



*Presented by the ISBA Tax Section*



# **2016 Income Tax Forms & Examples**

**Bloethe Tax School  
December 7-December 9, 2016**



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## **Farm Tax Problem**

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Table of Content

Factual Background.....	2
Form 1040.....	18
Schedule A.....	20
Schedule B.....	21
Schedule C.....	22
Schedule D.....	24
Form 8949.....	26
Schedule E.....	28
Schedule F.....	30
Schedule SE.....	33
Form 4136.....	37
Form 4562.....	41
Form 4797.....	43
Form 4835.....	45
Form 6251.....	48
Form 6781.....	50
Form 8863.....	51
Form 8889.....	54
Form 8903.....	56
Form 8962.....	58
Form 1095-A.....	59

2016  
INCOME TAX FORMS  
AND EXAMPLES

“COUNTRY MOUSE”  
FARM TAX PROBLEM

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IRS CIRCULAR 230 Disclosure: Under U.S. Treasury regulations, we are required to inform you that any tax advice contained in this e-mail or any attachment hereto is not intended to be used, and cannot be used, to avoid penalties imposed under the Internal Revenue Code.

Marion L. and Louise J. McDonald are married taxpayers who own and operate a 3,550 acre farming operation. They now live at 918 Cyclone Avenue, Marshalltown, Iowa. They rent 200 acres from a neighbor on a 50-50 crop share basis. In addition, they cash rent from a neighbor an 80 acre farm that joins the 240 acres. Marion is 65 and turns 66 on April 12, 2017 and Louise is 63. They have two children who are still living at home. Donald is 20 and a sophomore in college (full-time student) and Janice is 17. Donald started in September 2014 as a full-time student and continues to attend Iowa State University. His room and board was \$4,850, his tuition was \$8,500 and his supplies and books were \$2,200. Donald received 1098-T showing his scholarship of \$8,500 and showing tuition of \$8,500. The terms of the scholarship allow the \$8,500 to be applied to tuition or room and board. (See Regs. 1.25A-5(c)(3) can offset room and board first and take A.O.C. Donald must report on his return.) Marion paid all of the room and board and half of the tuition in 2016. Donald paid one half of his own tuition. Marion has obtained a transaction summary from the university. Also Louise attended Marshalltown Community College in the fall taking a computer/keyboard class so she could improve her skills in keeping the farm financial records on Quick Books. Tuition of \$2,000 was paid on September 10, 2016.

Both children work for their parents in the farming operation during the year. Donald earned \$5,000 for farm labor (500 hrs.) from Marion, and Janice earned \$4,000 (400 hrs.) from Marion.

#### Wages Paid to a Child

Paychecks should be issued or paid on a timely or wage-like basis; in an amount based on the services performed and paid on dates which correspond to the date of the work done; and not for routine family chores. (Contra Ross v. Com., TC Summary Opinion 2014-68 - payments on behalf of kids to Third Parties - that children directed be made. But also in 2016, wages paid to a child for work done must appear and be paid in the normal course of business. "Bonuses" paid all of a sudden at year end are non-deductible business expenses. (Embroidery Express LLC v. Com., TC Memo 2016-136)

In 2002, Louise inherited from her mother 240 acres which is located near Iowa City, Iowa. Since this farm is too far from Marshalltown for the McDonalds to farm, Louise rents out 160 acres of the farm on a 50-50 crop share basis and 80 acres on a cash basis. Louise does not materially

participate but does approve capital improvements and participates in some management decisions on the 160 acre Johnson County farm. (Active participation)

In February of 2013 Louise inherited an 120 acre tract from her uncle. This parcel was unimproved real estate and adjoined the McDonalds existing farming operation. Louise has entered into a written lease with 3M Farms (#42-1234567) a partnership consisting of her husband Marion and two of his brothers. The partnership has its own equipment, owns no land, but leases land on cash rent and some on crop share. All three brothers materially participate in the operation. The brothers shared equally in the operation in all respects. Marion received a K-1 (1065) for 2016 showing his share of ordinary income (loss) from trade or business activities (Line 1) as \$8,200. Also on Line 15a net earnings (loss) from self-employment as \$8,200. Additionally, Louise received cash rent of \$31,780 per year ( $3.13 \times 86 \text{ CSR} \times 118 \text{ tillable acres} = \$31,780$ ). \$279.50 per acre is a rent consistent with market rates of rent in the Marshall County area and thereby the rental arrangement stands on its own as an independent transaction and not part of an "arrangement" for participation in agricultural production. There is no nexus between the rent received and Marion's material participation. However the lease calls for cash rent to be paid \$15,890 on September 1, 2016 and \$15,890 on December 20, 2016. (The lease provides that no payment will be delinquent if paid within 15 days of the due date). The second rent payment of \$15,890 due December 20, 2016 was paid on December 31, 2016. Louise received the rent check dated December 31 on the 2<sup>nd</sup> of January, 2016. They also received a 1099-misc with rent of \$31,780 shown as the rent. (See Fischer, 14T.C. 792 (1950) As long as check is covered when presented and Blumeyer T.C. memo 1992-647, 1992 if instructions to hold check - not deductible until cashed) (Also see IRC §267(a)(2) - where the deduction is in one year and income includible in next year because of method of accounting difference if related parties.) On December 31, 2015, the partnership had \$16,600 in its checking account.

Marion and Louise ask about the self-rental by them to 3M Farms in which Marion materially participates. If Marion divests of ownership in 3M at his retirement does Louise's rent that was previously viewed as Non-NIIT Passive Income become countable towards the NIIT Tax - No. See §469(h)(3) - 2032A(b)(4) & (5). What if they sell some of this land at a gain that was rented to 3M? Is it subject to 3.8% tax - No. (See §1.1411-4(g)(6))

(See Mizell v. Commissioner, T.C. Memo 1995-571, 70 TCM [CCH Dec. 51,031(M)](1995) and LTR Ruling 96-37004 [NOTE: Mizell is a crop share lease](But see McNamara v. Com., 236 f.3d 410 (8<sup>th</sup> Cir. 2000) Reversing & Remanding. Bot v. Commissioner, T.C. Memo 1999-256 and Hennen v. Commissioner, 78 TCM 445 (9/16/99)). (In Hennen, the wife played a material role in the production of agricultural commodities under an arrangement with husband.) The tax court has agreed that the rentals in McNamara, Hennen & Bot are fair market rents (T.C. Memo 2002-189 issued July 10, 2002) IRS has issued a non-acquiescence as of 10/20/03. (See also Gerald E. and Dorothy Johnson v. Comm., T.C. Memo 2004-56, 3/9/04 excess is S/E taxable) (But see Solvie v. Comm., T.C. Memo 2004-55, 3/9/04 rent too high all is deemed S/E taxable).

**SELF-RENTAL RULE** - Section 469 recharacterizes self-rental as “non-passive” and disallows the use of self-rental to generate passive income which may be used to offset and thereby deduct passive losses. While it was previously unclear whether self-rental was subject to the N.I.I.T. 3.8%, it has now been clarified. Reg. 1.1411-4(g)(6)(I) excludes gross rental income from the definition of net investment income to the extent the property is used in a trade or business and the taxpayer directly owns an interest and materially participates (1.469-5T) for the year - a self-rental (Reg. 1.469-2(f)(6)) or the taxpayer has made a grouping election with a trade or business under 1.469-4(d)(1).

**BONUS ACCRUED BY 3M** - Marion has told you that 3M Farms is thinking about accruing a bonus for 2017 to Marion and his two brothers of \$3,000 each (\$9,000 in total). This in essence would be deducted by 3M in 2016 and paid out to Marion and his brothers within the first two and a half months of calendar 2017. This would lower the 3M K-1's by \$3,000 each and would not hit Marion's personal return until 2017. Is this okay? No (related parties prohibition §IRC 267 + IRS Pub. 538 accounting periods and methods pg. 14 (Dec. 2012); otherwise see Reg. 1.404(b)-1T)

Marion is thinking of “cutting down” on his direct involvement in 3M. As he approaches age 66, he is wondering if he can cut-down his self-employment exposure. (Problem - a general partner receives pass-through S/E income §1402(a)). (Consider LLC formation manager-managed-Marion not a manager and he spends less than 500 hrs per year.)

During 2015, Louise paid the following expenses associated with her inherited land (property tax, \$2,600; Mrtge. bank interest \$2,000; insurance \$700; legal and professional fees, \$250) (See



Cox v. Commissioner 66 TCM CCH Dec. 49, 172(M), 7/22/94) and affirmed 8<sup>th</sup> Cir. 1997-Cox is a non-farm inherited property husband/wife case.

### HOME OFFICE

Marion and his wife have a room in their home dedicated to farm business office use. Invoices are received here by vendors who deliver to the farm. Farm business is transacted by phone, text messaging and email from the office computer. Any vendors who come to the farm are informed by a sign that they must first check in at the office. The area of the office is 15' x 20' = 300 square feet x \$5 = \$1,500 (Rev. Proc. 2013-13, 2013-6 IRB478). Actual office expense for this year total \$1,600. (Election on timely filed return is on a year-to-year basis, can switch to actual; no reduction to itemized deduction; depreciation recapture not an issue; Rev. Proc. 2013-13 §4.02 - 4.04, 2013-6IRB 478). Schedule C, line 30, Schedule F, line ?; Recall that last year actual office expense was \$1,000.

### CRP HISTORY/PRESENT

The McDonalds, under the continuous sign-up Conservation Reserve Program (2010), enrolled some of their land in the CRP. Marion enrolled ten acres. In 2010, Louise enrolled 20 acres of the farm she inherited from her mother near Iowa City. Marion received \$1,500 (\$150/acre) for a ten year contract. Louise received \$3,200 (\$160/acre) for a 15 year contract (See Form 4835 and see Sched. S/E, Line 1B). Both received CCC-1099 for their payments. The 30 acres were all in grass waterway (Ray v. CIR, T.C. Memo 1996-436, 72 TCM 780 (1996)). But see Wuebker v. Commissioner, 110 T.C. No. 31 (June 23, 1998)-but see Wuebker v. Commissioner, 205 F.3d 897 (6<sup>th</sup> Cir. 2000) which overturned the Wuebker tax court and held as ... previously in Ray, all government payments treated the same, i.e., if the farmer was materially participating, his CRP payments were s/e taxable, if not they were rent. IRC §1402 excludes rental from real estate. There is an exception to this exclusion if the land is used for agricultural purposes and there is an arrangement calling for the owner's material participation and the owner does materially participate. See Mizell v. Commissioner (above). CCA Ltr. Rul. 2003 25002 (5/29/03) all CRP payments are SE taxable even a non-farmer who buys ground with an outstanding CRP contract on it; And note IRS Notice 2007-54 (6/11/07); Notice 2006-108; not S/E if retired, see PLR 88-22064; not S/E if L.L. or other non-farming participant.

## **TWO (2) POINTS OF CURRENT LAW**

1. Any CRP payments received by a taxpayer who is receiving benefits under §202 or §203 of the Social Security Act shall not include as self-employed income, the CRP payments. See IRC §1402(a)(1).
2. Morehouse v. Com., 769 F3d 616, (8<sup>th</sup> Cir. 10/10/14) has overturned the tax court Morehouse, 140 TC No. 16 (2013). By a majority opinion (2-1) distinguished Morehouse from 6<sup>th</sup> Circuit Wuebker. The 8<sup>th</sup> circuit held that CRP payments to a non-farmer are rentals for purposes of §1402(a)(1) and are excluded from self-employment tax. But these facts arose before §1402(a)(1) was amended for 2008. The Eighth Circuit decision can be read to mean that all CRP paid after 2007 are real estate rent and it doesn't matter whether the recipient is a farmer or not. Morehouse v. Com., 140 TC No. 16 (2013). Morehouse Tax Court specifically overrules the Wuebker Tax Court decision. Morehouse was a non-farmer living in Texas who inherited land he had never farmed. His placing of the ground in CRP (sign up) and maintenance was found to be "...trade or business of conducting an environmentally friendly farming operation." All tax court judges except Judge Elizabeth Crewson Paris joined in the decision.

NOTE: In a field service advice 2/25/15 FSA 20152102F, the taxpayer was a personal holding company and arguing that CRP income payments to the corporation were passive rent income and triggered the personal holding company tax. The IRS argued under Morehouse, 769 F3d 616 (8<sup>th</sup> Cir. 2014) Rev'g 140 TC 350 (2015) that it was rent/passive income and should be tax at the P.H.C. rate. The IRS has non-acquiesced to Morehouse?! "Chevron Deference"

Marion and Louise have developed and expanded their farming operation into a grain and livestock operation. They have a cow-calf operation and feed out the calves. They also occasionally buy feeder cattle to feed out as prices and other factors indicate profit opportunities in the market. The McDonalds have a farrow-to-finish hog operation. As a part of their hog operation, they also buy feeder pigs from time to time to feed out as market conditions warrant. The McDonald's grain operation is primarily corn and soybeans.

The McDonalds have their own grain drying equipment. They purchase LP gas from the local cooperative for use in grain drying and to heat the hog house, they also use LP gas for cooking in their home.

Marion does most of the chores with the help of a full-time hired man (new hire) who lives on the farm in Marshall County and help from Louise and the two children. Louise helps in the

spring with the soil tillage, planting and cultivating and also drives the tractor during harvest, hauling the grain in from the field. She also keeps the books for the farming operation, does most of the banking work and occasionally goes to town for spare parts. (consider her occupation description)

Marion and Louise ask you about the “enhanced deduction for donation of food” IRC §170(e) PATH ACT §113

Louise has raised sweet corn, broccoli, asparagus and tomatoes and frequently sold them at the local farmers market. She donates some of her produce to the local House of Compassion and the food pantry. Typically in the past, you have informed her that because she didn’t have to account for inventory and operated on a cash basis, she had a zero basis in the inventory. Under the new law, if she doesn’t use the inventory method under §471 and is not required to capitalize indirect costs under IRC §263A - she may elect the “enhance” deduction for food inventory as equal to 25% of the fair market value.

Louise’s donation of produce was worth \$400 (when compared to what this type of produce sold for during the season at the farmers market. Her farmers market sales net income was \$8,000.00 for the year. Louise rents one-half acre of ground as a garden plot.

So under the statute her tax basis in the produce for purposes of the contributed food inventory deduction is  $(1/4 \text{ of } \$400) = \$100$  plus  $\frac{1}{2} (400 - 100) = \$250$  OR two times her basis \$200 whichever is less. So her deduction is potentially \$200, limited to 15% of her net business income  $(15\% \times \$8,000) = \underline{\$1,200}$  so deduct \$200 on Schedule A with all other deducts limited in total to 50% AGI (NOTE: excess contributions (15% or 50%) carry over) (Get a statement from charity that it was fresh and not sold but used to care for their clients.))

The McDonalds donated \$5,000 to United Way in 2016.

In early Spring 2016, Louise was charged with selling a controlled substance at the Farmers Market. She was tried and convicted of a Class D Felony and served 60 days in the county jail. In fact the sales she made were of chopped and dried cilantro grown in her herb garden. She was wrongfully convicted because she was pardoned by the Governor or she had the conviction reversed or vacated or the indictment/information was dismissed. She received \$20,000 in a suit/settlement for wrongful imprisonment. (Note: PATH ACT December 2015 §139F(a) - civil damages, restitution

or other monetary awards related to wrongful incarceration is excluded from income. Applies to years before or after 12/18/15 so amendments/referral claims are in order.

In the fall of 2015, the McDonalds had some cattle they were raising and some feeder cattle they had purchased that were going to be ready for market in the spring of 2016. As had been their custom in the past, when market conditions warranted and further because of the uncertainty of the farm economy, the McDonalds, in December 2015, sold cattle short on a futures contract at Beaman Coop and Livestock for April, 2016, in order to avoid any risk of a decline in the cattle market. Marion felt this constituted protection against any price decreases on his cattle. The futures contract called for him to sell approximately the same quantity of cattle in April 2016 as he anticipated would be ready for him to market at that time. Over the course of the next four months, the market went down. Marion sold and delivered his live cattle in April 2016 and on the day of delivery bought back futures to cancel out his December 2015 short sale. Marion gained \$3,800 on the cattle futures transaction.

As has been his custom in the past, Marion sold his annual yearlings for \$20,100.

Marion and Louise have a long-term capital loss carryover of \$15,100 and a short-term loss carryover of \$9,840.

Also in the fall of 2016, Marion felt soybean prices were too low and that if certain world economic events and domestic political events took place, the price would rise by early spring. Normally Marion would raise 18,000 to 30,000 bushels of soybeans. Marion purchased 50,000 bushels of soybeans at Beaman Coop and livestock on the futures market in the fall of 2015. The soybean market declined and Marion ended up selling the contract in August 2016 at a \$24,000 gain. What if Marion identified all of the transactions as a hedge? (See Reg. §1.1221-2(e)(1))

On August 20, 2016, Marion sold the feeder cattle he had purchased in September of 2015. These cattle sold for \$46,000. Marion had originally paid \$18,000 for them.

### **SEALED GRAIN**

Marion has previously made a IRC §77 election. In May 2002, Marion sealed 2001 corn (14,000 bu. @ \$1.80) for \$25,200. On July 26, 2002, the posted county price (PCP) was \$1.40 (7,000 x \$1.40) so Marion paid off half the loan for \$9,800 (12,600-9,800= \$2,800). Recall that he offset basis and deducted the \$2,800 on his 2002 Schedule F. In January 2003, Marion sold the corn

for \$14,000 (7,000 x \$2.00)(basis 12,600-2,800). (See Rev. Rule 87-103)(NOTE: if repaid in same year, see Thompson v. Commissioner, 322 F2d 122 (5<sup>th</sup> Cir.) Contra see Isaak v. Commissioner, 400 f.2d 869 (9<sup>th</sup> Cir. 1968)), (See Farmers Tax Guide 2007, pg. 10, Chapter 3, Example 1).

On December 15, 2003, Marion (with your assistance) filed Form 3115 electing to treat ccc loans as loans rather than income. (Rev. Proc. 2002-9, I.R.B. 2002-3, Appendix Section 1.01). Recall that since 1991, Marion had made an IRC §77(b) election to treat sealing proceeds as income at the time of sealing. Marion sold the remaining half of the 14,000 bushels of 2001 corn that he sealed in 2002 for (\$2.21 x 7000 bu.) \$15,470 in June 2004 and paid off the loan \$12,600 (\$25,200 ÷ 2).

In Spring 2008 Marion sealed 10,000 bushels of corn for \$1.90. Marion indicates that he may use sealing his corn as a method of selling his corn on an installment basis. He indicates that he made an IRC §77 election for 2008 and went back to reporting income at the time of sealing. Marion sealed 20,000 bushels at the local coop for \$1.90 (\$38,000) in December of 2008. He unsealed the corn in January of 2009 by purchasing a PIK certificate when the posted county price was \$1.85 (\$37,000). He later sold all of this corn in August 2009 for \$4.50/bushel (\$90,000). His farm program payment ccc-1099G showed a market gain for this transaction of \$1,000. (See Farmers Tax Guide pg. 10 (2009) (Marion has included the sale in 2009 of \$90,000 and he has deducted his repayment amount of \$37,000 as cost on line 2, not “repo corn” on the expense section of Schedule F.) Marion sealed no corn in 2013. He can't make a 3115 election for 5 years (2008).(See Rev. Proc. 2008-52)

What if Marion sealed corn under IRC §77 in 2016 and later sold through the Coop and received a PURPIM 1099?

Marion received a ccc-1099G for \$5,800 for 2016 ARC farm program payments. (This does not include his CRP)

Donald sold corn off the north farm for \$138,000 in January of 2016.

In the Fall of 2016, McDonald sold some corn right out of the field for \$125,000. He also sold beans right out of the field and on hand for \$120,000. Marion sold cattle throughout the spring for a total of \$91,000.

Marion has sold \$150,000 of corn at the Coop Elevator on 5 contracts of \$30,000 IRC §453(1)(2)(A). The contracts state that under NO circumstances can Marion receive the proceeds until 1/10/16. Marion signed the contract right before he delivered the corn. The contract cannot be assigned nor used as collateral. After consultation with you, Marion decides to elect out of the installment method on one of the contracts, thereby including \$30,000 in corn sold for 2016. What if Marion had died in December 2016 after putting these contracts out? Remember the IRD deduction of estate tax in taxable estate. The contracts did provide that Marion could draw up to \$1.00 a bushel once the price was set but he would have to pay one percent above the prime interest rate if any amounts were drawn. (Rutland v. Cir., TC Memo 1977-8)(when should this be taxed?)

On December 30, 2016, Marion delivered some hogs to the local packing plant. On December 31, 2016, the local plant called and said they had a check for \$18,500 for Marion. Louise told them to put it in the mail, which they did on December 31, 2016. Marion received the check in the mail on January 2, 2017. (He kept the postmarked envelope). The check was dated 12/31/16. (Law—an uncashed check is income when it could have been picked up on December 31, 2016 as income in 2015. Romine v. Cir., 25 TC 859(1957). But a check sent by certified mail is not included in income until delivered. Davis v. Cir., TC Memo 1978-12.

In the spring of 2016, Marion helped out a neighbor by doing some cultivating with his own machinery for which he received \$3,300. He also did some combining for a neighbor with his own machinery for which he received \$1,900.

Marion gives you his 1099-PATR from Farmers Coop for 2015. It shows \$1800 in box 1 patronage dividends; 22,601 in box 3 per unit retains and \$2099 in box 6 domestic production activities deduction.

Marion says he and Louise have entered into a manure easement as landowner/landlords on 80 acres of the Iowa City ground. Marion and Louise are paid \$15 an acre for the easement. Their tenant is delighted because it saves them \$100-\$150 per acre in fertilizer costs. Seems like a win-win situation. Marion received a 1099-Misc for rent for \$1,200. Marion says the lease he signed allows that after the first year, the lease can be terminated but after that it is a ten year lease. He asks if you would like to see it. (See Tetzlaff v. Camp, 715 NW 2d 256 (Iowa 2006) Caution: a

landowner may have nuisance/tort liability as if he had carried on the activity himself. Consider measurement provisions, timing of application, terminability of easement, bank/security issues.)

On the McDonalds' 2015 federal return was shown a federal fuel tax credit of \$554 and on the Iowa return was shown a fuel tax credit of \$602. McDonalds received a \$602 refund from the State of Iowa in 2016 for 2015 return (i.e., fuel tax).

At his income tax appointment on January 8, 2017, you determine the McDonalds total tax owed. Two-thirds of their gross income for 2016 or 2015 is from farming. Marion tells you that he and Louise are going to be gone on a two month world cruise from February 1, 2017 until April 1, 2017. He has heard that if he makes a single estimate payment on January 15, 2017 of at least two-thirds of the total tax due, he can wait and file his return April 15, 2017 and pay the rest of the tax and avoid penalty. (See IRC §6654(I))

Marion says he prepaid some expenses as follows:

1. paid \$15,000 to Mid-Iowa Coop which after the end of the year he priced and purchased some bean seed amounting to \$12,700 and had the \$2,300 refunded. The Coop would have allowed Marion to substitute other goods instead of the \$12,700 bean seed (deposit).
2. paid \$17,000 to Arbie Feed for a specified quantity of pre-mix hog feed with no right to refund, no right to substitute. Marion made the deal with Arbies to obtain a discount, to secure adequate supply of feed and to avoid the risk of rising prices.

Marion says he is sure these are deductible because they don't violate the 50% ppd-expense limit (IRC §464(f) (but see Rev. Rule 79-229 and business reasons for early purchases; see Van Raden v. Comm., 71 TC 1083 (1981)).

Result cash method prepaid expenses must be an actual purchase, have a business purpose (not tax purpose) and not result in a material distortion of income. Number one above is probably a deposit. Number two is probably okay to take a deduction.

Also remember a deduction by check can be claimed when the check is delivered or placed in the mail. (Rev. Rule 80-335) The payment can be made with borrowed funds but not from the seller. (Hager v. Comm., TC memo 1982-663, 1982). Purchase by credit card is payment when the charge occurs not when the credit card bill is paid. (Rev. Rule 78-38 and 78-39).

Marion McDonald paid \$1,700 to his landlord pursuant to the terms of their crop share lease agreement providing for reimbursement settlement to the tenant or the landlord for their portion of the crop input expenses for 2016.

During 2016, the McDonalds paid their full-time hired man \$20,000 of wages (2080 hrs. worked), furnished him a rent-free house on the Marshall County farm in which his family lived (Rev. Rule 70-72-not income to employee, see Erdelt v. U.S., 715 F. Supp. 278 (D.N. Dakota 1989); Winchell v. U.S., 564 F. Supp. 131 (D. Neb. 1983), aff'd 725 F.2d, 689 (8<sup>th</sup> Cir. 1983), and Blue Cross-Blue Shield health insurance coverage which Marion also provided Louise and has had with the Farm Bureau for many years. The coverage is ACA compliant. The policy has a deductible policy (\$5,000). Louise and hired man have received a 1095-B from Marion/Wellmark Blue Cross/Blue Shield.

Marion now has a written employment contract with Louise under which he provided her with family health insurance. (See Speltz v. Cir., T.C. Summary opinion 2006-25 (2/14/06)) (Day care operator employed her husband-Burden of proof shifted to IRS). But see Snorek v. CIR, T.C. Memo 2007-34 (2/8/07) and Francis v. CIR, T.C. Memo 2007-33 (2/8/07) Employment relationship must be substantiated. (see Shellito v. Cir. T.C.M. 2010-41, NOTE: reversed 2011 WL 3701211 CA-10 8/24/11) Need to define her job and pay, particularly if she has a history of working for free. In fact, the health insurance is in Louise's name, not Marion's. The policy covers Marion and his wife, Louise, and both children at a cost of \$13,000 per year (family coverage) and the hired man (who is single) with medical insurance at a cost of \$6,000. These policies had \$5,000 deductibles.

Marion has established an HSA plan for Louise (family) and for hired man (single). Marion, as employer, contributed half of the maximum contribution to each and the employee contributed the other half. So from Marion as employer, he paid (half x 6750) to Louise/HSA \$3,375 and (half x 3350) to hired man/HSA \$1,675. Louise put \$3,375 in her HSA and hired man put \$1,675 in his HSA.

Marion has dropped his §105 medical reimbursement plan.

Marion paid Louise \$2,600 (\$13/hr. x 200 hrs) in cash wages and a total of 1,600 bushels of corn at \$3.25/bushel on 6/12/16 or \$5,200 in grain wages, Donald \$5,000 in cash wages and Janice \$4,000 in cash wages. (Note: Wage gross-up) Louise sold all 1,600 bushel of her corn on Dec. 21,



2016 for \$3.40/bushel or \$5,440. Grain wages are exempt from FICA (3121(a)(8)(A); 31.3121(a)(8) - 1(b)); exempt from federal withholding tax (3401 (a)(2)); exempt from FUTA (3306(b)(11)). Because Marion had been provided with W-4s by each of his employees, he also withheld income tax on his employees. He paid his portion of the FICA and the employees' portion. Marion McDonald paid \$4,222 ( $\$2,111 = 27,600 \times 7.65\%$  E'ER) and  $\$2,111 = 27,600 \times 7.65\%$  E'ee FICA during 2016 (before the year end) for all wages taxable for FICA purposes in 2015. (Note: "Gross-up Rule")( $\$27,600 \times 7.65\%$ ).

During the year, the total amount paid by the McDonalds for repairs to machinery was \$4,200.

The 1098's for mortgage interest which Marion and Louise received showed for the first time an o/s mortgage balance of \$1,500,000 on 1/1/2016 originating in 2012 for §18, Twnshp 84 N, R 15 W and another 1098 for the house mortgage interest of \$10,200 on balance which on 1/1/2016 was \$250,000 for 918 Cyclone Avenue. (Not required to be furnished before 2017). The farm mortgage interest was \$59,200.

Marion McDonald prepaid his farm umbrella liability insurance for the period 2/1/16 through 1/31/17 in the amount of \$2,400. He received the invoice on 12/30/15 and "prepaid" it. (11 months only, Reg. §1.263 (a)-4(f)). He also prepaid his interest on his farm mortgage for January in the amount of \$950. (IRC §461(g)). This was not included on his 1098 from F & M.

During 2016, Marion paid cash rent for the Poweshiek County 80 acres in the total amount of \$24,000. Included in this was rent for the house where Marion requires the hired man to live in order to perform his job (See Rev. Rule 70-72-Rent is fully deductible). Marion has a year-to-year cash rent lease that provides for cash rent of \$266.22/tillable acre (120 acres tillable). A termination notice was signed by Marion and the landlord on August 1, 2016. The total rent paid was \$31,946, half on 3/1/16 and half on 10/1/16. Marion issued a 1099-Misc. (rent \$31,946) for 2016 to the landlord. No bonus was paid this year by Marion.

During the year, the total amount of feed purchased was \$15,800, which was purchased fairly uniformly throughout the year. Marion reports about \$9,500 of feed was left on hand at year end 2016.

Marion bought some cattle feed in December for a total cost of \$10,000. He paid \$5,000 in December and the remaining \$5,000 was to be subtracted from the stockyard's sale proceeds when cattle he had there were to be sold in January of 2017.

During 2016, the McDonalds paid \$12,100 for seed corn and seed beans. Marion purchased some additional seed corn from Marshalltown Cooperative on December 27, 2016 and took delivery of the seed. The seed cost was \$8,000. Marion had a check which he wrote to the coop on 12/27/16. The coop manager who also headed up the Marshalltown Cooperative Finance Company (a wholly owned subsidiary) offered to have Marion sign a 30-day promissory note and told Marion he could come in after the first of the year and pay the note off. Marion declined and gave the manager the check. (Rev. Rule 77-257, 1977-IRB 174; Clapman v. U.S., 527 F. Supp. 1053, D. Minn 1981)

During 2016, the McDonalds paid \$35,200 for chemicals. McDonald paid \$155,000 for fertilizer of which \$30,000 was purchased on December 29, 2016.

During 2016, the McDonalds paid \$5000 for machine hire.

During 2016, the McDonalds paid \$3,250 for various farm supplies and \$5,600 for LP gas, of which \$4,300 was for farm use and the balance was for home heating and cooking.

Marion had federal crop insurance hail damage recovery in 2015 and 2016. Recall that last year he did not elect to defer the 2015 recovery of \$22,000. This year, 2016, he received \$23,000 for 2016 damage.

During 2016 their total veterinary bill was \$2,802 and breeding fees were \$2,200. During 2016, the McDonalds paid \$17,865 for diesel gasoline and oil. This was comprised of 3,052 gallons of gasoline which was exclusively for off-road farm use. The McDonalds were charged state and federal gasoline taxes on this fuel.

The real estate taxes paid by the McDonalds on the farm for 2016 totaled \$7,200. This includes real estate taxes on the house they live in on their home place. According to the records of the Marshall County Assessor, the value of their house if taxed separately would result in real estate taxes of \$2,200.

The McDonalds paid \$3,500 for farm liability and fire insurance coverage, which includes fire insurance coverage on the house they live in. The company advises that the cost of the

insurance coverage on the house alone would be \$400. Multi-peril crop insurance cost \$1,250 in 2016.

The McDonalds have only one electric meter for their entire farm which covers the electricity used for farming and in their home. The McDonalds estimate that 70% of the electricity is used for farming and 30% for the home. Total electric bills for the year were \$3,000. In addition, the telephone bill for the year is \$850, which is comprised of a baseline charge for the phone in their home of \$150. The McDonalds estimate that 70% of the telephone usage is for farm business purposes.

Marion purchased a Nokia cell phone and is a U.S. Cellular subscriber. He received a full rebate for the phone cost in exchange for signing up with U.S. Cellular. He began service on June 1<sup>st</sup> and paid \$50 a month for six months in 2016. Marion produces a record of the calls he made in August for a one month period. Out of 120 calls that he made, 100 were business related. The time spent on the 100 business related calls uses 500 minutes, the personal calls used 250 minutes. (Old law: Temp. Reg. §1.274-5 T(c)(3)(ii) (sampling is okay) (cell phone is listed property §280F(d)(4)A(v)). Marion asks what is the "Rule" about cell phones - cell phones no longer subject to "listed property" Rules of Substantiation (IRC §280F(d)(4)) but because IRC §132(d), a cell phone could be a working condition fringe benefit; not a working condition fringe includible in income says IRS - see notice IR 2011-93, 9/14/2011.

Janice McDonald is in 4-H, has raised a steer and showed the steer at the Iowa State Fair. She incurred expense of feed in amount of \$250.00; veterinarian expense of \$50.00 and miscellaneous supplies expense of \$95.00. She won a prize at the Iowa State Fair of \$500.00 and sold the steer for \$1,300.00. Currently all of the expenses are in Marion's expenses. The sale of the steer is in his cattle sale income. The 1099 from the fair (if one comes) will be in Janice's name. (Consider: Is this a trade or business or primarily for educational purposes? Consider line 21 of Janice's 2016 form 1040 - no self-employment tax. Farm daughter status?)

On October 15, 2016, Marion donated 1000 bushels of current year corn to his church by delivering the corn to the elevator and having the elevator make out and deliver a storage receipt to his church (okay from current crop year 1.170A-1(c)(4)). The 1000 bushels came from a farm operated by Marion, not a landlord cropshare held by Louise. (Parmer, 468 F2nd 705, CA-10, 1972)

The church was also notified by the elevator that it would not sell the grain until instructed to do so by the church at which time the elevator would cut and deliver a check payable to the church.

Marion and Louise received interest at Farmers Savings Bank of \$1,800 and a dividend from Lennox Credit Union of \$350.

During the year 2016, Marion had two sows die, both of which he had raised since 2009. Fair market value of the sows at death was \$800 total. The two sows died on October 1, 2016.

The farm which Louise inherited in Johnson County, Iowa, consisting of 160 acres, had the following items of income and expense under the 50-50 crop share (non-material participation) lease during 2016, assume that Louise did actively participate:

1. Corn sold	\$23,000
2. Chemicals	\$ 1,500
3. Fertilizer and lime	\$ 1,650
4. Hail, liability and building Ins.	\$ 1,550
5. Interest paid to Farm Credit Assoc.	\$ 1,750
6. Seed	\$ 2,150
7. Johnson County real estate taxes	\$ 2,300

Marion's total MACRS depreciation for 2016 is \$16,478. He had no equipment purchases in 2016.

Marion uses his pickup to run farm errands to nearby towns as well as for farm business trips to other states to buy supplies and equipment and livestock. The vehicle is used during most the normal business day directly in connection with the business of farming. The McDonalds do not have any records for mileage on this pickup truck. The McDonalds do have records of the gasoline purchased for the pickup truck, as this vehicle was fueled exclusively at the Casey's Store in town. Total cost of gasoline placed in the pickup truck during the year was \$3,800. Insurance on the pickup truck was \$470. Repairs and maintenance were \$600. All of these expenses were incurred and paid for during the year.

At the tax appointment on January 8, 2017, Marion hands you a list of his 1099 payments to be reported. He says these don't really have to be mailed until February 28, 2017 correct? Wrong - Form W-2 and 1099-Misc/NEC are due January 31 to both IRS and recipient. (No tax credits or earned income credit granted before February 15, 2017)

Marion informs you that he has received 1099-Misc/NEC from an adjoining landowner with whom he is having a boundary dispute. Marion says there is absolutely no basis for these 1099-Misc/NEC. What can be done about these? (See Pitcher v. Waldman, (6<sup>th</sup> Cir.))

Louise worked 600 hours at Ben Franklin Elementary School during 2016 as a teacher in the third grade classroom. Louise incurred \$250 in 2016 of expenses for supplies she used in performing her job. (Not limited to 2% misc. Schedule A). She is not covered by a retirement plan. Louise tells you that her teaching salary is \$6,137 (\$3,000 f/w/h; \$1500 s/w/h).

Again Louise sold 100 shares of her Met Life stock which she received in “demutualization” of her life insurance policy/company. She had been a member of the mutual company and the stock was issued to her for her membership rights. She received the stock in 2007 when it was worth \$2,800 and sold it on July 8, 2016 for \$3,500.00.

- (1) Fisher v. U.S., 102 Aftr 2d 2008-5608, Ct. Fed. CL 2008, Aff’d., 105 Aftr 2d 2010-357, CA-Fc 2009 \_\_ \_\_ Taxpayer received a basis equal to Fair Market Value at time of issuance;
- (2) Reuben v. U.S., 111 Aftr 2d 2013-620, DC CA, 2013 - taxpayer has no basis in demutualized shares;
- (3) Dorrance v. U.S., 111 Aftr 2d 2013-1280, DC Ariz, 2013 - methodology for computing basis;
- (4) 9<sup>th</sup> Circuit resolved Reuben and Dorrance by saying zero basis. Nothing was paid for membership rights and premiums stayed the same after demutualization (Dorrance v. U.S., 116 Aftr 2d 2015 - 6992, CA-9, 2015. Taxpayer bad news;
- (5) Only support left is outside 9<sup>th</sup> Cir. under Fisher Court of claims.

Louise tells you that she was going to rollover \$15,000 from her Pershing IRA account. She received a check for \$15,000 from Pershing dated October 15, 2016 and then went to Farmers Savings Bank where she has an IRA and a savings account. Unfortunately the bank clerk deposited her check in her savings account. She did not discover this until she received her quarterly savings account report on January 5, 2017. What result? She got the bank to fix this and the funds were redeposited into the IRA on January 10, 2017. (See Rev. Proc. 2003-16 §3.03 - bank/financial inst. error) (See 2016-47 self certification for: 1.check was misplaced/not cashed; 2.remained in an account mistook for an IRA; 3.Principal residence severely damaged; 4.Death of a family member; 5.Serious illness or incarceration; 6.Postal error;7.Distribution made because of IRS levy and levy was returned. Certification is made to plan administrator.)

For the year Jan. 1–Dec. 31, 2016, or other tax year beginning , 2016, ending , 20 See separate instructions.

