480
31. Add amounts in columns (f), (h), and (i), line 29b				31 0
32. Total Partnership, S corp inc/loss, ln 30-ln 31			To Sched E	32 21,480

KIA

Schedule SE (Form 1040) 2009

Attachment Sequence No. 17

Page 2

Name of person with self-employment income (as shown on Form 1040)
Leopold M KleinSocial security number of person
with self-employment income ▶ 123-45-6781**Section B—Long Schedule SE****Part I Self-Employment Tax**

Note. If your only income subject to self-employment tax is **church employee income**, skip lines 1 through 4b. Enter -0- on line 4c and go to line 5a. Income from services you performed as a minister or a member of a religious order is **not** church employee income. See instructions.

A If you are a minister, member of a religious order, or Christian Science practitioner and you filed Form 4361, but you had \$400 or more of other net earnings from self-employment, check here and continue with Part I <input type="checkbox"/>	
1a Net farm profit or (loss) from Schedule F, line 36, and farm partnerships, Schedule K-1 (Form 1065), box 14, code A. Note. Skip lines 1a and 1b if you use the farm optional method (see instructions)	1a 0
b If you received social security retirement or disability benefits, enter the amount of Conservation Reserve Program payments included on Schedule F, line 6b, or listed on Schedule K-1 (Form 1065), box 20, code X	1b (0)
2 Net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), box 14, code A (other than farming); and Schedule K-1 (Form 1065-B), box 9, code J1. Ministers and members of religious orders, see instructions for types of income to report on this line. See instructions for other income to report. Note. Skip this line if you use the nonfarm optional method (see instructions)	2 41,309
3 Combine lines 1a, 1b, and 2	3 41,309
4a If line 3 is more than zero, multiply line 3 by 92.35% (.9235). Otherwise, enter amount from line 3	4a 38,149
b If you elect one or both of the optional methods, enter the total of lines 15 and 17 here	4b 0
c Combine lines 4a & 4b. If less than \$400, stop; you do not owe self-employment tax. Exception. If less than \$400 and you had church employee income, enter -0- and continue ▶	4c 38,149
5a Enter your church employee income from Form W-2. See instructions for definition of church employee income	5a 0
b Multiply line 5a by 92.35% (.9235). If less than \$100, enter -0-	5b 0
6 Net earnings from self-employment. Add lines 4c and 5b	6 38,149
7 Maximum amount of combined wages and self-employment earnings subject to social security tax or the 6.2% portion of the 7.65% railroad retirement (tier 1) tax for 2009	7 106,800.00
8a Total social security wages and tips (total of boxes 3 and 7 on Form(s) W-2) and railroad retirement (tier 1) compensation. If \$106,800 or more, skip lines 8b through 10, and go to line 11	8a 59,990
b Unreported tips subject to social security tax (from Form 4137, line 10)	8b 0
c Wages subject to social security tax (from Form 8919, line 10)	8c 0
d Add lines 8a, 8b and 8c	8d 59,990
9 Subtract line 8d from line 7. If zero or less, enter -0- here and on line 10 and go to line 11 ▶	9 46,810
10 Multiply the smaller of line 6 or line 9 by 12.4% (.124)	10 4,730
11 Multiply line 6 by 2.9% (.029)	11 1,106
12 Self-employment tax. Add lines 10 and 11. Enter here and on Form 1040, line 56	12 5,836
13 Deduction for one-half of self-employment tax. Multiply line 12 by 50% (.5). Enter the result here and on Form 1040, line 27	13 2,918

Part II Optional Methods To Figure Net Earnings (see instructions)

Farm Optional Method. You may use this method only if (a) your gross farm income ¹ was not more than \$6,540 or (b) your net farm profits ² were less than \$4,721.	
14 Maximum income for optional methods	14 4,360.00
15 Enter the smaller of: two-thirds (2/3) of gross farm income ¹ (not less than zero) or \$4,360. Also, include this amount on line 4b above	15 0
Nonfarm Optional Method. You may use this method only if (a) your net nonfarm profits ³ were less than \$4,548 and also less than 72.189% of your gross nonfarm income, ⁴ and (b) you had net earnings from self-employment of at least \$400 in 2 of the prior 3 years. Caution: You may use this method no more than five times.	
16 Subtract line 15 from line 14	16 4,360
17 Enter the smaller of: two-thirds (2/3) of gross nonfarm income ⁴ (not less than zero) or the amount on line 16. Also, include this amount on line 4b above	17 0

¹ From Sch. F, line 11, and Sch. K-1 (Form 1065), box 14, code B.² From Sch. F, line 36, and Sch. K-1 (Form 1065), box 14, code A—minus the amount you would have entered on line 1b had you not used the optional method.³ From Sch. C, line 31; Sch. C-EZ, line 3; Sch. K-1 (Form 1065), box 14, code A; and Sch. K-1 (Form 1065-B), box 9, code J1.⁴ From Sch. C, line 7; Sch. C-EZ, line 1; Sch. K-1 (Form 1065), box 14, code C; and Sch. K-1 (Form 1065-B), box 9, code J2.

KIA

Schedule SE (Form 1040) 2009

Form **1116**Department of the Treasury
Internal Revenue Service (99)
Name**Foreign Tax Credit**

(Individual, Estate, or Trust)

▶ Attach to Form 1040, 1040NR, 1041, or 990-T.
▶ See separate instructions.

OMB No. 1545-0121

2009Attachment
Sequence No. **19**

Name

Leopold M Klein

Identifying number as shown on page 1 of your tax return

123-45-6781

Use a separate Form 1116 for each category of income listed below. See **Categories of Income** in the instructions. Check only one box on each Form 1116. Report all amounts in U.S. dollars except where specified in Part II below.