Your first name and initial Last name Your social security number  
 Marion L. McDonald 1 2 3 | 4 5 6 7 8 9

If a joint return, spouse's first name and initial Last name Spouse's social security number  
 Louise J. McDonald 2 3 4 | 5 6 7 8 9 0

Home address (number and street). If you have a P.O. box, see instructions. Apt. no.  
 918 Cyclone Avenue --

City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions). Presidential Election Campaign  
 Marshalltown, IA 50158

Foreign country name Foreign province/state/county Foreign postal code  
 Foreign country name Foreign province/state/county Foreign postal code

**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 instructions.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶  
 5  Qualifying widow(er) with dependent child

**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)  If child under age 17 qualifying for child tax credit (see instructions)  
 Donald McDonald 8 7 6 | 5 4 3 2 1 0 Son   
 Janice McDonald 7 6 5 | 4 3 2 1 0 9 Daughter   
 . . . . .   
 . . . . .   
 d Total number of exemptions claimed . . . . . 4

**Income**  
 7 Wages, salaries, tips, etc. Attach Form(s) W-2 (2600 x .0765), \$5200 + \$2600 14,136  
 8a Taxable interest. Attach Schedule B if required + 6137 8a 2,150  
 b Tax-exempt interest. Do not include on line 8a . . . . . 8b  
 9a Ordinary dividends. Attach Schedule B if required 9a  
 b Qualified dividends . . . . . 9b  
 10 Taxable refunds, credits, or offsets of state and local income taxes . . . . . 10  
 11 Alimony received . . . . . 11  
 12 Business income or (loss). Attach Schedule C or C-EZ . . . . . 12 700  
 13 Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶  13 -0-  
 14 Other gains or (losses). Attach Form 4797 . . . . . 14 -0-  
 15a IRA distributions . . . . . 15a 15,000 b Taxable amount . . . . . 15b -0-  
 16a Pensions and annuities . . . . . 16a b Taxable amount . . . . . 16b  
 17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E 17 52,430  
 18 Farm income or (loss). Attach Schedule F . . . . . 18 110,800  
 19 Unemployment compensation . . . . . 19  
 20a Social security benefits . . . . . 20a b Taxable amount . . . . . 20b  
 21 Other income. List type and amount \$20,000 excluded 21 -0-  
 22 Combine the amounts in the far right column for lines 7 through 21. This is your total income ▶ 22 180,216

**Adjusted Gross Income**  
 23 Educator expenses . . . . . 23 250  
 24 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ 24  
 25 Health savings account deduction. Attach Form 8889 . . . . . 25 3,375  
 26 Moving expenses. Attach Form 3903 . . . . . 26  
 27 Deductible part of self-employment tax. Attach Schedule SE . . . . . 27 8,456  
 28 Self-employed SEP, SIMPLE, and qualified plans . . . . . 28  
 29 Self-employed health insurance deduction . . . . . 29  
 30 Penalty on early withdrawal of savings . . . . . 30  
 31a Alimony paid b Recipient's SSN ▶ 31a  
 32 IRA deduction . . . . . 32  
 33 Student loan interest deduction . . . . . 33  
 34 Tuition and fees. Attach Form 8917 . . . . . 34  
 35 Domestic production activities deduction. Attach Form 8903 . . . . . 35 12,506  
 36 Add lines 23 through 35 . . . . . 36 24,587  
 37 Subtract line 36 from line 22. This is your adjusted gross income . . . . . ▶ 37 155,629

<b>38</b> Amount from line 37 (adjusted gross income)		<b>38</b>	155,629
<b>Tax and Credits</b>	<b>39a</b> Check <input checked="" type="checkbox"/> You were born before January 2, 1952, <input type="checkbox"/> Blind. Total boxes checked <b>1</b>	<b>39a</b>	
	if: <input type="checkbox"/> Spouse was born before January 2, 1952, <input type="checkbox"/> Blind. checked <b>▶ 39a</b>		
	<b>b</b> If your spouse itemizes on a separate return or you were a dual-status alien, check here <b>▶ 39b</b> <input type="checkbox"/>		
	<b>40</b> Itemized deductions (from Schedule A) or your standard deduction (see left margin)	<b>40</b>	19,100
	<b>41</b> Subtract line 40 from line 38	<b>41</b>	136,529
	<b>42</b> Exemptions. If line 38 is \$155,650 or less, multiply \$4,050 by the number on line 6d. Otherwise, see instructions	<b>42</b>	16,200
	<b>43</b> Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-	<b>43</b>	120,329
	<b>44</b> Tax (see instructions). Check if any from: a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972 c <input type="checkbox"/>	<b>44</b>	21,624
	<b>45</b> Alternative minimum tax (see instructions). Attach Form 6251	<b>45</b>	-0-
	<b>46</b> Excess advance premium tax credit repayment. Attach Form 8962	<b>46</b>	????????
<b>47</b> Add lines 44, 45, and 46	<b>47</b>	21,624	
<b>48</b> Foreign tax credit. Attach Form 1116 if required	<b>48</b>		
<b>49</b> Credit for child and dependent care expenses. Attach Form 2441	<b>49</b>		
<b>50</b> Education credits from Form 8863, line 19	<b>50</b>	1,500	
<b>51</b> Retirement savings contributions credit. Attach Form 8880	<b>51</b>		
<b>52</b> Child tax credit. Attach Schedule 8812, if required	<b>52</b>		
<b>53</b> Residential energy credits. Attach Form 5695	<b>53</b>		
<b>54</b> Other credits from Form: a <input type="checkbox"/> 3800 b <input type="checkbox"/> 8801 c <input type="checkbox"/>	<b>54</b>		
<b>55</b> Add lines 48 through 54. These are your total credits	<b>55</b>	1,500	
<b>56</b> Subtract line 55 from line 47. If line 55 is more than line 47, enter -0-	<b>56</b>	20,124	
<b>57</b> Self-employment tax. Attach Schedule SE	<b>57</b>	16,913	
<b>58</b> Unreported social security and Medicare tax from Form: a <input type="checkbox"/> 4137 b <input type="checkbox"/> 8919	<b>58</b>		
<b>59</b> Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required	<b>59</b>		
<b>60a</b> Household employment taxes from Schedule H	<b>60a</b>		
<b>b</b> First-time homebuyer credit repayment. Attach Form 5405 if required	<b>60b</b>		
<b>61</b> Health care: individual responsibility (see instructions) Full-year coverage <input type="checkbox"/>	<b>61</b>	-0-	
<b>62</b> Taxes from: a <input type="checkbox"/> Form 8959 b <input type="checkbox"/> Form 8960 c <input type="checkbox"/> Instructions; enter code(s)	<b>62</b>	-0-	
<b>63</b> Add lines 56 through 62. This is your total tax	<b>63</b>	37,037	
<b>Payments</b>	<b>64</b> Federal income tax withheld from Forms W-2 and 1099	<b>64</b>	3,000
	<b>65</b> 2016 estimated tax payments and amount applied from 2015 return	<b>65</b>	
	<b>66a</b> Earned income credit (EIC)	<b>66a</b>	
	<b>b</b> Nontaxable combat pay election <b>66b</b>	<b>66b</b>	
	<b>67</b> Additional child tax credit. Attach Schedule 8812	<b>67</b>	
	<b>68</b> American opportunity credit from Form 8863, line 8	<b>68</b>	1,000
	<b>69</b> Net premium tax credit. Attach Form 8962	<b>69</b>	
	<b>70</b> Amount paid with request for extension to file	<b>70</b>	
	<b>71</b> Excess social security and tier 1 RRTA tax withheld	<b>71</b>	
	<b>72</b> Credit for federal tax on fuels. Attach Form 4136	<b>72</b>	559
<b>73</b> Credits from Form: a <input type="checkbox"/> 2439 b <input type="checkbox"/> Reserved c <input type="checkbox"/> 8885 d <input type="checkbox"/>	<b>73</b>		
<b>74</b> Add lines 64, 65, 66a, and 67 through 73. These are your total payments	<b>74</b>	4,559	
<b>Refund</b>	<b>75</b> If line 74 is more than line 63, subtract line 63 from line 74. This is the amount you overpaid	<b>75</b>	
<b>76a</b> Amount of line 75 you want refunded to you. If Form 8888 is attached, check here <input type="checkbox"/>	<b>76a</b>		
<b>Direct deposit? See instructions.</b>	<b>b</b> Routing number	<b>c</b> Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings	
	<b>d</b> Account number		
<b>77</b> Amount of line 75 you want applied to your 2017 estimated tax	<b>77</b>		
<b>Amount You Owe</b>	<b>78</b> Amount you owe. Subtract line 74 from line 63. For details on how to pay, see instructions	<b>78</b>	32,478
	<b>79</b> Estimated tax penalty (see instructions)	<b>79</b>	

**Third Party Designee** Do you want to allow another person to discuss this return with the IRS (see instructions)?  Yes. Complete below.  No

Designee's name  Phone no.  Personal identification number (PIN)

**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  Spouse's occupation

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

**Print/Type preparer's name**  **Preparer's signature**  **Date**

**Check  if self-employed** **PTIN**

**Firm's name**  **Firm's EIN**

**Firm's address**  **Phone no.**

**SCHEDULE A  
(Form 1040)**

**Itemized Deductions**

OMB No. 1545-0074

**2016**

Attachment  
Sequence No. **07**

Department of the Treasury  
Internal Revenue Service (99)

► Information about Schedule A and its separate instructions is at [www.irs.gov/schedulea](http://www.irs.gov/schedulea).

► Attach to Form 1040.

Name(s) shown on Form 1040

Your social security number

Marion L. & Louise J. McDonald

123-45-6789

<b>Medical and Dental Expenses</b>		<b>Caution:</b> Do not include expenses reimbursed or paid by others.			
	1	Medical and dental expenses (see instructions)	1		
	2	Enter amount from Form 1040, line 38	2		
	3	Multiply line 2 by 10% (0.10). But if either you or your spouse was born before January 2, 1952, multiply line 2 by 7.5% (0.075) instead	3		
	4	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-	4		
<b>Taxes You Paid</b>		<b>5 State and local (check only one box):</b>			
	a	<input checked="" type="checkbox"/> Income taxes, or	5	1,500	
	b	<input type="checkbox"/> General sales taxes	6	2,200	
	6	Real estate taxes (see instructions)	6		
	7	Personal property taxes	7		
	8	Other taxes. List type and amount ►	8		
	9	Add lines 5 through 8	9		3,700
<b>Interest You Paid</b>		<b>10 Home mortgage interest and points reported to you on Form 1098</b>		10	10,200
<b>Note:</b> Your mortgage interest deduction may be limited (see instructions).		<b>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 ►</b>		11	
	12	Points not reported to you on Form 1098. See instructions for special rules	12		
	13	Mortgage insurance premiums (see instructions)	13		
	14	Investment interest. Attach Form 4952 if required. (See instructions.)	14		
	15	Add lines 10 through 14	15		10,200
<b>Gifts to Charity</b>		<b>16 Gifts by cash or check. If you made any gift of \$250 or more, see instructions.</b>		16	5,000
<b>If you made a gift and got a benefit for it, see instructions.</b>		<b>17 Other than by cash or check. If any gift of \$250 or more, see instructions. You must attach Form 8283 if over \$500</b>		17	200
	18	Carryover from prior year	18		
	19	Add lines 16 through 18	19		5,200
<b>Casualty and Theft Losses</b>		<b>20 Casualty or theft loss(es). Attach Form 4684. (See instructions.)</b>		20	
<b>Job Expenses and Certain Miscellaneous Deductions</b>		<b>21 Unreimbursed employee expenses—job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See instructions.) ►</b>		21	
	22	Tax preparation fees	22		
	23	Other expenses—investment, safe deposit box, etc. List type and amount ►	23		
	24	Add lines 21 through 23	24		
	25	Enter amount from Form 1040, line 38	25		
	26	Multiply line 25 by 2% (0.02)	26		
	27	Subtract line 26 from line 24. If line 26 is more than line 24, enter -0-	27		
<b>Other Miscellaneous Deductions</b>		<b>28 Other—from list in instructions. List type and amount ►</b>		28	
<b>Total Itemized Deductions</b>		<b>29 Is Form 1040, line 38, over \$155,650?</b>		29	19,100
		<input checked="" 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 40.			
		<input type="checkbox"/> Yes. Your deduction may be limited. See the Itemized Deductions Worksheet in the instructions to figure the amount to enter.			
	30	If you elect to itemize deductions even though they are less than your standard deduction, check here <input type="checkbox"/>			





**SCHEDULE C  
(Form 1040)**

**Profit or Loss From Business  
(Sole Proprietorship)**

OMB No. 1545-0074

**2016**  
Attachment  
Sequence No. **09**

Department of the Treasury  
Internal Revenue Service (99)

► **Information about Schedule C and its separate instructions is at [www.irs.gov/schedulec](http://www.irs.gov/schedulec).**  
► **Attach to Form 1040, 1040NR, or 1041; partnerships generally must file Form 1065.**

Name of proprietor <b>LOUISE J. McDONALD</b>	Social security number (SSN) <b>234-56-7890</b>
A Principal business or profession, including product or service (see instructions) <b>Truck Garden/Farmers Market</b>	B Enter code from instructions
C Business name. If no separate business name, leave blank.	D Employer ID number (EIN), (see instr.)
E Business address (including suite or room no.) ► <b>918 Cyclone Avenue</b> City, town or post office, state, and ZIP code <b>Marshalltown, IA 50158</b>	
F Accounting method: (1) <input type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify) ►	
G Did you "materially participate" in the operation of this business during 2016? If "No," see instructions for limit on losses	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
H If you started or acquired this business during 2016, check here	<input checked="" type="checkbox"/>
I Did you make any payments in 2016 that would require you to file Form(s) 1099? (see instructions)	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
J If "Yes," did you or will you file required Forms 1099?	<input type="checkbox"/> Yes <input type="checkbox"/> No

**Part I Income**

1 Gross receipts or sales. See instructions for line 1 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	1	800
2 Returns and allowances	2	
3 Subtract line 2 from line 1	3	
4 Cost of goods sold (from line 42)	4	
5 Gross profit. Subtract line 4 from line 3	5	
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	800

**Part II Expenses. Enter expenses for business use of your home only on line 30.**

8 Advertising	8		18 Office expense (see instructions)	18	
9 Car and truck expenses (see instructions)	9		19 Pension and profit-sharing plans	19	
10 Commissions and fees	10		20 Rent or lease (see instructions):	20a	
11 Contract labor (see instructions)	11		a Vehicles, machinery, and equipment	20a	
12 Depletion	12		b Other business property	20b	100
13 Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13		21 Repairs and maintenance	21	
14 Employee benefit programs (other than on line 19)	14		22 Supplies (not included in Part III)	22	
15 Insurance (other than health)	15		23 Taxes and licenses	23	
16 Interest:			24 Travel, meals, and entertainment:	24a	
a Mortgage (paid to banks, etc.)	16a		a Travel	24a	
b Other	16b		b Deductible meals and entertainment (see instructions)	24b	
17 Legal and professional services	17		25 Utilities	25	
28 Total expenses before expenses for business use of home. Add lines 8 through 27a	28	100	26 Wages (less employment credits)	26	
29 Tentative profit or (loss). Subtract line 28 from line 7	29	700	27a Other expenses (from line 48)	27a	
30 Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method (see instructions). Simplified method filers only: enter the total square footage of: (a) your home: _____ and (b) the part of your home used for business: _____. Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30	30		27b Reserved for future use	27b	
31 Net profit or (loss). Subtract line 30 from line 29.	31	700			
• If a profit, enter on both Form 1040, line 12 (or Form 1040NR, line 13) and on Schedule SE, line 2. (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, (or Form 1040NR, line 13) and on Schedule SE, line 2. (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.



**SCHEDULE D  
(Form 1040)**

**Capital Gains and Losses**

OMB No. 1545-0074

**2016**  
Attachment  
Sequence No. 12

Department of the Treasury  
Internal Revenue Service (99)

▶ Attach to Form 1040 or Form 1040NR.  
▶ Information about Schedule D and its separate instructions is at [www.irs.gov/scheduled](http://www.irs.gov/scheduled).  
▶ Use Form 8949 to list your transactions for lines 1b, 2, 3, 8b, 9, and 10.

Name(s) shown on return: **MARION L. & LOUISE J. McDONALD**  
Your social security number: **123-45-6789**

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

See instructions for how to figure the amounts to enter on the lines below.  
This form may be easier to complete if you round off cents to whole dollars.

	(d) Proceeds (sales price)	(e) Cost (or other basis)	(g) Adjustments to gain or loss from Form(s) 8949, Part I, line 2, column (g)	(h) Gain or (loss) Subtract column (e) from column (d) and combine the result with column (g)
<b>1a</b> Totals for all short-term transactions reported on Form 1099-B for which basis was reported to the IRS and for which you have no adjustments (see instructions). However, if you choose to report all these transactions on Form 8949, leave this line blank and go to line 1b . . . . .				
<b>1b</b> Totals for all transactions reported on Form(s) 8949 with <b>Box A</b> checked . . . . .				
<b>2</b> Totals for all transactions reported on Form(s) 8949 with <b>Box B</b> checked . . . . .				
<b>3</b> Totals for all transactions reported on Form(s) 8949 with <b>Box C</b> checked . . . . .	5,440	5,200		240
<b>4</b> Short-term gain from Form 6252 and short-term gain or (loss) from Forms 4684, 6781, and 8824 . . . . .				9,600
<b>5</b> Net short-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1 . . . . .				
<b>6</b> Short-term capital loss carryover. Enter the amount, if any, from line 8 of your <b>Capital Loss Carryover Worksheet</b> in the instructions . . . . .				( 9,840)
<b>7</b> <b>Net short-term capital gain or (loss)</b> . Combine lines 1a through 6 in column (h). If you have any long-term capital gains or losses, go to Part II below. Otherwise, go to Part III on the back . . . . .				-0-

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

See instructions for how to figure the amounts to enter on the lines below.  
This form may be easier to complete if you round off cents to whole dollars.

	(d) Proceeds (sales price)	(e) Cost (or other basis)	(g) Adjustments to gain or loss from Form(s) 8949, Part II, line 2, column (g)	(h) Gain or (loss) Subtract column (e) from column (d) and combine the result with column (g)
<b>8a</b> Totals for all long-term transactions reported on Form 1099-B for which basis was reported to the IRS and for which you have no adjustments (see instructions). However, if you choose to report all these transactions on Form 8949, leave this line blank and go to line 8b . . . . .				
<b>8b</b> Totals for all transactions reported on Form(s) 8949 with <b>Box D</b> checked . . . . .				
<b>9</b> Totals for all transactions reported on Form(s) 8949 with <b>Box E</b> checked . . . . .	3,500	2,800		700
<b>10</b> Totals for all transactions reported on Form(s) 8949 with <b>Box F</b> checked . . . . .				
<b>11</b> 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 . . . . .				14,400
<b>12</b> Net long-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1 . . . . .				
<b>13</b> Capital gain distributions. See the instructions . . . . .				
<b>14</b> Long-term capital loss carryover. Enter the amount, if any, from line 13 of your <b>Capital Loss Carryover Worksheet</b> in the instructions . . . . .				( 15,100)
<b>15</b> <b>Net long-term capital gain or (loss)</b> . Combine lines 8a through 14 in column (h). Then go to Part III on the back . . . . .				-0-

**Part III Summary**

<p><b>16</b> Combine lines 7 and 15 and enter the result . . . . .</p> <ul style="list-style-type: none"> <li>• If line 16 is a <b>gain</b>, enter the amount from line 16 on Form 1040, line 13, or Form 1040NR, line 14. Then go to line 17 below.</li> <li>• If line 16 is a <b>loss</b>, skip lines 17 through 20 below. Then go to line 21. Also be sure to complete line 22.</li> <li>• If line 16 is <b>zero</b>, skip lines 17 through 21 below and enter -0- on Form 1040, line 13, or Form 1040NR, line 14. Then go to line 22.</li> </ul>	<b>16</b>	-0-
<p><b>17</b> Are lines 15 and 16 both gains?</p> <p><input type="checkbox"/> <b>Yes.</b> Go to line 18.</p> <p><input type="checkbox"/> <b>No.</b> Skip lines 18 through 21, and go to line 22.</p>		
<p><b>18</b> Enter the amount, if any, from line 7 of the <b>28% Rate Gain Worksheet</b> in the instructions . . . ▶</p>	<b>18</b>	
<p><b>19</b> Enter the amount, if any, from line 18 of the <b>Unrecaptured Section 1250 Gain Worksheet</b> in the instructions . . . . . ▶</p>	<b>19</b>	
<p><b>20</b> Are lines 18 and 19 both zero or blank?</p> <p><input type="checkbox"/> <b>Yes.</b> Complete the <b>Qualified Dividends and Capital Gain Tax Worksheet</b> in the instructions for Form 1040, line 44 (or in the instructions for Form 1040NR, line 42). <b>Don't</b> complete lines 21 and 22 below.</p> <p><input type="checkbox"/> <b>No.</b> Complete the <b>Schedule D Tax Worksheet</b> in the instructions. <b>Don't</b> complete lines 21 and 22 below.</p>		
<p><b>21</b> If line 16 is a loss, enter here and on Form 1040, line 13, or Form 1040NR, line 14, the <b>smaller</b> of:</p> <ul style="list-style-type: none"> <li>• The loss on line 16 or</li> <li>• (\$3,000), or if married filing separately, (\$1,500) } . . . . .</li> </ul> <p><b>Note:</b> When figuring which amount is smaller, treat both amounts as positive numbers.</p>	<b>21</b> ( )	
<p><b>22</b> Do you have qualified dividends on Form 1040, line 9b, or Form 1040NR, line 10b?</p> <p><input type="checkbox"/> <b>Yes.</b> Complete the <b>Qualified Dividends and Capital Gain Tax Worksheet</b> in the instructions for Form 1040, line 44 (or in the instructions for Form 1040NR, line 42).</p> <p><input type="checkbox"/> <b>No.</b> Complete the rest of Form 1040 or Form 1040NR.</p>		

**Sales and Other Dispositions of Capital Assets**

Department of the Treasury  
Internal Revenue Service

► Information about Form 8949 and its separate instructions is at [www.irs.gov/form8949](http://www.irs.gov/form8949).  
► File with your Schedule D to list your transactions for lines 1b, 2, 3, 8b, 9, and 10 of Schedule D.

**2016**  
Attachment  
Sequence No. **12A**

Name(s) shown on return <b>MARION L. &amp; LOUISE J. McDONALD</b>	Social security number or taxpayer identification number <b>123-45-6789</b>
--	--

Before you check Box A, B, or C below, see whether you received any Form(s) 1099-B or substitute statement(s) from your broker. A substitute statement will have the same information as Form 1099-B. Either will show whether your basis (usually your cost) was reported to the IRS by your broker and may even tell you which box to check.

**Part I Short-Term.** Transactions involving capital assets you held 1 year or less are short term. For long-term transactions, see page 2.

**Note:** You may aggregate all short-term transactions reported on Form(s) 1099-B showing basis was reported to the IRS and for which no adjustments or codes are required. Enter the totals directly on Schedule D, line 1a; you aren't required to report these transactions on Form 8949 (see instructions).

**You must check Box A, B, or C below. Check only one box.** If more than one box applies for your short-term transactions, complete a separate Form 8949, page 1, for each applicable box. If you have more short-term transactions than will fit on this page for one or more of the boxes, complete as many forms with the same box checked as you need.

- (A) Short-term transactions reported on Form(s) 1099-B showing basis was reported to the IRS (see Note above)
- (B) Short-term transactions reported on Form(s) 1099-B showing basis wasn't reported to the IRS
- (C) Short-term transactions not reported to you on Form 1099-B

1	(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold or disposed of (Mo., day, yr.)	(d) Proceeds (sales price) (see instructions)	(e) Cost or other basis. See the Note below and see Column (e) in the separate instructions	Adjustment, if any, to gain or loss. If you enter an amount in column (g), enter a code in column (f). See the separate instructions.		(h) Gain or (loss). Subtract column (e) from column (d) and combine the result with column (g)
						(f) Code(s) from instructions	(g) Amount of adjustment	
	(c) 1500 Bu corn (wages)	6/12/16	12/21/16	5,440	5,200			240
<b>2 Totals.</b> Add the amounts in columns (d), (e), (g), and (h) (subtract negative amounts). Enter each total here and include on your Schedule D, line 1b (if Box A above is checked), line 2 (if Box B above is checked), or line 3 (if Box C above is checked) ►				5,440	5,200			240

**Note:** If you checked Box A above but the basis reported to the IRS was incorrect, enter in column (e) the basis as reported to the IRS, and enter an adjustment in column (g) to correct the basis. See Column (g) in the separate instructions for how to figure the amount of the adjustment.

Name(s) shown on return. Name and SSN or taxpayer identification no. not required if shown on other side  
MARION L. & LOUISE J. McDONALD

Social security number or taxpayer identification number  
123-45-6789

Before you check Box D, E, or F below, see whether you received any Form(s) 1099-B or substitute statement(s) from your broker. A substitute statement will have the same information as Form 1099-B. Either will show whether your basis (usually your cost) was reported to the IRS by your broker and may even tell you which box to check.

**Part II Long-Term.** Transactions involving capital assets you held more than 1 year are long term. For short-term transactions, see page 1.  
**Note:** You may aggregate all long-term transactions reported on Form(s) 1099-B showing basis was reported to the IRS and for which no adjustments or codes are required. Enter the totals directly on Schedule D, line 8a; you aren't required to report these transactions on Form 8949 (see instructions).

You must check Box D, E, or F below. Check only one box. If more than one box applies for your long-term transactions, complete a separate Form 8949, page 2, for each applicable box. If you have more long-term transactions than will fit on this page for one or more of the boxes, complete as many forms with the same box checked as you need.

- (D) Long-term transactions reported on Form(s) 1099-B showing basis was reported to the IRS (see Note above)
- (E) Long-term transactions reported on Form(s) 1099-B showing basis wasn't reported to the IRS
- (F) Long-term transactions not reported to you on Form 1099-B

1	(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold or disposed of (Mo., day, yr.)	(d) Proceeds (sales price) (see instructions)	(e) Cost or other basis. See the Note below and see Column (e) in the separate instructions	Adjustment, if any, to gain or loss. If you enter an amount in column (g) enter a code in column (f). See the separate instructions.		(h) Gain or (loss). Subtract column (e) from column (d) and combine the result with column (g)
						(f) Code(s) from instructions	(g) Amount of adjustment	
	(E) 100 shrs Met Life	7/8/07	7/8/16	\$3,500	\$2,800			700
<b>2 Totals.</b> Add the amounts in columns (d), (e), (g), and (h) (subtract negative amounts). Enter each total here and include on your Schedule D, line 8b (if Box D above is checked), line 9 (if Box E above is checked), or line 10 (if Box F above is checked) ▶								
				\$3,500	\$2,800			700

Note: If you checked Box D above but the basis reported to the IRS was incorrect, enter in column (e) the basis as reported to the IRS, and enter an adjustment in column (g) to correct the basis. See Column (g) in the separate instructions for how to figure the amount of the adjustment.

**SCHEDULE E  
(Form 1040)**

**Supplemental Income and Loss**

(From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.)

OMB No 1545-0074

**2016**

Attachment  
Sequence No. 13

Department of the Treasury  
Internal Revenue Service (99)

▶ Attach to Form 1040, 1040NR, or Form 1041.

▶ Information about Schedule E and its separate instructions is at [www.irs.gov/schedulee](http://www.irs.gov/schedulee).

Name(s) shown on return

MARION L. & LOUISE J. McDONALD

Your social security number

123-45-6789

**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

A Did you make any payments in 2016 that would require you to file Form(s) 1099? (see instructions)  Yes  No  
 B If "Yes," did you or will you file required Form(s) 1099?  Yes  No

1a Physical address of each property (street, city, state, ZIP code)  
 A Vienna Township Farm  
 B  
 C

1b	Type of Property (from list below)	2	Fair Rental Days	Personal Use Days	QJV
A	7	For each rental real estate property listed above, report the number of fair rental and personal use days. Check the QJV box only if you meet the requirements to file as a qualified joint venture. See instructions.	A		<input type="checkbox"/>
B			B		<input type="checkbox"/>
C			C		<input type="checkbox"/>

**Type of Property:**

- 1 Single Family Residence
- 2 Multi-Family Residence
- 3 Vacation/Short-Term Rental
- 4 Commercial
- 5 Land
- 6 Royalties
- 7 Self-Rental
- 8 Other (describe)

Income:	Properties:	A	B	C
3 Rents received (31,780 + 1,200 Manure)	3	32,980		
4 Royalties received	4			
<b>Expenses:</b>				
5 Advertising	5			
6 Auto and travel (see instructions)	6			
7 Cleaning and maintenance	7			
8 Commissions	8			
9 Insurance	9	700		
10 Legal and other professional fees	10	250		
11 Management fees	11			
12 Mortgage interest paid to banks, etc. (see instructions)	12	2,000		
13 Other interest	13			
14 Repairs	14			
15 Supplies	15			
16 Taxes	16	2,600		
17 Utilities	17			
18 Depreciation expense or depletion	18			
19 Other (list) ▶	19			
20 Total expenses. Add lines 5 through 19	20	5,500		
21 Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a (loss), see instructions to find out if you must file Form 6198	21	27,430		
22 Deductible rental real estate loss after limitation, if any, on Form 8582 (see instructions)	22	( ) ( ) ( )		
23a Total of all amounts reported on line 3 for all rental properties	23a			
b Total of all amounts reported on line 4 for all royalty properties	23b			
c Total of all amounts reported on line 12 for all properties	23c			
d Total of all amounts reported on line 18 for all properties	23d			
e Total of all amounts reported on line 20 for all properties	23e			
24 <b>Income.</b> Add positive amounts shown on line 21. Do not include any losses	24		27,430	
25 <b>Losses.</b> Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here	25	( )		
26 <b>Total rental real estate and royalty income or (loss).</b> 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		27,430	

For Paperwork Reduction Act Notice, see the separate instructions.

Cat. No. 11344L

Schedule E (Form 1040) 2016



Name(s) shown on return. Do not enter name and social security number if shown on other side  
 MARION L. & LOUISE J. McDONALD  
 Your social security number  
 123-45-6789

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, excess farm loss, 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	3M Farms	P	<input type="checkbox"/>	42-1234567	<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 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 4582	(j) Nonpassive income from Schedule K-1
A				8,200
B				
C				
D				
29a Totals				
b Totals				
30	Add columns (g) and (i) of line 29a . . . . .			30 8,200
31	Add columns (f), (h), and (j) of line 29b . . . . .			31 ( )
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 . . . . .			32 8,200

**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			
b Totals			
35	Add columns (d) and (f) of line 34a . . . . .		35
36	Add columns (c) and (e) of line 34b . . . . .		36 ( )
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

**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
39	Combine columns (d) and (e) only. Enter the result here and include in the total on line 41 below				39

**Part V Summary**

40	Net farm rental income or (loss) from Form 4835. Also, complete line 42 below . . . . .	40	16,800
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	52,430
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 V; and Schedule K-1 (Form 1041), box 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	

**SCHEDULE F  
(Form 1040)**

Department of the Treasury  
Internal Revenue Service (99)

**Profit or Loss From Farming**

▶ Attach to Form 1040, Form 1040NR, Form 1041, Form 1065, or Form 1065-B.

▶ Information about Schedule F and its separate instructions is at [www.irs.gov/schedulef](http://www.irs.gov/schedulef).

OMB No. 1545-0074

**2016**

Attachment  
Sequence No. 14

Name of proprietor  
**MARION L. & LOUISE J. McDONALD**

Social security number (SSN)  
**123-45-6789**

A Principal crop or activity  
**FARMING**

B Enter code from Part IV  
**1 1 1 1 0 0**

C Accounting method:  
 Cash  Accrual

D Employer ID number (EIN), (see instr)  
**4 2 1 2 3 4 5 6**

E Did you "materially participate" in the operation of this business during 2016? If "No," see instructions for limit on passive losses  Yes  No

F Did you make any payments in 2016 that would require you to file Form(s) 1099 (see instructions)?  Yes  No

G If "Yes," did you or will you file required Forms 1099?  Yes  No

**Part I Farm Income—Cash Method.** Complete Parts I and II (Accrual method. Complete Parts II and III, and Part I, line 9.)

1a	Sales of livestock and other resale items (see instructions)	1a	46,000		
b	Cost or other basis of livestock or other items reported on line 1a	1b	18,000		
c	Subtract line 1b from line 1a	1c		28,000	
2	Sales of livestock, produce, grains, and other products you raised	2		525,199	
3a	Cooperative distributions (Form(s) 1099-PATR)	3a	1800+22601	3b Taxable amount	3b 24,401
4a	Agricultural program payments (see instructions)	4a	5,800	4b Taxable amount	4b 5,800
5a	Commodity Credit Corporation (CCC) loans reported under election	5a		5c Taxable amount	5c
b	CCC loans forfeited	5b		5c Taxable amount	5c
6	Crop insurance proceeds and federal crop disaster payments (see instructions)				
a	Amount received in 2016	6a	23,000	6b Taxable amount	6b 23,000
c	If election to defer to 2017 is attached, check here <input type="checkbox"/>	6d	Amount deferred from 2015	6d	
7	Custom hire (machine work) income {3,300 + 1,900}	7		5,200	
8	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	8		4,956	
9	Gross income. Add amounts in the right column (lines 1c, 2, 3b, 4b, 5a, 5c, 6b, 6d, 7, and 8). If you use the accrual method, enter the amount from Part III, line 50 (see instructions)	9		616,556	

**Part II Farm Expenses—Cash and Accrual Method.** Do not include personal or living expenses (see instructions).

10	Car and truck expenses (see instructions). Also attach Form 4562	10	3,653	23	Pension and profit-sharing plans	23	
11	Chemicals	11	35,200	24	Rent or lease (see instructions)	24	
12	Conservation expenses (see instructions)	12		a	Vehicles, machinery, equipment	24a	
13	Custom hire (machine work)	13	5,000	b	Other (land, animals, etc.) (24,000 + 5,946)	24b	55,946
14	Depreciation and section 179 expense (see instructions)	14	16,478	25	Repairs and maintenance	25	4,200
15	Employee benefit programs other than on line 23 (13,000 + 6,000)	15	19,000	26	Seeds and plants (12,100 + 8,000)	26	20,100
16	Feed (17,000 + 15,800)	16	37,800	27	Storage and warehousing	27	
17	Fertilizers and lime 5,000	17	155,000	28	Supplies	28	3,250
18	Freight and trucking	18		29	Taxes (4,222 + 5,000)	29	9,222
19	Gasoline, fuel, and oil (4,300 + 17,865)	19	22,165	30	Utilities (2,100 + 490 + 250)	30	2,840
20	Insurance (other than health)	20	6,550	31	Veterinary, breeding, and medicine	31	5,002
21	Interest (2,200 + 3,100 + 1,250)	21		32	Other expenses (specify):		
a	Mortgage (paid to banks, etc.)	21a	59,200	a	Home Office (actual)	32a	1,600
b	Other	21b		b	Landlord Reimburse	32b	1,700
22	Labor hired (less employment credits)	22	27,600	c	Grain Wages	32c	5,200
				d	HSA 3375 + 1675	32d	5,050
				e		32e	
				f	Wages to a Child	32f	4,000
33	Total expenses. Add lines 10 through 32f. If line 32f is negative, see instructions	33				33	505,756
34	Net farm profit or (loss). Subtract line 33 from line 9	34				34	110,800

If a profit, stop here and see instructions for where to report. If a loss, complete lines 35 and 36.

35 Did you receive an applicable subsidy in 2016? (see instructions)  Yes  No

36 Check the box that describes your investment in this activity and see instructions for where to report your loss.

a  All investment is at risk. b  Some investment is not at risk.

For Paperwork Reduction Act Notice, see the separate instructions.

Cat. No. 11346H

Schedule F (Form 1040) 2016

\*Hired man \$20,00; Donald \$5,000; Louise \$2,600

**Part III Farm Income—Accrual Method** (see instructions).

37	Sales of livestock, produce, grains, and other products (see instructions)			37	
38a	Cooperative distributions (Form(s) 1099-PATR)	38a		38b	Taxable amount
39a	Agricultural program payments	39a		39b	Taxable amount
40	Commodity Credit Corporation (CCC) loans:				
a	CCC loans reported under election			40a	
b	CCC loans forfeited	40b		40c	Taxable amount
41	Crop insurance proceeds			41	
42	Custom hire (machine work) income			42	
43	Other income (see instructions)			43	
44	Add amounts in the right column for lines 37 through 43 (lines 37, 38b, 39b, 40a, 40c, 41, 42, and 43)			44	
45	Inventory of livestock, produce, grains, and other products at beginning of the year. Do not include sales reported on Form 4797		45		
46	Cost of livestock, produce, grains, and other products purchased during the year		46		
47	Add lines 45 and 46		47		
48	Inventory of livestock, produce, grains, and other products at end of year		48		
49	Cost of livestock, produce, grains, and other products sold. Subtract line 48 from line 47*			49	
50	<b>Gross income.</b> Subtract line 49 from line 44. Enter the result here and on Part I, line 9			50	

\*If you use the unit-livestock-price method or the farm-price method of valuing inventory and the amount on line 48 is larger than the amount on line 47, subtract line 47 from line 48. Enter the result on line 49. Add lines 44 and 49. Enter the total on line 50 and on Part I, line 9.

**Part IV Principal Agricultural Activity Codes**



Do not file Schedule F (Form 1040) to report the following.

- Income from providing agricultural services such as soil preparation, veterinary, farm labor, horticultural, or management for a fee or on a contract basis. Instead file Schedule C (Form 1040) or Schedule C-EZ (Form 1040).
- Income from breeding, raising, or caring for dogs, cats, or other pet animals. Instead file Schedule C (Form 1040) or Schedule C-EZ (Form 1040).
- Sales of livestock held for draft, breeding, sport, or dairy purposes. Instead file Form 4797.

These codes for the Principal Agricultural Activity classify farms by their primary activity to facilitate the administration of the Internal Revenue Code. These six-digit codes are based on the North American Industry Classification System (NAICS).

Select the code that best identifies your primary farming activity and enter the six-digit number on line B.

**Crop Production**

- 111100 Oilseed and grain farming
- 111210 Vegetable and melon farming

- 111300 Fruit and tree nut farming
- 111400 Greenhouse, nursery, and floriculture production
- 111900 Other crop farming

**Animal Production**

- 112111 Beef cattle ranching and farming
- 112112 Cattle feedlots
- 112120 Dairy cattle and milk production
- 112210 Hog and pig farming
- 112300 Poultry and egg production
- 112400 Sheep and goat farming
- 112510 Aquaculture
- 112900 Other animal production

**Forestry and Logging**

- 113000 Forestry and logging (including forest nurseries and timber tracts)

Marion L. McDonald  
123-45-6789

2016  
Attachment to Schedule F

Sale Price and Cost of Items Bought for Resale

<u>Item</u>	<u>Sale Price</u>	<u>Cost</u>
Feeder Cattle	<u>\$46,000</u>	<u>\$ 18,000</u>
Total to Line 1A, Schedule F	\$46,000	
Total to Line 1B, Schedule F		\$ 18,000

Sale of Raised Livestock and Grain

Yearling Cattle		\$ 20,100
Hogs		\$ 18,500
Cattle		\$ 91,000
Soybeans (120,000 - 22,601) per unit Farmers Coop)		\$ 97,399
Corn (including grain wages 5,200 wife + corn out of field 125,000)		\$130,200
Corn (North Farm)		\$138,000
Corn sold on contract for 1/10/17 #415A296 Election out of Installment Method		<u>\$ 30,000</u>
Total to Line 2, Schedule F		\$525,199

Other Income

Hedge Gain (cattle)		\$ 3,800
Federal Gas Tax Credit		554
Iowa Gas Tax Credit		<u>602</u>
Total to Line 8B, Schedule F		\$ 4,956

Car & Truck Expenses (Pickup)

Gasoline		\$ 3,800
Insurance		470
Repairs and Maintenance		<u>600</u>
		\$ 4,870
		<u>x75%</u>
Total to Line 10, Schedule F		<u>\$ 3,653</u>

**SCHEDULE SE  
(Form 1040)**

**Self-Employment Tax**

OMB No. 1545-0074

Department of the Treasury  
Internal Revenue Service (99)

► Information about Schedule SE and its separate instructions is at [www.irs.gov/schedulese](http://www.irs.gov/schedulese).

► Attach to Form 1040 or Form 1040NR.

**2016**  
Attachment  
Sequence No. **17**

Name of person with self-employment income (as shown on Form 1040 or Form 1040NR)  
**LOUISE J. McDONALD**

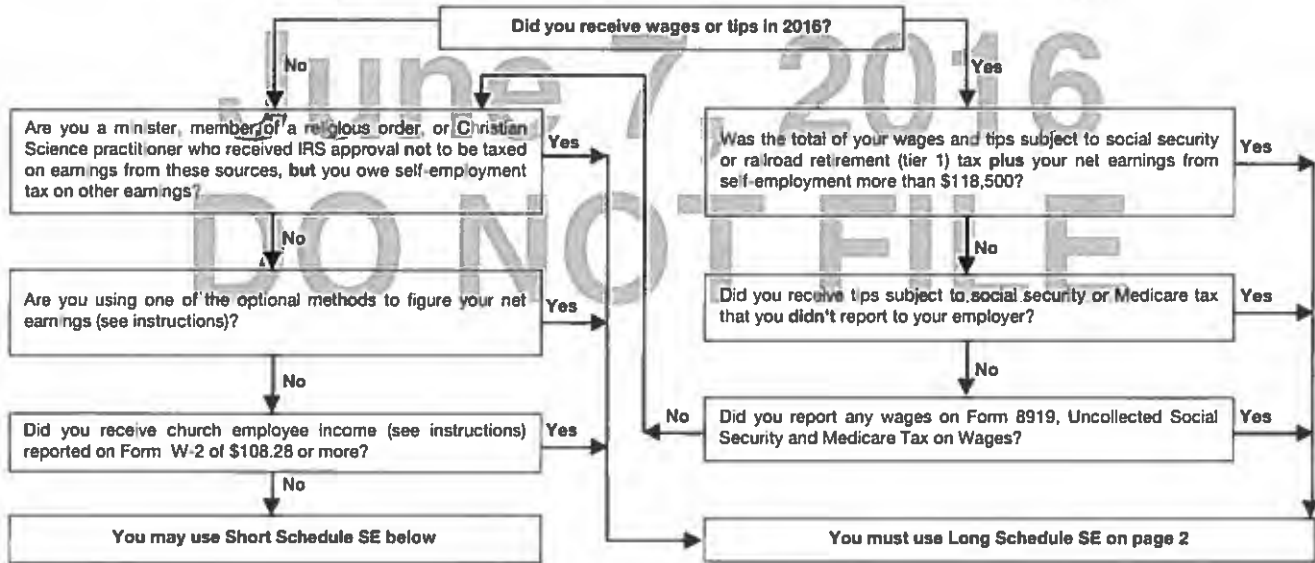
Social security number of person  
with self-employment income ►

**234-56-7890**

**Before you begin:** To determine if you must file Schedule SE, see the instructions.

**May I Use Short Schedule SE or Must I Use Long Schedule SE?**

**Note.** Use this flowchart only if you must file Schedule SE. If unsure, see *Who Must File Schedule SE* in the instructions.



**Section A—Short Schedule SE. Caution.** Read above to see if you can use Short Schedule SE.

<b>1a</b> Net farm profit or (loss) from Schedule F, line 34, and farm partnerships, Schedule K-1 (Form 1065), box 14, code A . . . . .	<b>1a</b>		
<b>b</b> If you received social security retirement or disability benefits, enter the amount of Conservation Reserve Program payments included on Schedule F, line 4b, or listed on Schedule K-1 (Form 1065), box 20, code Z . . . . .	<b>1b</b> (		)
<b>2</b> 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 . . . . .	<b>2</b>		<b>700</b>
<b>3</b> Combine lines 1a, 1b, and 2 . . . . .	<b>3</b>		<b>700</b>
<b>4</b> Multiply line 3 by 92.35% (0.9235). If less than \$400, you don't owe self-employment tax; don't file this schedule unless you have an amount on line 1b. . . . . ► <b>Note.</b> If line 4 is less than \$400 due to Conservation Reserve Program payments on line 1b, see instructions.	<b>4</b>		<b>646</b>
<b>5 Self-employment tax.</b> If the amount on line 4 is: • \$118,500 or less, multiply line 4 by 15.3% (0.153). Enter the result here and on Form 1040, line 57, or Form 1040NR, line 55 • More than \$118,500, multiply line 4 by 2.9% (0.029). Then, add \$14,694 to the result. Enter the total here and on Form 1040, line 57, or Form 1040NR, line 55. . . . .	<b>5</b>		<b>99</b>
<b>6 Deduction for one-half of self-employment tax.</b> Multiply line 5 by 50% (0.50). Enter the result here and on Form 1040, line 27, or Form 1040NR, line 27 . . . . .	<b>6</b>		<b>49</b>

Name of person with self-employment income (as shown on Form 1040 or Form 1040NR) <b>LOUISE J. McDONALD</b>	Social security number of person with self-employment income ▶	<b>234-56-7890</b>
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**Section B—Long Schedule SE**

**Part I Self-Employment Tax**

**Note.** If your only income subject to self-employment tax is church employee income, see instructions. Also see instructions for the definition of church employee income.

<b>A</b> 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"/>			
<b>1a</b> Net farm profit or (loss) from Schedule F, line 34, and farm partnerships, Schedule K-1 (Form 1065), box 14, code A. <b>Note.</b> Skip lines 1a and 1b if you use the farm optional method (see instructions)	<b>1a</b>		
<b>b</b> If you received social security retirement or disability benefits, enter the amount of Conservation Reserve Program payments included on Schedule F, line 4b, or listed on Schedule K-1 (Form 1065), box 20, code Z	<b>1b</b> ( )		
<b>2</b> 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. <b>Note.</b> Skip this line if you use the nonfarm optional method (see instructions) . . . . .	<b>2</b>		
<b>3</b> Combine lines 1a, 1b, and 2 . . . . .	<b>3</b>		
<b>4a</b> If line 3 is more than zero, multiply line 3 by 92.35% (0.9235). Otherwise, enter amount from line 3. <b>Note.</b> If line 4a is less than \$400 due to Conservation Reserve Program payments on line 1b, see instructions.	<b>4a</b>		
<b>b</b> If you elect one or both of the optional methods, enter the total of lines 15 and 17 here . . . . .	<b>4b</b>		
<b>c</b> Combine lines 4a and 4b. If less than \$400, stop; you do not owe self-employment tax. <b>Exception.</b> If less than \$400 and you had church employee income, enter -0- and continue ▶	<b>4c</b>		
<b>5a</b> Enter your church employee income from Form W-2. See instructions for definition of church employee income . . . . .	<b>5a</b>		
<b>b</b> Multiply line 5a by 92.35% (0.9235). If less than \$100, enter -0- . . . . .	<b>5b</b>		
<b>6</b> Add lines 4c and 5b . . . . .	<b>6</b>		
<b>7</b> 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 2016 . . . . .	<b>7</b>	118,500	00
<b>8a</b> Total social security wages and tips (total of boxes 3 and 7 on Form(s) W-2) and railroad retirement (tier 1) compensation. If \$118,500 or more, skip lines 8b through 10, and go to line 11 . . . . .	<b>8a</b>		
<b>b</b> Unreported tips subject to social security tax (from Form 4137, line 10)	<b>8b</b>		
<b>c</b> Wages subject to social security tax (from Form 8919, line 10)	<b>8c</b>		
<b>d</b> Add lines 8a, 8b, and 8c . . . . .	<b>8d</b>		
<b>9</b> Subtract line 8d from line 7. If zero or less, enter -0- here and on line 10 and go to line 11 . ▶	<b>9</b>		
<b>10</b> Multiply the smaller of line 6 or line 9 by 12.4% (0.124) . . . . .	<b>10</b>		
<b>11</b> Multiply line 6 by 2.9% (0.029) . . . . .	<b>11</b>		
<b>12</b> Self-employment tax. Add lines 10 and 11. Enter here and on Form 1040, line 57, or Form 1040NR, line 55	<b>12</b>		
<b>13</b> Deduction for one-half of self-employment tax. Multiply line 12 by 50% (0.50). Enter the result here and on Form 1040, line 27, or Form 1040NR, line 27 . . . . .	<b>13</b>		

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

<b>Farm Optional Method.</b> You may use this method only if (a) your gross farm income <sup>1</sup> was not more than \$7,560, or (b) your net farm profits <sup>2</sup> were less than \$5,457.			
<b>14</b> Maximum income for optional methods . . . . .	<b>14</b>	5,040	00
<b>15</b> Enter the smaller of: two-thirds (2/3) of gross farm income <sup>1</sup> (not less than zero) or \$5,040. Also include this amount on line 4b above . . . . .	<b>15</b>		
<b>Nonfarm Optional Method.</b> You may use this method only if (a) your net nonfarm profits <sup>3</sup> were less than \$5,457 and also less than 72.189% of your gross nonfarm income, <sup>4</sup> and (b) you had net earnings from self-employment of at least \$400 in 2 of the prior 3 years. <b>Caution.</b> You may use this method no more than five times.			
<b>16</b> Subtract line 15 from line 14 . . . . .	<b>16</b>		
<b>17</b> Enter the smaller of: two-thirds (2/3) of gross nonfarm income <sup>4</sup> (not less than zero) or the amount on line 16. Also include this amount on line 4b above . . . . .	<b>17</b>		

<sup>1</sup> From Sch. F, line 9, and Sch. K-1 (Form 1065), box 14, code B.

<sup>2</sup> From Sch. F, line 34, 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.

<sup>3</sup> 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.

<sup>4</sup> 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.

**SCHEDULE SE  
(Form 1040)**

**Self-Employment Tax**

OMB No 1545-0074

**2016**  
Attachment  
Sequence No. **17**

Department of the Treasury  
Internal Revenue Service (99)

► Information about Schedule SE and its separate instructions is at [www.irs.gov/schedulese](http://www.irs.gov/schedulese).

► Attach to Form 1040 or Form 1040NR.

Name of person with self-employment income (as shown on Form 1040 or Form 1040NR)

Social security number of person  
with self-employment income ►

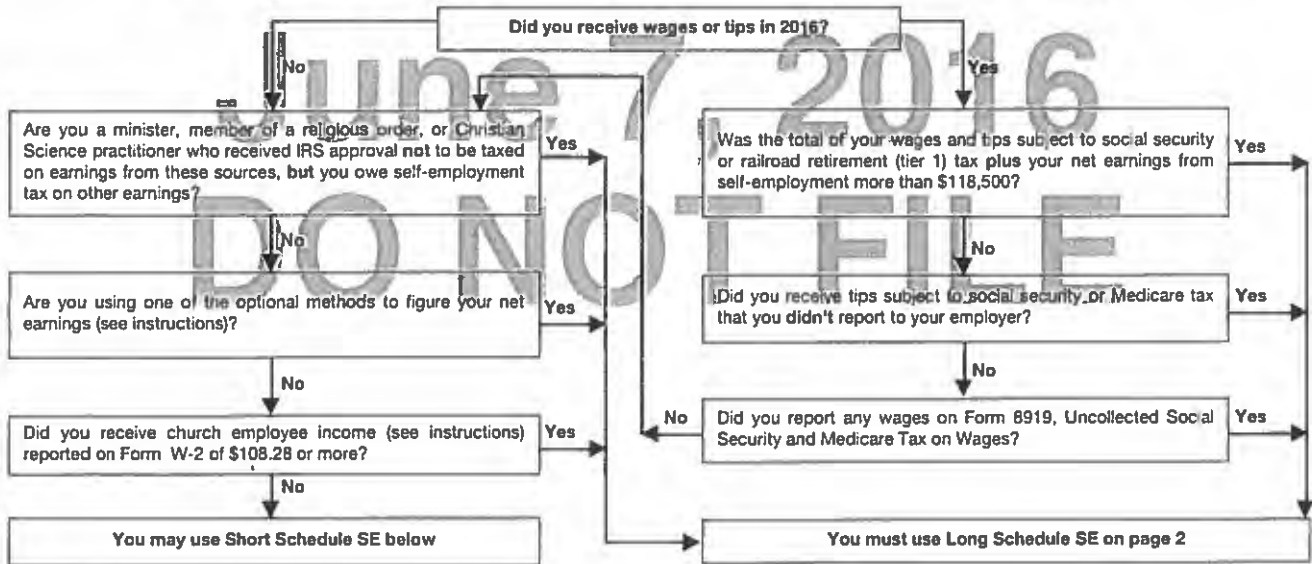
123-45-6789

MARION L. McDONALD

**Before you begin:** To determine if you must file Schedule SE, see the instructions.

**May I Use Short Schedule SE or Must I Use Long Schedule SE?**

**Note.** Use this flowchart only if you must file Schedule SE. If unsure, see *Who Must File Schedule SE* in the instructions.



**Section A—Short Schedule SE. Caution.** Read above to see if you can use Short Schedule SE.

1a	Net farm profit or (loss) from Schedule F, line 34, and farm partnerships, Schedule K-1 (Form 1065), box 14, code A . . . . .	1a	110,800 8,200
b	If you received social security retirement or disability benefits, enter the amount of Conservation Reserve Program payments included on Schedule F, line 4b, or listed on Schedule K-1 (Form 1065), box 20, code Z . . . . .	1b	( )
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 . . . . .	2	
3	Combine lines 1a, 1b, and 2 . . . . .	3	119,000
4	Multiply line 3 by 92.35% (0.9235). If less than \$400, you don't owe self-employment tax; don't file this schedule unless you have an amount on line 1b. . . . . ► <b>Note.</b> If line 4 is less than \$400 due to Conservation Reserve Program payments on line 1b, see instructions.	4	109,897
5	<b>Self-employment tax.</b> If the amount on line 4 is: • \$118,500 or less, multiply line 4 by 15.3% (0.153). Enter the result here and on Form 1040, line 57, or Form 1040NR, line 55 • More than \$118,500, multiply line 4 by 2.9% (0.029). Then, add \$14,694 to the result. Enter the total here and on Form 1040, line 57, or Form 1040NR, line 55 . . . . .	5	16,814
6	<b>Deduction for one-half of self-employment tax.</b> Multiply line 5 by 50% (0.50). Enter the result here and on Form 1040, line 27, or Form 1040NR, line 27 . . . . .	6	8,407

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 11358Z

Schedule SE (Form 1040) 2016

Name of person with self-employment income (as shown on Form 1040 or Form 1040NR) <b>MARION L. McDONALD</b>	Social security number of person with self-employment income ▶	<b>123-45-6789</b>
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**Section B—Long Schedule SE**

**Part I Self-Employment Tax**

**Note.** If your only income subject to self-employment tax is church employee income, see instructions. Also see instructions for the definition of church employee income.

<b>A</b> 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"/>			
<b>1a</b> Net farm profit or (loss) from Schedule F, line 34, and farm partnerships, Schedule K-1 (Form 1065), box 14, code A. <b>Note.</b> Skip lines 1a and 1b if you use the farm optional method (see instructions)	<b>1a</b>		
<b>b</b> If you received social security retirement or disability benefits, enter the amount of Conservation Reserve Program payments included on Schedule F, line 4b, or listed on Schedule K-1 (Form 1065), box 20, code Z	<b>1b</b> ( )		
<b>2</b> 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. <b>Note.</b> Skip this line if you use the nonfarm optional method (see instructions) . . . . .	<b>2</b>		
<b>3</b> Combine lines 1a, 1b, and 2 . . . . .	<b>3</b>		
<b>4a</b> If line 3 is more than zero, multiply line 3 by 92.35% (0.9235). Otherwise, enter amount from line 3. <b>Note.</b> If line 4a is less than \$400 due to Conservation Reserve Program payments on line 1b, see instructions.	<b>4a</b>		
<b>b</b> If you elect one or both of the optional methods, enter the total of lines 15 and 17 here . . . . .	<b>4b</b>		
<b>c</b> Combine lines 4a and 4b. If less than \$400, stop; you do not owe self-employment tax. <b>Exception.</b> If less than \$400 and you had church employee income, enter -0- and continue ▶	<b>4c</b>		
<b>5a</b> Enter your church employee income from Form W-2. See instructions for definition of church employee income . . . . .	<b>5a</b>		
<b>b</b> Multiply line 5a by 92.35% (0.9235). If less than \$100, enter -0- . . . . .	<b>5b</b>		
<b>6</b> Add lines 4c and 5b . . . . .	<b>6</b>		
<b>7</b> 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 2016 . . . . .	<b>7</b>	118,500	00
<b>8a</b> Total social security wages and tips (total of boxes 3 and 7 on Form(s) W-2) and railroad retirement (tier 1) compensation. If \$118,500 or more, skip lines 8b through 10, and go to line 11	<b>8a</b>		
<b>b</b> Unreported tips subject to social security tax (from Form 4137, line 10)	<b>8b</b>		
<b>c</b> Wages subject to social security tax (from Form 8919, line 10)	<b>8c</b>		
<b>d</b> Add lines 8a, 8b, and 8c . . . . .	<b>8d</b>		
<b>9</b> Subtract line 8d from line 7. If zero or less, enter -0- here and on line 10 and go to line 11 . ▶	<b>9</b>		
<b>10</b> Multiply the smaller of line 6 or line 9 by 12.4% (0.124) . . . . .	<b>10</b>		
<b>11</b> Multiply line 6 by 2.9% (0.029) . . . . .	<b>11</b>		
<b>12</b> Self-employment tax. Add lines 10 and 11. Enter here and on Form 1040, line 57, or Form 1040NR, line 55	<b>12</b>		
<b>13</b> Deduction for one-half of self-employment tax. Multiply line 12 by 50% (0.50). Enter the result here and on Form 1040, line 27, or Form 1040NR, line 27 . . . . .	<b>13</b>		

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

<b>Farm Optional Method.</b> You may use this method only if (a) your gross farm income <sup>1</sup> was not more than \$7,560, or (b) your net farm profits <sup>2</sup> were less than \$5,457.			
<b>14</b> Maximum income for optional methods . . . . .	<b>14</b>	5,040	00
<b>15</b> Enter the smaller of: two-thirds (2/3) of gross farm income <sup>1</sup> (not less than zero) or \$5,040. Also include this amount on line 4b above . . . . .	<b>15</b>		
<b>Nonfarm Optional Method.</b> You may use this method only if (a) your net nonfarm profits <sup>3</sup> were less than \$5,457 and also less than 72.189% of your gross nonfarm income, <sup>4</sup> and (b) you had net earnings from self-employment of at least \$400 in 2 of the prior 3 years. <b>Caution.</b> You may use this method no more than five times.			
<b>16</b> Subtract line 15 from line 14 . . . . .	<b>16</b>		
<b>17</b> Enter the smaller of: two-thirds (2/3) of gross nonfarm income <sup>4</sup> (not less than zero) or the amount on line 16. Also include this amount on line 4b above . . . . .	<b>17</b>		

<sup>1</sup> From Sch. F, line 9, and Sch. K-1 (Form 1065), box 14, code B.  
<sup>2</sup> From Sch. F, line 34, 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.  
<sup>3</sup> 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.  
<sup>4</sup> 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.



**Credit for Federal Tax Paid on Fuels**

Department of the Treasury  
Internal Revenue Service (99)

► Information about Form 4136 and its separate instructions is at [www.irs.gov/form4136](http://www.irs.gov/form4136).

Name (as shown on your income tax return)  
**MARION L. & LOUISE J. McDONALD**

Taxpayer identification number  
**123-45-6789**

**Caution:** Claimant has the name and address of the person who sold the fuel to the claimant and the dates of purchase. For claims on lines 1c and 2b (type of use 13 or 14), 3d, 4c, and 5, claimant has not waived the right to make the claim. For claims on lines 1c and 2b (type of use 13 or 14), claimant certifies that a certificate has not been provided to the credit card issuer.

**1 Nontaxable Use of Gasoline** Note: CRN is credit reference number.

	(a) Type of use	(b) Rate	(c) Gallons	(d) Amount of credit	(e) CRN
a	Off-highway business use	\$ .183		\$ 559	362
b	Use on a farm for farming purposes	.183	3,052		
c	Other nontaxable use (see Caution above line 1)	.183			
d	Exported	.184			

**2 Nontaxable Use of Aviation Gasoline**

	(a) Type of use	(b) Rate	(c) Gallons	(d) Amount of credit	(e) CRN
a	Use in commercial aviation (other than foreign trade)	\$ .15		\$	354
b	Other nontaxable use (see Caution above line 1)	.193			324
c	Exported	.194			412
d	LUST tax on aviation fuels used in foreign trade	.001			433

**3 Nontaxable Use of Undyed Diesel Fuel**

Claimant certifies that the diesel fuel did not contain visible evidence of dye.

**Exception.** If any of the diesel fuel included in this claim did contain visible evidence of dye, attach an explanation and check here

	(a) Type of use	(b) Rate	(c) Gallons	(d) Amount of credit	(e) CRN
a	Nontaxable use	\$ .243		\$	360
b	Use on a farm for farming purposes	.243			
c	Use in trains	.243			
d	Use in certain intercity and local buses (see Caution above line 1)	.17			
e	Exported	.244			

**4 Nontaxable Use of Undyed Kerosene (Other Than Kerosene Used in Aviation)**

Claimant certifies that the kerosene did not contain visible evidence of dye.

**Exception.** If any of the kerosene included in this claim did contain visible evidence of dye, attach an explanation and check here

	(a) Type of use	(b) Rate	(c) Gallons	(d) Amount of credit	(e) CRN
a	Nontaxable use taxed at \$.244	\$ .243		\$	346
b	Use on a farm for farming purposes	.243			
c	Use in certain intercity and local buses (see Caution above line 1)	.17			
d	Exported	.244			
e	Nontaxable use taxed at \$.044	.043			
f	Nontaxable use taxed at \$.219	.218			

For Paperwork Reduction Act Notice, see the separate instructions.

Cat. No. 12625R

Form **4136** (2016)

**5 Kerosene Used in Aviation** (see Caution above line 1)

	(a) Type of use	(b) Rate	(c) Gallons	(d) Amount of credit	(e) CRN
a	Kerosene used in commercial aviation (other than foreign trade) taxed at \$.244	\$ .200		\$	417
b	Kerosene used in commercial aviation (other than foreign trade) taxed at \$.219	.175			355
c	Nontaxable use (other than use by state or local government) taxed at \$.244	.243			346
d	Nontaxable use (other than use by state or local government) taxed at \$.219	.218			369
e	LUST tax on aviation fuels used in foreign trade	.001			433

DRAFT AS OF  
July 21, 2016  
DO NOT FILE

**6 Sales by Registered Ultimate Vendors of Undyed Diesel Fuel** Registration No. ►

Claimant certifies that it sold the diesel fuel at a tax-excluded price, repaid the amount of tax to the buyer, or has obtained the written consent of the buyer to make the claim. Claimant certifies that the diesel fuel did not contain visible evidence of dye.

**Exception.** If any of the diesel fuel included in this claim did contain visible evidence of dye, attach an explanation and check here ►

	(b) Rate	(c) Gallons	(d) Amount of credit	(e) CRN
a	Use by a state or local government	\$ .243	\$	360
b	Use in certain intercity and local buses	.17		350

**7 Sales by Registered Ultimate Vendors of Undyed Kerosene (Other Than Kerosene For Use in Aviation)** Registration No. ►

Claimant certifies that it sold the kerosene at a tax-excluded price, repaid the amount of tax to the buyer, or has obtained the written consent of the buyer to make the claim. Claimant certifies that the kerosene did not contain visible evidence of dye.

**Exception.** If any of the kerosene included in this claim did contain visible evidence of dye, attach an explanation and check here ►

	(b) Rate	(c) Gallons	(d) Amount of credit	(e) CRN
a	Use by a state or local government	\$ .243	\$	346
b	Sales from a blocked pump	.243		
c	Use in certain intercity and local buses	.17		347

**8 Sales by Registered Ultimate Vendors of Kerosene For Use in Aviation** Registration No. ►

Claimant sold the kerosene for use in aviation at a tax-excluded price and has not collected the amount of tax from the buyer, repaid the amount of tax to the buyer, or has obtained the written consent of the buyer to make the claim. See the instructions for additional information to be submitted.

	(a) Type of use	(b) Rate	(c) Gallons	(d) Amount of credit	(e) CRN
a	Use in commercial aviation (other than foreign trade) taxed at \$.219	\$ .175		\$	355
b	Use in commercial aviation (other than foreign trade) taxed at \$.244	.200			417
c	Nonexempt use in noncommercial aviation	.025			418
d	Other nontaxable uses taxed at \$.244	.243			346
e	Other nontaxable uses taxed at \$.219	.218			369
f	LUST tax on aviation fuels used in foreign trade	.001			433

**9 Reserved**

Registration No. ►

	(b) Rate	(c) Gallons of alcohol	(d) Amount of credit	(e) CRN
a Reserved				
b Reserved				

**10 Biodiesel or Renewable Diesel Mixture Credit**

Registration No. ►

**Biodiesel mixtures.** Claimant produced a mixture by mixing biodiesel with diesel fuel. The biodiesel used to produce the mixture met ASTM D6751 and met EPA's registration requirements for fuels and fuel additives. The mixture was sold by the claimant to any person for use as a fuel or was used as a fuel by the claimant. Claimant has attached the Certificate for Biodiesel and, if applicable, the Statement of Biodiesel Reseller. **Renewable diesel mixtures.** Claimant produced a mixture by mixing renewable diesel with liquid fuel (other than renewable diesel). The renewable diesel used to produce the renewable diesel mixture was derived from biomass process, met EPA's registration requirements for fuels and fuel additives, and met ASTM D975, D396, or other equivalent standard approved by the IRS. The mixture was sold by the claimant to any person for use as a fuel or was used as a fuel by the claimant. Claimant has attached the Certificate for Biodiesel and, if applicable, the Statement of Biodiesel Reseller, both of which have been edited as discussed in the Instructions for Form 4136. See the instructions for line 10 for information about renewable diesel used in aviation.

	(b) Rate	(c) Gallons of biodiesel or renewable diesel	(d) Amount of credit	(e) CRN
a Biodiesel (other than agri-biodiesel) mixtures	\$1.00		\$	388
b Agri-biodiesel mixtures	\$1.00			390
c Renewable diesel mixtures	\$1.00			307

**11 Nontaxable Use of Alternative Fuel**

**Caution:** There is a reduced credit rate for use in certain intercity and local buses (type of use 5) (see instructions).

	(a) Type of use	(b) Rate	(c) Gallons, or gasoline or diesel gallon equivalents	(d) Amount of credit	(e) CRN
a Liquefied petroleum gas (LPG) (see instructions)		\$ .183		\$	419
b "P Series" fuels		.183			420
c Compressed natural gas (CNG) (see instructions)		.183			421
d Liquefied hydrogen		.183			422
e Fischer-Tropsch process liquid fuel from coal (including peat)		.243			423
f Liquid fuel derived from biomass		.243			424
g Liquefied natural gas (LNG) (see instructions)		.243			425
h Liquefied gas derived from biomass		.183			435

**12 Alternative Fuel Credit**

Registration No. ►

	(b) Rate	(c) Gallons, or gasoline or diesel gallon equivalents	(d) Amount of credit	(e) CRN
a Liquefied petroleum gas (LPG) (see instructions)	\$ .50		\$	426
b "P Series" fuels	.50			427
c Compressed natural gas (CNG) (see instructions)	.50			428
d Liquefied hydrogen	.50			429
e Fischer-Tropsch process liquid fuel from coal (including peat)	.50			430
f Liquid fuel derived from biomass	.50			431
g Liquefied natural gas (LNG) (see instructions)	.50			432
h Liquefied gas derived from biomass	.50			436
i Compressed gas derived from biomass	.50			437

**13 Registered Credit Card Issuers**

Registration No. ►

	(b) Rate	(c) Gallons	(d) Amount of credit	(e) CRN
a Diesel fuel sold for the exclusive use of a state or local government	\$ .243		\$	360
b Kerosene sold for the exclusive use of a state or local government	.243			346
c Kerosene for use in aviation sold for the exclusive use of a state or local government taxed at \$.218	.218			369

DRAFT AS OF  
July 21, 2016  
DO NOT FILE

**14 Nontaxable Use of a Diesel-Water Fuel Emulsion**

Caution: There is a reduced credit rate for use in certain intercity and local buses (type of use 5) (see instructions).

	(a) Type of use	(b) Rate	(c) Gallons	(d) Amount of credit	(e) CRN
a Nontaxable use		\$ .197		\$	309
b Exported		.198			306

**15 Diesel-Water Fuel Emulsion Blending**

Registration No. ►

	(b) Rate	(c) Gallons	(d) Amount of credit	(e) CRN
Blender credit	\$ .046		\$	310

**16 Exported Dyed Fuels and Exported Gasoline Blendstocks**

	(b) Rate	(c) Gallons	(d) Amount of credit	(e) CRN
a Exported dyed diesel fuel and exported gasoline blendstocks taxed at \$.001	\$ .001		\$	415
b Exported dyed kerosene	.001			416

**17 Total income tax credit claimed.** Add lines 1 through 16, column (d). Enter here and on Form 1040, line 72; Form 1120, Schedule J, line 19b; Form 1120S, line 23c; Form 1041, line 24g; or the proper line of other returns. ►

17	\$	559	
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**Depreciation and Amortization**  
(Including Information on Listed Property)

Department of the Treasury  
Internal Revenue Service (99)

▶ Information about Form 4562 and its separate instructions is at [www.irs.gov/form4562](http://www.irs.gov/form4562).

▶ Attach to your tax return.

Name(s) shown on return <b>MARION L. McDONALD</b>	Business or activity to which this form relates	Identifying number <b>123-45-6789</b>
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**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 instructions)		<b>1</b>
2 Total cost of section 179 property placed in service (see instructions)		<b>2</b>
3 Threshold cost of section 179 property before reduction in limitation (see instructions)		<b>3</b>
4 Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-		<b>4</b>
5 Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions		<b>5</b>
<b>6</b>		
(a) Description of property	(b) Cost (business use only)	(c) Elected cost
7 Listed property. Enter the amount from line 29		
	<b>7</b>	
8 Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7		<b>8</b>
9 Tentative deduction. Enter the smaller of line 5 or line 8		<b>9</b>
10 Carryover of disallowed deduction from line 13 of your 2015 Form 4562		<b>10</b>
11 Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instructions)		<b>11</b>
12 Section 179 expense deduction. Add lines 9 and 10, but don't enter more than line 11		<b>12</b>
13 Carryover of disallowed deduction to 2017. Add lines 9 and 10, less line 12 ▶	<b>13</b>	

Note: Don't use Part II or Part III below for listed property. Instead, use Part V.

**Part II Special Depreciation Allowance and Other Depreciation (Don't 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)		<b>14</b>
15 Property subject to section 168(f)(1) election		<b>15</b>
16 Other depreciation (including ACRS)		<b>16</b>

**Part III MACRS Depreciation (Don't include listed property.) (See instructions.)**

**Section A**

17 MACRS deductions for assets placed in service in tax years beginning before 2016		<b>17</b>
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 2016 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
<b>19a</b> 3-year property						
<b>b</b> 5-year property						
<b>c</b> 7-year property						
<b>d</b> 10-year property						
<b>e</b> 15-year property						
<b>f</b> 20-year property						
<b>g</b> 25-year property			25 yrs		S/L	
<b>h</b> Residential rental property			27.5 yrs	MM	S/L	
			27.5 yrs	MM	S/L	
<b>i</b> Nonresidential real property			39 yrs	MM	S/L	
				MM	S/L	

**Section C—Assets Placed in Service During 2016 Tax Year Using the Alternative Depreciation System**

<b>20a</b> Class life					S/L	
<b>b</b> 12-year			12 yrs		S/L	
<b>c</b> 40-year			40 yrs	MM	S/L	

**Part IV Summary (See instructions.)**

21 Listed property. Enter amount from line 28		<b>21</b>
22 Total. Add amounts from line 12, lines 14 through 17, lines 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		<b>22</b> <span style="float: right;">16,478</span>
23 For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	<b>23</b>	

**Part V Listed Property** (Include automobiles, certain other vehicles, certain aircraft, 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.)

<b>24a</b> Do you have evidence to support the business/investment use claimed? <input type="checkbox"/> Yes <input type="checkbox"/> No						<b>24b</b> If "Yes," is the evidence written? <input type="checkbox"/> Yes <input type="checkbox"/> 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	
<b>25</b> 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) . . . . .						<b>25</b>			
<b>26</b> Property used more than 50% in a qualified business use:									
		%							
		%							
		%							
<b>27</b> Property used 50% or less in a qualified business use:									
		%			S/L-				
		%			S/L-				
		%			S/L-				
<b>28</b> Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1 . . . . .						<b>28</b>			
<b>29</b> Add amounts in column (i), line 26. Enter here and on line 7, page 1 . . . . .							<b>29</b>		

**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	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
<b>30</b> Total business/investment miles driven during the year (don't include commuting miles) . . . . .												
<b>31</b> Total commuting miles driven during the year . . . . .												
<b>32</b> Total other personal (noncommuting) miles driven . . . . .												
<b>33</b> Total miles driven during the year. Add lines 30 through 32 . . . . .												
<b>34</b> Was the vehicle available for personal use during off-duty hours? . . . . .												
<b>35</b> Was the vehicle used primarily by a more than 5% owner or related person? . . . . .												
<b>36</b> Is another vehicle available for personal use?												

**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 aren't more than 5% owners or related persons (see instructions).

	Yes	No
<b>37</b> Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees? . . . . .		
<b>38</b> 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 . . . . .		
<b>39</b> Do you treat all use of vehicles by employees as personal use? . . . . .		
<b>40</b> 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? . . . . .		
<b>41</b> 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," don't 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
<b>42</b> Amortization of costs that begins during your 2016 tax year (see instructions):					
<b>43</b> Amortization of costs that began before your 2016 tax year . . . . .					<b>43</b>
<b>44</b> Total. Add amounts in column (f). See the instructions for where to report . . . . .					<b>44</b>

**Sales of Business Property**  
 (Also Involuntary Conversions and Recapture Amounts  
 Under Sections 179 and 280F(b)(2))

Department of the Treasury  
Internal Revenue Service

▶ Attach to your tax return.

▶ Information about Form 4797 and its separate instructions is at [www.irs.gov/form4797](http://www.irs.gov/form4797).

Attachment  
Sequence No. **27**

Name(s) shown on return <b>MARION L. &amp; LOUISE J. McDONALD</b>	Identifying number <b>123-45-6789</b>
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**1** Enter the gross proceeds from sales or exchanges reported to you for 2016 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)
	2 raised sows	raised	10/1/16	died			-0-

**3** Gain, if any, from Form 4684, line 39 . . . . . **3**

**4** Section 1231 gain from installment sales from Form 6252, line 26 or 37 . . . . . **4**

**5** Section 1231 gain or (loss) from like-kind exchanges from Form 8824 . . . . . **5**

**6** Gain, if any, from line 32, from other than casualty or theft . . . . . **6**

**7** Combine lines 2 through 6. Enter the gain or (loss) here and on the appropriate line as follows: . . . . . **7** align="right">-0-

**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 didn't 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.

**8** Nonrecaptured net section 1231 losses from prior years. See instructions . . . . . **8**

**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 . . . . . **9**

**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):


**11** Loss, if any, from line 7 . . . . . **11** ( )

**12** Gain, if any, from line 7 or amount from line 8, if applicable . . . . . **12**

**13** Gain, if any, from line 31 . . . . . **13**

**14** Net gain or (loss) from Form 4684, lines 31 and 38a . . . . . **14**

**15** Ordinary gain from installment sales from Form 6252, line 25 or 36 . . . . . **15**

**16** Ordinary gain or (loss) from like-kind exchanges from Form 8824. . . . . **16**

**17** Combine lines 10 through 16 . . . . . **17**

**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 35, 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**

**Part III Gain From Disposition of Property Under Sections 1245, 1250, 1252, 1254, and 1255**  
(see instructions)

19 (a) Description of section 1245, 1250, 1252, 1254, or 1255 property:		(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)
A			
B			
C			
D			
These columns relate to the properties on lines 19A through 19D. ▶		Property A	Property B
		Property C	Property D
20	Gross sales price (Note: See line 1 before completing.) . . . . .	20	
21	Cost or other basis plus expense of sale . . . . .	21	
22	Depreciation (or depletion) allowed or allowable . . . . .	22	
23	Adjusted basis. Subtract line 22 from line 21 . . . . .	23	
24	Total gain. Subtract line 23 from line 20 . . . . .	24	
<b>25 If section 1245 property:</b>			
a	Depreciation allowed or allowable from line 22 . . . . .	25a	
b	Enter the smaller of line 24 or 25a . . . . .	25b	
<b>26 If section 1250 property:</b> If straight line depreciation was used, enter -0- on line 26g, except for a corporation subject to section 291.			
a	Additional depreciation after 1975. See instructions . . . . .	26a	
b	Applicable percentage multiplied by the smaller of line 24 or line 26a. See instructions . . . . .	26b	
c	Subtract line 26a from line 24. If residential rental property or line 24 isn't more than line 26a, skip lines 26d and 26e . . . . .	26c	
d	Additional depreciation after 1969 and before 1976 . . . . .	26d	
e	Enter the smaller of line 26c or 26d . . . . .	26e	
f	Section 291 amount (corporations only) . . . . .	26f	
g	Add lines 26b, 26e, and 26f. . . . .	26g	
<b>27 If section 1252 property:</b> Skip this section if you didn't dispose of farmland or if this form is being completed for a partnership (other than an electing large partnership).			
a	Soil, water, and land clearing expenses . . . . .	27a	
b	Line 27a multiplied by applicable percentage. See instructions . . . . .	27b	
c	Enter the smaller of line 24 or 27b . . . . .	27c	
<b>28 If section 1254 property:</b>			
a	Intangible drilling and development costs, expenditures for development of mines and other natural deposits, mining exploration costs, and depletion. See instructions . . . . .	28a	
b	Enter the smaller of line 24 or 28a . . . . .	28b	
<b>29 If section 1255 property:</b>			
a	Applicable percentage of payments excluded from income under section 126. See instructions . . . . .	29a	
b	Enter the smaller of line 24 or 29a. See instructions . . . . .	29b	

**Summary of Part III Gains.** Complete property columns A through D through line 29b before going to line 30.

30	Total gains for all properties. Add property columns A through D, line 24 . . . . .	30
31	Add property columns A through D, lines 25b, 26g, 27c, 28b, and 29b. Enter here and on line 13 . . . . .	31
32	Subtract line 31 from line 30. Enter the portion from casualty or theft on Form 4684, line 33. Enter the portion from other than casualty or theft on Form 4797, line 6 . . . . .	32

**Part IV Recapture Amounts Under Sections 179 and 280F(b)(2) When Business Use Drops to 50% or Less**  
(see instructions)

		(a) Section 179	(b) Section 280F(b)(2)
33	Section 179 expense deduction or depreciation allowable in prior years . . . . .	33	
34	Recomputed depreciation. See instructions . . . . .	34	
35	Recapture amount. Subtract line 34 from line 33. See the instructions for where to report . . . . .	35	



**Farm Rental Income and Expenses**  
(Crop and Livestock Shares (Not Cash) Received by Landowner (or Sub-Lessor))  
(Income not subject to self-employment tax)

▶ Attach to Form 1040 or Form 1040NR.  
▶ Information about Form 4835 and its instructions is at [www.irs.gov/form4835](http://www.irs.gov/form4835).