- a ☐ Passive category income c ☐ Section 901(j) income e ☐ Lump-sum distributions
b ☐ General category income d ☐ Certain income re-sourced by treaty

f Resident of (name of country) ▶

Note: If you paid taxes to only one foreign country or U.S. possession, use column A in Part I and line A in Part II. If you paid taxes to more than one foreign country or U.S. possession, use a separate column and line for each country or possession.**Part I Taxable Income or Loss From Sources Outside the United States (for Category Checked Above)**

		Foreign Country or U.S. Possession			Total (Add cols. A, B, and C.)
		A	B	C	
g Enter the name of the foreign country or U.S. possession ▶		Mexico			
1a Gross income from sources within country shown above and of the type checked above (see the instructions):		1,000	0	0	1a 1,000
b Check if line 1a is compensation for personal services as an employee, your total compensation from all sources is \$250,000 or more, and you used an alternative basis to determine its source (see instructions) ▶ <input type="checkbox"/>					
Deductions and losses (Caution: See the instructions):					
2 Expenses definitely related to the income on line 1a (attach statement)		0			
3 Pro rata share of other deductions not definitely related:					
a Certain itemized deductions or standard deduction (see instructions)		4,196			
b Other deductions (attach statement)		4,196			
c Add lines 3a and 3b		1,000			
d Gross foreign source income (see instructions)		237,055			
e Gross income from all sources (see instructions)		0.0042			
f Divide line 3d by line 3e (see instructions)		18			
g Multiply line 3c by line 3f					
4 Pro rata share of interest expense (see instructions):					
a Home mortgage interest (use worksheet in the instructions)		0	0	0	
b Other interest expense					
5 Losses from foreign sources					
6 Add lines 2, 3g, 4a, 4b, and 5		18			6 18
7 Subtract line 6 from line 1a. Enter the result here and on line 14, page 2 ▶					7 982

Part II Foreign Taxes Paid or Accrued (see the instructions)

Country	Foreign taxes paid or accrued									
	In foreign currency					In U.S. dollars				
	Taxes withheld at source on:			(n) Other foreign taxes paid or accrued	Taxes withheld at source on:			(r) Other foreign taxes paid or accrued	(s) Total foreign taxes paid or accrued (add cols. (o) through (r))	
	(j) Date paid or accrued	(k) Dividends	(l) Rents and royalties		(m) Interest	(o) Dividends	(p) Rents and royalties			(q) Interest
A						100	0	0	0	100
B						0	0	0	0	0
C						0	0	0	0	0
6 Add lines A through C, column (s). Enter the total here and on line 9, page 2 ▶										6 100

KIA For Paperwork Reduction Act Notice, see instructions.

Form **1116** (2009)

Form 1116 (2009)

Leopold

M Klein

123-45-6781

Page **2****Part III Figuring the Credit**

9	Enter the amount from line 8. These are your total foreign taxes paid or accrued for the category of income checked above Part I	9	100	
10	Carryback or carryover (attach detailed computation)	10		
11	Add lines 9 and 10	11	100	
12	Reduction in foreign taxes (see the instructions)	12	0	
13	Subtract line 12 from line 11. This is the total amount of foreign taxes available for credit (see instructions.)	13		100
14	Enter the amount from line 7. This is your taxable income or (loss) from sources outside the United States (before adjustments) for the category of income checked above Part I (see the instructions)	14	982	
15	Adjustments to line 14 (see the instructions)	15		
16	Combine the amounts on lines 14 and 15. This is your net foreign source taxable income. (If result is zero or less, you have no foreign tax credit for the category of income you checked above Part I. Skip lines 17 through 21. However, if you are filing more than one Form 1116, you must complete line 19.)	16	982	
17	Individuals: Enter the amount from Form 1040, line 41 (minus any amount on Form 8914, line 6). If you are a nonresident alien, enter the amount from Form 1040NR, line 38 (minus any amount on Form 8914, line 6). Estates and Trusts: Enter your taxable income without the deduction for your exemption	17	185,676	
Caution: If you figured your tax using the lower rates on qualified dividends or capital gains, see the instructions.				
18	Divide line 16 by line 17. If line 16 is more than line 17, enter "1"	18		0.0053
19	Individuals: Enter the amount from Form 1040, line 44. If you are a nonresident alien, enter the amount from Form 1040NR, line 41. Estates and trusts: Enter the amount from Form 1041, Schedule G, line 1a, or the total of Form 990-T, lines 36 and 37	19		35,400
Caution: If you are completing line 19 for separate category e (lump-sum distributions), see the instructions.				
20	Multiply line 19 by line 18 (maximum amount of credit)	20		188
21	Enter the smaller of line 13 or line 20. If this is the only Form 1116 you are filing, skip lines 22 through 26 and enter this amount on line 27. Otherwise, complete the appropriate line in Part IV (see the instructions)	21		100

Part IV Summary of Credits From Separate Parts III (see the instructions)

22	Credit for taxes on passive category income	22		
23	Credit for taxes on general category income	23		
24	Credit for taxes on certain income re-sourced by treaty	24		
25	Credit for taxes on lump-sum distributions	25		
26	Add lines 22 through 25	26		
27	Enter the smaller of line 19 or line 26	27		100
28	Reduction of credit for international boycott operations. See instructions for line 12	28		
29	Subtract line 28 from line 27. This is your foreign tax credit . Enter here and on Form 1040, line 47; Form 1040NR, line 44; Form 1041, Schedule G, line 2a; or Form 990-T, line 40a	29		100

KIA

Form **1116** (2009)

Form **2441** **Child and Dependent Care Expenses**

Department of the Treasury Internal Revenue Service (99)

▶ Attach to Form 1040, Form 1040A, or Form 1040NR. ▶ See separate instructions.

OMB No. 1545-0074

2009 Attachment Sequence No. **21**

Name(s) shown on return Leopold M Klein Your social security number 123-45-6781

Part I **Persons or Organizations Who Provided the Care—You must complete this part.**
(If you have more than two care providers, see the instructions.)

1	(a) Care provider's name	(b) Address (number, street, apt. no., city, state, and ZIP code)	(c) Identifying number (SSN or EIN)	(d) Amount paid (see instructions)
	Marsha Draper	322 West Avenue San Marcos TX 78666	123-45-6789	4,000

Did you receive dependent care benefits? ☐ No ☐ Yes

☐ No Complete only Part II below.
☐ Yes Complete Part III on page 2 next.

Caution. If the care was provided in your home, you may owe employment taxes. If you do, you cannot file Form 1040A. For details, see the instructions for Form 1040, line 59, or Form 1040NR, line 56.

Part II **Credit for Child and Dependent Care Expenses**

2 Information about your **qualifying person(s)**. If you have more than two qualifying persons, see the instructions.

(a) Qualifying person's name		(b) Qualifying person's social security number	(c) Qualified expenses you incurred and paid in 2009 for the person listed in column (a)
First	Last		
Killian	Klein	123-45-6786	4,000

3 Add the amounts in column (c) of line 2. Do not enter more than \$3,000 for one qualifying person or \$6,000 for two or more persons. If you completed Part III, enter the amount from line 34

4 Enter your **earned income**. See instructions

5 If married filing jointly, enter your spouse's earned income (if your spouse was a student or was disabled, see the instructions); **all others**, enter the amount from line 4