Name(s) shown on tax return

LOUISE J. McDONALD

Your social security number

234-56-7890

Employer ID number (EIN), if any

**A** Did you actively participate in the operation of this farm during 2016 (see instructions)?  Yes  No

**Part I Gross Farm Rental Income—Based on Production.** Include amounts converted to cash or the equivalent.

<b>1</b>	Income from production of livestock, produce, grains, and other crops . . . . .	<b>1</b>	23,000
<b>2a</b>	Cooperative distributions (Form(s) 1099-PATR) <b>2a</b>	<b>2b</b>	Taxable amount
<b>3a</b>	Agricultural program payments (see instructions) <b>3a</b>	<b>3b</b>	Taxable amount
<b>4</b>	Commodity Credit Corporation (CCC) loans (see instructions):	<b>4a</b>	
<b>a</b>	CCC loans reported under election . . . . .	<b>4c</b>	Taxable amount
<b>b</b>	CCC loans forfeited . . . . . <b>4b</b>	<b>4c</b>	
<b>5</b>	Crop insurance proceeds and federal crop disaster payments (see instructions):	<b>5a</b>	
<b>a</b>	Amount received in 2016 . . . . . <b>5a</b>	<b>5b</b>	Taxable amount
<b>c</b>	If election to defer to 2017 is attached, check here <input type="checkbox"/> <b>5d</b> Amount deferred from 2015	<b>5d</b>	
<b>6</b>	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	<b>6</b>	
<b>7</b>	<b>Gross farm rental income.</b> Add amounts in the right column for lines 1 through 6. Enter the total here and on Schedule E (Form 1040), line 42. ▶	<b>7</b>	23,000

**Part II Expenses—Farm Rental Property.** Do not include personal or living expenses.

<b>8</b>	Car and truck expenses (see Schedule F (Form 1040) instructions). Also attach Form 4562	<b>8</b>		<b>21</b>	Pension and profit-sharing plans . . . . .	<b>21</b>	
<b>9</b>	Chemicals . . . . .	<b>9</b>	1,500	<b>22</b>	Rent or lease:		
<b>10</b>	Conservation expenses (see instructions) . . . . .	<b>10</b>		<b>a</b>	Vehicles, machinery, and equipment (see instructions). . . . .	<b>22a</b>	
<b>11</b>	Custom hire (machine work) . . . . .	<b>11</b>		<b>b</b>	Other (land, animals, etc.)	<b>22b</b>	
<b>12</b>	Depreciation and section 179 expense deduction not claimed elsewhere . . . . .	<b>12</b>		<b>23</b>	Repairs and maintenance	<b>23</b>	
<b>13</b>	Employee benefit programs other than on line 21 (see Schedule F (Form 1040) instructions). . . . .	<b>13</b>		<b>24</b>	Seeds and plants . . . . .	<b>24</b>	2,150
<b>14</b>	Feed . . . . .	<b>14</b>		<b>25</b>	Storage and warehousing	<b>25</b>	
<b>15</b>	Fertilizers and lime . . . . .	<b>15</b>	1,650	<b>26</b>	Supplies . . . . .	<b>26</b>	
<b>16</b>	Freight and trucking . . . . .	<b>16</b>		<b>27</b>	Taxes . . . . .	<b>27</b>	2,300
<b>17</b>	Gasoline, fuel, and oil . . . . .	<b>17</b>		<b>28</b>	Utilities . . . . .	<b>28</b>	
<b>18</b>	Insurance (other than health). . . . .	<b>18</b>	1,550	<b>29</b>	Veterinary, breeding, and medicine . . . . .	<b>29</b>	
<b>19</b>	Interest:			<b>30</b>	Other expenses (specify):		
<b>a</b>	Mortgage (paid to banks, etc.)	<b>19a</b>	1,750	<b>a</b>	-----	<b>30a</b>	
<b>b</b>	Other . . . . .	<b>19b</b>		<b>b</b>	-----	<b>30b</b>	
<b>20</b>	Labor hired (less employment credits) (see Schedule F (Form 1040) instructions) . . . . .	<b>20</b>		<b>c</b>	-----	<b>30c</b>	
				<b>d</b>	-----	<b>30d</b>	
				<b>e</b>	-----	<b>30e</b>	
				<b>f</b>	-----	<b>30f</b>	
				<b>g</b>	-----	<b>30g</b>	
<b>31</b>	<b>Total expenses.</b> Add lines 8 through 30g (see instructions) . . . . . ▶	<b>31</b>	10,900	<b>32</b>	<b>Net farm rental income or (loss).</b> Subtract line 31 from line 7. If the result is income, enter it here and on Schedule E (Form 1040), line 40. If the result is a loss, you must go to lines 33 and 34 (see instructions) . . . . .	<b>32</b>	12,100
<b>33</b>	Did you receive an applicable subsidy in 2016? (see instructions) . . . . .	<b>33</b>	<input type="checkbox"/> Yes <input type="checkbox"/> No	<b>34a</b>	<input type="checkbox"/> All investment is at risk.		
<b>34</b>	If line 32 is a loss, check the box that describes your investment in this activity (see instructions) . . . . .	<b>34b</b>	<input type="checkbox"/> Some investment is not at risk.	<b>34c</b>			
<b>c</b>	You may have to complete Form 8582 to determine your deductible loss, regardless of which box you checked (see instructions). If you checked box 34b, you must complete Form 6198 before going to Form 8582. In either case, enter the deductible loss here and on Schedule E (Form 1040), line 40 . . . . .	<b>34c</b>					

**Farm Rental Income and Expenses**  
(Crop and Livestock Shares (Not Cash) Received by Landowner (or Sub-Lessor))  
(Income not subject to self-employment tax)

▶ Attach to Form 1040 or Form 1040NR.  
▶ Information about Form 4835 and its instructions is at [www.irs.gov/form4835](http://www.irs.gov/form4835).

Name(s) shown on tax return  
**LOUISE J. McDONALD**

Your social security number  
**234-56-7890**

Employer ID number (EIN), if any

**A** Did you actively participate in the operation of this farm during 2016 (see instructions)?  Yes  No

**Part I Gross Farm Rental Income—Based on Production.** Include amounts converted to cash or the equivalent.

<b>1</b>	Income from production of livestock, produce, grains, and other crops . . . . .	<b>1</b>	
<b>2a</b>	Cooperative distributions (Form(s) 1099-PATR) <b>2a</b>	<b>2b</b>	Taxable amount
<b>3a</b>	Agricultural program payments (see instructions) <b>3a</b> 3,200	<b>3b</b>	Taxable amount 3,200
<b>4</b>	Commodity Credit Corporation (CCC) loans (see instructions):	<b>4a</b>	
<b>a</b>	CCC loans reported under election . . . . .	<b>4a</b>	
<b>b</b>	CCC loans forfeited <b>4b</b>	<b>4c</b>	Taxable amount <b>4c</b>
<b>5</b>	Crop insurance proceeds and federal crop disaster payments (see instructions):	<b>5b</b>	
<b>a</b>	Amount received in 2016 . . . . . <b>5a</b>	<b>5b</b>	Taxable amount <b>5b</b>
<b>c</b>	If election to defer to 2017 is attached, check here <input type="checkbox"/> <b>5d</b> Amount deferred from 2015 <b>5d</b>	<b>6</b>	
<b>6</b>	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	<b>7</b>	
<b>7</b>	<b>Gross farm rental income.</b> Add amounts in the right column for lines 1 through 6. Enter the total here and on Schedule E (Form 1040), line 42. . . . . ▶	<b>7</b>	3,200

**Part II Expenses—Farm Rental Property.** Do not include personal or living expenses.

<b>8</b>	Car and truck expenses (see Schedule F (Form 1040) instructions). Also attach Form 4562	<b>8</b>		<b>21</b>	Pension and profit-sharing plans . . . . .	<b>21</b>	
<b>9</b>	Chemicals . . . . .	<b>9</b>		<b>22</b>	Rent or lease:		
<b>10</b>	Conservation expenses (see instructions) . . . . .	<b>10</b>		<b>a</b>	Vehicles, machinery, and equipment (see instructions). . . . .	<b>22a</b>	
<b>11</b>	Custom hire (machine work) . . . . .	<b>11</b>		<b>b</b>	Other (land, animals, etc.)	<b>22b</b>	
<b>12</b>	Depreciation and section 179 expense deduction not claimed elsewhere . . . . .	<b>12</b>		<b>23</b>	Repairs and maintenance	<b>23</b>	
<b>13</b>	Employee benefit programs other than on line 21 (see Schedule F (Form 1040) instructions). . . . .	<b>13</b>		<b>24</b>	Seeds and plants . . . . .	<b>24</b>	
<b>14</b>	Feed . . . . .	<b>14</b>		<b>25</b>	Storage and warehousing	<b>25</b>	
<b>15</b>	Fertilizers and lime . . . . .	<b>15</b>		<b>26</b>	Supplies . . . . .	<b>26</b>	
<b>16</b>	Freight and trucking . . . . .	<b>16</b>		<b>27</b>	Taxes . . . . .	<b>27</b>	
<b>17</b>	Gasoline, fuel, and oil . . . . .	<b>17</b>		<b>28</b>	Utilities . . . . .	<b>28</b>	
<b>18</b>	Insurance (other than health).	<b>18</b>		<b>29</b>	Veterinary, breeding, and medicine . . . . .	<b>29</b>	
<b>19</b>	Interest:			<b>30</b>	Other expenses (specify):		
<b>a</b>	Mortgage (paid to banks, etc.)	<b>19a</b>		<b>a</b>	.....	<b>30a</b>	
<b>b</b>	Other . . . . .	<b>19b</b>		<b>b</b>	.....	<b>30b</b>	
<b>20</b>	Labor hired (less employment credits) (see Schedule F (Form 1040) instructions) . . . . .	<b>20</b>		<b>c</b>	.....	<b>30c</b>	
				<b>d</b>	.....	<b>30d</b>	
				<b>e</b>	.....	<b>30e</b>	
				<b>f</b>	.....	<b>30f</b>	
				<b>g</b>	.....	<b>30g</b>	
<b>31</b>	<b>Total expenses.</b> Add lines 8 through 30g (see instructions) . . . . . ▶	<b>31</b>					
<b>32</b>	<b>Net farm rental income or (loss).</b> Subtract line 31 from line 7. If the result is income, enter it here and on Schedule E (Form 1040), line 40. If the result is a loss, you must go to lines 33 and 34 (see instructions) . . . . .	<b>32</b>	3,200				
<b>33</b>	Did you receive an applicable subsidy in 2016? (see instructions) . . . . .	<b>33</b>					<input type="checkbox"/> Yes <input type="checkbox"/> No
<b>34</b>	If line 32 is a loss, check the box that describes your investment in this activity (see instructions) . . . . .	<b>34a</b>					<input type="checkbox"/> All investment is at risk.
<b>c</b>	You may have to complete Form 8582 to determine your deductible loss, regardless of which box you checked (see instructions). If you checked box 34b, you must complete Form 6198 before going to Form 8582. In either case, enter the deductible loss here and on Schedule E (Form 1040), line 40 . . . . .	<b>34b</b>					<input type="checkbox"/> Some investment is not at risk.
		<b>34c</b>					

**Farm Rental Income and Expenses**  
(Crop and Livestock Shares (Not Cash) Received by Landowner (or Sub-Lessor))  
(Income not subject to self-employment tax)

▶ Attach to Form 1040 or Form 1040NR.  
▶ Information about Form 4835 and its instructions is at [www.irs.gov/form4835](http://www.irs.gov/form4835).

Name(s) shown on tax return

MARION L. McDONALD

Your social security number

123-45-6789

Employer ID number (EIN), if any

**A** Did you actively participate in the operation of this farm during 2016 (see instructions)?  Yes  No

**Part I Gross Farm Rental Income—Based on Production.** Include amounts converted to cash or the equivalent.

<b>1</b>	Income from production of livestock, produce, grains, and other crops . . . . .	<b>1</b>	
<b>2a</b>	Cooperative distributions (Form(s) 1099-PATR)	<b>2a</b>	
<b>2b</b>	Taxable amount	<b>2b</b>	
<b>3a</b>	Agricultural program payments (see instructions)	<b>3a</b>	1,500
<b>3b</b>	Taxable amount	<b>3b</b>	1,500
<b>4</b>	Commodity Credit Corporation (CCO) loans (see instructions):		
<b>a</b>	CCC loans reported under election . . . . .	<b>4a</b>	
<b>b</b>	CCC loans forfeited . . . . .	<b>4b</b>	
<b>4c</b>	Taxable amount	<b>4c</b>	
<b>5</b>	Crop insurance proceeds and federal crop disaster payments (see instructions):		
<b>a</b>	Amount received in 2016 . . . . .	<b>5a</b>	
<b>5b</b>	Taxable amount	<b>5b</b>	
<b>c</b>	If election to defer to 2017 is attached, check here <input type="checkbox"/> <b>5d</b> Amount deferred from 2015	<b>5d</b>	
<b>6</b>	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	<b>6</b>	
<b>7</b>	<b>Gross farm rental income.</b> Add amounts in the right column for lines 1 through 6. Enter the total here and on Schedule E (Form 1040), line 42. . . . . ▶	<b>7</b>	1,500

**Part II Expenses—Farm Rental Property.** Do not include personal or living expenses.

<b>8</b>	Car and truck expenses (see Schedule F (Form 1040) instructions). Also attach Form 4562	<b>8</b>		<b>21</b>	Pension and profit-sharing plans . . . . .	<b>21</b>	
<b>9</b>	Chemicals . . . . .	<b>9</b>		<b>22</b>	Rent or lease:		
<b>10</b>	Conservation expenses (see instructions) . . . . .	<b>10</b>		<b>a</b>	Vehicles, machinery, and equipment (see instructions) . . . . .	<b>22a</b>	
<b>11</b>	Custom hire (machine work) . . . . .	<b>11</b>		<b>b</b>	Other (land, animals, etc.)	<b>22b</b>	
<b>12</b>	Depreciation and section 179 expense deduction not claimed elsewhere . . . . .	<b>12</b>		<b>23</b>	Repairs and maintenance	<b>23</b>	
<b>13</b>	Employee benefit programs other than on line 21 (see Schedule F (Form 1040) instructions). . . . .	<b>13</b>		<b>24</b>	Seeds and plants . . . . .	<b>24</b>	
<b>14</b>	Feed . . . . .	<b>14</b>		<b>25</b>	Storage and warehousing	<b>25</b>	
<b>15</b>	Fertilizers and lime . . . . .	<b>15</b>		<b>26</b>	Supplies . . . . .	<b>26</b>	
<b>16</b>	Freight and trucking . . . . .	<b>16</b>		<b>27</b>	Taxes . . . . .	<b>27</b>	
<b>17</b>	Gasoline, fuel, and oil . . . . .	<b>17</b>		<b>28</b>	Utilities . . . . .	<b>28</b>	
<b>18</b>	Insurance (other than health).	<b>18</b>		<b>29</b>	Veterinary, breeding, and medicine . . . . .	<b>29</b>	
<b>19</b>	Interest:			<b>30</b>	Other expenses (specify):		
<b>a</b>	Mortgage (paid to banks, etc.)	<b>19a</b>		<b>a</b>	.....	<b>30a</b>	
<b>b</b>	Other . . . . .	<b>19b</b>		<b>b</b>	.....	<b>30b</b>	
<b>20</b>	Labor hired (less employment credits) (see Schedule F (Form 1040) instructions) . . . . .	<b>20</b>		<b>c</b>	.....	<b>30c</b>	
				<b>d</b>	.....	<b>30d</b>	
				<b>e</b>	.....	<b>30e</b>	
				<b>f</b>	.....	<b>30f</b>	
				<b>g</b>	.....	<b>30g</b>	
<b>31</b>	<b>Total expenses.</b> Add lines 8 through 30g (see instructions) . . . . . ▶	<b>31</b>		<b>31</b>			
<b>32</b>	<b>Net farm rental income or (loss).</b> Subtract line 31 from line 7. If the result is income, enter it here and on Schedule E (Form 1040), line 40. If the result is a loss, you must go to lines 33 and 34 (see instructions) . . . . .	<b>32</b>	1,500				
<b>33</b>	Did you receive an applicable subsidy in 2016? (see instructions) . . . . .	<b>33</b>	<input type="checkbox"/> Yes <input type="checkbox"/> No				
<b>34</b>	If line 32 is a loss, check the box that describes your investment in this activity (see instructions) . . . . .	<b>34a</b>	<input type="checkbox"/> All investment is at risk.				
		<b>34b</b>	<input type="checkbox"/> Some investment is not at risk.				
<b>c</b>	You may have to complete Form 8582 to determine your deductible loss, regardless of which box you checked (see instructions). If you checked box 34b, you must complete Form 6198 before going to Form 8582. In either case, enter the deductible loss here and on Schedule E (Form 1040), line 40 . . . . .	<b>34c</b>					

**Alternative Minimum Tax—Individuals**

Department of the Treasury  
Internal Revenue Service (99)

▶ Information about Form 6251 and its separate instructions is at [www.irs.gov/form6251](http://www.irs.gov/form6251).

▶ Attach to Form 1040 or Form 1040NR.

Name(s) shown on Form 1040 or Form 1040NR

Your social security number

**MARION L. & LOUISE J. McDONALD**

**123-45-6789**

**Part I Alternative Minimum Taxable Income** (See instructions for how to complete each line.)

1	If filing Schedule A (Form 1040), enter the amount from Form 1040, line 41, and go to line 2. Otherwise, enter the amount from Form 1040, line 38, and go to line 7. (If less than zero, enter as a negative amount.)	136,529
2	Medical and dental. If you or your spouse was 65 or older, enter the smaller of Schedule A (Form 1040), line 4, or 2.5% (0.025) of Form 1040, line 38. If zero or less, enter -0-	-0-
3	Taxes from Schedule A (Form 1040), line 9	3,700
4	Enter the home mortgage interest adjustment, if any, from line 6 of the worksheet in the instructions for this line	
5	Miscellaneous deductions from Schedule A (Form 1040), line 27	
6	If Form 1040, line 38, is \$155,650 or less, enter -0-. Otherwise, see instructions	( -0- )
7	Tax refund from Form 1040, line 10 or line 21	( )
8	Investment interest expense (difference between regular tax and AMT)	
9	Depletion (difference between regular tax and AMT)	
10	Net operating loss deduction from Form 1040, line 21. Enter as a positive amount	
11	Alternative tax net operating loss deduction	( )
12	Interest from specified private activity bonds exempt from the regular tax	
13	Qualified small business stock, see instructions	
14	Exercise of incentive stock options (excess of AMT income over regular tax income)	
15	Estates and trusts (amount from Schedule K-1 (Form 1041), box 12, code A)	
16	Electing large partnerships (amount from Schedule K-1 (Form 1065-B), box 6)	
17	Disposition of property (difference between AMT and regular tax gain or loss)	
18	Depreciation on assets placed in service after 1986 (difference between regular tax and AMT)	
19	Passive activities (difference between AMT and regular tax income or loss)	
20	Loss limitations (difference between AMT and regular tax income or loss)	
21	Circulation costs (difference between regular tax and AMT)	
22	Long-term contracts (difference between AMT and regular tax income)	
23	Mining costs (difference between regular tax and AMT)	
24	Research and experimental costs (difference between regular tax and AMT)	
25	Income from certain installment sales before January 1, 1987	( )
26	Intangible drilling costs preference	
27	Other adjustments, including income-based related adjustments	
28	<b>Alternative minimum taxable income.</b> Combine lines 1 through 27. (If married filing separately and line 28 is more than \$247,450, see instructions.)	<b>140,229</b>

**Part II Alternative Minimum Tax (AMT)**

29	Exemption. (If you were under age 24 at the end of 2016, see instructions.) IF your filing status is . . . AND line 28 is not over . . . THEN enter on line 29 . . . Single or head of household . . . \$119,700 . . . \$53,900 Married filing jointly or qualifying widow(er) 159,700 . . . 83,800 Married filing separately . . . 79,850 . . . 41,900 If line 28 is over the amount shown above for your filing status, see instructions.	83,800
30	Subtract line 29 from line 28. If more than zero, go to line 31. If zero or less, enter -0- here and on lines 31, 33, and 35, and go to line 34	56,429
31	• If you are filing Form 2555 or 2555-EZ, see instructions for the amount to enter. • If you reported capital gain distributions directly on Form 1040, line 13; you reported qualified dividends on Form 1040, line 9b; or you had a gain on both lines 15 and 16 of Schedule D (Form 1040) (as refigured for the AMT, if necessary), complete Part III on the back and enter the amount from line 64 here. • All others: If line 30 is \$186,300 or less (\$93,150 or less if married filing separately), multiply line 30 by 26% (0.26). Otherwise, multiply line 30 by 28% (0.28) and subtract \$3,726 (\$1,863 if married filing separately) from the result.	14,672
32	Alternative minimum tax foreign tax credit (see instructions)	---
33	Tentative minimum tax. Subtract line 32 from line 31	14,672
34	Add Form 1040, line 44 (minus any tax from Form 4972), and Form 1040, line 46. Subtract from the result any foreign tax credit from Form 1040, line 48. If you used Schedule J to figure your tax on Form 1040, line 44, refigure that tax without using Schedule J before completing this line (see instructions)	21,624
35	<b>AMT.</b> Subtract line 34 from line 33. If zero or less, enter -0-. Enter here and on Form 1040, line 45	-0-

**Part III Tax Computation Using Maximum Capital Gains Rates**

Complete Part III only if you are required to do so by line 31 or by the Foreign Earned Income Tax Worksheet in the instructions.

36	Enter the amount from Form 6251, line 30. If you are filing Form 2555 or 2555-EZ, enter the amount from line 3 of the worksheet in the instructions for line 31 . . . . .	36		
37	Enter the amount from line 6 of the Qualified Dividends and Capital Gain Tax Worksheet in the instructions for Form 1040, line 44, or the amount from line 13 of the Schedule D Tax Worksheet in the instructions for Schedule D (Form 1040), whichever applies (as figured for the AMT, if necessary) (see instructions). If you are filing Form 2555 or 2555-EZ, see instructions for the amount to enter . . . . .	37		
38	Enter the amount from Schedule D (Form 1040), line 19 (as figured for the AMT, if necessary) (see instructions). If you are filing Form 2555 or 2555-EZ, see instructions for the amount to enter . . . . .	38		
39	If you did not complete a Schedule D Tax Worksheet for the regular tax or the AMT, enter the amount from line 37. Otherwise, add lines 37 and 38, and enter the smaller of that result or the amount from line 10 of the Schedule D Tax Worksheet (as figured for the AMT, if necessary). If you are filing Form 2555 or 2555-EZ, see instructions for the amount to enter . . . . .	39		
40	Enter the smaller of line 36 or line 39 . . . . .	40		
41	Subtract line 40 from line 36 . . . . .	41		
42	If line 41 is \$186,300 or less (\$93,150 or less if married filing separately), multiply line 41 by 26% (0.26). Otherwise, multiply line 41 by 28% (0.28) and subtract \$3,726 (\$1,863 if married filing separately) from the result . . . ▶	42		
43	Enter: <ul style="list-style-type: none"> <li>• \$75,300 if married filing jointly or qualifying widow(er),</li> <li>• \$37,650 if single or married filing separately, or</li> <li>• \$50,400 if head of household.</li> </ul>	43		
44	Enter the amount from line 7 of the Qualified Dividends and Capital Gain Tax Worksheet in the instructions for Form 1040, line 44, or the amount from line 14 of the Schedule D Tax Worksheet in the instructions for Schedule D (Form 1040), whichever applies (as figured for the regular tax). If you did not complete either worksheet for the regular tax, enter the amount from Form 1040, line 43; if zero or less, enter -0-. If you are filing Form 2555 or 2555-EZ, see instructions for the amount to enter . . . . .	44		
45	Subtract line 44 from line 43. If zero or less, enter -0- . . . . .	45		
46	Enter the smaller of line 36 or line 37 . . . . .	46		
47	Enter the smaller of line 45 or line 46. This amount is taxed at 0% . . . . .	47		
48	Subtract line 47 from line 46 . . . . .	48		
49	Enter: <ul style="list-style-type: none"> <li>• \$415,050 if single</li> <li>• \$233,475 if married filing separately</li> <li>• \$466,950 if married filing jointly or qualifying widow(er)</li> <li>• \$441,000 if head of household</li> </ul>	49		
50	Enter the amount from line 45 . . . . .	50		
51	Enter the amount from line 7 of the Qualified Dividends and Capital Gain Tax Worksheet in the instructions for Form 1040, line 44, or the amount from line 19 of the Schedule D Tax Worksheet, whichever applies (as figured for the regular tax). If you did not complete either worksheet for the regular tax, enter the amount from Form 1040, line 43; if zero or less, enter -0-. If you are filing Form 2555 or Form 2555-EZ, see instructions for the amount to enter . . . . .	51		
52	Add line 50 and line 51 . . . . .	52		
53	Subtract line 52 from line 49. If zero or less, enter -0- . . . . .	53		
54	Enter the smaller of line 48 or line 53 . . . . .	54		
55	Multiply line 54 by 15% (0.15) . . . . . ▶	55		
56	Add lines 47 and 54 . . . . .	56		
	If lines 56 and 36 are the same, skip lines 57 through 61 and go to line 62. Otherwise, go to line 57.			
57	Subtract line 56 from line 46 . . . . .	57		
58	Multiply line 57 by 20% (0.20) . . . . . ▶	58		
	If line 38 is zero or blank, skip lines 59 through 61 and go to line 62. Otherwise, go to line 59.			
59	Add lines 41, 56, and 57 . . . . .	59		
60	Subtract line 59 from line 36 . . . . .	60		
61	Multiply line 60 by 25% (0.25) . . . . . ▶	61		
62	Add lines 42, 55, 58, and 61 . . . . .	62		
63	If line 36 is \$186,300 or less (\$93,150 or less if married filing separately), multiply line 36 by 26% (0.26). Otherwise, multiply line 36 by 28% (0.28) and subtract \$3,726 (\$1,863 if married filing separately) from the result . . . . .	63		
64	Enter the smaller of line 62 or line 63 here and on line 31. If you are filing Form 2555 or 2555-EZ, do not enter this amount on line 31. Instead, enter it on line 4 of the worksheet in the instructions for line 31 . . . . .	64		

## Gains and Losses From Section 1256 Contracts and Straddles

Department of the Treasury  
Internal Revenue Service

▶ Information about Form 6781 and its instructions is at [www.irs.gov/form6781](http://www.irs.gov/form6781).  
▶ Attach to your tax return.

Attachment  
Sequence No. **82**

Name(s) shown on tax return  
**MARION L. McDONALD**

Identifying number  
**123-45-6789**

Check all applicable boxes (see instructions).  
 **A** Mixed straddle election       **C** Mixed straddle account election  
 **B** Straddle-by-straddle identification election       **D** Net section 1256 contracts loss election

**Part I Section 1256 Contracts Marked to Market**

(a) Identification of account	(b) (Loss)	(c) Gain
<b>1</b> Beaman Coop		24,000
<b>2</b> Add the amounts on line 1 in columns (b) and (c)	<b>2</b> ( )	24,000
<b>3</b> Net gain or (loss). Combine line 2, columns (b) and (c)		<b>3</b> 24,000
<b>4</b> Form 1099-B adjustments. See instructions and attach statement		<b>4</b> ---
<b>5</b> Combine lines 3 and 4		<b>5</b> 24,000
<i>Note: If line 5 shows a net gain, skip line 6 and enter the gain on line 7. Partnerships and S corporations, see instructions.</i>		
<b>6</b> If you have a net section 1256 contracts loss and checked box D above, enter the amount of loss to be carried back. Enter the loss as a positive number. If you didn't check box D, enter -0-		<b>6</b> ( )
<b>7</b> Combine lines 5 and 6		<b>7</b> 24,000
<b>8</b> Short-term capital gain or (loss). Multiply line 7 by 40% (0.40). Enter here and include on line 4 of Schedule D or on Form 8949 (see instructions)		<b>8</b> 9,600
<b>9</b> Long-term capital gain or (loss). Multiply line 7 by 60% (0.60). Enter here and include on line 11 of Schedule D or on Form 8949 (see instructions)		<b>9</b> 14,400

**Part II Gains and Losses From Straddles. Attach a separate statement listing each straddle and its components.**

**Section A—Losses From Straddles**

(a) Description of property	(b) Date entered into or acquired	(c) Date closed out or sold	(d) Gross sales price	(e) Cost or other basis plus expense of sale	(f) Loss. If column (e) is more than (d), enter difference. Otherwise, enter -0-	(g) Unrecognized gain on offsetting positions	(h) Recognized loss. If column (f) is more than (g), enter difference. Otherwise, enter -0-
<b>10</b>							
<b>11a</b> Enter the short-term portion of losses from line 10, column (h), here and include on line 4 of Schedule D or on Form 8949 (see instructions)							<b>11a</b> ( )
<b>b</b> Enter the long-term portion of losses from line 10, column (h), here and include on line 11 of Schedule D or on Form 8949 (see instructions)							<b>11b</b> ( )

**Section B—Gains From Straddles**

(a) Description of property	(b) Date entered into or acquired	(c) Date closed out or sold	(d) Gross sales price	(e) Cost or other basis plus expense of sale	(f) Gain. If column (d) is more than (e), enter difference. Otherwise, enter -0-	
<b>12</b>						
<b>13a</b> Enter the short-term portion of gains from line 12, column (f), here and include on line 4 of Schedule D or on Form 8949 (see instructions)						<b>13a</b>
<b>b</b> Enter the long-term portion of gains from line 12, column (f), here and include on line 11 of Schedule D or on Form 8949 (see instructions)						<b>13b</b>

**Part III Unrecognized Gains From Positions Held on Last Day of Tax Year. Memo Entry Only (see instructions)**

(a) Description of property	(b) Date acquired	(c) Fair market value on last business day of tax year	(d) Cost or other basis as adjusted	(e) Unrecognized gain. If column (c) is more than (d), enter difference. Otherwise, enter -0-
<b>14</b>				

**Education Credits**  
**(American Opportunity and Lifetime Learning Credits)**

Department of the Treasury  
Internal Revenue Service (99)

▶ Attach to Form 1040 or Form 1040A.  
▶ Information about Form 8863 and its separate instructions is at [www.irs.gov/form8863](http://www.irs.gov/form8863).

Name(s) shown on return

Your social security number

MARION L. & LOUISE J. McDONALD

123 | 45 | 6789



*Complete a separate Part III on page 2 for each student for whom you're claiming either credit before you complete Parts I and II.*

**Part I Refundable American Opportunity Credit**

<b>1</b>	After completing Part III for each student, enter the total of all amounts from all Parts III, line 30	<b>1</b>	2,500
<b>2</b>	Enter: \$180,000 if married filing jointly; \$90,000 if single, head of household, or qualifying widow(er)	<b>2</b>	180,000
<b>3</b>	Enter the amount from Form 1040, line 38, or Form 1040A, line 22. If you're filing Form 2555, 2555-EZ, or 4563, or you're excluding income from Puerto Rico, see Pub. 970 for the amount to enter	<b>3</b>	155,624
<b>4</b>	Subtract line 3 from line 2. If zero or less, stop; you can't take any education credit	<b>4</b>	24,376
<b>5</b>	Enter: \$20,000 if married filing jointly; \$10,000 if single, head of household, or qualifying widow(er)	<b>5</b>	20,000
<b>6</b>	If line 4 is: • Equal to or more than line 5, enter 1.000 on line 6 • Less than line 5, divide line 4 by line 5. Enter the result as a decimal (rounded to at least three places)	<b>6</b>	1.000
<b>7</b>	Multiply line 1 by line 6. <b>Caution:</b> If you were under age 24 at the end of the year and meet the conditions described in the instructions, you can't take the refundable American opportunity credit; skip line 8, enter the amount from line 7 on line 9, and check this box <input type="checkbox"/>	<b>7</b>	2,500
<b>8</b>	<b>Refundable American opportunity credit.</b> Multiply line 7 by 40% (0.40). Enter the amount here and on Form 1040, line 68, or Form 1040A, line 44. Then go to line 9 below.	<b>8</b>	1,000

**Part II Nonrefundable Education Credits**

<b>9</b>	Subtract line 8 from line 7. Enter here and on line 2 of the Credit Limit Worksheet (see instructions)	<b>9</b>	1,500
<b>10</b>	After completing Part III for each student, enter the total of all amounts from all Parts III, line 31. If zero, skip lines 11 through 17, enter -0- on line 18, and go to line 19	<b>10</b>	2,000
<b>11</b>	Enter the smaller of line 10 or \$10,000	<b>11</b>	2,000
<b>12</b>	Multiply line 11 by 20% (0.20)	<b>12</b>	400
<b>13</b>	Enter: \$131,000 if married filing jointly; \$65,000 if single, head of household, or qualifying widow(er)	<b>13</b>	131,000
<b>14</b>	Enter the amount from Form 1040, line 38, or Form 1040A, line 22. If you're filing Form 2555, 2555-EZ, or 4563, or you're excluding income from Puerto Rico, see Pub. 970 for the amount to enter	<b>14</b>	155,629
<b>15</b>	Subtract line 14 from line 13. If zero or less, skip lines 16 and 17, enter -0- on line 18, and go to line 19	<b>15</b>	-0-
<b>16</b>	Enter: \$20,000 if married filing jointly; \$10,000 if single, head of household, or qualifying widow(er)	<b>16</b>	
<b>17</b>	If line 15 is: • Equal to or more than line 16, enter 1.000 on line 17 and go to line 18 • Less than line 16, divide line 15 by line 16. Enter the result as a decimal (rounded to at least three places)	<b>17</b>	.
<b>18</b>	Multiply line 12 by line 17. Enter here and on line 1 of the Credit Limit Worksheet (see instructions) ▶	<b>18</b>	-0-
<b>19</b>	<b>Nonrefundable education credits.</b> Enter the amount from line 7 of the Credit Limit Worksheet (see instructions) here and on Form 1040, line 50, or Form 1040A, line 33	<b>19</b>	1,500

Name(s) shown on return **MARION L. & LOUISE J. McDONALD** Your social security number **123 45 6789**



**Complete Part III for each student for whom you're claiming either the American opportunity credit or lifetime learning credit. Use additional copies of page 2 as needed for each student.**

**Part III Student and Educational Institution Information**

See instructions.

<b>20</b> Student name (as shown on page 1 of your tax return) Donald McDonald	<b>21</b> Student social security number (as shown on page 1 of your tax return) 876 54 3210
<b>22</b> Educational institution information (see instructions)	
<b>a.</b> Name of first educational institution IOWA STATE UNIVERSITY	<b>b.</b> Name of second educational institution (if any)
<b>(1)</b> Address. Number and street (or P.O. box). City, town or post office, state, and ZIP code. If a foreign address, see instructions. AMES, IOWA 50010	<b>(1)</b> Address. Number and street (or P.O. box). City, town or post office, state, and ZIP code. If a foreign address, see instructions.
<b>(2)</b> Did the student receive Form 1098-T from this institution for 2016? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<b>(2)</b> Did the student receive Form 1098-T from this institution for 2016? <input type="checkbox"/> Yes <input type="checkbox"/> No
<b>(3)</b> Did the student receive Form 1098-T from this institution for 2015 with box 2 filled in and box 7 checked? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<b>(3)</b> Did the student receive Form 1098-T from this institution for 2015 with box 2 filled in and box 7 checked? <input type="checkbox"/> Yes <input type="checkbox"/> No
If you checked "No" in both (2) and (3), skip (4).	If you checked "No" in both (2) and (3), skip (4).
<b>(4)</b> If you checked "Yes" in (2) or (3), enter the institution's federal identification number (from Form 1098-T). _____	<b>(4)</b> If you checked "Yes" in (2) or (3), enter the institution's federal identification number (from Form 1098-T). _____

**23** Has the Hope Scholarship Credit or American opportunity credit been claimed for this student for any 4 tax years before 2016?  Yes — Stop! Go to line 31 for this student.  No — Go to line 24.

**24** Was the student enrolled at least half-time for at least one academic period that began or is treated as having begun in 2016 at an eligible educational institution in a program leading towards a postsecondary degree, certificate, or other recognized postsecondary educational credential? See instructions.  Yes — Go to line 25.  No — Stop! Go to line 31 for this student.

**25** Did the student complete the first 4 years of postsecondary education before 2016? See instructions.  Yes — Stop! Go to line 31 for this student.  No — Go to line 26.

**26** Was the student convicted, before the end of 2016, of a felony for possession or distribution of a controlled substance?  Yes — Stop! Go to line 31 for this student.  No — Complete lines 27 through 30 for this student.



**You can't take the American opportunity credit and the lifetime learning credit for the same student in the same year. If you complete lines 27 through 30 for this student, don't complete line 31.**

**American Opportunity Credit**

<b>27</b> Adjusted qualified education expenses (see instructions). Don't enter more than \$4,000 . . . . .	<b>27</b>	4,000
<b>28</b> Subtract \$2,000 from line 27. If zero or less, enter -0- . . . . .	<b>28</b>	2,000
<b>29</b> Multiply line 28 by 25% (0.25) . . . . .	<b>29</b>	500
<b>30</b> If line 28 is zero, enter the amount from line 27. Otherwise, add \$2,000 to the amount on line 29 and enter the result. Skip line 31. Include the total of all amounts from all Parts III, line 30, on Part I, line 1 . . . . .	<b>30</b>	2,500

**Lifetime Learning Credit**

<b>31</b> Adjusted qualified education expenses (see instructions). Include the total of all amounts from all Parts III, line 31, on Part II, line 10 . . . . .	<b>31</b>	
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Name(s) shown on return **MARION L. & LOUISE J. McDONALD** Your social security number **123 45 6789**



**Complete Part III for each student for whom you're claiming either the American opportunity credit or lifetime learning credit. Use additional copies of page 2 as needed for each student.**

**Part III Student and Educational Institution Information**

See instructions.

**20** Student name (as shown on page 1 of your tax return) **LOUISE J. McDONALD** **21** Student social security number (as shown on page 1 of your tax return) **234 56 7890**

**22** Educational institution information (see instructions).

**a.** Name of first educational institution **MARSHALLTOWN COMMUNITY COLLEGE** **b.** Name of second educational institution (if any)

**(1)** Address. Number and street (or P.O. box), city, town or post office, state, and ZIP code. If a foreign address, see instructions.  
**3000 SOUTH CENTER MARSHALLTOWN, IA 50158**

**(2)** Did the student receive Form 1098-T from this institution for 2016?  Yes  No

**(3)** Did the student receive Form 1098-T from this institution for 2015 with box 2 filled in and box 7 checked?  Yes  No

If you checked "No" in both (2) and (3), skip (4). **(4)** If you checked "Yes" in (2) or (3), enter the institution's federal identification number (from Form 1098-T).

**23** Has the Hope Scholarship Credit or American opportunity credit been claimed for this student for any 4 tax years before 2016?  Yes — Stop! Go to line 31 for this student.  No — Go to line 24.

**24** Was the student enrolled at least half-time for at least one academic period that began or is treated as having begun in 2016 at an eligible educational institution in a program leading towards a postsecondary degree, certificate, or other recognized postsecondary educational credential? See instructions.  Yes — Go to line 25.  No — Stop! Go to line 31 for this student.

**25** Did the student complete the first 4 years of postsecondary education before 2016? See instructions.  Yes — Stop! Go to line 31 for this student.  No — Go to line 26.

**26** Was the student convicted, before the end of 2016, of a felony for possession or distribution of a controlled substance?  Yes — Stop! Go to line 31 for this student.  No — Complete lines 27 through 30 for this student.



**You can't take the American opportunity credit and the lifetime learning credit for the same student in the same year. If you complete lines 27 through 30 for this student, don't complete line 31.**

**American Opportunity Credit**

**27** Adjusted qualified education expenses (see instructions). Don't enter more than \$4,000. **27**  
**28** Subtract \$2,000 from line 27. If zero or less, enter -0-. **28**  
**29** Multiply line 28 by 25% (0.25). **29**  
**30** If line 28 is zero, enter the amount from line 27. Otherwise, add \$2,000 to the amount on line 29 and enter the result. Skip line 31. Include the total of all amounts from all Parts III, line 30, on Part I, line 1. **30**

**Lifetime Learning Credit**

**31** Adjusted qualified education expenses (see instructions). Include the total of all amounts from all Parts III, line 31, on Part II, line 10. **31** **2,000**

**Health Savings Accounts (HSAs)**

Department of the Treasury  
Internal Revenue Service

► Information about Form 8889 and its separate instructions is available at [www.irs.gov/form8889](http://www.irs.gov/form8889).  
► Attach to Form 1040 or Form 1040NR.

**2016**

Attachment  
Sequence No. **52**

Name(s) shown on Form 1040 or Form 1040NR

MARION L. & LOUISE J. McDONALD

Social security number of HSA beneficiary. If both spouses have HSAs, see instructions ►

234-56-7890

**Before you begin:** Complete Form 8853, Archer MSAs and Long-Term Care Insurance Contracts, if required.

**Part I HSA Contributions and Deduction.** See the instructions before completing this part. If you are filing jointly and both you and your spouse each have separate HSAs, complete a separate Part I for each spouse.

1	Check the box to indicate your coverage under a high-deductible health plan (HDHP) during 2016 (see instructions).		<input type="checkbox"/> Self-only	<input checked="" type="checkbox"/> Family
2	HSA contributions you made for 2016 (or those made on your behalf), including those made from January 1, 2017, through April 18, 2017, that were for 2016. Do not include employer contributions, contributions through a cafeteria plan, or rollovers (see instructions).	2		3,375
3	If you were under age 55 at the end of 2016, and on the first day of every month during 2016, you were, or were considered, an eligible individual with the same coverage, enter \$3,350 (\$6,750 for family coverage). All others, see the instructions for the amount to enter.	3		6,750
4	Enter the amount you and your employer contributed to your Archer MSAs for 2016 from Form 8853, lines 1 and 2. If you or your spouse had family coverage under an HDHP at any time during 2016, also include any amount contributed to your spouse's Archer MSAs.	4		-0-
5	Subtract line 4 from line 3. If zero or less, enter -0-	5		6,750
6	Enter the amount from line 5. But if you and your spouse each have separate HSAs and had family coverage under an HDHP at any time during 2016, see the instructions for the amount to enter.	6		6,750
7	If you were age 55 or older at the end of 2016, married, and you or your spouse had family coverage under an HDHP at any time during 2016, enter your additional contribution amount (see instructions).	7		1,000
8	Add lines 6 and 7	8		7,750
9	Employer contributions made to your HSAs for 2016	9		3,375
10	Qualified HSA funding distributions	10		...
11	Add lines 9 and 10	11		3,375
12	Subtract line 11 from line 8. If zero or less, enter -0-	12		3,375
13	<b>HSA deduction.</b> Enter the smaller of line 2 or line 12 here and on Form 1040, line 25, or Form 1040NR, line 25.	13		3,375

**Caution:** If line 2 is more than line 13, you may have to pay an additional tax (see instructions).

**Part II HSA Distributions.** If you are filing jointly and both you and your spouse each have separate HSAs, complete a separate Part II for each spouse.

14a	Total distributions you received in 2016 from all HSAs (see instructions)	14a		
b	Distributions included on line 14a that you rolled over to another HSA. Also include any excess contributions (and the earnings on those excess contributions) included on line 14a that were withdrawn by the due date of your return (see instructions)	14b		
c	Subtract line 14b from line 14a	14c		
15	Qualified medical expenses paid using HSA distributions (see instructions)	15		
16	<b>Taxable HSA distributions.</b> Subtract line 15 from line 14c. If zero or less, enter -0-. Also, include this amount in the total on Form 1040, line 21, or Form 1040NR, line 21. On the dotted line next to line 21, enter "HSA" and the amount	16		
17a	If any of the distributions included on line 16 meet any of the <b>Exceptions to the Additional 20% Tax</b> (see instructions), check here <input type="checkbox"/>			
b	<b>Additional 20% tax</b> (see instructions). Enter 20% (.20) of the distributions included on line 16 that are subject to the additional 20% tax. Also include this amount in the total on Form 1040, line 62, or Form 1040NR, line 60. Check box c on Form 1040, line 62, or box b on Form 1040NR, line 60. Enter "HSA" and the amount on the line next to the box	17b		

**Part III** **Income and Additional Tax for Failure To Maintain HDHP Coverage.** See the instructions before completing this part. If you are filing jointly and both you and your spouse each have separate HSAs, complete a separate Part III for each spouse.

<b>18</b>	Last-month rule . . . . .	<b>18</b>		
<b>19</b>	Qualified HSA funding distribution . . . . .	<b>19</b>		
<b>20</b>	<b>Total income.</b> Add lines 18 and 19. Include this amount on Form 1040, line 21, or Form 1040NR, line 21. On the dotted line next to Form 1040, line 21, or Form 1040NR, line 21, enter "HSA" and the amount . . . . .	<b>20</b>		
<b>21</b>	<b>Additional tax.</b> Multiply line 20 by 10% (.10). Include this amount in the total on Form 1040, line 62, or Form 1040NR, line 60. Check box c on Form 1040, line 62, or box b on Form 1040NR, line 60. Enter "HDHP" and the amount on the line next to the box . . . . .	<b>21</b>		

## Domestic Production Activities Deduction

▶ Attach to your tax return. ▶ See separate instructions.

Name(s) as shown on return <b>MARION L. &amp; LOUISE J. McDONALD</b>	Identifying number <b>123-45-6789</b>
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	(a) Oil-related production activities	(b) All activities
<b>Note.</b> Do not complete column (a), unless you have oil-related production activities. Enter amounts for all activities in column (b), including oil-related production activities. <b>28000+23000</b>		
<b>1</b> Domestic production gross receipts (DPGR) <b>525000+4956+23000</b>		<b>603,956</b>
<b>2</b> Allocable cost of goods sold. If you are using the small business simplified overall method, skip lines 2 and 3 . . . . .		
<b>3</b> Enter deductions and losses allocable to DPGR (see instructions) . . . . .		
<b>4</b> If you are using the small business simplified overall method, enter the amount of cost of goods sold and other deductions or losses you ratably apportion to DPGR. All others, skip line 4 . . . . .		<b>488,322</b>
<b>5</b> Add lines 2 through 4 <b>(603956/639000 x (505756+10900))</b>		<b>488,322</b>
<b>6</b> Subtract line 5 from line 1 . . . . .		<b>115,634</b>
<b>7</b> Qualified production activities income from estates, trusts, and certain partnerships and S corporations (see instructions) . . . . .		
<b>8</b> Add lines 6 and 7. Estates and trusts, go to line 9, all others, skip line 9 and go to line 10 . . . . .		
<b>9</b> Amount allocated to beneficiaries of the estate or trust (see instructions) . . . . .		
<b>10a</b> Oil-related qualified production activities income. Estates and trusts, subtract line 9, column (a), from line 8, column (a), all others, enter amount from line 8, column (a). If zero or less, enter -0- here . . . . .		
<b>b</b> Qualified production activities income. Estates and trusts, subtract line 9, column (b), from line 8, column (b), all others, enter amount from line 8, column (b). If zero or less, enter -0- here, skip lines 11 through 21, and enter -0- on line 22 . . . . .		<b>115,634</b>
<b>11</b> Income limitation (see instructions): • Individuals, estates, and trusts. Enter your adjusted gross income figured without the domestic production activities deduction . . . . . • All others. Enter your taxable income figured without the domestic production activities deduction (tax-exempt organizations, see instructions) . . . . .	<b>11</b>	<b>174,019</b>
<b>12</b> Enter the smaller of line 10b or line 11. If zero or less, enter -0- here, skip lines 13 through 21, and enter -0- on line 22 . . . . .	<b>12</b>	<b>115,634</b>
<b>13</b> Enter 9% of line 12 . . . . .	<b>13</b>	<b>10,407</b>
<b>14a</b> Enter the smaller of line 10a or line 12 . . . . .	<b>14a</b>	
<b>b</b> Reduction for oil-related qualified production activities income. Multiply line 14a by 3% . . . . .	<b>14b</b>	
<b>15</b> Subtract line 14b from line 13 . . . . .	<b>15</b>	<b>10,407</b>
<b>16</b> Form W-2 wages (see instructions) . . . . .	<b>16</b>	<b>27,600</b>
<b>17</b> Form W-2 wages from estates, trusts, and certain partnerships and S corporations (see instructions) . . . . .	<b>17</b>	
<b>18</b> Add lines 16 and 17. Estates and trusts, go to line 19, all others, skip line 19 and go to line 20 . . . . .	<b>18</b>	<b>27,600</b>
<b>19</b> Amount allocated to beneficiaries of the estate or trust (see instructions) . . . . .	<b>19</b>	---
<b>20</b> Estates and trusts, subtract line 19 from line 18, all others, enter amount from line 18 . . . . .	<b>20</b>	<b>27,600</b>
<b>21</b> Form W-2 wage limitation. Enter 50% of line 20 . . . . .	<b>21</b>	<b>13,800</b>
<b>22</b> Enter the smaller of line 15 or line 21. . . . .	<b>22</b>	<b>10,407</b>
<b>23</b> Domestic production activities deduction from cooperatives. Enter deduction from Form 1099-PATR, box 6 . . . . .	<b>23</b>	<b>2,099</b>
<b>24</b> Expanded affiliated group allocation (see instructions) . . . . .	<b>24</b>	
<b>25</b> Domestic production activities deduction. Combine lines 22 through 24 and enter the result here and on Form 1040, line 35; Form 1120, line 25; or the applicable line of your return . . . . .	<b>25</b>	<b>12,506</b>

9. ADDENDUM HYPOTHETICAL

Assume that Marion's wife, Louise, had died in 2010 and that in November of this year (2016) Marion had come to you with the news that he intended to remarry on a Christmas trip to Hawaii with a woman he had been "dating" for a couple of years. Her husband had died ten years ago in a car accident. She is now 62 years old. They did in fact get married on December 20, 2016. At the pre-tax on December 29, 2016, you find out during your discussion about self-employed health insurance that the new wife has had and now has health insurance through the "market place" and has been receiving a "premium tax credit." She then hands you the attached (3) 1095-A showing her coverages throughout the year and the advance premium tax credit she has been receiving. What result? \$8,087 Is this deductible as Health Insurance?

**Premium Tax Credit (PTC)**

▶ Attach to Form 1040, 1040A, or 1040NR.

▶ Information about Form 8962 and its separate instructions is at [www.irs.gov/form8962](http://www.irs.gov/form8962).

Name shown on your return

Your social security number

You cannot claim the PTC if your filing status is married filing separately unless you are eligible for an exception. If you qualify, check the box.

**Part I Annual and Monthly Contribution Amount**

1	Tax family size. Enter the number of exemptions from Form 1040 or Form 1040A, line 6d, or Form 1040NR, in 7d	1	2
2a	Modified AGI. Enter your modified AGI (see instructions)	2a	
	b Enter the total of your dependents' modified AGI (see instructions)	2b	
3	Household income. Add the amounts on lines 2a and 2b	3	
4	Federal poverty line. Enter the federal poverty line amount from Table 1-1, 1-2, or 1-3 (see instructions.) Check the appropriate box for the federal poverty table used. a <input type="checkbox"/> Alaska b <input type="checkbox"/> Hawaii c <input checked="" type="checkbox"/> Other 48 states and DC	4	15,730.
5	Household income as a percentage of federal poverty line (see instructions)	5	401 %
6	Did you enter 401% on line 5? (See instructions if you entered less than 100%.) <input type="checkbox"/> No. Continue to line 7. <input checked="" type="checkbox"/> Yes. You are not eligible to receive PTC. If advance payment of the PTC was made, see the instructions for how to report your excess advance PTC repayment amount.		
7	Applicable Figure. Using your line 5 percentage, locate your "applicable figure" on the table in the instructions	7	
8a	Annual contribution amount. Multiply line 3 by line 7	8a	
	b Monthly contribution amount. Divide line 8a by 12. Round to whole dollar amount	8b	

**Part II Premium Tax Credit Claim and Reconciliation of Advance Payment of Premium Tax Credit**

9 Are you allocating policy amounts with another taxpayer or do you want to use the alternative calculation for year of marriage (see instructions)?  
 Yes. Skip to Part IV, Shared Policy Allocation, or Part V, Alternative Calculation for Year of Marriage.  No. Continue to line 10.

10 See the instructions to determine if you can use line 11 or must complete lines 12 through 23.  
 Yes. Continue to line 11. Compute your annual PTC. Then skip lines 12-23  
 No. Continue to lines 12-23. Compute your monthly PTC and continue to line 24.

Annual Calculation	(a) Annual enrollment premiums (Form(s) 1095-A, line 33A)	(b) Annual applicable SLCSP premium (Form(s) 1095-A, line 33B)	(c) Annual contribution amount (line 8a)	(d) Annual maximum premium assistance (subtract (c) from (b), if zero or less, enter -0-)	(e) Annual premium tax credit allowed (smaller of (a) or (d))	(f) Annual advance payment of PTC (Form(s) 1095-A, line 33C)
11 Annual Totals						
Monthly Calculation	(a) Monthly enrollment premiums (Form(s) 1095-A, lines 21-32, column A)	(b) Monthly applicable SLCSP premium (Form(s) 1095-A, lines 21-32, column B)	(c) Monthly contribution amount (amount from line 8b or alternative marriage monthly contribution)	(d) Monthly maximum premium assistance (subtract (c) from (b), if zero or less, enter -0-)	(e) Monthly premium tax credit allowed (smaller of (a) or (d))	(f) Monthly advance payment of PTC (Form(s) 1095-A, lines 21-32, column C)
12 January						694.
13 February						694.
14 March						693.
15 April						688.
16 May						688.
17 June						688.
18 July						688.
19 August						688.
20 September						688.
21 October						626.
22 November						626.
23 December						626.

24	Total premium tax credit. Enter the amount from line 11(e) or add lines 12(e) through 23(e) and enter the total here	24	0.
25	Advance payment of PTC. Enter the amount from line 11(f) or add lines 12(f) through 23(f) and enter the total here	25	8,087.
26	Net premium tax credit. If line 24 is greater than line 25, subtract line 25 from line 24. Enter the difference here and on Form 1040, line 69; Form 1040A, line 45; or Form 1040NR, line 65. If you elected the alternative calculation for marriage, enter zero. If line 24 equals line 25, enter zero. Stop here. If line 25 is greater than line 24, leave this line blank and continue to line 27	26	

**Part III Repayment of Excess Advance Payment of the Premium Tax Credit**

27	Excess advance payment of PTC. If line 25 is greater than line 24, subtract line 24 from line 25. Enter the difference here	27	8,087.
28	Repayment limitation (see instructions)	28	
29	Excess advance premium tax credit repayment. Enter the smaller of line 27 or line 28 here and on Form 1040, line 46; Form 1040A, line 29; or Form 1040NR, line 44	29	8,087.

Form **1095-A**

**Health Insurance Marketplace Statement**

VOID

OMB No. 1545-2232

Department of the Treasury  
Internal Revenue Service

► Information about Form 1095-A and its separate instructions  
is at [www.irs.gov/form1095a](http://www.irs.gov/form1095a).

CORRECTED

**2015**

**Part I Recipient Information**

1 Marketplace Identifier IA		2 Marketplace-assigned policy number 9149612		3 Policy issuer's name Coventry Health Care of Iowa Inc.	
4 Recipient's name			5 Recipient's SSN		6 Recipient's date of birth
7 Recipient's spouse's name			8 Recipient's spouse's SSN		9 Recipient's spouse's date of birth
10 Policy start date 01/01/2015		11 Policy termination date 03/25/2015		12 Street address (including apartment no.)	
13 City or town		14 State or province IA		15 Country and ZIP or foreign postal code US 50538-6012	



0240051

**Part II Covered Individuals**

	A. Covered individual name	B. Covered individual SSN	C. Covered individual date of birth	D. Coverage start date	E. Coverage termination date
16				01/01/2015	03/25/2015
17					
18					
19					
20					

**Part III Coverage Information**

	Month	A. Monthly enrollment premiums	B. Monthly second lowest cost silver plan (SLCSP) premium	C. Monthly advance payment of premium tax credit
21	January	761.71	761.71	694.00
22	February	761.71	761.71	694.00
23	March	614.28	761.71	559.68
24	April	0.00	0.00	0.00
25	May	0.00	0.00	0.00
26	June	0.00	0.00	0.00
27	July	0.00	0.00	0.00
28	August	0.00	0.00	0.00
29	September	0.00	0.00	0.00
30	October	0.00	0.00	0.00
31	November	0.00	0.00	0.00
32	December	0.00	0.00	0.00
33	Annual Totals	2,137.70	2,285.13	1,947.68

**Part I Recipient Information**

1 Marketplace identifier: IA		2 Marketplace-assigned policy number 17880290	3 Policy issuer's name Coventry Health Care of Iowa Inc.	
4 Recipient's name			5 Recipient's SSN	6 Recipient's date of birth
7 Recipient's spouse's name			8 Recipient's spouse's SSN	9 Recipient's spouse's date of birth
10 Policy start date 03/26/2015		11 Policy termination date 09/30/2015		12 Street address (including apartment no.)
13 City or town		14 State or province IA		15 Country and ZIP or foreign postal code US 52224-9583



01460-S

**Part II Covered Individuals**

	A. Covered individual name	B. Covered individual SSN	C. Covered individual date of birth	D. Coverage start date	E. Coverage termination date
16				03/26/2015	09/30/2015
17					
18					
19					
20					

**Part III Coverage Information**

Month	A. Monthly enrollment premiums	B. Monthly second lowest cost silver plan (SLCSP) premium	C. Monthly advance payment of premium tax credit
21 January	0.00	0.00	0.00
22 February	0.00	0.00	0.00
23 March	147.43	761.71	133.16
24 April	761.71	761.71	688.00
25 May	761.71	761.71	688.00
26 June	761.71	761.71	688.00
27 July	761.71	761.71	688.00
28 August	761.71	761.71	688.00
29 September	761.71	761.71	688.00
30 October	0.00	0.00	0.00
31 November	0.00	0.00	0.00
32 December	0.00	0.00	0.00
33 Annual Totals	4,717.69	5,331.97	4,261.16



**Part I Recipient Information**

1 Marketplace identifier IA		2 Marketplace-assigned policy number 21434796		3 Policy issuer's name Aetna Health Inc. (a IA corp.)	
4 Recipient's name			5 Recipient's SSN		6 Recipient's date of birth
7 Recipient's spouse's name			8 Recipient's spouse's SSN		9 Recipient's spouse's date of birth
10 Policy start date 10/01/2015		11 Policy termination date 12/31/2015		12 Street address (including apartment no.)	
13 City or town		14 State or province IA		15 Country and ZIP or (foreign postal) code US 52224-9583	



0146543

**Part II Covered Individuals**

	A. Covered individual name	B. Covered individual SSN	C. Covered individual date of birth	D. Coverage start date	E. Coverage termination date
16				10/01/2015	12/31/2015
17					
18					
19					
20					

**Part III Coverage Information**

Month	A. Monthly enrollment premiums	B. Monthly second lowest cost silver plan (SLCSP) premium	C. Monthly advance payment of premium tax credit
21 January	0.00	0.00	0.00
22 February	0.00	0.00	0.00
23 March	0.00	0.00	0.00
24 April	0.00	0.00	0.00
25 May	0.00	0.00	0.00
26 June	0.00	0.00	0.00
27 July	0.00	0.00	0.00
28 August	0.00	0.00	0.00
29 September	0.00	0.00	0.00
30 October	761.71	761.71	626.00
31 November	761.71	761.71	626.00
32 December	761.71	761.71	626.00
33 Annual Totals	2,285.13	2,285.13	1,878.00

**Part IV Shared Policy Allocation**

Complete the following information for up to four shared policy allocations. See instructions for allocation details.

**Shared Policy Allocation 1**

30	(a) Policy Number (Form 1095-A, line 2)	(b) SSN of other taxpayer	(c) Allocation start month	(d) Allocation stop month
	Allocation percentage applied to monthly amounts	(e) Premium Percentage	(f) SLCSP Percentage	(g) Advance Payment of the PTC Percentage

**Shared Policy Allocation 2**

31	(a) Policy Number (Form 1095-A, line 2)	(b) SSN of other taxpayer	(c) Allocation start month	(d) Allocation stop month
	Allocation percentage applied to monthly amounts	(e) Premium Percentage	(f) SLCSP Percentage	(g) Advance Payment of the PTC Percentage

**Shared Policy Allocation 3**

32	(a) Policy Number (Form 1095-A, line 2)	(b) SSN of other taxpayer	(c) Allocation start month	(d) Allocation stop month
	Allocation percentage applied to monthly amounts	(e) Premium Percentage	(f) SLCSP Percentage	(g) Advance Payment of the PTC Percentage

**Shared Policy Allocation 4**

33	(a) Policy Number (Form 1095-A, line 2)	(b) SSN of other taxpayer	(c) Allocation start month	(d) Allocation stop month
	Allocation percentage applied to monthly amounts	(e) Premium Percentage	(f) SLCSP Percentage	(g) Advance Payment of the PTC Percentage

34 Have you completed shared policy allocation information for all allocated Forms 1095-A?  
 Yes. Multiply the amounts on Form 1095-A by the allocation percentages entered by policy. Add allocated amounts across all allocated policies with amounts for non-allocated policies from Forms 1095-A, if any, to compute a combined total for each month. Enter the combined total for each month on lines 12-23, columns (a), (b), and (f). Compute the amounts for lines 12-23, columns (c)-(e), and continue to line 24.

No. See the instructions to report additional shared policy allocations.

**Part V Alternative Calculation for Year of Marriage**

Complete line(s) 35 and/or 36 to elect the alternative calculation for year of marriage. For eligibility to make the election, see the instructions for line 9. To complete line(s) 35 and/or 36 and compute the amounts for lines 12-23, see the instructions for this Part V.

35	Alternative entries for your SSN	(a) Alternative family size	(b) Monthly contribution	(c) Alternative start month	(d) Alternative stop month
36	Alternative entries for your spouse's SSN	(a) Alternative family size	(b) Monthly contribution	(c) Alternative start month	(d) Alternative stop month

1. ENTER YOUR ADJUSTED GROSS INCOME (AGI) FROM FORM 1040, LINE 38; FORM 1040A, LINE 22 OR FORM 1040NR, LINE 37
2. ENTER ANY TAX-EXEMPT INTEREST FROM FORM 1040, LINE 8B; FORM 1040A, LINE 8B; FORM 1040NR, LINE 9B
3. ENTER ANY AMOUNTS FROM FORM 2555, LINES 45 AND 50 AND FORM 2555-EZ, LINE 18
4. ENTER THE EXCESS, IF ANY, OF FORM 1040, LINES 20A OVER 20B; OR FORM 1040A, LINES 14A OVER 14B (*excess/untaxed soc. sec.*)
5. ADD LINES 1 THROUGH 4. ENTER HERE AND ON FORM 8962, LINE 2A

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99,341.



*Presented by the ISBA Tax Section*



**2016 Federal Tax Forms**

**2016 Income Tax Forms & Examples**

**Bloethe Tax School  
December 7-December 9, 2016**

# **2016 Federal Tax Forms**

## **2016 Income Tax Forms & Examples**

75th Bloethe Tax School  
December 7 – December 9, 2016

**Maureen G. Kenney  
Bradley & Riley PC  
PO Box 2804  
Cedar Rapids, IA 52406-2804  
Telephone: 319-363-0101  
E-mail: [mkenney@bradleyriley.com](mailto:mkenney@bradleyriley.com)**

## Table of Content

Factual Background.....	1
Form 8879.....	7
Form 1040.....	8
Schedule A.....	10
Schedule B.....	11
Schedule C.....	12
Schedule D.....	14
Form 8949.....	16
Schedule E.....	18
Schedule SE.....	20
Form 2441.....	21
Schedule H.....	23
Form 8889.....	25
Form 8965.....	27
Form 8582.....	28
Form 2106-EZ.....	31
Form 8283.....	32
Form 4562.....	33
Federal Statement.....	36
Federal Worksheets.....	37
Vehicle/Unreimbursed Expenses.....	47
Form 8582 Worksheets.....	49
2016 Federal Depreciation Schedule.....	50
Form 8879-F.....	52
Form 1041.....	53
Schedule I.....	55
Schedule D.....	58
Schedule C.....	60
Form 4562.....	62
Form 4797.....	64
Schedule K-1.....	65
Federal Statements.....	67
Federal Worksheets.....	68
Distributable Income for Schedule(s) K-1.....	70
2016 Federal Depreciation Schedule.....	71

**I. FACTUAL BACKGROUND**

Stephanie is 38. In 2016, Terry was in a car accident and died on October 13, 2016. Stephanie continues to work as an elementary school teacher for the Spirit Lake School District. Her daughter, Grace, is 17 and attends private school. Stephanie is still guardian for her niece, Ginger, who turned 7 in 2016.

**Definition of qualifying child for Child Tax Credit – Internal Revenue Code Section 152 – Child of the Taxpayer or descendant of such child or brother, sister, stepbrother or stepsister or descendant of any such relative.**

**A. FAMILY INCOME:**

1. Stephanie's W-2's for 2016 showed \$32,125 of wages, \$3,115 of federal withholding, \$1,434 of Iowa withholding and \$5,000 of dependent care benefits. (FORM 1040, LINES 7 and 64) (SCHEDULE A, LINE 5) (FORM 2441)
2. Terry and Stephanie received the following interest reported on Forms 1099 INT in 2016: (SCHEDULE B, PART I)

Iowa City Municipal Bond (FORM 1040, LINE 8b)	310
Wells Fargo Bank	91
SmithBarney	1,205
EE Savings Bond Interest	15,000
<b>TOTAL</b>	<b>16,606</b>

The EE Savings Bond Interest was from bonds owned by Terry in his individual name. Stephanie cashed the bonds after Terry's date of death.

3. Stephanie received the following qualified dividends reported on Form 1099 DIV in 2016: (SCHEDULE B, PART II, FORM 1040, LINE 9B)

Pioneer Growth Fund	805
Money.www, Inc.	60
ABS Enterprises	40
ABBD, Inc.	210
<b>TOTAL</b>	<b>1,115</b>

In addition, Terry had a brokerage account that was in his individual name and earned \$2,500 in dividends prior to his date of death and \$4,000 after his date of death.

Stephanie received \$1,045 received from Pioneer Growth Fund were from long term capital gains distributions. (SCHEDULE D, LINE 13)

4. Terry's records show that he and/or Stephanie sold the following stocks in 2016 prior to Terry's date of death: (Form 8949, SCHEDULE D, PARTS I and II)

<u>Stock</u>	<u>Date Acquired</u>	<u>Date Sold</u>	<u>Selling Price</u>	<u>Purchase Price</u>
Money. www, Inc.	01/09/99	04/10/16	5,260	3,400
Sell.com, Inc.	01/09/99	04/10/16	4,025	5,650
Tiny Equip. Co.	04/10/05	07/15/16	1,050	1,090
Big, Inc.	04/10/16	07/29/16	3,200	780

**B. OTHER INVESTMENTS:**

1. Terry owned an interest in PTP, Limited, a publicly traded limited partnership. Terry received a 2016 Schedule K-1 from this limited partnership with rental income of \$440 and interest income of \$75. (SCHEDULE E, PAGE 2) (SCHEDULE B, PART I) Stephanie sold the partnership interest after Terry's date of death for \$10,000. The fair market value of the partnership interest on Terry's date of death was \$9,000.
2. In 2015, Terry had purchased a new business, called Chuck's Total Workout Gym. The cost of the business was \$250,000 allocated as follows:

Gym Equipment	\$50,000
Franchise Fee	\$75,000
Goodwill	\$125,000

Income and Expenses for the business in 2016 prior to Terry's date of death were:

Receipts	\$300,000
Advertising	\$12,000
Rent Expense	\$30,000
Instructors – Independent Contractors	\$80,000
Supplies	\$15,000
Laundry	\$20,000
Insurance	\$15,000



After Terry's death, Stephanie sold the Gym in December, 2016 for \$300,000.

Income and Expenses for the business in after Terry's date of death were:

Receipts	\$60,000
Advertising	\$2,000
Rent Expense	\$6,000
Instructors – Independent Contractors	\$16,000
Supplies	\$1,000
Laundry	\$4,000

**C. TERRY'S FACTS:**

Terry used his fully depreciated Toyota 10% for the gym business and 90% for personal use in 2016 prior to the sale. He had a total business fuel, insurance and maintenance costs of \$4,520. He also paid license fees of \$98 on the Toyota. (FORM 4562) (SCHEDULE C, LINE 9) (SCHEDULE A, LINE 7)

**D. STEPHANIE'S FACTS:**

1. In 2016, Stephanie spent the following amounts on items for school for which she was not reimbursed by her employer (FORM 1040, LINE 23) (SCHEDULE A, LINE 21):

Instruction Materials	410
Supplies	180
Student Project Supplies	670
Prizes for Students	190
TOTAL	1,450

2. Stephanie drove her personal car 971 miles for her employer in 2016. Stephanie was not reimbursed for these miles. (FORM 2106-EZ)
3. In 2016, Stephanie purchased a new residence. She paid points in the amount of \$2,500 and incurred mortgage interest expense in the amount of \$5,000. The real estate taxes were paid by the Seller at closing.

**E. OTHER INFORMATION:**

1. 2016 Tax Payments: Terry and Stephanie paid an additional \$166,362 on their 2015 federal income tax return and \$28,350 on their 2015 Iowa individual income tax return. (FORM 1040, SCHEDULE A, LINE 5)

They made federal estimated tax payments in the amount of \$20,000 and Iowa estimated tax payments of \$5,000. All were paid in 2016. (FORM 1040, LINE 65; SCHEDULE A, LINE 5)

2. Investment:

- a. Stephanie wants to make the maximum ROTH contribution.
- b. Stephanie had an account at SmithBarney where she incurred \$1,220 of investment interest expense on her margin account in 2016. (SCHEDULE A, LINE 14)

3. Personal:

- a. Safe deposit box rental fee of \$35. (SCHEDULE A, LINE 23)
- b. Stephanie made a number of charitable contributions in 2016. The cash gifts were as follows: (SCHEDULE A, LINE 16)

American Red Cross	1,000
American Cancer Society	500
St. John's Catholic Church	5,200
TOTAL	6,700

They also gave 50 shares of BigCo, Inc. stock to the American Red Cross prior to Terry's date of death. The stock's fair market value was \$1,508 and their basis was \$460. Terry had owned this stock since March of 2001. (FORM 8283) (SCHEDULE A, LINE 17)

- c. Stephanie incurred interest expense in 2016, which includes:
  - (1) Terry had continued to pay back his student loans in 2016. The total interest paid on these loans in 2016 was \$710. (FORM 1040 LINE 33)
  - (2) Stephanie continued to pay on her student loans in 2016. She paid \$1,628 of interest on her loans in 2016. (FORM 1040 LINE 33)
- d. Stephanie paid us \$970 for tax preparation in 2016. (SCHEDULE A, LINE 22; SCHEDULE C, LINE 17; AND SCHEDULE E, LINE 10)
- e. In 2016, Stephanie paid \$81 for the license of her car, and \$98 for Terry's car. (SCHEDULE A, LINE 8 AND SCHEDULE C)

4

- f. Stephanie had a full time nanny, Esther, in their home to care for her niece. Esther was paid \$200 per week and worked 24 weeks in 2016. (SCHEDULE H; FORM 1040, LINE 60; AND FORM 2441)
- g. On occasion, when Esther was unable to care for her niece, Stephanie took her to Gramma's Care, a nearby day care center. She paid a total of \$1,370 to Gramma's Care in 2016. (FORM 2441)
- h. During 2016, Stephanie paid \$5,000 in tuition for Grace's private school.
- i. Terry and Stephanie each contributed \$2,500 to the College Savings Iowa Program for their daughter and their niece.
- j. Stephanie continued to rent their former residence in Cedar Rapids. Rental income and expenses for 2016 were as follows:

Rental Income	\$8,000
Insurance	\$750
Repairs	\$250
Utilities	\$200
Advertising	\$350
Property Taxes	\$4,000
Interest Expense	\$1,903

The Cedar Rapids residence was held jointly by Terry and Stephanie individual name. The value as of his date of death was \$300,000.

Prior to Terry's death, the basis in the property was as follows:

Land	\$40,000
Residence	\$210,000
Depreciation (thru 12/31/15)	(\$33,408)
10 Months 2016 Depreciation	<u>( \$6,363)</u>
Basis as of Terry's Date of death	\$210,229

New Basis:

Stephanie – One Half of Above:

Land	\$20,000
Residence	\$105,000
Depreciation (thru 12/31/15)	(\$16,704)
10 Months 2016 Depreciation	<u>( \$3,182)</u>
Stephanie's Basis in her Half	\$105,114

5

Terry – One Half of FMV as of Death:

Land	\$24,000
Residence	<u>\$126,000</u>
Stephanie's Basis in Terry's Half	\$150,000

- k. Terry had inadvertently allowed their health insurance premiums to lapse in January, 2016. In March, 2016, the family again had coverage. They had no health insurance for January and February of 2016. They paid total premiums of \$10,000 for a family health insurance policy. The plan was a high deductible plan. They contributed \$5,000 into their HSA account and received a distribution of \$1,185, all of which was used for qualified medical expenses.

**OTHER INFORMATION:**

1. Terry had a CD that was titled in his IRA. In September, 2016, the CD matured and the bank issued a check for the proceeds. Terry was going to reinvest the CD proceeds in his IRA but died before that occurred.  
  
Private Letter Ruling 201645023 citing IRC Section 408(d)(3)(I). See Also PLR 201645022 for failure because of mental incapacity and PLR 201645025 for failure because of error by financial institution.
2. Terry had a ROTH IRA that he opened ten years ago:
  - a) Assume beneficiary is Stephanie.
  - b) Assume beneficiary is Terry's brother, Roger.
  - c) Assume Terry did not name a beneficiary.
3. Terry opened the ROTH two years prior to his death.
  - a) Assume beneficiary is Stephanie.
  - b) Assume beneficiary is Terry's brother, Roger.
  - c) Assume Terry did not name a beneficiary.
4. In the probate of Terry's Estate, Stephanie incurred \$1,400 in Court costs and \$8,000 in legal fees.
5. Issues to consider with respect to Terry's Estate:
  - a) Reporting of Interest Income on Savings Bonds.
  - b) Selection of year end for Estate Income Tax Return.

**IRS e-file Signature Authorization**

Department of the Treasury  
Internal Revenue Service

▶ Don't send to the IRS. This isn't a tax return.  
▶ Keep this form for your records.  
▶ Information about Form 8879 and its instructions is at [www.irs.gov/form8879](http://www.irs.gov/form8879).

**2016**

Submission Identification Number (SID) ▶

Taxpayer's name <b>TERRY SMITH</b>	Social security number <b>012-34-5678</b>
Spouse's name <b>STEPHANIE SMITH</b>	Spouse's social security number <b>012-65-3210</b>

**Part I Tax Return Information – Tax Year Ending December 31, 2016 (Whole dollars only)**

1 Adjusted gross income (Form 1040, line 38; Form 1040A, line 22; Form 1040EZ, line 4; Form 1040NR, line 37).....	1	130,275.
2 Total tax (Form 1040, line 63; Form 1040A, line 39; Form 1040EZ, line 12; Form 1040NR, line 61).....	2	23,197.
3 Federal income tax withheld from Forms W-2 and 1099 (Form 1040, line 64; Form 1040A, line 40; Form 1040EZ, line 7; Form 1040NR, line 62a).....	3	3,115.
4 Refund (Form 1040, line 76a; Form 1040A, line 48a; Form 1040EZ, line 13a; Form 1040-SS, Part I, line 13a; Form 1040NR, line 73a).....	4	
5 Amount you owe (Form 1040, line 78; Form 1040A, line 50; Form 1040EZ, line 14; Form 1040NR, line 75)...	5	82.

**Part II Taxpayer Declaration and Signature Authorization (Be sure you get and keep a copy of your return)**

Under penalties of perjury, I declare that I have examined a copy of my electronic individual income tax return and accompanying schedules and statements for the tax year ending December 31, 2016, and to the best of my knowledge and belief, it is true, correct, and complete. I further declare that the amounts in Part I above are the amounts from my electronic income tax return. I consent to allow my intermediate service provider, transmitter, or electronic return originator (ERO) to send my return to the IRS and to receive from the IRS (a) an acknowledgement of receipt or reason for rejection of the transmission, (b) the reason for any delay in processing the return or refund, and (c) the date of any refund. If applicable, I authorize the U.S. Treasury and its designated Financial Agent to initiate an ACH electronic funds withdrawal (direct debit) entry to the financial institution account indicated in the tax preparation software for payment of my federal taxes owed on this return and/or a payment of estimated tax, and the financial institution to debit the entry to this account. This authorization is to remain in full force and effect until I notify the U.S. Treasury Financial Agent to terminate the authorization. To revoke (cancel) a payment, I must contact the U.S. Treasury Financial Agent at 1-888-353-4537. Payment cancellation requests must be received no later than 2 business days prior to the payment (settlement) date. I also authorize the financial institutions involved in the processing of the electronic payment of taxes to receive confidential information necessary to answer inquiries and resolve issues related to the payment. I further acknowledge that the personal identification number (PIN) below is my signature for my electronic income tax return and, if applicable, my Electronic Funds Withdrawal Consent.

**Taxpayer's PIN: check one box only**

- I authorize \_\_\_\_\_ to enter or generate my PIN \_\_\_\_\_ as my signature on my tax year 2016 electronically filed income tax return. ERO firm name Enter five digits, but don't enter all zeros
- I will enter my PIN as my signature on my tax year 2016 electronically filed income tax return. Check this box **only** if you are entering your own PIN and your return is filed using the Practitioner PIN method. The ERO must complete Part III below.

Your signature ▶ Filing as Surviving Spouse Date ▶ \_\_\_\_\_

**Spouse's PIN: check one box only**

- I authorize Bradley & Riley PC to enter or generate my PIN 13738 as my signature on my tax year 2016 electronically filed income tax return. ERO firm name Enter five digits, but don't enter all zeros
- I will enter my PIN as my signature on my tax year 2016 electronically filed income tax return. Check this box **only** if you are entering your own PIN and your return is filed using the Practitioner PIN method. The ERO must complete Part III below.

Spouse's signature ▶ \_\_\_\_\_ Date ▶ \_\_\_\_\_

**Practitioner PIN Method Returns Only – continue below**

**Part III Certification and Authentication – Practitioner PIN Method Only**

**ERO's EFIN/PIN.** Enter your six-digit EFIN followed by your five-digit self-selected PIN. 42002923456  
Don't enter all zeros

I certify that the above numeric entry is my PIN, which is my signature for the tax year 2016 electronically filed income tax return for the taxpayer(s) indicated above. I confirm that I am submitting this return in accordance with the requirements of the Practitioner PIN method and **Pub. 1345**, Handbook for Authorized IRS e-file Providers of Individual Income Tax Returns.

ERO's signature ▶ Maureen G. Kenney Date ▶ \_\_\_\_\_

**ERO Must Retain This Form – See Instructions  
Don't Submit This Form to the IRS Unless Requested To Do So**

7

Deceased: TERRY SMITH 10/13/16

Department of the Treasury — Internal Revenue Service (99)

Form 1040 U.S. Individual Income Tax Return 2016

OMB No. 1545-0074

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

For the year Jan. 1 - Dec. 31, 2016, or other tax year beginning , 2016, ending , 20 See separate instructions.

Your first name and initial Last name Your social security number

TERRY SMITH 012-34-5678

If a joint return, spouse's first name and initial Last name Spouse's social security number

STEPHANIE SMITH 012-65-3210

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

237 PICARDY LAND Make sure the SSN(s) above and on line 6c are correct.

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

CEDAR RAPIDS, IA 52401 Presidential Election Campaign

Foreign country name Foreign province/state/country Foreign postal code

Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund. You Spouse

Filing Status 1 Single 4 Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here.

2 Married filing jointly (even if only one had income)

3 Married filing separately. Enter spouse's SSN above & full name here.

5 Qualifying widow(er) with dependent child

Check only one box.

Exemptions 6a Yourself. If someone can claim you as a dependent, do not check box 6a. Boxes checked on 6a and 6b . . . . . 2

b Spouse. . . . . No. of children on 6c who:

c Dependents: (1) First name Last name (2) Dependent's social security number (3) Dependent's relationship to you (4) if child under age 17 qualifying for child tax credit (see instructions)

GRACE SMITH 123-45-6789 Daughter 2

GINGER SPICE 555-66-7777 Niece X

If more than four dependents, see instructions and check here . . . . . Add numbers on lines above . . . . . 4

d Total number of exemptions claimed . . . . . 4

Income 7 Wages, salaries, tips, etc. Attach Form(s) W-2 . . . . . 7 32,125.

8a Taxable interest. Attach Schedule B if required. . . . . 8a 16,371.

b Tax-exempt interest. Do not include on line 8a. . . . . 8b 310.

9a Ordinary dividends. Attach Schedule E if required. . . . . 9a 3,615.

b Qualified dividends. . . . . 9b 3,615.