6 Enter the **smallest** of line 3, 4, or 5

7 Enter the amount from Form 1040, line 38; Form 1040A, line 22; or Form 1040NR, line 36

8 Enter on line 8 the decimal amount shown below that applies to the amount on line 7

If line 7 is:			If line 7 is:		
Over	But not over	Decimal amount is	Over	But not over	Decimal amount is
\$0—15,000		.35	\$29,000—31,000		.27
15,000—17,000		.34	31,000—33,000		.26
17,000—19,000		.33	33,000—35,000		.25
19,000—21,000		.32	35,000—37,000		.24
21,000—23,000		.31	37,000—39,000		.23
23,000—25,000		.30	39,000—41,000		.22
25,000—27,000		.29	41,000—43,000		.21
27,000—29,000		.28	43,000—No limit		.20

9 Multiply line 6 by the decimal amount on line 8. If you paid 2008 expenses in 2009, see the instructions

10 Enter the amount from Form 1040, line 46; Form 1040A, line 28; or Form 1040NR, line 43

11 Enter the amount from Form 1040, line 47; or Form 1040NR, line 44. Form 1040A filers, enter -0-

12 Subtract line 11 from line 10. If zero or less, stop. You cannot take the credit

13 Credit for child and dependent care expenses. Enter the smaller of line 9 or line 12 here and on Form 1040, line 48; Form 1040A, line 29; or Form 1040NR, line 45

KIA For Paperwork Reduction Act Notice, see instructions.

Form **2441** (2009)

Form 2441 (2009) Leopold M Klein

123-45-6781

Page 2

Part III Dependent Care Benefits

14	Enter the total amount of dependent care benefits you received in 2009. Amounts you received as an employee should be shown in box 10 of your Form(s) W-2. Do not include amounts reported as wages in box 1 of Form(s) W-2. If you were self-employed or a partner, include amounts you received under a dependent care assistance program from your sole proprietorship or partnership	14	0
15	Enter the amount, if any, you carried over from 2008 and used in 2009 during the grace period. See instructions	15	
16	Enter the amount, if any, you forfeited or carried forward to 2010. See instructions	16	(0)
17	Combine lines 14 through 16. See instructions	17	0
18	Enter the total amount of qualified expenses incurred in 2009 for the care of the qualifying person(s)	18	4,000
19	Enter the smaller of line 17 or 18	19	0
20	Enter your earned income . See instructions	20	98,381
21	Enter the amount shown below that applies to you. <ul style="list-style-type: none"> • If married filing jointly, enter your spouse's earned income (if your spouse was a student or was disabled, see the instructions for line 5). • If married filing separately, see the instructions. • All others, enter the amount from line 20. 	21	67,200
22	Enter the smallest of line 19, 20, or 21	22	0
23	Enter \$5,000 (\$2,500 if married filing separately and you were required to enter your spouse's earned income on line 21)	23	5,000
24	Are you filing Form 1040A? <input type="checkbox"/> Yes. Skip lines 24 through 27 and go to line 28. <input checked="" type="checkbox"/> No. Enter the amount from line 14 that you received from your sole proprietorship or partnership. If you did not receive any such amounts, enter -0-	24	0
25	Subtract line 24 from line 17	25	0
26	Enter the smaller of line 22 or 23	26	0
27	Deductible benefits. Enter the smallest of line 22, 23, or 24. Also, include this amount on the appropriate line(s) of your return. See instructions	27	0
28	Excluded benefits. Form 1040 and 1040NR filers: Subtract line 27 from line 26. If zero or less, enter -0-. Form 1040A filers: Enter the smaller of line 22 or line 23	28	0
29	Taxable benefits. Form 1040 and 1040NR filers: Subtract line 28 from line 25. If zero or less, enter -0-. Also, include this amount on Form 1040, line 7; or Form 1040NR, line 8. On the dotted line next to Form 1040, line 7; or Form 1040NR, line 8, enter "DCB." Form 1040A filers: Subtract line 28 from line 17. Also, include this amount on Form 1040A, line 7. In the space to the left of line 7, enter "DCB"	29	0

To claim the child and dependent care credit, complete lines 30 through 34 below.

30	Enter \$3,000 (\$6,000 if two or more qualifying persons)	30	3,000
31	Form 1040 and 1040NR filers: Add lines 27 and 28. Form 1040A filers: Enter the amount from line 28	31	0
32	Subtract line 31 from line 30. If zero or less, stop . You cannot take the credit. exception. If you paid 2008 expenses in 2009, see the instructions for line 9	32	3,000
33	Complete line 2 on page 1 of this form. Do not include in column (c) any benefits shown on line 31 above. Then, add the amounts in column (c) and enter the total here	33	4,000
34	Enter the smaller of line 32 or 33. Also, enter this amount on line 3 on page 1 of this form and complete lines 4 through 13	34	3,000

KIA

Form 2441 (2009)

Form 4562 Department of the Treasury Internal Revenue Service (99)	Depreciation and Amortization (Including Information on Listed Property) ▶ See separate instructions. ▶ Attach to your tax return.	OMB No. 1545-0172 2009 Attachment Sequence No. 67
Name(s) shown on return Leopold M Klein	Business or activity to which this form relates SCH C 1	Identifying number 123-45-6781

Part I Election To Expense Certain Property Under Section 179
Note: If you have any listed property, complete Part V before you complete Part I.

1 Maximum amount. See the instructions for a higher limit for certain businesses	1	250,000
2 Total cost of section 179 property placed in service (see instructions)	2	
3 Threshold cost of section 179 property before reduction in limitation (see instructions)	3	\$800,000
4 Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	0
5 Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions	5	250,000

6 (a) Description of property	(b) Cost (business use only)	(c) Elected cost	
Printer	700	700	
All other assets	3,300	3,300	
7 Listed property. Enter the amount from line 29	7	0	
8 Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8	4,000	
9 Tentative deduction. Enter the smaller of line 5 or line 8	9	4,000	
10 Carryover of disallowed deduction from line 13 of your 2008 Form 4562	10		
11 Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instructions)	11	250,000	
12 Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11	12	4,000	
13 Carryover of disallowed deduction to 2010. Add lines 9 and 10, less line 12	13	0	

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.) (See instructions.)

14 Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions)	14	0
15 Property subject to section 168(f)(1) election	15	
16 Other depreciation (including ACRS)	16	

Part III MACRS Depreciation (Do not include listed property.) (See instructions.)

Section A

17 MACRS deductions for assets placed in service in tax years beginning before 2009	17	230
18 If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here <input type="checkbox"/>		

Section B—Assets Placed in Service During 2009 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only—see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property		0	5.00	HY	200DB	0
b 5-year property		0	7.00	HY	200DB	0
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs.		S/L	
h Residential rental property			27.5 yrs.	MM	S/L	
			27.5 yrs.	MM	S/L	
i Nonresidential real property			39 yrs.	MM	S/L	
				MM	S/L	

Section C—Assets Placed in Service During 2009 Tax Year Using the Alternative Depreciation System

20a Class life	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only—see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
b 12-year			12 yrs.		S/L	
c 40-year			40 yrs.	MM	S/L	

Part IV Summary (See instructions.)

21 Listed property. Enter amount from line 28	21	0
22 Total. Add amounts from line 12, lines 14 through 17, line 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations—see instructions	22	4,230
23 For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

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Form 4562 (2009)

Leopold

M Klein

123-45-6781

Page 2

Part V Listed Property (Include automobiles, certain other vehicles, cellular telephones, certain computers, and property used for entertainment, recreation, or amusement.)**Note:** For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete only 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.**Section A—Depreciation and Other Information** (Caution: See the instructions for limits for passenger automobiles.)**24a** Do you have evidence to support the business/investment use claimed? ☒ Yes ☐ No **24b** If "Yes," is the evidence written? ☒ Yes ☐ No

(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/Convention	(h) Depreciation deduction	(i) Elected section 179 cost
25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use (see instructions)						25	0	
26 Property used more than 50% in a qualified business use:		%						
		%						
		%						
27 Property used 50% or less in a qualified business use:								
Chevrolet	01/04/01	13 %				S/L -		
		%				S/L -		
		%				S/L -		
28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1						28	0	
29 Add amounts in column (i), line 26. Enter here and on line 7, page 1						29	0	

Section B—Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

	(a) Vehicle 1	(b) Vehicle 2	(c) Vehicle 3	(d) Vehicle 4	(e) Vehicle 5	(f) Vehicle 6
30 Total business/investment miles driven during the year (do not include commuting miles)	2,500					
31 Total commuting miles driven during the year	0					
32 Total other personal (noncommuting) miles driven	17,500					
33 Total miles driven during the year. Add lines 30 through 32	20,000	0	0	0	0	0
34 Was the vehicle available for personal use during off-duty hours?	Yes No	Yes No	Yes No	Yes No	Yes No	Yes No
	X					
35 Was the vehicle used primarily by a more than 5% owner or related person?	Yes No	Yes No	Yes No	Yes No	Yes No	Yes No
	X					
36 Is another vehicle available for personal use?	Yes No	Yes No	Yes No	Yes No	Yes No	Yes No
		X				

Section C—Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons (see instructions).

	Yes	No
37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?		
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use? (See instructions)		

Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," do not complete Section B for the covered vehicles.**Part VI Amortization**

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2009 tax year (see instructions):					
43 Amortization of costs that began before your 2009 tax year				43	
44 Total. Add amounts in column (f). See the instructions for where to report				44	0

KIA

Form 4562 (2009)

Form 4797 Department of the Treasury Internal Revenue Service (99)	Sales of Business Property (Also Involuntary Conversions and Recapture Amounts Under Sections 179 and 280F(b)(2)) ► Attach to your tax return. ► See separate instructions.	OMB No. 1545-0184 2009 Attachment Sequence No. 27					
Name(s) shown on return Leopold M Klein		Identifying number 123-45-6781					
1 Enter the gross proceeds from sales or exchanges reported to you for 2009 on Form(s) 1099-B or 1099-S (or substitute statement) that you are including on line 2, 10, or 20 (see instructions) 1							
Part I Sales or Exchanges of Property Used in a Trade or Business and Involuntary Conversions From Other Than Casualty or Theft—Most Property Held More Than 1 Year (see instructions)							
2	(a) Description of property	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)	(d) Gross sales price	(e) Depreciation allowed or allowable since acquisition	(f) Cost or other basis, plus improvements and expense of sale	(g) Gain or (loss) Subtract (f) from the sum of (d) and (e)
							0
							0
							0
	From K-1						700
3	Gain, if any, from Form 4684, line 43						3
4	Section 1231 gain from installment sales from Form 6252, line 26 or 37						0
5	Section 1231 gain or (loss) from like-kind exchanges from Form 8824						0
6	Gain, if any, from line 32, from other than casualty or theft						0
7	Combine lines 2 through 6. Enter the gain or (loss) here and on the appropriate line as follows: Partnerships (except electing large partnerships) and S corporations. Report the gain or (loss) following the instructions for Form 1065, Schedule K, line 10, or Form 1120S, Schedule K, line 9. Skip lines 8, 9, 11, and 12 below. Individuals, partners, S corporation shareholders, and all others. If line 7 is zero or a loss, enter the amount from line 7 on line 11 below and skip lines 8 and 9. If line 7 is a gain and you did not have any prior year section 1231 losses, or they were recaptured in an earlier year, enter the gain from line 7 as a long-term capital gain on the Schedule D filed with your return and skip lines 8, 9, 11, and 12 below.						700
8	Nonrecaptured net section 1231 losses from prior years (see instructions)						0
9	Subtract line 8 from line 7. If zero or less, enter -0-. If line 9 is zero, enter the gain from line 7 on line 12 below. If line 9 is more than zero, enter the amount from line 8 on line 12 below and enter the gain from line 9 as a long-term capital gain on the Schedule D filed with your return (see instructions)						0
Part II Ordinary Gains and Losses (see instructions)							
10 Ordinary gains and losses not included on lines 11 through 16 (include property held 1 year or less):							
	Computer	02/15/06	01/16/09	250	1,950	1,950	250
							0
							0
11	Loss, if any, from line 7						()
12	Gain, if any, from line 7, or amount from line 8, if applicable						0
13	Gain, if any, from line 31						0
14	Net gain or (loss) from Form 4684, lines 35 and 42a						0
15	Ordinary gain from installment sales from Form 6252, line 25 or 36						0
16	Ordinary gain or (loss) from like-kind exchanges from Form 8824						0
17	Combine lines 10 through 16						250
18	For all except individual returns, enter the amount from line 17 on the appropriate line of your return and skip lines a and b below. For individual returns, complete lines a and b below:						
	a If the loss on line 11 includes a loss from Form 4684, line 39, column (b)(ii), enter that part of the loss here. Enter the part of the loss from income-producing property on Schedule A (Form 1040), line 28, and the part of the loss from property used as an employee on Schedule A (Form 1040), line 23. Identify as from "Form 4797, line 18a." See instructions						18a
	b Redetermine the gain or (loss) on line 17 excluding the loss, if any, on line 18a. Enter here and on Form 1040, line 14						18b 250
KIA For Paperwork Reduction Act Notice, see separate instructions.							

Form 4797 (2009)

Form **8582****Passive Activity Loss Limitations**

OMB No. 1545-1008

2009Attachment
Sequence No. **88**Department of the Treasury
Internal Revenue Service (99)

▶ See separate instructions.

▶ Attach to Form 1040 or Form 1041.