10 Taxable refunds, credits, or offsets of state and local income taxes. . . . . 10

11 Alimony received. . . . . 11

12 Business income or (loss). Attach Schedule C or C-EZ. . . . . 12 102,594.

13 Capital gain or (loss). Attach Schedule D if required. If not required, check here . . . . . 13 3,660.

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

15a IRA distributions. . . . . 15a b Taxable amount. . . . . 15b

16a Pensions and annuities. . . . . 16a b Taxable amount. . . . . 16b

17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E. . . . . 17 -3,443.

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

19 Unemployment compensation. . . . . 19

20a Social security benefits. . . . . 20a b Taxable amount. . . . . 20b

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

22 Combine the amounts in the far right column for lines 7 through 21. This is your total income . . . . . 22 154,922.

Adjusted Gross Income 23 Educator expenses. . . . . 23 250.

24 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ. . . . . 24

25 Health savings account deduction. Attach Form 8889 . . . . . 25 5,000.

26 Moving expenses. Attach Form 3903. . . . . 26

27 Deductible part of self-employment tax. Attach Schedule SE . . . . . 27 7,248.

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

29 Self-employed health insurance deduction . . . . . 29 10,000.

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

31a Alimony paid b Recipient's SSN. . . . . 31a

32 IRA deduction. . . . . 32

33 Student loan interest deduction . . . . . 33 2,149.

34 Tuition and fees. Attach Form 8917. . . . . 34

35 Domestic production activities deduction. Attach Form 8903 . . . . . 35

36 Add lines 23 through 35 . . . . . 36 24,647.

37 Subtract line 36 from line 22. This is your adjusted gross income . . . . . 37 130,275.

8

Tax and Credits

Standard Deduction for -

- People who check any box on line 39a or 39b or who can be claimed as a dependent, see instructions.
• All others:
Single or Married filing separately, \$6,300
Married filing jointly or Qualifying widow(er), \$12,600
Head of household, \$9,300

Table with 3 columns: Line number, Description, and Amount. Includes lines 38-56 covering Adjusted Gross Income, Deductions, Exemptions, Taxable Income, and Credits.

Other Taxes

Table with 3 columns: Line number, Description, and Amount. Includes lines 57-63 covering Self-employment tax, Unreported social security and Medicare tax, and Total Tax.

Payments

If you have a qualifying child, attach Schedule EIC.

Table with 3 columns: Line number, Description, and Amount. Includes lines 64-74 covering Federal income tax withheld, Estimated tax payments, and Total Payments.

Refund

Direct deposit? See instructions.

Table with 3 columns: Line number, Description, and Amount. Includes lines 75-77 covering Overpaid amount, Refund amount, and Amount applied to 2017 estimated tax.

Amount You Owe

Table with 3 columns: Line number, Description, and Amount. Includes lines 78-79 covering Amount you owe and Estimated tax penalty.

Third Party Designee

Do you want to allow another person to discuss this return with the IRS (see instructions)? [X] Yes. Complete below. [ ] No
Designee's name: Maureen G. Kenney, Phone no.: 319-363-0101, Personal identification number (PIN): 23456

Sign Here

Joint return? See instructions.

Keep a copy for your records.

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: [Signature], Date: [Date], Your occupation: Self-Employed, Daytime phone number: [Number]
Spouse's signature: [Signature], Date: [Date], Spouse's occupation: Teacher, If the IRS sent you an Identity Protection PIN, enter it here (see inst.): [Number]

Paid Preparer Use Only

Print/Type preparer's name: Maureen G. Kenney, Preparer's signature: Maureen G. Kenney, Date: [Date], Check [ ] if self-employed, PTIN: P00618521
Firm's name: Bradley & Riley PC, Firm's address: 2007 First Avenue, SE, Cedar Rapids, IA 52406-2804, Firm's EIN: 42-1163315, Phone no.: (319) 363-0101

9

**SCHEDULE A**  
**(Form 1040)**

**Itemized Deductions**

OMB No. 1545-0074

**2016**

Attachment  
Sequence No. **07**

Department of the Treasury  
Internal Revenue Service (99)

► Information about Schedule A and its separate instructions is at [www.irs.gov/schedulea](http://www.irs.gov/schedulea).  
► Attach to Form 1040.

Name(s) shown on Form 1040

Your social security number

**TERRY AND STEPHANIE SMITH**

**012-34-5678**

<b>Medical and Dental Expenses</b>	<b>Caution:</b> Do not include expenses reimbursed or paid by others.				
	1	Medical and dental expenses (see instructions).....	1		
	2	Enter amount from Form 1040, line 38 ..... <b>2</b>			
	3	Multiply line 2 by 10% (0.10). But if either you or your spouse was born before January 2, 1952, multiply line 2 by 7.5% (0.075) instead	3		
	4	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-	4	0.	
<b>Taxes You Paid</b>	5 State and local (check only one box):				
	a	<input checked="" type="checkbox"/> Income taxes, or	5	34,784.	
	b	<input type="checkbox"/> General sales taxes			
	6	Real estate taxes (see instructions).....	6		
	7	Personal property taxes.....	7	148.	
	8	Other taxes. List type and amount ►	8		
	9	Add lines 5 through 8.....	9	34,932.	
	<b>Interest You Paid</b>	10	Home mortgage interest and points reported to you on Form 1098.....	10	7,500.
		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 ►	11	
12		Points not reported to you on Form 1098. See instructions for special rules.....	12		
13		Mortgage insurance premiums (see instructions).....	13		
14		Investment interest. Attach Form 4952 if required. (See instructions.).....	14	1,220.	
15		Add lines 10 through 14.....	15	8,720.	
<b>Gifts to Charity</b>		16	Gifts by cash or check. If you made any gift of \$250 or more, see instrs.....	16	6,700.
	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	1,508.	
	18	Carryover from prior year.....	18		
	19	Add lines 16 through 18.....	19	8,208.	
<b>Casualty and Theft Losses</b>	20	Casualty or theft loss(es). Attach Form 4684. (See instructions.).....	20	0.	
<b>Job Expenses and Certain Miscellaneous Deductions</b>	21	Unreimbursed employee expenses — job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See instructions.) ►	21	1,724.	
		See Statement 1			
	22	Tax preparation fees.....	22	170.	
	23	Other expenses — investment, safe deposit box, etc. List type and amount ►			
		Safe Deposit Box Rental 35.	23	35.	
	24	Add lines 21 through 23.....	24	1,929.	
	25	Enter amount from Form 1040, line 38 ..... <b>25</b> 130,275.			
26	Multiply line 25 by 2% (0.02).....	26	2,606.		
	27	Subtract line 26 from line 24. If line 26 is more than line 24, enter -0-.....	27	0.	
<b>Other Miscellaneous Deductions</b>	28	Other — from list in instructions. List type and amount ►	28	0.	
<b>Total Itemized Deductions</b>	29	Is Form 1040, line 38, over \$155,650? <input checked="" 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 40. <input type="checkbox"/> Yes. Your deduction may be limited. See the Itemized Deductions Worksheet in the instructions to figure the amount to enter.	29	51,860.	
	30	If you elect to itemize deductions even though they are less than your standard deduction, check here. <input type="checkbox"/>			



**SCHEDULE B**  
**(Form 1040A or 1040)**

**Interest and Ordinary Dividends**

OMB No. 1545-0074

**2016**

Attachment  
Sequence No. **08**

Department of the Treasury  
Internal Revenue Service (99)

▶ Attach to Form 1040A or 1040.  
▶ Information about Schedule B and its instructions is at [www.irs.gov/scheduleb](http://www.irs.gov/scheduleb).

Name(s) shown on return

Your social security number

**TERRY AND STEPHANIE SMITH**

**012-34-5678**

**Part I**

**Interest**

(See 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 on back and list this interest first. Also, show that buyer's social security number and address ▶

PTP, LIMITED

Smith Barney

US Savings Bonds

Wells Fargo

**Amount**

75.

1,205.

15,000.

91.

**2** Add the amounts on line 1.....

**2** 16,371.

**3** Excludable interest on series EE and I U.S. savings bonds issued after 1989. Attach Form 8815.....

**3**

**4** Subtract line 3 from line 2. Enter the result here and on Form 1040A, or Form 1040, line 8a..... ▶

**4**

16,371.

**Note:** If line 4 is over \$1,500, you must complete Part III.

**Amount**

**Part II**

**Ordinary Dividends**

(See instructions on back and 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 ▶

ABBD, INC

ABS ENTERPRISES

MONEY.WWW, INC

PIONEER GROWTH FUND

TERRY'S BROKERAGE

210.

40.

60.

805.

2,500.

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

**6**

3,615.

**Note:** If line 6 is over \$1,500, you must complete Part III.

You must complete this part if you (a) had over \$1,500 of taxable interest or ordinary dividends; (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
-----	----

**Part III Foreign Accounts and Trusts**

(See instructions on back.)

**7a** At any time during 2016, did you have a financial interest in or signature authority over a financial account (such as a bank account, securities account, or brokerage account) located in a foreign country? See instructions.....

If 'Yes,' are you required to file FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR), to report that financial interest or signature authority? See FinCEN Form 114 and its instructions for filing requirements and exceptions to those requirements.....

**b** If you are required to file FinCEN Form 114, enter the name of the foreign country where the financial account is located ▶

**8** During 2016, 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 on back.....

	X
	X

11

**SCHEDULE C**  
**(Form 1040)**

**Profit or Loss From Business**  
**(Sole Proprietorship)**

OMB No. 1545-0074

**2016**

Department of the Treasury  
Internal Revenue Service (99)

► **Information about Schedule C and its separate instructions is at [www.irs.gov/schedulec](http://www.irs.gov/schedulec).**  
► **Attach to Form 1040, 1040NR, or 1041; partnerships generally must file Form 1065.**

Attachment  
Sequence No. **09**

Name of proprietor

**TERRY SMITH**

Social security number (SSN)

**012-34-5678**

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

**GYM**

**B** Enter code from instructions

► **999999**

**C** Business name. If no separate business name, leave blank.

**CHUCK'S TOTAL WORKOUT GYM**

**D** Employer ID number (EIN), (see instr.)

**E** Business address (including suite or room no.) ►

City, town or post office, state, and ZIP code

**F** Accounting method: (1)  Cash (2)  Accrual (3)  Other (specify) ►

**G** Did you 'materially participate' in the operation of this business during 2016? If 'No,' see instructions for limit on losses.  Yes  No

**H** If you started or acquired this business during 2016, check here.

**I** Did you make any payments in 2016 that would require you to file Form(s) 1099? (see instructions).  Yes  No

**J** If 'Yes,' did you or will you file required Forms 1099?  Yes  No

**Part I Income**

<b>1</b> Gross receipts or sales. See instructions for line 1 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. <input type="checkbox"/>	<b>1</b>	300,000.
<b>2</b> Returns and allowances.	<b>2</b>	
<b>3</b> Subtract line 2 from line 1.	<b>3</b>	300,000.
<b>4</b> Cost of goods sold (from line 42).	<b>4</b>	
<b>5</b> <b>Gross profit.</b> Subtract line 4 from line 3.	<b>5</b>	300,000.
<b>6</b> Other income, including federal and state gasoline or fuel tax credit or refund (see instructions).	<b>6</b>	
<b>7</b> <b>Gross income.</b> Add lines 5 and 6.	<b>7</b>	300,000.

**Part II Expenses.** Enter expenses for business use of your home **only** on line 30.

<b>8</b> Advertising.	<b>8</b>	12,000.	<b>18</b> Office expense (see instructions).	<b>18</b>	
<b>9</b> Car and truck expenses (see instructions).	<b>9</b>	452.	<b>19</b> Pension and profit-sharing plans.	<b>19</b>	
<b>10</b> Commissions and fees.	<b>10</b>		<b>20</b> Rent or lease (see instructions):		
<b>11</b> Contract labor (see instructions).	<b>11</b>	80,000.	<b>a</b> Vehicles, machinery, and equipment.	<b>20a</b>	
<b>12</b> Depletion.	<b>12</b>		<b>b</b> Other business property.	<b>20b</b>	30,000.
<b>13</b> Depreciation and section 179 expense deduction (not included in Part III) (see instructions).	<b>13</b>	13,333.	<b>21</b> Repairs and maintenance.	<b>21</b>	
<b>14</b> Employee benefit programs (other than on line 19).	<b>14</b>		<b>22</b> Supplies (not included in Part III).	<b>22</b>	15,000.
<b>15</b> Insurance (other than health).	<b>15</b>	15,000.	<b>23</b> Taxes and licenses.	<b>23</b>	10.
<b>16</b> Interest:			<b>24</b> Travel, meals, and entertainment:		
<b>a</b> Mortgage (paid to banks, etc.).	<b>16a</b>		<b>a</b> Travel.	<b>24a</b>	
<b>b</b> Other.	<b>16b</b>		<b>b</b> Deductible meals and entertainment (see instructions).	<b>24b</b>	
<b>17</b> Legal and professional services.	<b>17</b>	500.	<b>25</b> Utilities.	<b>25</b>	
			<b>26</b> Wages (less employment credits).	<b>26</b>	
			<b>27a</b> Other expenses (from line 48).	<b>27a</b>	31,111.
			<b>b</b> Reserved for future use.	<b>27b</b>	
<b>28</b> <b>Total expenses</b> before expenses for business use of home. Add lines 8 through 27a.	<b>28</b>	197,406.			
<b>29</b> Tentative profit or (loss). Subtract line 28 from line 7.	<b>29</b>	102,594.			
<b>30</b> Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method (see instructions). <b>Simplified method filers only:</b> enter the total square footage of: (a) your home: _____ and (b) the part of your home used for business: _____. Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30.	<b>30</b>				
<b>31</b> <b>Net profit or (loss).</b> Subtract line 30 from line 29. • If a profit, enter on both <b>Form 1040, line 12</b> (or <b>Form 1040NR, line 13</b> ) and on <b>Schedule SE, line 2</b> . (If you checked the box on line 1, see instructions). Estates and trusts, enter on <b>Form 1041, line 3</b> . • If a loss, you <b>must</b> go to line 32.	<b>31</b>	102,594.			
<b>32</b> 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 <b>Form 1040, line 12</b> , (or <b>Form 1040NR, line 13</b> ) and on <b>Schedule SE, line 2</b> . (If you checked the box on line 1, see the line 31 instructions). Estates and trusts, enter on <b>Form 1041, line 3</b> . • If you checked 32b, you <b>must</b> attach <b>Form 6198</b> . Your loss may be limited.			<b>32a</b>	<input type="checkbox"/> All investment is at risk.	
			<b>32b</b>	<input type="checkbox"/> Some investment is not at risk.	

12

**Part III Cost of Goods Sold** (see instructions)

33 Method(s) used to value closing inventory: a  Cost b  Lower of cost or market c  Other (attach explanation)

34 Was there any change in determining quantities, costs, or valuations between opening and closing inventory? If 'Yes,' attach explanation.  Yes  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
41 Inventory at end of year.	41
42 <b>Cost of goods sold.</b> Subtract line 41 from line 40. Enter the result here and on line 4.	42

**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 2016, 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.

Amortization	11,111.
Laundry and Cleaning	20,000.
48 <b>Total other expenses.</b> Enter here and on line 27a	48 31,111.

13

**SCHEDULE D**  
**(Form 1040)**

**Capital Gains and Losses**

OMB No. 1545-0074

**2016**

Department of the Treasury  
Internal Revenue Service (99)

▶ **Attach to Form 1040 or Form 1040NR.**  
▶ Information about Schedule D and its separate instructions is at [www.irs.gov/scheduled](http://www.irs.gov/scheduled).  
▶ **Use Form 8949 to list your transactions for lines 1b, 2, 3, 8b, 9, and 10.**

Attachment  
Sequence No. **12**

Name(s) shown on return

Your social security number

**TERRY AND STEPHANIE SMITH**

**012-34-5678**

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

See instructions for how to figure the amounts to enter on the lines below. This form may be easier to complete if you round off cents to whole dollars.	(d) Proceeds (sales price)	(e) Cost (or other basis)	(g) Adjustments to gain or loss from Form(s) 8949, Part I, line 2, column (g)	(h) Gain or (loss) Subtract column (e) from column (d) and combine the result with column (g)
<b>1a</b> Totals for all short-term transactions reported on Form 1099-B for which basis was reported to the IRS and for which you have no adjustments (see instructions). However, if you choose to report all these transactions on Form 8949, leave this line blank and go to line 1b.....	3,200.	780.		2,420.
<b>1b</b> Totals for all transactions reported on Form(s) 8949 with <b>Box A</b> checked.....				
<b>2</b> Totals for all transactions reported on Form(s) 8949 with <b>Box B</b> checked.....				
<b>3</b> Totals for all transactions reported on Form(s) 8949 with <b>Box C</b> checked.....				
<b>4</b> Short-term gain from Form 6252 and short-term gain or (loss) from Forms 4684, 6781, and 8824.....				<b>4</b>
<b>5</b> Net short-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1....				<b>5</b>
<b>6</b> Short-term capital loss carryover. Enter the amount, if any, from line 8 of your <b>Capital Loss Carryover Worksheet</b> in the instructions.....				<b>6</b>
<b>7</b> <b>Net short-term capital gain or (loss).</b> Combine lines 1a through 6 in column (h). If you have any long-term capital gains or losses, go to Part II below. Otherwise, go to Part III on the back.....				<b>7</b> 2,420.

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

See instructions for how to figure the amounts to enter on the lines below. This form may be easier to complete if you round off cents to whole dollars.	(d) Proceeds (sales price)	(e) Cost (or other basis)	(g) Adjustments to gain or loss from Form(s) 8949, Part II, line 2, column (g)	(h) Gain or (loss) Subtract column (e) from column (d) and combine the result with column (g)
<b>8a</b> Totals for all long-term transactions reported on Form 1099-B for which basis was reported to the IRS and for which you have no adjustments (see instructions). However, if you choose to report all these transactions on Form 8949, leave this line blank and go to line 8b.....	1,050.	1,090.		-40.
<b>8b</b> Totals for all transactions reported on Form(s) 8949 with <b>Box D</b> checked.....				
<b>9</b> Totals for all transactions reported on Form(s) 8949 with <b>Box E</b> checked.....	5,260.	3,400.		1,860.
<b>10</b> Totals for all transactions reported on Form(s) 8949 with <b>Box F</b> checked.....	4,025.	5,650.		-1,625.
<b>11</b> 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.....				<b>11</b>
<b>12</b> Net long-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1....				<b>12</b>
<b>13</b> Capital gain distributions. See the instrs.....				<b>13</b> 1,045.
<b>14</b> Long-term capital loss carryover. Enter the amount, if any, from line 13 of your <b>Capital Loss Carryover Worksheet</b> in the instructions.....				<b>14</b>
<b>15</b> <b>Net long-term capital gain or (loss).</b> Combine lines 8a through 14 in column (h). Then go to Part III on the back.....				<b>15</b> 1,240.

**BAA For Paperwork Reduction Act Notice, see your tax return instructions.**

**Schedule D (Form 1040) 2016**

44

**Part III Summary**

<p><b>16</b> Combine lines 7 and 15 and enter the result .....</p> <ul style="list-style-type: none"> <li>• If line 16 is a <b>gain</b>, enter the amount from line 16 on Form 1040, line 13, or Form 1040NR, line 14. Then go to line 17 below.</li> <li>• If line 16 is a <b>loss</b>, skip lines 17 through 20 below. Then go to line 21. Also be sure to complete line 22.</li> <li>• If line 16 is <b>zero</b>, skip lines 17 through 21 below and enter -0- on Form 1040, line 13, or Form 1040NR, line 14. Then go to line 22.</li> </ul> <p><b>17</b> Are lines 15 and 16 <b>both</b> gains?</p> <p><input checked="" type="checkbox"/> <b>Yes.</b> Go to line 18.</p> <p><input type="checkbox"/> <b>No.</b> Skip lines 18 through 21, and go to line 22.</p> <p><b>18</b> Enter the amount, if any, from line 7 of the <b>28% Rate Gain Worksheet</b> in the instructions .....</p> <p><b>19</b> Enter the amount, if any, from line 18 of the <b>Unrecaptured Section 1250 Gain Worksheet</b> in the instructions .....</p> <p><b>20</b> Are lines 18 and 19 <b>both</b> zero or blank?</p> <p><input checked="" type="checkbox"/> <b>Yes.</b> Complete the <b>Qualified Dividends and Capital Gain Tax Worksheet</b> in the instructions for Form 1040, line 44 (or in the instructions for Form 1040NR, line 42). <b>Don't</b> complete lines 21 and 22 below.</p> <p><input type="checkbox"/> <b>No.</b> Complete the <b>Schedule D Tax Worksheet</b> in the instructions. <b>Don't</b> complete lines 21 and 22 below.</p> <p><b>21</b> If line 16 is a loss, enter here and on Form 1040, line 13, or Form 1040NR, line 14, the <b>smaller</b> of:</p> <ul style="list-style-type: none"> <li>• The loss on line 16 or</li> <li>• (\$3,000), or if married filing separately, (\$1,500) ]</li> </ul> <p><b>Note:</b> When figuring which amount is smaller, treat both amounts as positive numbers.</p> <p><b>22</b> Do you have qualified dividends on Form 1040, line 9b, or Form 1040NR, line 10b?</p> <p><input type="checkbox"/> <b>Yes.</b> Complete the <b>Qualified Dividends and Capital Gain Tax Worksheet</b> in the instructions for Form 1040, line 44 (or in the instructions for Form 1040NR, line 42).</p> <p><input type="checkbox"/> <b>No.</b> Complete the rest of Form 1040 or Form 1040NR.</p>	<p>16</p> <p>18</p> <p>19</p> <p>21</p>	<p>3,660.</p> <p>0.</p>
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DO NOT FILE

15

Name(s) shown on return. Name and SSN or taxpayer identification no. not required if shown on other side.

SSN or taxpayer identification no.

TERRY AND STEPHANIE SMITH

012-34-5678

Before you check Box D, E, or F below, see whether you received any Form(s) 1099-B or substitute statement(s) from your broker. A substitute statement will have the same information as Form 1099-B. Either will show whether your basis (usually your cost) was reported to the IRS by your broker and may even tell you which box to check.

**Part II Long-Term.** Transactions involving capital assets you held more than 1 year are long term. For short-term transactions, see page 1.

**Note:** You may aggregate all long-term transactions reported on Form(s) 1099-B showing basis was reported to the IRS and for which no adjustments or codes are required. Enter the totals directly on Schedule D, line 8a; you aren't required to report these transactions on Form 8949 (see instructions).

**You must check Box D, E, or F below. Check only one box.** If more than one box applies for your long-term transactions, complete a separate Form 8949, page 2, for each applicable box. If you have more long-term transactions than will fit on this page for one or more of the boxes, complete as many forms with the same box checked as you need.

- (D) Long-term transactions reported on Form(s) 1099-B showing basis was reported to the IRS (see **Note** above)
- (E) Long-term transactions reported on Form(s) 1099-B showing basis **wasn't** reported to the IRS
- (F) Long-term transactions not reported to you on Form 1099-B

1	(a) Description of property (Example: 100 shares XYZ Co)	(b) Date acquired (Mo, day, yr)	(c) Date sold or disposed (Mo, day, yr)	(d) Proceeds (sales price) (see instructions)	(e) Cost or other basis. See the <b>Note</b> below and see <i>Column (e)</i> in the separate instructions	Adjustment, if any, to gain or loss. If you enter an amount in column (g), enter a code in column (f). See the separate instructions.		(h) Gain or (loss). Subtract column (e) from column (d) and combine the result with column (g)
						(f) Code(s) from instructions	(g) Amount of adjustment	
	MONEY.WWW, INC.	1/09/99	4/10/16	5,260.	3,400.			1,860.
<b>2 Totals.</b>	Add the amounts in columns (d), (e), (g), and (h) (subtract negative amounts). Enter each total here and include on your Schedule D, <b>line 8b</b> (if <b>Box D</b> above is checked), <b>line 9</b> (if <b>Box E</b> above is checked), or <b>line 10</b> (if <b>Box F</b> above is checked).			5,260.	3,400.		0.	1,860.

**Note:** If you checked Box D above but the basis reported to the IRS was incorrect, enter in column (e) the basis as reported to the IRS, and enter an adjustment in column (g) to correct the basis. See *Column (g)* in the separate instructions for how to figure the amount of the adjustment.

16



**SCHEDULE E**  
**(Form 1040)**

**Supplemental Income and Loss**

OMB No. 1545-0074

(From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.)  
▶ Attach to Form 1040, 1040NR, or Form 1041.

**2016**

Department of the Treasury  
Internal Revenue Service (99)

▶ Information about Schedule E and its separate instructions is at [www.irs.gov/schedulee](http://www.irs.gov/schedulee).

Attachment  
Sequence No. **13**

Name(s) shown on return

Your social security number

**TERRY AND STEPHANIE SMITH**

**012-34-5678**

**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.

- A** Did you make any payments in 2016 that would require you to file Form(s) 1099? (see instructions) .....  Yes  No  
**B** If 'Yes,' did you or will you file required Forms 1099? .....  Yes  No

**1 a** Physical address of each property (street, city, state, ZIP code)  
**A** **2007 First Ave SE, Cedar Rapids, IA 52402**

**B**  
**C**

1 b	Type of Property (from list below)	2	Fair Rental Days	Personal Use Days	QJV
<b>A</b>	<b>1</b>	For each rental real estate property listed above, report the number of fair rental and personal use days. Check the <b>QJV</b> box only if you meet the requirements to file as a qualified joint venture. See instructions.	<b>A</b>		
<b>B</b>			<b>B</b>		
<b>C</b>			<b>C</b>		

- Type of Property:**  
**1** Single Family Residence    **3** Vacation/Short-Term Rental    **5** Land    **7** Self-Rental  
**2** Multi-Family Residence    **4** Commercial    **6** Royalties    **8** Other (describe)

Income:	Properties:	A	B	C
<b>3</b> Rents received .....	<b>3</b>	8,000.		
<b>4</b> Royalties received .....	<b>4</b>			
<b>Expenses:</b>				
<b>5</b> Advertising .....	<b>5</b>	350.		
<b>6</b> Auto and travel (see instructions) .....	<b>6</b>			
<b>7</b> Cleaning and maintenance .....	<b>7</b>			
<b>8</b> Commissions .....	<b>8</b>			
<b>9</b> Insurance .....	<b>9</b>	750.		
<b>10</b> Legal and other professional fees .....	<b>10</b>	300.		
<b>11</b> Management fees .....	<b>11</b>			
<b>12</b> Mortgage interest paid to banks, etc (see instructions) .....	<b>12</b>	1,903.		
<b>13</b> Other interest .....	<b>13</b>			
<b>14</b> Repairs .....	<b>14</b>	250.		
<b>15</b> Supplies .....	<b>15</b>			
<b>16</b> Taxes .....	<b>16</b>	4,000.		
<b>17</b> Utilities .....	<b>17</b>	200.		
<b>18</b> Depreciation expense or depletion .....	<b>18</b>	7,158.		
<b>19</b> Other (list) ▶ .....	<b>19</b>			
<b>20</b> Total expenses. Add lines 5 through 19 .....	<b>20</b>	14,911.		
<b>21</b> Subtract line 20 from line 3 (rents) and/ or 4 (royalties). If result is a (loss), see instructions to find out if you must file Form 6198 .....	<b>21</b>	-6,911.		
<b>22</b> Deductible rental real estate loss after limitation, if any, on Form 8582 (see instructions) .....	<b>22</b>	-3,443.		
<b>23 a</b> Total of all amounts reported on line 3 for all rental properties .....	<b>23a</b>	8,000.		
<b>b</b> Total of all amounts reported on line 4 for all royalty properties .....	<b>23b</b>			
<b>c</b> Total of all amounts reported on line 12 for all properties .....	<b>23c</b>	1,903.		
<b>d</b> Total of all amounts reported on line 18 for all properties .....	<b>23d</b>	7,158.		
<b>e</b> Total of all amounts reported on line 20 for all properties .....	<b>23e</b>	14,911.		
<b>24</b> <b>Income.</b> Add positive amounts shown on line 21. Do not include any losses. ....	<b>24</b>			
<b>25</b> <b>Losses.</b> Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here. ...	<b>25</b>			-3,443.
<b>26</b> <b>Total rental real estate and royalty income or (loss).</b> 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. ....	<b>26</b>			-3,443.

DO NOT FILE

18



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

Your social security number

TERRY AND STEPHANIE SMITH

012-34-5678

**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, excess farm loss, 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	PTP, LIMITED	P		01-2223345	
B	PYA: Passive Carryover	P		01-2223345	
C					
D					

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	PTP	440.			
B	PTP	440.			
C					
D					
29 a	Totals	440.			
b	Totals	440.			
30	Add columns (g) and (j) of line 29a		30	440.	
31	Add columns (f), (h), and (i) of line 29b		31	-440.	
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.			32	

**Part III Income or Loss From Estates and Trusts**

33	(a) Name	(b) Employer ID no.
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			
34 a	Totals		
b	Totals		
35	Add columns (d) and (f) of line 34a		35
36	Add columns (c) and (e) of line 34b		36
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

**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
39	Combine columns (d) and (e) only. Enter the result here and include in the total on line 41 below.				39

**Part V Summary**

40	Net farm rental income or (loss) from Form 4835. Also, complete line 42 below.	40	
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	-3,443.
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 V; and Schedule K-1 (Form 1041), box 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	

**SCHEDULE SE  
(Form 1040)**

Department of the Treasury  
Internal Revenue Service (99)

**Self-Employment Tax**

► Information about Schedule SE and its separate instructions is at [www.irs.gov/schedulese](http://www.irs.gov/schedulese).  
► Attach to Form 1040 or Form 1040NR.

OMB No. 1545-0074

**2016**

Attachment  
Sequence No. **17**

Name of person with self-employment income (as shown on Form 1040 or Form 1040NR)

TERRY SMITH

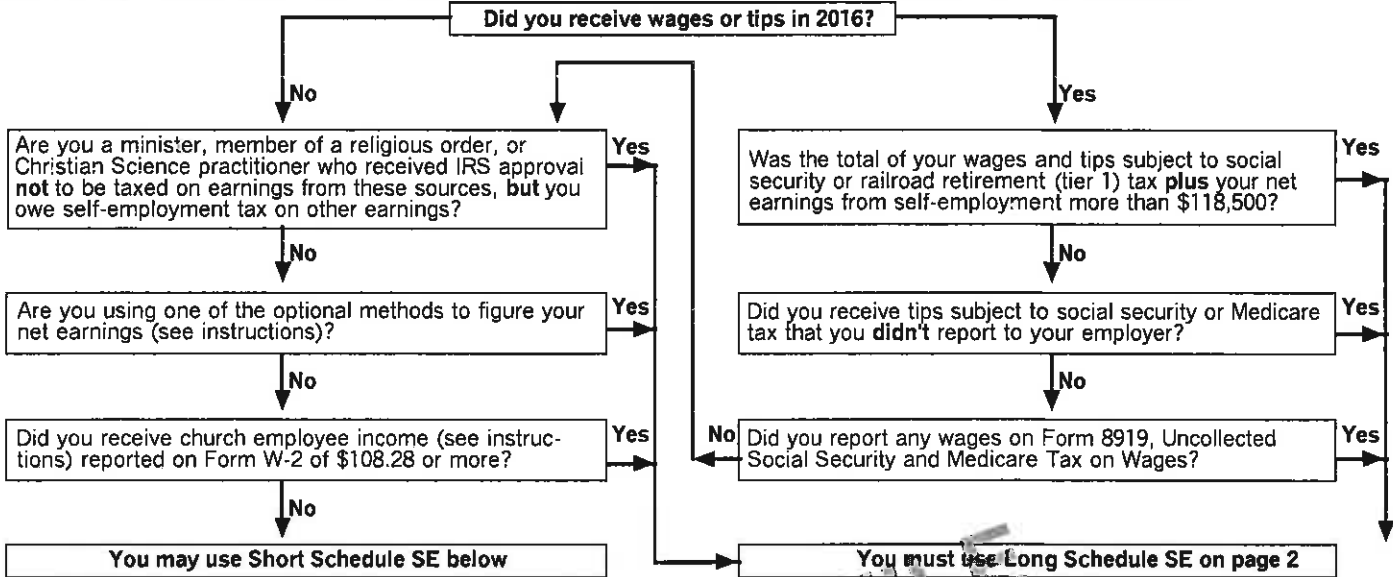
Social security number of person  
with self-employment income ►

012-34-5678

**Before you begin:** To determine if you must file Schedule SE, see the instructions.

**May I Use Short Schedule SE or Must I Use Long Schedule SE?**

**Note.** Use this flowchart **only** if you must file Schedule SE. If unsure, see *Who Must File Schedule SE* in the instructions.



**Section A – Short Schedule SE. Caution.** Read above to see if you can use Short Schedule SE.

<b>1 a</b> Net farm profit or (loss) from Schedule F, line 34, and farm partnerships, Schedule K-1 (Form 1065), box 14, code A.....	<b>1 a</b>	
<b>b</b> If you received social security retirement or disability benefits, enter the amount of Conservation Reserve Program payments included on Schedule F, line 4b, or listed on Schedule K-1 (Form 1065), box 20, code Z.....	<b>1 b</b>	
<b>2</b> 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.....	<b>2</b>	102,594.
<b>3</b> Combine lines 1a, 1b, and 2.....	<b>3</b>	102,594.
<b>4</b> Multiply line 3 by 92.35% (0.9235). If less than \$400, you don't owe self-employment tax; <b>don't</b> file this schedule unless you have an amount on line 1b.....	<b>4</b>	94,746.
<b>Note.</b> If line 4 is less than \$400 due to Conservation Reserve Program payments on line 1b, see instructions.		
<b>5 Self-employment tax.</b> If the amount on line 4 is: • \$118,500 or less, multiply line 4 by 15.3% (0.153). Enter the result here and on <b>Form 1040, line 57,</b> or <b>Form 1040NR, line 55</b> • More than \$118,500, multiply line 4 by 2.9% (0.029). Then, add \$14,694 to the result. Enter the total here and on <b>Form 1040, line 57,</b> or <b>Form 1040NR, line 55</b> .....	<b>5</b>	14,496.
<b>6 Deduction for one-half of self-employment tax.</b> Multiply line 5 by 50% (0.50). Enter the result here and on <b>Form 1040, line 27,</b> or <b>Form 1040NR, line 27</b> .....	<b>6</b>	7,248.

**BAA For Paperwork Reduction Act Notice, see your tax return instructions.**

Schedule **SE** (Form 1040) 2016

**Child and Dependent Care Expenses**

▶ Attach to Form 1040, Form 1040A, or Form 1040NR.

**2016**

Department of the Treasury  
Internal Revenue Service (99)

▶ Information about Form 2441 and its separate instructions is at [www.irs.gov/form2441](http://www.irs.gov/form2441).

Attachment  
Sequence No. **21**

Name(s) shown on return

Your social security number

**TERRY AND STEPHANIE SMITH**

**012-34-5678**

**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)
	Gramma's Care	145 5th Avenue Spirit Lake, IA 51360	42-8659856	1,370.
	Esther Swanson	1842 Oak Street Spirit Lake, IA 51360	139-79-2468	4,800.

Did you receive dependent care benefits?  No  Yes

Complete only Part II below. Complete Part III on the back 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 60a, or Form 1040NR, line 59a.

**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 2016 for the person listed in column (a)
First	Last		
GINGER	SPICE	555-66-7777	6,170.

**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 31.

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

**5** If married filing jointly, enter your spouse's earned income (if you or 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 37.

**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 2015 expenses in 2016, see the instructions.

**10** Tax liability limit. Enter the amount from the Credit Limit Worksheet in the instructions.

**11** **Credit for child and dependent care expenses.** Enter the **smaller** of line 9 or line 10 here and on Form 1040, line 49; Form 1040A, line 31; or Form 1040NR, line 47.

**Part III Dependent Care Benefits**

12	Enter the total amount of <b>dependent care benefits</b> you received in 2016. Amounts you received as an employee should be shown in box 10 of your Form(s) W-2. <b>Do not</b> 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 . . . . .	12	5,000.
13	Enter the amount, if any, you carried over from 2015 and used in 2016 during the grace period. See instructions. . . . .	13	
14	Enter the amount, if any, you forfeited or carried forward to 2017. See instructions . . . . .	14	
15	Combine lines 12 through 14. See instructions . . . . .	15	5,000.
16	Enter the total amount of <b>qualified expenses</b> incurred in 2016 for the care of the <b>qualifying person(s)</b> . . . . .	16	6,170.
17	Enter the <b>smaller</b> of line 15 or 16 . . . . .	17	5,000.
18	Enter your <b>earned income</b> . See instructions. . . . .	18	95,346.
19	Enter the amount shown below that applies to you. <ul style="list-style-type: none"> <li>• If married filing jointly, enter your spouse's earned income (if you or your spouse was a student or was disabled, see the instructions for line 5).</li> <li>• If married filing separately, see instructions.</li> <li>• All others, enter the amount from line 18.</li> </ul>	19	32,125.
20	Enter the <b>smallest</b> of line 17, 18, or 19 . . . . .	20	5,000.
21	Enter \$5,000 (\$2,500 if married filing separately <b>and</b> you were required to enter your spouse's earned income on line 19). . . . .	21	5,000.
22	Is any amount on line 12 from your sole proprietorship or partnership? (Form 1040A filers go to line 25). <input checked="" type="checkbox"/> <b>No.</b> Enter -0-. <input type="checkbox"/> <b>Yes.</b> Enter the amount here . . . . .	22	0.
23	Subtract line 22 from line 15 . . . . .	23	5,000.
24	<b>Deductible benefits.</b> Enter the <b>smallest</b> of line 20, 21, or 22. Also, include this amount on the appropriate line(s) of your return. See instructions . . . . .	24	0.
25	<b>Excluded benefits. Form 1040 and 1040NR filers:</b> If you checked 'No' on line 22, enter the smaller of line 20 or 21. Otherwise, subtract line 24 from the smaller of line 20 or line 21. If zero or less, enter -0-. <b>Form 1040A filers:</b> Enter the <b>smaller</b> of line 20 or line 21. . . . .	25	5,000.
26	<b>Taxable benefits. Form 1040 and 1040NR filers:</b> Subtract line 25 from line 23. 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.' <b>Form 1040A filers:</b> Subtract line 25 from line 15. Also, include this amount on Form 1040A, line 7. In the space to the left of line 7, enter 'DCB'. . . . .	26	0.

To claim the child and dependent care credit, complete lines 27 through 31 below.

27	Enter \$3,000 (\$6,000 if two or more qualifying persons). . . . .	27	3,000.
28	<b>Form 1040 and 1040NR filers:</b> Add lines 24 and 25. <b>Form 1040A filers:</b> Enter the amount from line 25. . . . .	28	5,000.
29	Subtract line 28 from line 27. If zero or less, <b>stop.</b> You cannot take the credit. <b>Exception.</b> If you paid 2015 expenses in 2016, see the instructions for line 9. . . . .	29	-2,000.
30	Complete line 2 on the front of this form. <b>Do not</b> include in column (c) any benefits shown on line 28 above. Then, add the amounts in column (c) and enter the total here . . . . .	30	
31	Enter the <b>smaller</b> of line 29 or 30. Also, enter this amount on line 3 on the front of this form and complete lines 4 through 11. . . . .	31	

22

**SCHEDULE H  
(Form 1040)**

**Household Employment Taxes**

OMB No. 1545-1971

(For Social Security, Medicare, Withheld Income, and Federal Unemployment (FUTA) Taxes)

**2016**

Department of the Treasury  
Internal Revenue Service (99)

▶ **Attach to Form 1040, 1040NR, 1040-SS, or 1041.**  
▶ Information about Schedule H and its separate instructions is at [www.irs.gov/scheduleh](http://www.irs.gov/scheduleh).

Attachment  
Sequence No. **44**

Name of employer

Social security number

012-34-5678

Employer identification number

42-6989811

**TERRY AND STEPHANIE SMITH**

Calendar year taxpayers having no household employees in 2016 don't have to complete this form for 2016.