Name(s) shown on return
Leopold M KleinIdentifying number
123-45-6781**Part I 2009 Passive Activity Loss****Caution:** Complete Worksheets 1, 2 and 3 on page 2 before completing Part I.**Rental Real Estate Activities With Active Participation** (For the definition of active participation see **Special Allowance for Rental Real Estate Activities** in the instructions.)

1a Activities with net income (enter the amount from Worksheet 1, column (a))	1a	0	
b Activities with net loss (enter the amount from Worksheet 1, column (b))	1b	(0)	
c Prior years unallowed losses (enter the amount from Worksheet 1, column (c))	1c	(0)	
d Combine lines 1a, 1b, and 1c	1d	0	

Commercial Revitalization Deductions From Rental Real Estate Activities

2a Commercial revitalization deductions from Worksheet 2, column (a)	2a	()	
b Prior year unallowed commercial revitalization deductions from Worksheet 2, column (b)	2b	()	
c Add lines 2a and 2b	2c	(0)	

All Other Passive Activities

3a Activities with net income (enter the amount from Worksheet 3, column (a))	3a	1,500	
b Activities with net loss (enter the amount from Worksheet 3, column (b))	3b	(3,000)	
c Prior years unallowed losses (enter the amount from Worksheet 3, column (c))	3c	(2,000)	
d Combine lines 3a, 3b, and 3c	3d	-3,500	

4 Combine lines 1d, 2c, and 3d. If the result is net income or zero, all losses are allowed, including any prior year unallowed losses entered on line 1c, 2b, or 3c. Do not complete Form 8582. Report the losses on the forms and schedules normally used	4	-3,500	
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- If line 4 is a loss and:
- Line 1d is a loss, go to Part II.
 - Line 2c is a loss (and line 1d is zero or more), skip Part II and go to Part III.
 - Line 3d is a loss (and lines 1d and 2c are zero or more), skip Parts II and III and go to line 15.

Caution: If your filing status is married filing separately and you lived with your spouse at any time during the year, **do not** complete Part II or Part III. Instead, go to line 15.**Part II Special Allowance for Rental Real Estate Activities With Active Participation****Note:** Enter all numbers in Part II as positive amounts. See the instructions for an example.

5 Enter the smaller of the loss on line 1d or the loss on line 4	5		
6 Enter \$150,000. If married filing separately, see the instructions	6		
7 Enter modified adjusted gross income, but not less than zero (see instructions)	7		
Note: If line 7 is greater than or equal to line 6, skip lines 8 and 9, enter -0- on line 10. Otherwise, go to line 8.			
8 Subtract line 7 from line 6	8		
9 Multiply line 8 by 50% (.5). Do not enter more than \$25,000. If married filing separately, see instructions	9		
10 Enter the smaller of line 5 or line 9	10		
If line 2c is a loss, go to Part III. Otherwise, go to line 15.			

Part III Special Allowance for Commercial Revitalization Deductions From Rental Real Estate Activities**Note:** Enter all numbers in Part III as positive amounts. See the example for Part II in the instructions.

11 Enter \$25,000 reduced by the amount, if any, on line 10. If married filing separately, see instructions	11		
12 Enter the loss from line 4	12		
13 Reduce line 12 by the amount on line 10	13		
14 Enter the smallest of line 2c (treated as a positive amount), line 11, or line 13	14		

Part IV Total Losses Allowed

15 Add the income, if any, on lines 1a and 3a and enter the total	15	1,500	
16 Total losses allowed from all passive activities for 2009. Add lines 10, 14, and 15. See the instructions to find out how to report the losses on your tax return	16	1,500	

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Form 8582 (2009) Leopold M Klein

123-45-6781

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Caution: The worksheets must be filed with your tax return. Keep a copy for your records.**Worksheet 1—For Form 8582, Lines 1a, 1b, and 1c** (See the instructions.)

Name of activity	Current year		Prior years	Overall gain or loss	
	(a) Net income (line 1a)	(b) Net loss (line 1b)	(c) Unallowed loss (line 1c)	(d) Gain	(e) Loss
Total. Enter on Form 8582, lines 1a, 1b, and 1c					

Worksheet 2—For Form 8582, Lines 2a and 2b (See the instructions.)

Name of activity	(a) Current year deductions (line 2a)	(b) Prior year unallowed deductions (line 2b)	(c) Overall Loss
Total. Enter on Form 8582, lines 2a and 2b	0	0	

Worksheet 3—For Form 8582, Lines 3a, 3b, and 3c (See the instructions.)

Name of activity	Current year		Prior years	Overall gain or loss	
	(a) Net income (line 3a)	(b) Net loss (line 3b)	(c) Unallowed loss (line 3c)	(d) Gain	(e) Loss
	0	0	0	0	0
Harrison Tubulars, L	0	3,000	2,000	0	5,000
San Felipe Oil & Gas	750	0	0	750	0
San Felipe Oil & Gas	750	0	0	750	0
Total. Enter on Form 8582, lines 3a, 3b, and 3c	1,500	3,000	2,000		

Worksheet 4—Use this worksheet if an amount is shown on Form 8582, line 10 or 14 (See the instructions.)

Name of activity	Form or schedule and line number to be reported on (see instructions)	(a) Loss	(b) Ratio	(c) Special allowance	(d) Subtract column (c) from column (a)
Total			1.00		

Worksheet 5—Allocation of Unallowed Losses (See the instructions.)

Name of activity	Form or schedule and line number to be reported on (see instructions)	(a) Loss	(b) Ratio	(c) Unallowed loss
Total		5,000	1.00	3,500

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Form 8582 (2009)

Form 8582 (2009) Leopold M Klein

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Page 3

Worksheet 6—Allowed Losses (See instructions.)

Name of activity	Form or schedule and line number to be reported on (see instructions)	(a) Loss	(b) Unallowed loss	(c) Allowed loss
Harrison Tubulars, L	Sch E, line 28A	5,000	3,500	1,500
Total		5,000	3,500	1,500

Worksheet 7—Activities With Losses Reported on Two or More Forms or Schedules (See the instructions.)

Name of activity:	(a)	(b)	(c) Ratio	(d) Unallowed loss	(e) Allowed loss
Form or schedule and line number to be reported on (see instructions):					
1a Net loss plus prior year unallowed loss from form or schedule					
b Net income from form or schedule					
c Subtract line 1b from line 1a. If zero or less, enter -0-					
Form or schedule and line number to be reported on (see instructions):					
1a Net loss plus prior year unallowed loss from form or schedule					
b Net income from form or schedule					
c Subtract line 1b from line 1a. If zero or less, enter -0-					
Form or schedule and line number to be reported on (see instructions):					
1a Net loss plus prior year unallowed loss from form or schedule					
b Net income from form or schedule					
c Subtract line 1b from line 1a. If zero or less, enter -0-					
Total			1.00		

KIA

Form 8582 (2009)

Form **8829**Department of the Treasury
Internal Revenue Service (99)

Name(s) of proprietor(s)

Leopold M Klein

Expenses for Business Use of Your Home

► File only with Schedule C (Form 1040). Use a separate Form 8829 for each home you used for business during the year.

► See separate instructions.

OMB No. 1545-0074

2009Attachment
Sequence No. **66**Your social security number
123-45-6781**Part I Part of Your Home Used for Business**

1	Area used regularly and exclusively for business, regularly for daycare, or for storage of inventory or product samples (see instructions)	1	800
2	Total area of home	2	4,000
3	Divide line 1 by line 2. Enter the result as a percentage	3	20.00 %
For daycare facilities not used exclusively for business, go to line 4. All others go to line 7.			
4	Multiply days used for daycare during year by hours used per day	4	hr.
5	Total hours available for use during the year (365 days X 24 hrs) (see instructions)	5	8,760 hr.
6	Divide line 4 by line 5. Enter the result as a decimal amount	6	
7	Business percentage. For daycare facilities not used exclusively for business, multiply line 6 by line 3 (enter the result as a percentage). All others, enter the amount from line 3	7	20.00 %

Part II Figure Your Allowable Deduction

8	Enter the amount from Schedule C, line 29, plus any net gain or (loss) derived from the business use of your home and shown on Schedule D or Form 4797. If more than one place of business, see instructions	8	44,735
See instructions for columns (a) and (b) before completing lines 9-21.			
9	Casualty losses (see instructions)	9	
10	Deductible mortgage interest (see instructions)	10	1,400
11	Real estate taxes (see instructions)	11	1,900
12	Add lines 9, 10, and 11	12	0
13	Multiply line 12, column (b) by line 7	13	660
14	Add line 12, column (a) and line 13	14	660
15	Subtract line 14 from line 8. If zero or less, enter -0-	15	44,075
16	Excess mortgage interest (see instructions)	16	
17	Insurance	17	1,000
18	Rent	18	
19	Repairs and maintenance	19	4,800
20	Utilities	20	2,900
21	Other expenses (see instructions)	21	0
22	Add lines 16 through 21	22	8,700
23	Multiply line 22, column (b) by line 7	23	1,740
24	Carryover of operating expenses from 2008 Form 8829, line 42	24	
25	Add line 22 in column (a), line 23, and line 24	25	1,740
26	Allowable operating expenses. Enter the smaller of line 15 or line 25	26	1,740
27	Limit on excess casualty losses and depreciation. Subtract line 26 from line 15	27	42,335
28	Excess casualty losses (see instructions)	28	0
29	Depreciation of your home from line 41 below	29	1,026
30	Carryover of excess casualty losses and depreciation from 2008 Form 8829, line 43	30	
31	Add lines 28 through 30	31	1,026
32	Allowable excess casualty losses and depreciation. Enter the smaller of line 27 or line 31	32	1,026
33	Add lines 14, 26, and 32	33	3,426
34	Casualty loss portion, if any, from lines 14 and 32. Carry amount to Form 4684 (see instructions)	34	0
35	Allowable expenses for business use of your home. Subtract line 34 from line 33. Enter here and on Schedule C, line 30. If your home was used for more than one business, see instructions	35	3,426

Part III Depreciation of Your Home

36	Enter the smaller of your home's adjusted basis or its fair market value (see instr.)	36	255,000
37	Value of land included on line 36	37	55,000
38	Basis of building. Subtract line 37 from line 36	38	200,000
39	Business basis of building. Multiply line 38 by line 7	39	40,000
40	Depreciation percentage (see instructions)	40	2.5640 %
41	Depreciation allowable (see instructions). Multiply line 39 by line 40. Enter here and on line 29 above	41	1,026

Part IV Carryover of Unallowed Expenses to 2010

42	Operating expenses. Subtract line 26 from line 25. If less than zero, enter -0-	42	0
43	Excess casualty losses and depreciation. Subtract line 32 from line 31. If less than zero, enter -0-	43	0

KIA For Paperwork Reduction Act Notice, see instructions.

Form **8829** (2009)

ATTACHMENTS WORKSHEET OTHER INCOME Form 1040, Line 21		2009 2009
Name: Leopold M Klein	Soc Sec No: 123-45-6781	
Type of Income	Amount	
1. Child's interest and dividend income from Form 8814	1	0
2. Gambling winnings	2	1,700
3. Non-business rentals of pers prop from 1099-MISC, Box 1	3	0
4. Prizes, awards, damages, etc. from Form 1099-MISC, Box 3	4	0
5. Nonemployee compensation from Form 1099-MISC, Box 7	5	0
6. Payments in lieu of int or div from Form 1099-MISC, Box 8	6	0
7. Foreign earned income or housing excl. (enter as negative)		
a. Form 2555	7a	0
b. Form 2555-EZ	7b	0
8. Refunds and reimbursements of tax benefit items		
a. Medical expenses	8a	
b. Real estate taxes	8b	
c. Overpaid home mortgage interest	8c	0
d. General sales taxes	8d	
e. Other items	8e	
f. From K-1's	8f	0
9. Jury fees-enter even if gave to employer	9	
10. Nonprofessional fiduciary fees	10	
11. Alaska Permanent Fund dividends	11	
12. Income from for-profit rental of personal property	12	
13. Income from non-profit activity	13	
14. Recapture of clean-fuel vehicle deduction	14	
15. Loss on corrective distrib. made in 2009 (enter as neg)	15	
16. Net operating loss carried forward to 2009 (enter as neg)	16	0
17. Archer MSA distributions	17	0
18. Medicare Advantage MSA distributions	18	0
19. Long-term care payments	19	0
20. Taxable grants from Form(s) 1099-G	20	0
21. Taxable distributions from a qualified tuition program (QTP):		
Yours	21a	
Your spouse's	21b	
22. Taxable distributions from a Coverdell education savings account (ESA):		
Yours	22a	
Your spouse's	22b	
23. Taxable HSA distributions	23	0
24. ATAA payments	24	0
25. Income from cancellation of debt	25	
26. Other: Hobby income	26a	4,400
Compensation for injuries	26b	13,000
	26c	
27. Total of all income items for line 21	27	19,100
ALIMONY PAID		2009

INDIVIDUAL PRACTICE SET #2**LEOPOLD AND GRETCHEN KLEIN****INDIVIDUAL FEDERAL INCOME TAX RETURN****2010–2011 ANNUAL EDITION****1.1 TAXPAYER BIOGRAPHICAL INFORMATION:**

Leopold and Gretchen qualify for five exemptions determined as follows:

- Leopold and Gretchen qualify for one personal exemption each.
- Leopold and Gretchen may also claim the following children as dependents:

Charles. Charles is also a qualifying child rather than a qualifying relative because he was a full-time student under the age of 24 and met all other tests relative to a qualifying child. Therefore, the issue of his scholarship is irrelevant. The gross income test does not apply anyway.