**A** Did you pay **any one** household employee cash wages of \$2,000 or more in 2016? (If any household employee was your spouse, your child under age 21, your parent, or anyone under age 18, see the line A instructions before you answer this question.)

**Yes.** Skip lines B and C and go to line 1.

**No.** Go to line B.

**B** Did you withhold federal income tax during 2016 for any household employee?

**Yes.** Skip line C and go to line 7.

**No.** Go to line C.

**C** Did you pay **total** cash wages of \$1,000 or more in **any** calendar **quarter** of 2015 or 2016 to **all** household employees? (**Don't** count cash wages paid in 2015 or 2016 to your spouse, your child under age 21, or your parent.)

**No. Stop.** Don't file this schedule.

**Yes.** Skip lines 1-9 and go to line 10.

**Part I Social Security, Medicare, and Federal Income Taxes**

1	Total cash wages subject to social security tax	1	4,800.		
2	Social security tax. Multiply line 1 by 12.4% (0.124)			2	595.
3	Total cash wages subject to Medicare tax	3	4,800.		
4	Medicare tax. Multiply line 3 by 2.9% (0.029)			4	139.
5	Total cash wages subject to Additional Medicare Tax withholding	5			
6	Additional Medicare Tax withholding. Multiply line 5 by 0.9% (0.009)			6	
7	Federal income tax withheld, if any			7	
8	Total social security, Medicare, and federal income taxes. Add lines 2, 4, 6, and 7			8	734.

**9** Did you pay **total** cash wages of \$1,000 or more in **any** calendar **quarter** of 2015 or 2016 to **all** household employees? (**Don't** count cash wages paid in 2015 or 2016 to your spouse, your child under age 21, or your parent.)

**No. Stop.** Include the amount from line 8 above on Form 1040, line 60a. If you're not required to file Form 1040, see the line 9 instructions.

**Yes.** Go to line 10.

**Part II Federal Unemployment (FUTA) Tax**

	Yes	No
10 Did you pay unemployment contributions to only one state? (If you paid contributions to a credit reduction state, see instructions and check 'No'.)		X
11 Did you pay all state unemployment contributions for 2016 by April 18, 2017? Fiscal year filers see instructions . . .		X
12 Were all wages that are taxable for FUTA tax also taxable for your state's unemployment tax? . . . . .		X

**Next:** If you checked the 'Yes' box on all the lines above, complete Section A.  
If you checked the 'No' box on any of the lines above, skip Section A and complete Section B.

**Section A**

13 Name of the state where you paid unemployment contributions . . . . .	
14 Contributions paid to your state unemployment fund . . . . .	14
15 Total cash wages subject to FUTA tax . . . . .	15
16 FUTA tax. Multiply line 15 by 0.6% (0.006). Enter the result here, skip Section B, and go to line 25 . . . . .	16

**Section B**

17 Complete all columns below that apply (if you need more space, see instructions):

(a) Name of state	(b) Taxable wages (as defined in state act)	(c) State experience rate period		(d) State experience rate	(e) Multiply col. (b) by 0.054	(f) Multiply col. (b) by col. (d)	(g) Subtract col. (f) from col. (e). If zero or less, enter -0-.	(h) Contributions paid to state unemployment fund
		From	To					
18 Totals . . . . .						18		
19 Add columns (g) and (h) of line 18 . . . . .						19		
20 Total cash wages subject to FUTA tax (see the line 15 instructions) . . . . .						20		4,800.
21 Multiply line 20 by 6.0% (0.060) . . . . .						21		288.
22 Multiply line 20 by 5.4% (0.054) . . . . .						22	259.	
23 Enter the smaller of line 19 or line 22 (Employers in a credit reduction state must use the worksheet on page H-7 and check here) <input type="checkbox"/>						23		
24 FUTA tax. Subtract line 23 from line 21. Enter the result here and go to line 25 . . . . .						24		288.

**Part III Total Household Employment Taxes**

25 Enter the amount from line 8. If you checked the 'Yes' box on line C of page 1, enter -0- . . . . .	25	734.
26 Add line 16 (or line 24) and line 25 . . . . .	26	1,022.

27 Are you required to file Form 1040?  
 **Yes. Stop.** Include the amount from line 26 above on Form 1040, line 60a. Don't complete Part IV below.  
 **No.** You may have to complete Part IV. See instructions for details.

**Part IV Address and Signature** — Complete this part only if required. See the line 27 instructions.

Address (number and street) or P.O. box if mail isn't delivered to street address \_\_\_\_\_ Apt., room, or suite no. \_\_\_\_\_

City, town or post office, state, and ZIP code \_\_\_\_\_

Under penalties of perjury, I declare that I have examined this schedule, including accompanying statements, and to the best of my knowledge and belief, it is true, correct, and complete. No part of any payment made to a state unemployment fund claimed as a credit was, or is to be, deducted from the payments to employees. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Employer's signature \_\_\_\_\_ Date \_\_\_\_\_

<b>Paid Preparer Use Only</b>	Print/Type preparer's name _____	Preparer's signature _____	Date _____	Check if self-employed <input type="checkbox"/>	PTIN _____
	Firm's name ▶ _____				Firm's EIN ▶ _____
	Firm's address ▶ _____				Phone no. _____

24

Department of the Treasury  
Internal Revenue Service

► Information about Form 8889 and its separate instructions is available at [www.irs.gov/form8889](http://www.irs.gov/form8889).  
► Attach to Form 1040 or Form 1040NR.

Attachment  
Sequence No. **52**

Name(s) shown on Form 1040 or Form 1040NR

Social security number of HSA  
beneficiary. If both spouses have  
HSAs, see instructions ►

**TERRY SMITH**

**012-34-5678**

**Before you begin:** Complete Form 8853, Archer MSAs and Long-Term Care Insurance Contracts, if required.

**Part I HSA Contributions and Deduction.** See the instructions before completing this part. If you are filing jointly and both you and your spouse each have separate HSAs, complete a separate Part I for each spouse.

1	Check the box to indicate your coverage under a high-deductible health plan (HDHP) during 2016 (see instructions).....	►	<input type="checkbox"/> Self-only	<input checked="" type="checkbox"/> Family
2	HSA contributions you made for 2016 (or those made on your behalf), including those made from January 1, 2017, through April 18, 2017, that were for 2016. Do not include employer contributions, contributions through a cafeteria plan, or rollovers (see instructions).....	2		5,000.
3	If you were under age 55 at the end of 2016, and on the first day of every month during 2016, you were, or were considered, an eligible individual with the same coverage, enter \$3,350 (\$6,750 for family coverage). All others, see the instructions for the amount to enter.....	3		6,750.
4	Enter the amount you and your employer contributed to your Archer MSAs for 2016 from Form 8853, lines 1 and 2. If you or your spouse had family coverage under an HDHP at any time during 2016, also include any amount contributed to your spouse's Archer MSAs.....	4		
5	Subtract line 4 from line 3. If zero or less, enter -0-.....	5		6,750.
6	Enter the amount from line 5. But if you and your spouse each have separate HSAs and had family coverage under an HDHP at any time during 2016, see the instructions for the amount to enter.....	6		6,750.
7	If you were age 55 or older at the end of 2016, married, and you or your spouse had family coverage under an HDHP at any time during 2016, enter your additional contribution amount (see instructions).....	7		
8	Add lines 6 and 7.....	8		6,750.
9	Employer contributions made to your HSAs for 2016.....	9		
10	Qualified HSA funding distributions.....	10		
11	Add lines 9 and 10.....	11		
12	Subtract line 11 from line 8. If zero or less, enter -0-.....	12		6,750.
13	<b>HSA deduction.</b> Enter the smaller of line 2 or line 12 here and on Form 1040, line 25, or Form 1040NR, line 25.....	13		5,000.
<b>Caution:</b> If line 2 is more than line 13, you may have to pay an additional tax (see instructions).				

**Part II HSA Distributions.** If you are filing jointly and both you and your spouse each have separate HSAs, complete a separate Part II for each spouse.

14 a	Total distributions you received in 2016 from all HSAs (see instructions).....	14 a		1,185.
b	Distributions included on line 14a that you rolled over to another HSA. Also include any excess contributions (and the earnings on those excess contributions) included on line 14a that were withdrawn by the due date of your return (see instructions).....	14 b		
c	Subtract line 14b from line 14a.....	14 c		1,185.
15	Qualified medical expenses paid using HSA distributions (see instructions).....	15		1,185.
16	<b>Taxable HSA distributions.</b> Subtract line 15 from line 14c. If zero or less, enter -0-. Also, include this amount in the total on Form 1040, line 21, or Form 1040NR, line 21. On the dotted line next to line 21, enter 'HSA' and the amount.....	16		0.
17 a	If any of the distributions included on line 16 meet any of the <b>Exceptions to the Additional 20% Tax</b> (see instructions), check here.....		<input type="checkbox"/>	
b	<b>Additional 20% tax</b> (see instructions). Enter 20% (.20) of the distributions included on line 16 that are subject to the additional 20% tax. Also include this amount in the total on Form 1040, line 62, or Form 1040NR, line 60. Check box c on Form 1040, line 62, or box b on Form 1040NR, line 60. Enter 'HSA' and the amount on the line next to the box.....	17 b		

**BAA For Paperwork Reduction Act Notice, see your tax return instructions.**

Form 8889 (2016)

**Part III** **Income and Additional Tax for Failure To Maintain HDHP Coverage.** See the instructions before completing this part. If you are filing jointly and both you and your spouse each have separate HSAs, complete a separate Part III for each spouse.

18 Last-month rule .....	<b>18</b>	
19 Qualified HSA funding distribution .....	<b>19</b>	
<b>20 Total income.</b> Add lines 18 and 19. Include this amount on Form 1040, line 21, or Form 1040NR, line 21. On the dotted line next to Form 1040, line 21, or Form 1040NR, line 21, enter 'HSA' and the amount .....	<b>20</b>	
<b>21 Additional tax.</b> Multiply line 20 by 10% (.10). Include this amount in the total on Form 1040, line 62, or Form 1040NR, line 60. Check box c on Form 1040, line 62, or box b on Form 1040NR, line 60. Enter 'HDHP' and the amount on the line next to the box .....	<b>21</b>	

Form 8889 (2016)

DO NOT FILE



Form **8965**

**Health Coverage Exemptions**

OMB No. 1545-0074

**2016**

Department of the Treasury  
Internal Revenue Service

▶ Attach to Form 1040, Form 1040A, or Form 1040EZ.  
▶ Information about Form 8965 and its separate instructions is at [www.irs.gov/form8965](http://www.irs.gov/form8965).

Attachment  
Sequence No. **75**

Name as shown on return

**TERRY AND STEPHANIE SMITH**

Your social security number

**012-34-5678**

Complete this form if you have a Marketplace-granted coverage exemption or you are claiming a coverage exemption on your return.

**Part I Marketplace-Granted Coverage Exemptions for Individuals.** If you and/or a member of your tax household have an exemption granted by the Marketplace, complete Part I.

	(a) Name of Individual	(b) SSN	(c) Exemption Certificate Number
1			
2			
3			
4			
5			
6			

**Part II Coverage Exemptions Claimed on Your Return for Your Household**

7 If you are claiming a coverage exemption because your household income or gross income is below the filing threshold, check here.

**Part III Coverage Exemptions Claimed on Your Return for Individuals.** If you and/or a member of your tax household are claiming an exemption on your return, complete Part III.

	(a) Name of Individual	(b) SSN	(c) Exemption Type	(d) Full Year	(e) Jan	(f) Feb	(g) Mar	(h) Apr	(i) May	(j) June	(k) July	(l) Aug	(m) Sept	(n) Oct	(o) Nov	(p) Dec
8	TERRY SMITH	012-34-5678	H	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
9	TERRY SMITH	012-34-5678	B	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10	STEPHANIE SMITH	012-65-3210	B	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11	GRACE SMITH	123-45-6789	B	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12	GINGER SPICE	555-66-7777	B	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Passive Activity Loss Limitations**

Department of the Treasury  
Internal Revenue Service (99)

▶ See separate instructions.  
▶ Attach to Form 1040 or Form 1041.

**2016**

Attachment  
Sequence No. **88**

▶ Information about Form 8582 and its instructions is available at [www.irs.gov/form8582](http://www.irs.gov/form8582).

Name(s) shown on return

Identifying number

TERRY AND STEPHANIE SMITH

012-34-5678

**Part I 2016 Passive Activity Loss**

Caution: Complete Worksheets 1, 2, and 3 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.)

1 a	Activities with net income (enter the amount from Worksheet 1, column (a))	1 a		
1 b	Activities with net loss (enter the amount from Worksheet 1, column (b))	1 b	-6,911.	
1 c	Prior years unallowed losses (enter the amount from Worksheet 1, column (c))	1 c	-9,455.	
1 d	Combine lines 1a, 1b, and 1c	1 d		-16,366.

**Commercial Revitalization Deductions From Rental Real Estate Activities**

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

**All Other Passive Activities**

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

4 Combine lines 1d, 2c, and 3d. If this line is zero or more, stop here and include this form with your return; all losses are allowed, including any prior year unallowed losses entered on line 1c, 2b, or 3c. Report the losses on the forms and schedules normally used.

- 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 instructions for an example.

5	Enter the smaller of the loss on line 1d or the loss on line 4	5		16,366.
6	Enter \$150,000. If married filing separately, see instructions	6	150,000.	
7	Enter modified adjusted gross income, but not less than zero (see instrs)	7	143,115.	
8	Subtract line 7 from line 6	8	6,885.	
9	Multiply line 8 by 50% (0.5). Do not enter more than \$25,000. If married filing separately, see instructions	9		3,443.
10	Enter the smaller of line 5 or line 9	10		3,443.

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		
16	Total losses allowed from all passive activities for 2016. Add lines 10, 14, and 15. See instructions to find out how to report the losses on your tax return	16		3,443.

BAA For Paperwork Reduction Act Notice, see instructions.

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 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
Residential Rental			6,911.	9,455.	16,366.
Total. Enter on Form 8582, lines 1a, 1b, and 1c.		6,911.	9,455.		

**Worksheet 2 – For Form 8582, Lines 2a and 2b** (See 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.			

**Worksheet 3 – For Form 8582, Lines 3a, 3b, and 3c** (See 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
Total. Enter on Form 8582, lines 3a, 3b, and 3c.					

**Worksheet 4 – Use this worksheet if an amount is shown on Form 8582, line 10 or 14** (See 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)
Residential Rental	Sch E Ln 22	16,366.	1.000000	3,443.	12,923.
Total.		16,366.	1.00	3,443.	12,923.

**Worksheet 5 – Allocation of Unallowed Losses** (See instructions.)

Name of activity	Form or schedule and line number to be reported on (see instructions)	(a) Loss	(b) Ratio	(c) Unallowed loss
Residential Rental	Sch E Ln 22	12,923.	1.000000	12,923.
Total.		12,923.	1.00	12,923.

DO NOT FILE

**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
Residential Rental	Sch E Ln 22	16,366.	12,923.	3,443.
<b>Total</b>		16,366.	12,923.	3,443.

**Worksheet 7 – Activities With Losses Reported on Two or More Forms or Schedules** (See 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):					
1 a 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):					
1 a 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):					
1 a 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):					
1 a 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- . . . . . ▶					
<b>Total</b> . . . . . ▶		0.	1.00	0.	0.

DO NOT FILE

Form or schedule and line number to be reported on (see instructions):					
1 a 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):					
1 a 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):					
1 a 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):					
1 a 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- . . . . . ▶					
<b>Total</b> . . . . . ▶		0.	1.00	0.	0.

**Unreimbursed Employee Business Expenses**

Department of the Treasury  
Internal Revenue Service (99)

► **Attach to Form 1040 or Form 1040NR.**  
► Information about Form 2106 and its separate instructions is available at [www.irs.gov/form2106](http://www.irs.gov/form2106).

**2016**

Attachment  
Sequence No. **129A**

Your name <b>STEPHANIE SMITH</b>	Occupation in which you incurred expenses <b>Teacher</b>	Social security number <b>012-65-3210</b>
-------------------------------------	---	--

**You Can Use This Form Only if All of the Following Apply.**

- You are an employee deducting ordinary and necessary expenses attributable to your job. An ordinary expense is one that is common and accepted in your field of trade, business, or profession. A necessary expense is one that is helpful and appropriate for your business. An expense doesn't have to be required to be considered necessary.
- You **don't** get reimbursed by your employer for any expenses (amounts your employer included in box 1 of your Form W-2 aren't considered reimbursements for this purpose).
- If you are claiming vehicle expense, you are using the standard mileage rate for 2016.

**Caution:** You can use the standard mileage rate for 2016 **only if:** (a) you owned the vehicle and used the standard mileage rate for the first year you placed the vehicle in service, or (b) you leased the vehicle and used the standard mileage rate for the portion of the lease period after 1997.

**Part I Figure Your Expenses**

1 Complete Part II. Multiply line 8a by 54* (0.54). Enter the result here.....	1	524.
2 Parking fees, tolls, and transportation, including train, bus, etc., that <b>didn't</b> involve overnight travel or commuting to and from work.....	2	
3 Travel expense while away from home overnight, including lodging, airplane, car rental, etc. <b>Don't</b> include meals and entertainment.....	3	
4 Business expenses not included on lines 1 through 3. <b>Don't</b> include meals and entertainment.....	4	
5 Meals and entertainment expenses: \$ _____ x 50% (0.50). (Employees subject to Department of Transportation (DOT) hours of service limits: Multiply meal expenses incurred while away from home on business by 80% (0.80) instead of 50%. For details, see instructions.).....	5	
6 <b>Total expenses.</b> Add lines 1 through 5. Enter here and on <b>Schedule A (Form 1040), line 21</b> (or on <b>Schedule A (Form 1040NR), line 7</b> ). (Armed Forces reservists, fee-basis state or local government officials, qualified performing artists, and individuals with disabilities: See the instructions for special rules on where to enter this amount.).....	6	524.

**Part II Information on Your Vehicle.** Complete this part **only** if you are claiming vehicle expense on line 1.

- 7 When did you place your vehicle in service for business use? (month, day, year) ► 6/01/98
- 8 Of the total number of miles you drove your vehicle during 2016, enter the number of miles you used your vehicle for:
- a Business 971    b Commuting (see instructions) 4,000    c Other 5,029
- 9 Was your vehicle available for personal use during off-duty hours?.....  Yes     No
- 10 Do you (or your spouse) have another vehicle available for personal use?.....  Yes     No
- 11 a Do you have evidence to support your deduction?.....  Yes     No
- b If 'Yes,' is the evidence written?.....  Yes     No

**BAA For Paperwork Reduction Act Notice, see your tax return instructions.**

**Noncash Charitable Contributions**  
 ▶ Attach to your tax return if you claimed a total deduction  
 of over \$500 for all contributed property.

OMB No. 1545-0908

Attachment  
 Sequence No. **155**

▶ Information about Form 8283 and its separate instructions is at [www.irs.gov/form8283](http://www.irs.gov/form8283).

Name(s) shown on your income tax return

**TERRY AND STEPHANIE SMITH**

Identifying number

**012-34-5678**

**Note.** Figure the amount of your contribution deduction before completing this form. See your tax return instructions.

**Section A. Donated Property of \$5,000 or Less and Publicly Traded Securities** — List in this section only items (or groups of similar items) for which you claimed a deduction of \$5,000 or less. Also, list certain publicly traded securities even if the deduction is more than \$5,000 (see instructions).

**Part I Information on Donated Property** — If you need more space, attach a statement.

1	(a) Name and address of the donee organization	(b) If donated property is a vehicle (see instructions), check the box. Also enter the vehicle identification number (unless Form 1098-C is attached).	(c) Description of donated property (For a vehicle, enter the year, make, model, and mileage. For securities, enter the company name and the number of shares.)
A	AMERICAN RED CROSS 1250 HEAVEN LANE SPIRIT LAKE, IA 51360	<input type="checkbox"/>	50 SHS BIGCO
B		<input type="checkbox"/>	
C		<input type="checkbox"/>	
D		<input type="checkbox"/>	
E		<input type="checkbox"/>	

**Note.** If the amount you claimed as a deduction for an item is \$500 or less, you do not have to complete columns (e), (f), and (g).

	(d) Date of the contribution	(e) Date acquired by donor (mo, yr)	(f) How acquired by donor	(g) Donor's cost or adjusted basis	(h) Fair market value (see instructions)	(i) Method used to determine the fair market value
A	4/01/16	3/01	Purchase	460	1,508	Comparable Sales
B						
C						
D						
E						

**Part II Partial Interests and Restricted Use Property** — Complete lines 2a through 2e if you gave less than an entire interest in a property listed in Part I. Complete lines 3a through 3c if conditions were placed on a contribution listed in Part I; also attach the required statement (see instructions).

**2a** Enter the letter from Part I that identifies the property for which you gave less than an entire interest. ▶ \_\_\_\_\_

If Part II applies to more than one property, attach a separate statement.

**b** Total amount claimed as a deduction for the property listed in Part I: **(1)** For this tax year. . . . . ▶ \_\_\_\_\_  
**(2)** For any prior tax years. . . . . ▶ \_\_\_\_\_

**c** Name and address of each organization to which any such contribution was made in a prior year (complete only if different from the donee organization above):  
 Name of charitable organization (donee) \_\_\_\_\_

Address (number, street, and room or suite no.) \_\_\_\_\_

City or town \_\_\_\_\_

State ZIP code \_\_\_\_\_

**d** For tangible property, enter the place where the property is located or kept ▶ \_\_\_\_\_

**e** Name of any person, other than donee organization, having actual possession of the property ▶ \_\_\_\_\_

**3a** Is there a restriction, either temporary or permanent, on the donee's right to use or dispose of the donated property? . . . . .

Yes	No
-----	----

**b** Did you give to anyone (other than the donee organization or another organization participating with the donee organization in cooperative fundraising) the right to the income from the donated property or to the possession of the property, including the right to vote donated securities, to acquire the property by purchase or otherwise, or to designate the person having such income, possession, or right to acquire? . . . . .

--	--

**c** Is there a restriction limiting the donated property for a particular use? . . . . .

--	--

Form **4562**

**Depreciation and Amortization  
(Including Information on Listed Property)**

OMB No. 1545-0172

**2016**

Department of the Treasury  
Internal Revenue Service (99)

▶ Attach to your tax return.  
▶ Information about Form 4562 and its separate instructions is at [www.irs.gov/form4562](http://www.irs.gov/form4562).

Attachment  
Sequence No. **179**

Name(s) shown on return

**TERRY AND STEPHANIE SMITH**

Identifying number

**012-34-5678**

Business or activity to which this form relates

**Schedule C - CHUCK'S TOTAL WORKOUT GYM**

**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 instructions) .....	1	500,000.
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	2,010,000.
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0:.....	4	
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	
6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
7	Listed property. Enter the amount from line 29 .....	7	
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7.....	8	
9	Tentative deduction. Enter the smaller of line 5 or line 8.....	9	
10	Carryover of disallowed deduction from line 13 of your 2015 Form 4562.....	10	
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instrs) ..	11	
12	Section 179 expense deduction. Add lines 9 and 10, but don't enter more than line 11.....	12	
13	Carryover of disallowed deduction to 2017. Add lines 9 and 10, less line 12..... ▶	13	

Note: Don't use Part II or Part III below for listed property. Instead, use Part V.

**Part II Special Depreciation Allowance and Other Depreciation (Don't 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	
15	Property subject to section 168(f)(1) election.....	15	
16	Other depreciation (including ACRS).....	16	

**Part III MACRS Depreciation (Don't include listed property.)** (See instructions.)

**Section A**

17	MACRS deductions for assets placed in service in tax years beginning before 2016.....	17	13,333.
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 2016 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
19 a 3-year property.....						
b 5-year property.....						
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	
i Nonresidential real property.....			27.5 yrs	MM	S/L	
			39 yrs	MM	S/L	
				MM	S/L	

**Section C - Assets Placed in Service During 2016 Tax Year Using the Alternative Depreciation System**

20 a Class life.....					S/L	
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	
22	Total. Add amounts from line 12, lines 14 through 17, lines 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	13,333.
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	

33

**Part V Listed Property** (Include automobiles, certain other vehicles, certain aircraft, 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

26 Property used more than 50% in a qualified business use:


27 Property used 50% or less in a qualified business use:

TOYOTA	6/01/99	10.00	10,100.	1,010.	5.0	200DBHY		

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.

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

37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?	Yes	No
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,' don't 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 2016 tax year (see instructions):


43 Amortization of costs that began before your 2016 tax year. 43 11,111.

44 Total. Add amounts in column (f). See the instructions for where to report. 44 11,111.

34



**Depreciation and Amortization  
(Including Information on Listed Property)**

Department of the Treasury  
Internal Revenue Service (99)

▶ Attach to your tax return.  
▶ Information about Form 4562 and its separate instructions is at [www.irs.gov/form4562](http://www.irs.gov/form4562).

Attachment  
Sequence No. **179**

Name(s) shown on return

**TERRY AND STEPHANIE SMITH**

Identifying number

**012-34-5678**

Business or activity to which this form relates

**Schedule E (rental) - Residential Rental**

**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 instructions) .....	1	500,000.
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	2,010,000.
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0- .....	4	
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	
6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
7	Listed property. Enter the amount from line 29 .....	7	
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7 .....	8	
9	Tentative deduction. Enter the smaller of line 5 or line 8 .....	9	
10	Carryover of disallowed deduction from line 13 of your 2015 Form 4562 .....	10	
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instrs) ..	11	
12	Section 179 expense deduction. Add lines 9 and 10, but don't enter more than line 11 .....	12	
13	Carryover of disallowed deduction to 2017. Add lines 9 and 10, less line 12 .....	13	

Note: Don't use Part II or Part III below for listed property. Instead, use Part V.

**Part II Special Depreciation Allowance and Other Depreciation (Don't 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	
15	Property subject to section 168(f)(1) election .....	15	
16	Other depreciation (including ACRS) .....	16	

**Part III MACRS Depreciation (Don't include listed property.)** (See instructions.)

**Section A**

17	MACRS deductions for assets placed in service in tax years beginning before 2016 .....	17	6,999.
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 2016 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 .....						
b 5-year property .....						
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 .....	10/13/16	126,000.	27.5 yrs	MM	S/L	159.
i Nonresidential real property .....			39 yrs	MM	S/L	

**Section C - Assets Placed in Service During 2016 Tax Year Using the Alternative Depreciation System**

20a Class life .....					S/L	
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	
22	Total. Add amounts from line 12, lines 14 through 17, lines 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	7,158.
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	

35

Statement 1  
Schedule A, Line 21  
Unreimbursed Employee Expenses

Educator expenses.....	\$	1,200.
Form 2106 (Spouse).....		524.
	<b>Total</b>	<u>1,724.</u>

DO NOT FILE

Client TAXSCHOO

TERRY AND STEPHANIE SMITH

012-34-5678

11/20/16

07:26AM

**Wage Schedule**

Spouse - Employer	Wages	Federal W/H	FICA	Medi- care	State W/H	Local W/H
Spirit Lake Community Schools	32,125.	3,115.	1,992.	466.	1,434.	
<b>Grand Total</b>	<b>32,125.</b>	<b>3,115.</b>	<b>1,992.</b>	<b>466.</b>	<b>1,434.</b>	<b>0.</b>

**Form 1040, Line 9b  
Qualified Dividends**

ABBD, INC	210.
ABS ENTERPRISES	40.
MONEY.WWW, INC	60.
PIONEER GROWTH FUND	805.
TERRY'S BROKERAGE	
<b>Total</b>	<b>2,500.</b>
	<b>3,615.</b>

**State and Local Refunds Taxable in 2017  
(IRS Pub. 525)**

1. State and local income tax refunds (current year)	6,434.
2. Refunds attributable to post 12/31/2016 payments per IRS Pub. 525	0.
3. Net state and local income tax refunds	6,434.
4. State and local income taxes paid from Schedule A, line 5	34,784.
5. Allowable general sales tax deduction	1,289.
6. Excess of income taxes deducted over sales taxes deducted	33,495.
7. Enter the smaller of line 3 or line 6	6,434.
8. Itemized deductions from Schedule A, line 29	51,860.
9. Recomputed itemized deductions, if phaseout	0.
10. Standard deduction	12,600.
11. Enter the larger of line 9 or line 10	12,600.
12. Subtract line 11 from line 8 (not less than 0)	39,260.
13. Enter the smaller of line 7 or line 12	6,434.
14. Negative taxable income (current year)	0.
15. State and local refunds taxable next year (add lines 13 and 14, but not less than 0)	<b>6,434.</b>

Client TAXSCHOO

TERRY AND STEPHANIE SMITH

012-34-5678

11/20/16

07:26AM

**Modified AGI for Roth IRA Contributions - IRS Pub 590**

1. Adjusted gross income	130,275.
2. Income resulting from the conversion of an IRA to a Roth IRA and rollovers from qualified plans to a Roth IRA	0.
3. Subtract line 2 from line 1	130,275.
4. Traditional IRA deduction	0.
5. Student loan interest deduction	2,149.
6. Tuition and fees deduction	0.
7. Domestic production activities deduction	0.
8. Foreign earned income exclusion and/or housing exclusion	0.
9. Foreign housing deduction	0.
10. Excludable qualified savings bond interest	0.
11. Excluded employer-provided adoption benefits	0.
12. Roth Modified AGI (add lines 3 through 11)	<u>132,424.</u>

**Roth IRA Contribution Worksheet**

	<u>Spouse</u>
1. Enter the smaller of \$5,500 (\$6,500 if age 50 or older) or your taxable compensation	5,500.
2. 2016 traditional IRA contributions	0.
3. Subtract line 2 from line 1	5,500.
4. \$132,000; \$194,000 if MFJ or QW, \$10,000 if MFS and lived with your spouse	194,000.
5. Enter modified AGI for Roth purposes (if zero stop here)	132,424.
6. Subtract line 5 from line 4 (if zero, stop here)	61,576.
7. Enter \$10,000; if line 6 is \$131,000, enter \$15,000. If line 6 is greater than or equal to line 7, skip lines 8 and 9, and enter the amount from line 3 on line 10	10,000.
8. Divide line 6 by line 7 (not more than 1)	
9. Multiply line 1 by line 8. Round up to the next multiple of \$10. If more than zero and less than \$200, enter \$200	
10. Maximum Roth IRA contributions (the smaller of line 3 or line 9)	5,500.
11. Enter Roth IRA contributions you made, or will make, by April 18, 2017, for 2016	5,500.
12. Roth IRA contributions (the smaller of line 10 or line 11)	<u>5,500.</u>

Client TAXSCHOO

TERRY AND STEPHANIE SMITH

012-34-5678

11/20/16

07:26AM

**Worksheet for Determining Roth IRA Basis Amounts**

	<u>Taxpayer</u>	<u>Spouse</u>
<b>Basis in Contributions:</b>		
1. Basis in Roth IRA contributions as of December 31, 2015	5,000.	5,000.
2. Roth IRA contributions for 2016, adjusted for any recharacterizations	0.	5,500.
3. Add lines 1 and 2	5,000.	10,500.
4. Enter the amount of nonqualified distributions from Form 8606, line 19	0.	0.
5. Remaining basis in contributions before qualified Roth distributions (subtract line 4 from line 3)	5,000.	10,500.
6. Qualified Roth distributions	0.	0.
7. Basis in Roth IRA contributions as of December 31, 2016 (subtract line 6 from line 5)	<u>5,000.</u>	<u>10,500.</u>
<b>Basis in Conversions and Rollovers:</b>		
8. Basis in Roth IRA conversions as of December 31, 2015	0.	50,000.
9. Enter the amount from Form 8606, line 16	0.	0.
10. Rollovers from qualified retirement plans to Roth IRAs in 2016	0.	0.
11. Add lines 8, 9, and 10	0.	50,000.
12. Enter the amount from Form 8606, line 23, refigured without taking into account the amount on line 20	0.	0.
13. Remaining basis in conversions and rollovers before qualified Roth distributions (subtract line 12 from line 11)	0.	50,000.
14. Qualified Roth distributions that did not reduce basis in contributions (subtract line 6 from line 7)	0.	0.
15. Basis in Roth IRA conversions & rollovers as of December 31, 2016 (subtract line 14 from line 13)	<u>0.</u>	<u>50,000.</u>

**Student Loan Interest Deduction Worksheet (Form 1040, Line 33)**

1. Total qualified student loan interest paid	2,338.
2. Enter the smaller of line 1 or \$2,500	2,338.
3. Enter the amount from Form 1040, line 22	154,922.
4. Add amounts from Form 1040, lines 23 through 32, and any amount entered on the dotted line next to line 36	22,498.
5. Modified AGI (subtract line 4 from line 3)	132,424.
6. Enter \$65,000 (\$130,000 if MFJ)	130,000.
7. Subtract line 6 from line 5 (not less than 0)	2,424.
8. Divide line 7 by \$15,000 (\$30,000 if MFJ) but not more than 1	0.081
9. Multiply line 2 by line 8	189.
10. Student loan interest deduction (subtract line 9 from line 2)	<u>2,149.</u>

11/20/16

07:26AM

**Self-Employed Health Insurance Deduction (Form 1040, Line 29)**

	<u>Taxpayer</u>
1. Health insurance premiums (except long-term care)	10,000.
2. Long-term care premiums (\$390 max.)	0.
3. Total health insurance premiums paid (add lines 1 and 2)	10,000.
4. Earned income, minus any deductions claimed on Form 1040, lines 28	102,594.
5. Deductible portion of SE tax	7,248.
6. Subtract line 5 from line 4	95,346.
7. Self-employed health insurance deduction (the smaller of line 3 or line 6)	<u>10,000.</u>

DO NOT FILE

Qualified Dividends and Capital Gain Tax Worksheet (Form 1040, Line 44)

1.	Enter the amount from Form 1040, line 43		62,215.
2.	Enter the amount from Form 1040, line 9b	3,615.	
3.	Are you filing Schedule D? [X] Yes. Enter the smaller of line 15 or 16 of Schedule D, but do not enter less than zero [ ] No. Enter the amount from Form 1040, line 13		
4.	Add lines 2 and 3	1,240.	
5.	If you are claiming investment interest expense on Form 4952, enter the amount from line 4g of that form. Otherwise enter zero.	4,855.	
6.	Subtract line 5 from line 4. If zero or less, enter zero.	0.	
7.	Subtract line 6 from line 1. If zero or less, enter zero.		4,855.
8.	Enter: \$37,450 if single or married filing separately, \$74,900 if married filing jointly or qualifying widow(er), \$50,200 if head of household		57,360.
9.	Enter the smaller of line 1 or line 8		75,300.
10.	Enter the smaller of line 7 or line 9		62,215.
11.	Subtract line 10 from line 9. This amount is taxed at 0%		57,360.
12.	Enter the smaller of line 1 or line 6		4,855.
13.	Enter the amount from line 11		4,855.
14.	Subtract line 13 from line 12		4,855.
15.	Enter: \$413,200 if single, \$232,425 if married filing separately, \$464,850 if married filing jointly or qualifying widow(er), \$439,000 if head of household.		0.
16.	Enter the smaller of line 14 or line 15		466,950.
17.	Add lines 7 and 11		62,215.
18.	Subtract line 17 from line 16. If zero or less, enter zero.		62,215.
19.	Enter the smaller of line 14 or line 18		0.
20.	Multiply line 19 by 15% (.15)		0.
21.	Add lines 11 and 19		0.
22.	Subtract line 21 from line 12		4,855.
23.	Multiply line 22 by 20% (.20)		0.
24.	Figure the tax on the amount on line 7. (Use the Tax Table or Tax Computation Worksheet)		0.
25.	Add lines 20, 23, and 24		7,679.
26.	Figure the tax on the amount on line 1. (Use the Tax Table or Tax Computation Worksheet)		7,679.
27.	Tax on all taxable income (including capital gain distributions). Enter the smaller of line 25 or line 26 here and on Form 1040, line 44		8,406.
			<u>7,679.</u>

DO NOT FILE

**Child Tax Credit Worksheet (Form 1040, Line 52)**

1. Number of qualifying children from Form 1040, line 6c: 1 X \$1,000		1,000.
2. Enter the amount from Form 1040, line 38.	130,275.	
3. Enter \$110,000 (\$75,000 if single, QW or HOH and \$55,000 if MFS).	110,000.	
4. Is line 2 more than the amount on line 3? NO - Leave line 4 blank. Enter -0- on line 5. YES - Subtract line 3 from line 2. If the result is not a multiple of \$1,000, increase it to the next multiple of \$1,000.	21,000.	
5. Multiply the amount on line 4 by 5% (.05). Enter the result.		1,050.
6. Is the amount on line 1 more than the amount on line 5? NO - Stop. You cannot take the child tax credit on Form 1040, line 52. You also cannot take the additional child tax credit on Form 1040, line 67. YES - Subtract line 5 from line 1. Enter the result.		0.

**Federal Income Tax Withheld**

Spirit Lake Community Schools

Total 3,115.  
3,115.

DO NOT FILE

**State and Local Taxes (Schedule A, Line 5)**

State and Local Income Taxes

	State	Local
Income tax withheld	1,434.	0.
Disability/unemployment insurance	0.	0.
Estimated tax payments	5,000.	0.
Credit for prior year overpayment	0.	0.
Credit for income tax withheld (K-1)	0.	0.
1/16 payment on 2015 estimate	0.	0.
Paid with 2015 extension	0.	0.
Paid with 2015 return	28,350.	0.
Paid for prior years and/or to other states	0.	0.
Total income taxes	34,784.	0.
Total state and local income taxes		34,784.



Client TAXSCHOO

TERRY AND STEPHANIE SMITH

012-34-5678

11/20/16

07:26AM

**State and Local Taxes (Schedule A, Line 5) (continued)**

## State and Local Sales Taxes Using the Optional Sales Tax Tables

## Available Income:

Adjusted gross income per Form 1040	130,275.
Tax-exempt interest	310.
Nontaxable combat pay	0.
Nontaxable social security benefits	0.
Nontaxable pensions	0.
Nontaxable IRAs	0.
Prior year refundable credits (refundable portion only)	0.
Additional nontaxable amounts	0.
Total Available Income (not less than zero)	<u>130,585.</u>

Number of Exemptions 4.

1. State general sales taxes per Tables	1,289.
2. Local general sales taxes per Tables for certain residents of AK, AZ, AR, CO, GA, IL, LA, MO, MS, NC, NY, SC, TN, UT, and VA (based on a rate of 1%)	0.
3. Local general sales tax rate	
4. If line 2 is zero, enter your state general sales tax rate. Otherwise, skip line 4 and 5, and go to line 6	6.0000
5. Divide line 3 by line 4	
6. Local general sales taxes. If line 2 is zero, multiply line 1 by line 5. Otherwise, multiply line 2 by line 3.	0.
7. State and local general sales taxes (add lines 1 and 6)	1,289.
8. Sales taxes paid on vehicles, boats, etc.	0.
9. Sales tax deduction when using Tables (add lines 7 and 8)	1,289.

State and Local Sales Tax Deduction  
(Greater of Taxes Paid or Table Amount)

1. General sales taxes paid	0.
2. Use taxes paid	0.
3. Total actual taxes paid (add lines 1 and 2)	0.
4. Sales taxes using Tables	1,289.
5. Greater of sales taxes paid or Table amount	<u>1,289.</u>

State & Local Taxes to Sch. A, Ln 5 (greater of income or sales tax) 34,784.