Jeffrey. All dependency tests relative to a qualifying child have been satisfied.

Killian. All dependency tests relative to a qualifying child have been satisfied.

Note that Jeffrey and Killian qualify for the child tax credit. The maximum credit is \$1,000 per child and is reported on Form 1040, line 51. However, the AGI reported by the Kleins well exceeds the maximum level for the phase-out of the credit. Therefore, the Kleins are not entitled to any child tax credit.

- Leopold and Gretchen cannot claim the following as dependents:

Jennifer Klein. Jennifer is neither a qualifying child nor a qualifying relative because she was a part-time student and over the age of 19. She failed multiple tests.

Christopher Charles Wilson. Wilson is a qualifying relative who fails the relationship/household test in that he is not related to either Leopold or Gretchen and he was not a member of their household for the entire year.

Ralph John Witkins. As nephew of Gretchen, Witkins would be a qualifying child of Gretchen had he been either under the age of 19 or a full-time student under the age of 24. He was neither. Witkins cannot be a qualifying relative as his gross income exceeded the \$3,650 limit. Banked income is excluded from the support test but not from the gross income test. His earned income of \$11,000 exceeded the \$3,650 threshold for the gross income test.

1.4 Data Relating to 2008 Federal Tax Return:

- The capital loss carryforward is deducted on Schedule D, line 14.
- The effects of the passive loss carryforward from Harrison Tubulars, LP are discussed under Section 2.6.

2.0 INCOME SOURCES**2.1 Salary Income:**

Both Leopold's and Gretchen's salaries are fully taxable. They are reported on Form 1040, line 7.

2.2 Income from Trade or Business:

The following cash receipts are fully reportable on Schedule C:

- Cash received from customers \$65,280

The following cash payments posted to Leopold's business checkbook are deductible and can be reported on Schedule C for the amounts as indicated:

Secretarial services	\$ 7,720
Supplies	1,900
Advertising	1,100
Legal services	3,000
Entertainment	600*
AICPA dues	350
Texas CPA license	<u>270</u>
 Total expenses listed	 \$ <u>14,940</u>

* After 50% cutback.

The payment of a speeding ticket cannot be deducted as it would violate public policy rules. Leopold's contribution to his traditional IRA account is fully deductible on Form 1040, line 32.

As Leopold accounts for all transactions on the cash receipts method, he would not report any income until cash is actually received from his customers. Therefore, the accounts receivable balance of \$2,200 is reportable in 2009 because he received the income in that year. The unbilled revenue would not be taxed until it is received in 2010 for the same reason. The same would hold true of the ending accounts receivable balance of \$2,700.

As a cash receipts method taxpayer, Leopold cannot deduct any expense until he actually pays it. Therefore, the \$350 of AICPA dues can be deducted on Schedule C only in 2008 as mentioned earlier. Unpaid accounting expenses, secretarial services and miscellaneous expenses cannot be deducted until they are paid in 2010.

The computer printer and office furniture were the only assets purchased and placed into service in 2009. The computer printer has a depreciable basis of \$700 and the office furniture has a depreciable basis of \$3,300. To maximize his maximum depreciation deduction for 2009, Leopold should deduct the full depreciable basis of both assets under § 179.

Depreciation on property acquired and placed into service before 2009 is calculated as follows:

Computer system, 6 th recovery year, 5-year property	
$\$4,000 \times .0576 =$	<u>230</u>
Total	\$ <u>230</u>

The computer acquired in 2000 was fully depreciated by 2009.

Total depreciation listed on Form 4562 is therefore the sum of the following:

MACRS deduction	\$ 230
§ 179 deduction	<u>4,000</u>
Total depreciation deduction On Form 4562	\$ <u>4,230</u>

Leopold is entitled to an office in the home deduction because his home office was the site of administrative matters and he had no other fixed location for his trade or business. He also satisfied the requirement that his home office was a separately identifiable space that was used regularly and exclusively for business. Information from Sections 3.2 and 3.3 is also taken into consideration in completing Form 8829. As evidenced on Form 8829, the maximum office in the home deduction is \$3,426. This amount is also reported on Schedule C, line 30.

Leopold can deduct 2,500 miles of business-related transportation as the rate of 55 cents per mile. His total deduction is then \$1,375. Because the automatic mileage method has been used since the first year that George used the truck, MACRS cannot be utilized. The deduction is reported on Schedule C, line 9.

As many of the expenses deducted on Schedule C have been drawn from various sections of the fact pattern of this practice set, total expenses deducted on Schedule C, line 28 are summarized as follows:

Expenses listed in Section 2.2	\$ 14,940
Depreciation deducted before home office	4,230
Home office deduction	3,426
Automobile expenses	<u>1,375</u>
Total expenses deducted on Schedule C, line 28	\$ <u>23,971</u>

The old computer sold in 2009 would have been fully depreciated. Its adjusted basis was therefore zero. The entire \$250 would represent gain. However, as accumulated depreciation would have aggregated \$1,950, the entire \$250 gain would be recaptured as ordinary gain under § 1245. Form 4797 must be filed.

2.3 Dividends Received:

The following cash dividends are includible and fully reportable on Schedule B, line 5 as being taxed as dividends:

<u>Source</u>	<u>Qualifying Dividends</u>	<u>Nonqualifying Dividends</u>
Amadeus	\$ 2,200	\$ -0-
Ludwig	3,800	-0-
Mexico Progresso	1,000*	-0-
Interworld Fund	<u>150</u>	<u>50</u>
listed in Section 2.6		
Total	\$ <u>7,150</u>	\$ <u>50</u>

- * As stated in the text of the practice problem, the \$1,000 dividend is a qualifying dividend due to the application of the U.S.–Mexico Income Tax Treaty. Gretchen is entitled to a foreign tax credit of \$100 as the foreign tax paid on foreign sourced income. The \$100 exceeds the amount realized under the foreign tax credit formula. The \$100 foreign tax credit is reported on Form 1040, line 51. Form 1116 is not required.

As mentioned in Section 2.6, Klein Brothers, Inc. is an S corporation. As such, cash distributions from this corporation would not be reportable.

2.4 Interest Received:

The following interest income is includible and must be reported on Schedule B, line 1:

First State Bank of San Marcos	\$1,355
Bexar County Savings and Loan	<u>180</u>
Total taxable interest	<u>\$1,535</u>

2.5 Sale of Capital Assets:

The Kleins must report the following capital gains or losses on Schedule D:

<u>Property:</u>	<u>Proceeds:</u>	<u>Adj. Basis</u>	<u>Gain / (Loss)</u>	<u>Holding Period</u>
Capital loss carryforward mentioned in Sec. 1.4			(\$4,100)	Long-term
Amadeus stock	48,000	50,000	(2,000)	Long-term
Ludwig stock	4,000	2,500	1,500	Long-term
Parli stock	2,000	3,000	(1,000)	Short-term
Pendant	15,000	12,000	3,000	Long-term
Silver service	900	300	600	Long-term
Interworld Fund listed on Form 1099-DIV			700	Long-term
Gain from SW Harps in Section 2.6			700	Long-term
Bad debt listed in Section 3.5			(3,000)	Short-term

Distribution from

Klein Bros, Inc.

listed in

Section 2.6

5,000

Long-term

Total net long-term capital gain

\$1,400

The diamond pendant and silver tea service are treated as collectibles and the net gain of \$3,600 is ordinarily taxed at 28 percent. However, the net gain of \$3,600 was netted against the net short-term capital loss of \$4,000.

2.6 Other Investments:

With reference to Southwest Harps, Inc., Gretchen did satisfy the tests of material participation because she managed the corporation. Ordinary income of \$21,480 is reported on Schedule E, line 28. The § 1231 gain is reported on Form 4797 and Schedule D, line 11.

With reference to Harrison Tubulars, LP, Leopold failed the tests of material participation because his participation was less than 500 hours and was less than the combined hours contributed by the other partners. Therefore, he cannot deduct the ordinary loss of \$3,000 reported on his Form K-1. For the same reason, he also cannot deduct the suspended loss carryforward of \$2,000 mentioned in Section 1.4.

With reference to Klein Brothers, Inc., Leopold did satisfy the tests of material participation. Although Leopold contributed only 100 hours in the management of the corporation, this amount was greater than that contributed by anyone else. He can deduct the net ordinary loss of \$4,000 reported on his Form K-1 from the corporation on Schedule E, line 28. He must also report his long-term capital gain of \$5,000 on Schedule D, line 12.

With reference to San Felipe Oil and Exploration, LP, both Leopold and Gretchen failed the tests of material participation. They can, however, deduct the net ordinary income of \$1,800 reported on their Forms K-1 against the current year suspended loss of \$3,000 from Harrison Tubulars, LP discussed earlier. The suspended loss carried into 2008 would then be \$3,200.

All income from the Interworld Growth Fund must be reported because the distribution was constructively received. The dividend income of \$200 is reported on Schedule B, line 5. The long-term capital gain of \$700 is reported on Schedule D, line 13.

2.7 Other Income

The taxidermy would be classified as a hobby because it has never earned a profit. Therefore, gross revenue of \$4,400 must be reported on Form 1040, line 21. Deductions cannot exceed gross revenue. Therefore, the following expenses are deductible as miscellaneous expenses on Schedule A, line 23 before the 2 percent of AGI limitation.

Taxidermy supplies	\$2,200
Office supplies	200
Taxidermy lessons	400
Advertising	300
Freight and postage	200
Depreciation on equipment	<u>1,400</u>
Total costs	<u>\$4,700</u>

Gretchen must report her total royalty income of \$5,000 on Schedule E, line 4.

With regards to Leopold's settlement of \$45,000, compensatory damages and compensation for lost income are not taxed. The income related to medical expenses is also tax free, except for the "tax benefit rule." Because Leopold claimed a medical expense deduction of \$3,000 in 2006, the reimbursement of this amount must be considered as income in 2009. The amount of income is limited to the tax benefit received in prior years (\$3,000). Because Leopold claimed the standard deduction in 2007, no reimbursement for expenses paid in that year is includible in 2009. Punitive damages (\$10,000) are fully taxable. Reportable income of \$13,000 must be reported on Form 1040, line 21.

The following income must be reported:

- Gambling winnings of \$1,700 on Form 1040, line 21.

3.0 EXPENSES:**3.1 Medical Expenses:**

The following medical-related expenses are deductible before the 7.5 percent of AGI limitation on Schedule A, line 1:

Gretchen's psychiatrist	\$2,500
Leopold's medical bills	3,100
Ambulance services	<u>400</u>
Total qualifying expenses	<u>\$6,000</u>

Unpaid medical and dental bills cannot be deducted until they are paid or 2009 as occurred in this case.

3.2 Payment on Debt:

The following loan-related payments are deductible on Schedule A, line 10:

Mortgage interest on Leopold's home	\$1,120*
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* Total mortgage interest was \$1,400. \$280 was deducted in calculation of home office expenses deduction on Form 8829, Part II.

3.3 Payment of State and Local Taxes and Fees:

The following state and local taxes can be deducted on Schedule A, line 6:

Property taxes on Leopold's home	\$1,520*
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* Total taxes were \$1,900. \$380 was deducted in calculation of home office expenses deduction on Form 8829, Part II.

The sales tax deduction using 7.25 percent sales tax rate would be \$2,763, which would be deductible on Schedule A, line 5 because Texas has no individual income tax regime.

3.4 Charitable Contributions:

The following charitable contributions are deductible on Schedule A, line 16:

Payment to Knox College	\$ 4,000
Payment to United Way	10,000
Payment to American Leukemia Society	2,000
Payment to Boy Scouts of America	400
Total charitable gifts on line 15	<u>\$16,400</u>

3.5 Other Expenses and Payments:

Gretchen's trip is primarily personal because she spent more days (three) on personal business rather than conducting business (two). Therefore, none of her transportation costs are deductible. She can, however, deduct the following on Schedule A, line 21:

Hotels (2 nights \times \$100 per night)	\$200
Meals (2 days \times \$40 per day \times 50%)	40
Convention registration fee	<u>250</u>
Total deductible expenses	<u>\$490</u>

The Kleins are entitled to the child and dependent care credit of \$600. See attached Form 2441 for the calculation of this credit.

Because Gretchen did not change job sites as part of her move to San Marcos, the Kleins cannot deduct any of her moving expenses.

Leopold's bad loan to Roxanne Gregory is not business related. It qualifies as a short-term capital loss. It is reported on Schedule D, line 1.

Please note that itemized deductions are limited due to AGI limitations. This calculation is included on the attached itemized deduction worksheet.

Calculation of Tax Liability:

Tax liability is calculated as follows:

Tax on ordinary income of \$160,098	\$33,092*
Tax on long-term capital gains and qualifying dividends	<u>1,282**</u>
Total tax liability	<u>\$34,374</u>

* Per Tax Schedule

** Taxed at flat rate of 15 percent