**Net Nonfarm Profit or (Loss) (Schedule SE, Line 2)**

	<u>Taxpayer</u>
Schedule C	102,594.
Schedule E, page 2 (from Sch. K-1)	0.
Other Income (Form 1040, line 21)	0.
Section 1256 contracts	0.
Minister wages	0.
Minister housing allowance	0.
Minister parsonage - utilities	0.
Employee business expenses (2106)	0.
Net nonfarm income adjustment	0.
<b>Total Net Nonfarm Profit or (Loss)</b>	<u><u>102,594.</u></u>

**Investment Interest Expense (Form 4952, Line 1)**

Schedule A	1,220.
Schedule A (from pass-through entities)	0.
Schedule C	0.
Schedule E, page 1	0.
Schedule E, page 2	0.
<b>Total Investment Interest Expense</b>	<u><u>1,220.</u></u>

**Gross Investment Income (Form 4952, Line 4a)**

Interest Income	16,371.
Dividend Income	3,615.
Child's Investment Income -- Form 8814	0.
Gross Investment Income - Schedule C	0.
Gross Investment Income - Schedule E	0.
Publicly Traded Partnership Income	0.
Other Net Investment Income - K-1	0.
Other Net Investment Income - K-1 Adjustment	510.
Gross Investment Income Adjustment	0.
Annuity Income - Taxpayer	0.
Annuity Income - Spouse	0.
<b>Total</b>	<u><u>19,986.</u></u>

**Modified Adjusted Gross Income (Form 8582, Line 7)**

Adjusted gross income.....	130,275.
Passive activity income.....	0.
Allowed passive activity losses.....	3,443.
Taxable social security income.....	0.
IRA deductions.....	0.
Section 501(c)(18) deductions.....	0.
Deductible portion of self-employment tax.....	7,248.
Series EE U.S. savings bond exclusion.....	0.
Additional Educator expenses (computed without EE exclusion).....	0.
Exclusion for adoption related expenses.....	0.
Student loan interest deduction.....	2,149.
Tuition and Fees Deduction.....	0.
Rental real estate losses from real estate professionals.....	0.

Client TAXSCHOO

TERRY AND STEPHANIE SMITH

012-34-5678

11/20/16

07:26AM

**Modified Adjusted Gross Income (Form 8582, Line 7) (continued)**

Domestic production activities deduction..... 0.  
 Total Modified Adjusted Gross Income 143,115.

**Form 8965, Line 7a  
Household Income**

Adjusted Gross Income \$ 130,275.  
 Tax Exempt Interest 310.  
 Total \$ 130,585.

**Form 8965, Line 7b  
Gross Income**

Wages, salaries, tips, etc..... 32,125.  
 Taxable interest..... 16,371.  
 Ordinary dividends..... 3,615.  
 Capital gain and other gains..... 5,325.  
 Gross income from Schedule C, E and F..... 308,000.  
 Income from Partnership and S-Corporation K-1's..... 440.  
 Total \$ 365,876.

DO NOT FILE

**Form 8965  
Shared Responsibility Payment**

Step 1: All Filers

1. Can someone claim you as a dependent?  
 - No. Continue.
2. Did you, and everyone else in your tax household have qualifying health coverage for every month of the tax year?  
 - No. Continue.
3. Do you or anyone else in your tax household have qualifying health coverage or qualify for a coverage exemption for any month in the tax year?  
 - Yes. Stop. Claim any coverage exemption on Form 8965.  
 Skip questions 4 and 5; go to Worksheet A.

Step 3: Household Income

1. Enter the amount from Form 1040, line 38; Form 1040A, line 21; or Form 1040EZ, line 4..... 130,275.
2. Did you receive any tax-exempt interest?  
 - Yes. Enter the amount from Form 1040/1040A, line 8b; or the amount in the space to the left of Form 1040EZ, line 2..... 310.
3. Did you file Form 2555 or Form 2555-EZ?  
 - No. Continue.
4. Did you claim any dependents?  
 - Yes. Continue.
5. Were any of the dependents you claimed required to file a return?  
 - No. Add lines 1 through 3. This is your household income.  
 Enter the result on Step 4, line 1..... 130,585.

Form 8965 (continued)  
Shared Responsibility Payment

Step 4: Percentage Income Amount

- 1. Enter your household income from Step 3..... 130,585.
- 2. Were you or your spouse (if filing jointly) born before January 2, 1952? Note: Enter no for Married Filing Separately.  
- No. Go to question 3
- 3. Enter the amount for your filing status..... 20,700.
- 4. Enter the amount from line 2 or 3..... 20,700.
- 5. Subtract line 4 from line 1..... 109,885.
- 6. Is the amount on line 5 less than zero?  
- No. Continue.
- 7. Multiply line 5 by 2.5% (0.025). This is your % of income amount... 2,747.13
- 8. Were you required to complete Worksheet A?  
- Yes. Go to Worksheet B. Then continue to step 5.

Step 5: National Average Bronze Plan Premium

- 1. Were you required to complete Worksheet A?  
- Yes. Continue.
- 2. Multiply \$223 by the number on Worksheet A, line 8. Enter the result here and on line 4 of the Shared Responsibility Payment Worksheet. Skip question 3 and complete line 5 of the Shared Responsibility Payment Worksheet..... 0.

DO NOT FILE

**Vehicle Expenses - Form 2106-EZ  
Teacher**

CHEVY

1. Date placed in service	6/01/98
2. Total mileage	10,000
3. Business mileage	971
4. Business use percentage (divide line 3 by line 2)	0.0971

Standard Mileage Rate:

5. Multiply line 3 by 54 cents (.54)	524.
Depr. portion of mileage (24 cents per mile)	233.
Oper. exp. portion of mileage (30 cents per mile)	291.

Actual Expenses:

6. Gasoline, lube and oil	
7. Repairs	
8. Tires	
9. Insurance	
10. Miscellaneous	
11. Auto license (except personal property taxes)	
12. Value of employer-provided vehicle	
13. Vehicle rent or lease (less inclusion)	
14. Add lines 6 through 13	0.
15. Multiply line 14 by line 4	
16. Depreciation and section 179 deduction	
17. Add lines 15 and 16	0.

Total Vehicle Expenses: Std Mileage

18. Enter line 5 or line 17 524.

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TERRY AND STEPHANIE SMITH

012-34-5678

11/20/16

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**Vehicle Expenses - Schedule C**  
**GYM**

TOYOTA

1. Date placed in service	6/01/99
2. Total mileage	5,000
3. Business mileage	500
4. Business use percentage (divide line 3 by line 2)	0.1000

Standard Mileage Rate:

5. Multiply line 3 by 54 cents (.54)	270.
Depr. portion of mileage (24 cents per mile)	120.
Oper. exp. portion of mileage (30 cents per mile)	150.

Actual Expenses:

6. Gasoline, lube and oil	4,520.
7. Repairs	
8. Tires	
9. Insurance	
10. Miscellaneous	
11. Auto license (except personal property taxes)	
12. Value of employer-provided vehicle	
13. Vehicle rent or lease (less inclusion)	
14. Add lines 6 through 13	4,520.
15. Multiply line 14 by line 4	452.
16. Depreciation and section 179 deduction	
17. Add lines 15 and 16	452.

Total Vehicle Expenses:

Actual Exp

18. Enter line 5 or line 17	452.
19. Parking fees and tolls	
20. Add lines 18 and 19	452.

Vehicle Expense Allocation:

21. Car and truck expenses	452.
22. Depreciation	
23. Vehicle rent or lease payments	
24. Add lines 21, 22, and 23	452.
25. Interest expense (business portion)	
26. Taxes and licenses (business portion)	10.
27. Personal property taxes (Schedule A)	88.

Worksheet for Publicly Traded Partnerships

Name of Activity: PTP, LIMITED

1a. Activities with net income.....	440.
b. Activities with net loss.....	
c. Prior year unallowed losses.....	2,200.
d. Combine lines 1a, 1b, and 1c. If gain stop here.....	-1,760.
2. Allowed losses.....	440.
3. Unallowed losses.....	1,760.

DO NOT FILE

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012-34-5678

11/20/16

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No.	Description	Date Acquired	Date Sold	Cost/ Basis	Bus. Prt.	Cur 179 Bonus	Special Depr. Allow.	Prior Bonus/ Sp. Depr.	Prior Dec. Bal. Depr.	Salvage /Basis Reduction	Depr. Basis	Prior Depr.	Method	Life	Rate	Current Depr.
-----	-------------	---------------	-----------	----------------	-----------	------------------	----------------------------	------------------------------	-----------------------------	--------------------------------	----------------	----------------	--------	------	------	------------------

Schedule C - CHUCK'S TOTAL WORKOUT GYM

Amortization

26	FRANCHISE FEE	3/01/15		75,000							75,000	4,167	S/L	15		4,167
27	GOODWILL	3/01/15		125,000							125,000	6,944	S/L	15		6,944
Total Amortization				200,000	0	0	0	0	0	0	200,000	11,111				11,111

Auto / Transport Equipment

1	TOYOTA	6/01/99		10,100	10.00						1,010	10,100	200DB HY	5		0
Total Auto / Transport Equipment				10,100	10.00	0	0	0	0	0	1,010	10,100				0

Machinery and Equipment

28	EQUIPMENT	3/01/15		50,000							50,000	5,000	200DB HY	5	.32000	13,333
Total Machinery and Equipment				50,000		0	0	0	0	0	50,000	5,000				13,333
Total Depreciation				60,100		0	0	0	0	0	51,010	15,100				13,333

Schedule E - Residential Rental

Buildings

23	2007 1st Ave SE - Building	8/15/11		210,000							210,000	33,408	S/L MM	27.5	.03636	6,363
30	2007 1st Ave SE - Building	8/15/11		105,000							105,000	19,886	S/L MM	27.5	.03636	636
31	2007 1st Ave SE - Building	10/13/16		126,000							126,000		S/L MM	27.5	.00758	159
Total Buildings				441,000		0	0	0	0	0	441,000	53,294				7,158

50



Client TAXSCHOO

TERRY AND STEPHANIE SMITH

012-34-5678

11/20/16

07:26AM

No.	Description	Date Acquired	Date Sold	Cost/ Basis	Bus. Pct.	Cur 179 Bonus	Special Dep. Allow.	Prior Bonus/Sp. Dep.	Prior Dep. Bal.	Salvage /Basis /Reductn.	Depr. Basis	Prior Dep.	Method	Life	Rate	Current Dep.
Land																
24	2007 1st Ave SE - Land	8/15/11		20,000							20,000	0				0
29	2007 1st Ave SE - Land	10/13/16		24,000							24,000	0				0
	Total Land			44,000		0	0	0	0	0	44,000	0				0
	Total Depreciation			485,000		0	0	0	0	0	485,000	53,294				7,158
	Grand Total Amortization			200,000		0	0	0	0	0	200,000	11,111				11,111
	Grand Total Depreciation			545,100		0	0	0	0	0	536,010	68,394				20,491

DO NOT FILE

Form **8879-F**

**IRS e-file Signature Authorization for Form 1041**

OMB No. 1545-0967

For calendar year 2016, or fiscal year beginning 10/13, 2016, ending 1/31, 202017.

**2016**

Department of the Treasury  
Internal Revenue Service

► **Do not send to the IRS. Keep for your records.**  
► **Information about Form 8879-F and its instructions is at [www.irs.gov/form8879f](http://www.irs.gov/form8879f).**

Name of estate or trust

Employer identification number

TERRY SMITH ESTATE

42-0000000

Name and title of fiduciary

STEPHANIE SMITH  
EXECUTOR

**Part I Tax Return Information (Whole Dollars Only)**

<b>1</b> Total income (Form 1041, line 9)	<b>1</b>	<u>40,000.</u>
<b>2</b> Income distribution deduction (Form 1041, line 18)	<b>2</b>	<u>30,600.</u>
<b>3</b> Taxable income (Form 1041, line 22)	<b>3</b>	
<b>4</b> Total tax (Form 1041, line 23)	<b>4</b>	
<b>5</b> Tax due or overpayment (Form 1041, line 27 or 28)	<b>5</b>	

**Part II Declaration and Signature Authorization of Fiduciary (Be sure to get a copy of the estate's or trust's return)**

Under penalties of perjury, I declare that I am a fiduciary of the above estate or trust and that I have examined a copy of the estate's or trust's 2016 electronic income tax return and accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. I further declare that the amounts in Part I above are the amounts shown on the copy of the estate's or trust's electronic income tax return. I consent to allow my electronic return originator (ERO), transmitter, or intermediate service provider to send the estate's or trust's return to the IRS and to receive from the IRS (a) an acknowledgment of receipt or reason for rejection of the transmission, (b) the reason for any delay in processing the return or refund, and (c) the date of any refund. If applicable, I authorize the U.S. Treasury and its designated Financial Agent to initiate an electronic funds withdrawal (direct debit) entry to the financial institution account indicated in the tax preparation software for payment of the estate's or trust's federal taxes owed on this return, and the financial institution to debit the entry to this account. To revoke a payment, I must contact the U.S. Treasury Financial Agent at 1-888-353-4537 no later than 2 business days prior to the payment (settlement) date. I also authorize the financial institutions involved in the processing of the electronic payment of taxes to receive confidential information necessary to answer inquiries and resolve issues related to the payment. I have selected a personal identification number (PIN) as my signature for the estate's or trust's electronic income tax return and, if applicable, the estate's or trust's consent to electronic funds withdrawal.

**Fiduciary's PIN: check one box only**

I authorize Bradley & Riley PC ERO firm name to enter my PIN 01493 as my signature do not enter all zeros on the estate's or trust's 2016 electronically filed income tax return.

As a fiduciary or officer representing the fiduciary of the estate or trust, I will enter my PIN as my signature on the estate's or trust's 2016 electronically filed income tax return.

Signature of fiduciary or officer representing the fiduciary

Date

**Part III Certification and Authentication**

**ERO's EFIN/PIN.** Enter your six-digit EFIN followed by your five-digit self-selected PIN.

42002923456  
do not enter all zeros

I certify that the above numeric entry is my PIN, which is my signature on the 2016 electronically filed income tax return for the estate or trust indicated above. I confirm that I am submitting this return in accordance with the requirements of Pub. 3112, IRS e-file Application and Participation; and Pub. 4164, Modernized e-file (MeF) Guide for Software Developers and Transmitters, Processing Year 2017.

ERO's signature ► Maureen G. Kenney

Date ►

**ERO Must Retain This Form – See Instructions  
Do Not Submit This Form to the IRS Unless Requested To Do So**

**BAA** For Paperwork Reduction Act Notice, see instructions.

Form 8879-F (2016)

*S2*

**A** Check all that apply:  
 Decedent's estate  
 Simple trust  
 Complex trust  
 Qualified disability trust  
 ESBT (S portion only)  
 Grantor type trust  
 Bankruptcy estate — Ch. 7  
 Bankruptcy estate — Ch. 11  
 Pooled income fund

For calendar year 2016 or fiscal year beginning 10/13, 2016, and ending 1/31, 2017

**C** Employer identification number  
42-0000000

**D** Date entity created  
10/13/2016

**E** Nonexempt charitable and split-interest trusts, check applicable box(es), see instr.  
 Described in section 4947(a)(1). Check here if not a private foundation . . .   
 Described in section 4947(a)(2)

TERRY SMITH ESTATE  
 STEPHANIE SMITH  
 EXECUTOR  
 237 Picardy Lane  
 Cedar Rapids, IA 52401

**B** Number of Schs K-1 attached (see instructions) . . . 1

**F** Check applicable boxes:  
 Initial return  Final return  Amended return  
 Change in trust's name  Change in fiduciary  Change in fiduciary's name  
 Net operating loss carryback  Change in fiduciary's address

**G** Check here if the estate or filing trust made a section 645 election . . .  Trust TIN

<b>Income</b>	<b>1</b> Interest income . . . . .	<b>1</b>	
	<b>2a</b> Total ordinary dividends . . . . .	<b>2a</b>	See Statement 1 4,000.
	<b>b</b> Qualified dividends allocable to: <b>(1)</b> Beneficiaries <u>4,000.</u> <b>(2)</b> Estate or trust		Statement 2
	<b>3</b> Business income or (loss). Attach Schedule C or C-EZ (Form 1040) . . . . .	<b>3</b>	31,000.
	<b>4</b> Capital gain or (loss). Attach Schedule D (Form 1041) . . . . .	<b>4</b>	1,000.
	<b>5</b> Rents, royalties, partnerships, other estates and trusts, etc. Attach Schedule E (Form 1040) . . . . .	<b>5</b>	
	<b>6</b> Farm income or (loss). Attach Schedule F (Form 1040) . . . . .	<b>6</b>	
	<b>7</b> Ordinary gain or (loss). Attach Form 4797 . . . . .	<b>7</b>	4,000.
	<b>8</b> Other income. List type and amount	<b>8</b>	
<b>9</b> Total income. Combine lines 1, 2a, and 3 through 8 . . . . .	<b>9</b>	40,000.	
<b>Deductions</b>	<b>10</b> Interest. Check if Form 4952 is attached <input type="checkbox"/>	<b>10</b>	
	<b>11</b> Taxes . . . . .	<b>11</b>	
	<b>12</b> Fiduciary fees . . . . .	<b>12</b>	
	<b>13</b> Charitable deduction (from Schedule A, line 7) . . . . .	<b>13</b>	
	<b>14</b> Attorney, accountant, and return preparer fees . . . . .	<b>14</b>	8,000.
	<b>15a</b> Other deductions not subject to the 2% floor (attach schedule) . . . . .	<b>15a</b>	See Statement 3 1,400.
	<b>b</b> Net operating loss deduction. See instructions . . . . .	<b>15b</b>	
	<b>c</b> Allowable miscellaneous itemized deductions subject to the 2% floor . . . . .	<b>15c</b>	
	<b>16</b> Add lines 10 through 15c . . . . .	<b>16</b>	9,400.
	<b>17</b> Adjusted total income or (loss). Subtract line 16 from line 9 . . . . .	<b>17</b>	30,600.
	<b>18</b> Income distribution deduction (from Schedule B, line 15). Attach Schedules K-1 (Form 1041) . . . . .	<b>18</b>	30,600.
<b>19</b> Estate tax deduction including certain generation-skipping taxes (attach computation) . . . . .	<b>19</b>		
<b>20</b> Exemption . . . . .	<b>20</b>		
<b>21</b> Add lines 18 through 20 . . . . .	<b>21</b>	30,600.	
<b>Tax and Payments</b>	<b>22</b> Taxable income. Subtract line 21 from line 17. If a loss, see instructions . . . . .	<b>22</b>	0.
	<b>23</b> Total tax (from Schedule G, line 7) . . . . .	<b>23</b>	0.
	<b>24</b> Payments: a 2016 estimated tax payments and amount applied from 2015 return . . . . .	<b>24a</b>	
	<b>b</b> Estimated tax payments allocated to beneficiaries (from Form 1041-T) . . . . .	<b>24b</b>	
	<b>c</b> Subtract line 24b from line 24a . . . . .	<b>24c</b>	
	<b>d</b> Tax paid with Form 7004. See instructions . . . . .	<b>24d</b>	
	<b>e</b> Federal income tax withheld. If any is from Form(s) 1099, check <input type="checkbox"/>	<b>24e</b>	
	Other payments: f Form 2439 ; g Form 4136 ; Total . . . . .	<b>24h</b>	
	<b>25</b> Total payments. Add lines 24c through 24e, and 24h . . . . .	<b>25</b>	
<b>26</b> Estimated tax penalty. See instructions . . . . .	<b>26</b>		
<b>27</b> Tax due. If line 25 is smaller than the total of lines 23 and 26, enter amount owed . . . . .	<b>27</b>		
<b>28</b> Overpayment. If line 25 is larger than the total of lines 23 and 26, enter amount overpaid . . . . .	<b>28</b>		
<b>29</b> Amount of line 28 to be: a Credited to 2017 estimated tax ; b Refunded . . . . .	<b>29</b>		

**Sign Here** Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of fiduciary or officer representing fiduciary \_\_\_\_\_ Date \_\_\_\_\_ EIN of fiduciary if a financial institution \_\_\_\_\_

May the IRS discuss this return with the preparer shown below (see instr.)?  Yes  No

**Paid Preparer Use Only**

Print/Type preparer's name: Maureen G. Kenney Preparer's signature: Maureen G. Kenney Date: \_\_\_\_\_ Check  if self-employed PTIN: P00618521

Firm's name: Bradley & Riley PC Firm's EIN: 42-1163315

Firm's address: 2007 First Avenue, SE  
Cedar Rapids, IA 52406-2804 Phone no.: (319) 363-0101

53

**Schedule A Charitable Deduction.** Don't complete for a simple trust or a pooled income fund.

1	Amounts paid or permanently set aside for charitable purposes from gross income. See instructions.	1	
2	Tax-exempt income allocable to charitable contributions. See instructions.	2	
3	Subtract line 2 from line 1.	3	
4	Capital gains for the tax year allocated to corpus and paid or permanently set aside for charitable purposes.	4	
5	Add lines 3 and 4.	5	
6	Section 1202 exclusion allocable to capital gains paid or permanently set aside for charitable purposes. See instructions.	6	
7	Charitable deduction. Subtract line 6 from line 5. Enter here and on page 1, line 13	7	

**Schedule B Income Distribution Deduction**

1	Adjusted total income. See instructions.	1	30,600.
2	Adjusted tax-exempt interest.	2	
3	Total net gain from Schedule D (Form 1041), line 19, column (1). See instructions.	3	1,000.
4	Enter amount from Schedule A, line 4 (minus any allocable section 1202 exclusion)	4	
5	Capital gains for the tax year included on Schedule A, line 1. See instructions.	5	
6	Enter any gain from page 1, line 4, as a negative number. If page 1, line 4, is a loss, enter the loss as a positive number.	6	-1,000.
7	<b>Distributable net income.</b> Combine lines 1 through 6. If zero or less, enter -0-	7	30,600.
8	If a complex trust, enter accounting income for the tax year as determined under the governing instrument and applicable local law	8	
9	Income required to be distributed currently.	9	30,600.
10	Other amounts paid, credited, or otherwise required to be distributed	10	
11	Total distributions. Add lines 9 and 10. If greater than line 8, see instructions	11	30,600.
12	Enter the amount of tax-exempt income included on line 11.	12	
13	Tentative income distribution deduction. Subtract line 12 from line 11.	13	30,600.
14	Tentative income distribution deduction. Subtract line 2 from line 7. If zero or less, enter -0-	14	30,600.
15	<b>Income distribution deduction.</b> Enter the smaller of line 13 or line 14 here and on page 1, line 18.	15	30,600.

**Schedule G Tax Computation** (see instructions)

1	<b>Tax:</b> a Tax on taxable income. See instructions.	1a	
	b Tax on lump-sum distributions. Attach Form 4972.	1b	
	c Alternative minimum tax (from Schedule I (Form 1041), line 56)	1c	0.
	d <b>Total.</b> Add lines 1a through 1c.	1d	0.
2a	Foreign tax credit. Attach Form 1116.	2a	
	b General business credit. Attach Form 3800.	2b	
	c Credit for prior year minimum tax. Attach Form 8801.	2c	
	d Bond credits. Attach Form 8912.	2d	
	e <b>Total credits.</b> Add lines 2a through 2d.	2e	0.
3	Subtract line 2e from line 1d. If zero or less, enter -0-	3	0.
4	Net investment income tax from Form 8960, line 21.	4	
5	Recapture taxes. Check if from: <input type="checkbox"/> Form 4255 <input type="checkbox"/> Form 8611.	5	
6	Household employment taxes. Attach Schedule H (Form 1040).	6	
7	<b>Total tax.</b> Add lines 3 through 6. Enter here and on page 1, line 23.	7	0.

**Other Information**

	Yes	No
1 Did the estate or trust receive tax-exempt income? If 'Yes,' attach a computation of the allocation of expenses. Enter the amount of tax-exempt interest income and exempt-interest dividends ▶ \$		X
2 Did the estate or trust receive all or any part of the earnings (salary, wages, and other compensation) of any individual by reason of a contract assignment or similar arrangement?		X
3 At any time during calendar year 2016, did the estate or trust have an interest in or a signature or other authority over a bank, securities, or other financial account in a foreign country? See the instructions for exceptions and filing requirements for FinCEN Form 114. If 'Yes,' enter the name of the foreign country ▶		X
4 During the tax year, did the estate or trust receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If 'Yes,' the estate or trust may have to file Form 3520. See instructions		X
5 Did the estate or trust receive, or pay, any qualified residence interest on seller-provided financing? If 'Yes,' see the instructions for required attachment.		X
6 If this is an estate or a complex trust making the section 663(b) election, check here. See instructions. ▶ <input type="checkbox"/>		
7 To make a section 643(e)(3) election, attach Schedule D (Form 1041), and check here. See instructions. ▶ <input type="checkbox"/>		
8 If the decedent's estate has been open for more than 2 years, attach an explanation for the delay in closing the estate, and check here. ▶ <input type="checkbox"/>		
9 Are any present or future trust beneficiaries skip persons? See instructions.		X
10 Was the trust as specified domestic entity required to file Form 8938 for the tax year (see the instructions for Form 8938)?		X

54

**SCHEDULE I  
(Form 1041)**

Department of the Treasury  
Internal Revenue Service

**Alternative Minimum Tax – Estates and Trusts**

▶ Attach to Form 1041.

▶ Information about Schedule I (Form 1041) and its separate instructions is at [www.irs.gov/form1041](http://www.irs.gov/form1041).

OMB No. 1545-0092

**2016**

Name of estate or trust

**TERRY SMITH ESTATE**

Employer identification number

**42-0000000**

**Part I Estate's or Trust's Share of Alternative Minimum Taxable Income**

1	Adjusted total income or (loss) (from Form 1041, line 17)	1	30,600.
2	Interest	2	
3	Taxes	3	
4	Miscellaneous itemized deductions (from Form 1041, line 15c)	4	
5	Refund of taxes	5	
6	Depletion (difference between regular tax and AMT)	6	
7	Net operating loss deduction. Enter as a positive amount	7	
8	Interest from specified private activity bonds exempt from the regular tax	8	
9	Qualified small business stock (see instructions)	9	
10	Exercise of incentive stock options (excess of AMT income over regular tax income)	10	
11	Other estates and trusts (amount from Schedule K-1 (Form 1041), box 12, code A)	11	
12	Electing large partnerships (amount from Schedule K-1 (Form 1065-B), box 6)	12	
13	Disposition of property (difference between AMT and regular tax gain or loss)	13	
14	Depreciation on assets placed in service after 1986 (difference between regular tax and AMT)	14	
15	Passive activities (difference between AMT and regular tax income or loss)	15	
16	Loss limitations (difference between AMT and regular tax income or loss)	16	
17	Circulation costs (difference between regular tax and AMT)	17	
18	Long-term contracts (difference between AMT and regular tax income)	18	
19	Mining costs (difference between regular tax and AMT)	19	
20	Research and experimental costs (difference between regular tax and AMT)	20	
21	Income from certain installment sales before January 1, 1987	21	
22	Intangible drilling costs preference	22	
23	Other adjustments, including income-based related adjustments	23	
24	Alternative tax net operating loss deduction (See the instructions for the limitation that applies.)	24	
25	Adjusted alternative minimum taxable income. Combine lines 1 through 24	25	30,600.
26	Income distribution deduction from Part II, line 41	26	30,600.
27	Estate tax deduction (from Form 1041, line 19)	27	
28	Add lines 26 and 27	28	30,600.
29	Estate's or trust's share of alternative minimum taxable income. Subtract line 28 from line 25	29	

If line 29 is:

- \$23,900 or less, stop here and enter -0- on Form 1041, Schedule G, line 1c. The estate or trust isn't liable for the alternative minimum tax.
- Over \$23,900, but less than \$175,450, go to line 45.
- \$175,450 or more, enter the amount from line 29 on line 51 and go to line 52.

**Part II Income Distribution Deduction on a Minimum Tax Basis**

30	Adjusted alternative minimum taxable income (see instructions)	30	30,600.
31	Adjusted tax-exempt interest (other than amounts included on line 8)	31	
32	Total net gain from Schedule D (Form 1041), line 19, column (1). If a loss, enter -0-	32	1,000.
33	Capital gains for the tax year allocated to corpus and paid or permanently set aside for charitable purposes (from Form 1041, Schedule A, line 4)	33	
34	Capital gains paid or permanently set aside for charitable purposes from gross income (see instructions)	34	
35	Capital gains computed on a minimum tax basis included on line 25	35	-1,000.
36	Capital losses computed on a minimum tax basis included on line 25. Enter as a positive amount	36	0.
37	Distributable net alternative minimum taxable income (DNAMTI). Combine lines 30 through 36. If zero or less, enter -0-	37	30,600.
38	Income required to be distributed currently (from Form 1041, Schedule B, line 9)	38	30,600.
39	Other amounts paid, credited, or otherwise required to be distributed (from Form 1041, Schedule B, line 10)	39	
40	Total distributions. Add lines 38 and 39	40	30,600.
41	Tax-exempt income included on line 40 (other than amounts included on line 8)	41	
42	Tentative income distribution deduction on a minimum tax basis. Subtract line 41 from line 40	42	30,600.

**BAA For Paperwork Reduction Act Notice, see the Instructions for Form 1041.**

**Schedule I (Form 1041) (2016)**

**Part II Income Distribution Deduction on a Minimum Tax Basis (continued)**

43	Tentative income distribution deduction on a minimum tax basis. Subtract line 31 from line 37. If zero or less, enter -0-.	43	30,600.
44	Income distribution deduction on a minimum tax basis. Enter the smaller of line 42 or line 43. Enter here and on line 26.	44	30,600.

**Part III Alternative Minimum Tax**

45	Exemption amount	45	\$23,900.
46	Enter the amount from line 29.	46	
47	Phase-out of exemption amount.	47	\$79,850.
48	Subtract line 47 from line 46. If zero or less, enter -0-.	48	
49	Multiply line 48 by 25% (0.25).	49	
50	Subtract line 49 from line 45. If zero or less, enter -0-.	50	
51	Subtract line 50 from line 46.	51	
52	Go to Part IV of Schedule I to figure line 52 if the estate or trust has qualified dividends or has a gain on lines 18a and 19 of column (2) of Schedule D (Form 1041) (as refigured for the AMT, if necessary). Otherwise, if line 51 is - <ul style="list-style-type: none"> <li>\$186,300 or less, multiply line 51 by 26% (0.26).</li> <li>Over \$186,300, multiply line 51 by 28% (0.28) and subtract \$3,726 from the result.</li> </ul>	52	
53	Alternative minimum foreign tax credit (see instructions).	53	
54	Tentative minimum tax. Subtract line 53 from line 52.	54	
55	Enter the tax from Form 1041, Schedule G, line 1a (minus any foreign tax credit from Schedule G, line 2a).	55	
56	Alternative minimum tax. Subtract line 55 from line 54. If zero or less, enter -0-. Enter here and on Form 1041, Schedule G, line 1c.	56	

**Part IV Line 52 Computation Using Maximum Capital Gains Rates**

**Caution:** If you didn't complete Part V of Schedule D (Form 1041), the Schedule D Tax Worksheet, or the Qualified Dividends Tax Worksheet in the Instructions for Form 1041, see the instructions before completing this part.

57	Enter the amount from line 51.	57	
58	Enter the amount from Schedule D (Form 1041), line 26, line 13 of the Schedule D Tax Worksheet, or line 4 of the Qualified Dividends Tax Worksheet in the Instructions for Form 1041, whichever applies (as refigured for the AMT, if necessary).	58	
59	Enter the amount from Schedule D (Form 1041), line 18b, column (2) (as refigured for the AMT, if necessary). If you didn't complete Schedule D for the regular tax or the AMT, enter -0-.	59	
60	If you didn't complete a Schedule D Tax Worksheet for the regular tax or the AMT, enter the amount from line 58. Otherwise, add lines 58 and 59 and enter the <b>smaller</b> of that result or the amount from line 10 of the Schedule D Tax Worksheet (as refigured for the AMT, if necessary).	60	
61	Enter the <b>smaller</b> of line 57 or line 60.	61	
62	Subtract line 61 from line 57.	62	
63	If line 62 is \$186,300 or less, multiply line 62 by 26% (0.26). Otherwise, multiply line 62 by 28% (0.28) and subtract \$3,726 from the result.	63	
64	Maximum amount subject to the 0% rate.	64	\$2,550.
65	Enter the amount from line 27 of Schedule D (Form 1041), line 14 of the Schedule D Tax Worksheet, or line 5 of the Qualified Dividends Tax Worksheet in the Instructions for Form 1041, whichever applies (as figured for the regular tax). If you didn't complete Schedule D or either worksheet for the regular tax, enter the amount from Form 1041, line 22; if zero or less, enter -0-.	65	
66	Subtract line 65 from line 64. If zero or less, enter -0-.	66	
67	Enter the <b>smaller</b> of line 57 or line 58.	67	
68	Enter the <b>smaller</b> of line 66 or line 67. This amount is taxed at 0%.	68	
69	Subtract line 68 from line 67.	69	

56

**Part IV Line 52 Computation Using Maximum Capital Gains Rates** (continued)

70	Maximum amount subject to rates below 20% .....	70	\$12,400.	
71	Enter the amount from line 66 .....	71		
72	Enter the amount from line 27 of Schedule D (Form 1041), line 18 of the Schedule D Tax Worksheet, or line 5 of the Qualified Dividends Tax Worksheet, whichever applies (as figured for the regular tax). If you didn't complete Schedule D or either worksheet for the regular tax, enter the amount from Form 1041, line 22; if zero or less, enter -0- .....	72		
73	Add line 71 and line 72 .....	73		
74	Subtract line 73 from line 70. If zero or less, enter -0- .....	74		
75	Enter the <b>smaller</b> of line 69 or 74 .....	75		
76	Multiply line 75 by 15% (0.15) .....	76		
77	Add lines 68 and 75 .....	77		
<b>If lines 77 and 57 are the same, skip lines 78 through 82 and go to line 83. Otherwise, go to line 78.</b>				
78	Subtract line 77 from line 67 .....	78		
79	Multiply line 78 by 20% (0.20) .....	79		
<b>If line 59 is zero or blank, skip lines 80 through 82 and go to line 83. Otherwise, go to line 80.</b>				
80	Add lines 62, 77, and 78 .....	80		
81	Subtract line 80 from line 57 .....	81		
82	Multiply line 81 by 25% (0.25) .....	82		
83	Add lines 63, 76, 79, and 82 .....	83		
84	If line 57 is \$186,300 or less, multiply line 57 by 26% (0.26). Otherwise, multiply line 57 by 28% (0.28) and subtract \$3,726 from the result .....	84		
85	Enter the <b>smaller</b> of line 83 or line 84 here and on line 52 .....	85		

Schedule I (Form 1041) (2016)

DO NOT FILE

**SCHEDULE D**  
**(Form 1041)**

**Capital Gains and Losses**

OMB No. 1545-0092

Department of the Treasury  
Internal Revenue Service

▶ Attach to Form 1041, Form 5227, or Form 990-T.  
▶ Use Form 8949 to list your transactions for lines 1b, 2, 3, 8b, 9 and 10.  
▶ Information about Schedule D and its separate instructions is at [www.irs.gov/form1041](http://www.irs.gov/form1041).

**2016**

Name of estate or trust

**TERRY SMITH ESTATE**

Employer identification number

**42-0000000**

**Note:** Form 5227 filers need to complete *only* Parts I and II.

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

See instructions for how to figure the amounts to enter on the lines below. This form may be easier to complete if you round off cents to whole dollars.	(d) Proceeds (sales price)	(e) Cost (or other basis)	(g) Adjustments to gain or loss from Form(s) 8949, Part I, line 2, col. (g)	(h) Gain or (loss) Subtract col. (e) from col. (d) & combine the result with col. (g)
<b>1a</b> Totals for all short-term transactions reported on Form 1099-B for which basis was reported to the IRS and for which you have no adjustments (see instructions). However, if you choose to report all these transactions on Form 8949, leave this line blank and go to line 1b...				
<b>1b</b> Totals for all transactions reported on Form(s) 8949 with <b>Box A</b> checked.....				
<b>2</b> Totals for all transactions reported on Form(s) 8949 with <b>Box B</b> checked.....				
<b>3</b> Totals for all transactions reported on Form(s) 8949 with <b>Box C</b> checked.....				
<b>4</b> Short-term capital gain or (loss) from Forms 4684, 6252, 6781, and 8824.....				<b>4</b>
<b>5</b> Net short-term gain or (loss) from partnerships, S corporations, and other estates or trusts.....				<b>5</b>
<b>6</b> Short-term capital loss carryover. Enter the amount, if any, from line 9 of the 2015 Capital Loss Carryover Worksheet.....				<b>6</b>
<b>7 Net short-term capital gain or (loss).</b> Combine lines 1a through 6 in column (h). Enter here and on line 17, column (3) on the back.....				<b>7</b>

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

See instructions for how to figure the amounts to enter on the lines below. This form may be easier to complete if you round off cents to whole dollars.	(d) Proceeds (sales price)	(e) Cost (or other basis)	(g) Adjustments to gain or loss from Form(s) 8949, Part II, line 2, col. (g)	(h) Gain or (loss) Subtract col. (e) from col. (d) and combine the result with col. (g)
<b>8a</b> Totals for all long-term transactions reported on Form 1099-B for which basis was reported to the IRS and for which you have no adjustments (see instructions). However, if you choose to report all these transactions on Form 8949, leave this line blank and go to line 8b...	10,000.	9,000.		1,000.
<b>8b</b> Totals for all transactions reported on Form(s) 8949 with <b>Box D</b> checked.....				
<b>9</b> Totals for all transactions reported on Form(s) 8949 with <b>Box E</b> checked.....				
<b>10</b> Totals for all transactions reported on Form(s) 8949 with <b>Box F</b> checked.....				
<b>11</b> Long-term capital gain or (loss) from Forms 2439, 4684, 6252, 6781, and 8824.....				<b>11</b>
<b>12</b> Net long-term gain or (loss) from partnerships, S corporations, and other estates or trusts.....				<b>12</b>
<b>13</b> Capital gain distributions.....				<b>13</b>
<b>14</b> Gain from Form 4797, Part I.....				<b>14</b>
<b>15</b> Long-term capital loss carryover. Enter the amount, if any, from line 14 of the 2015 Capital Loss Carryover Worksheet.....				<b>15</b>
<b>16 Net long-term capital gain or (loss).</b> Combine lines 8a through 15 in column (h). Enter here and on line 18a, column (3) on the back.....				<b>16</b> 1,000.



<b>Part III Summary of Parts I and II</b> Caution: Read the instructions before completing this part.		(1) Beneficiaries' (see instructions)	(2) Estate's or trust's	(3) Total
17	Net short-term gain or (loss)	17		
18	Net long-term gain or (loss):			
a	Total for year	18a	1,000.	1,000.
b	Unrecaptured section 1250 gain (see line 18 of the worksheet)	18b		
c	28% rate gain	18c		
19	Total net gain or (loss). Combine lines 17 and 18a	19	1,000.	1,000.

**Note:** If line 19, column (3), is a net gain, enter the gain on Form 1041, line 4 (or Form 990-T, Part I, line 4a). If lines 18a and 19, column (2), are net gains, go to Part V, and don't complete Part IV. If line 19, column (3), is a net loss, complete Part IV and the Capital Loss Carryover Worksheet, as necessary.

<b>Part IV Capital Loss Limitation</b>		20
20	Enter here and enter as a (loss) on Form 1041, line 4 (or Form 990-T, Part I, line 4c, if a trust), the smaller of: a The loss on line 19, column (3) or b \$3,000	

**Note:** If the loss on line 19, column (3), is more than \$3,000, or if Form 1041, page 1, line 22 (or Form 990-T, line 34), is a loss, complete the Capital Loss Carryover Worksheet in the instructions to figure your capital loss carryover.

**Part V Tax Computation Using Maximum Capital Gains Rates**

**Form 1041 filers.** Complete this part only if both lines 18a and 19 in column (2) are gains, or an amount is entered in Part I or Part II and there is an entry on Form 1041, line 2b(2), and Form 1041, line 22, is more than zero.

**Caution:** Skip this part and complete the Schedule D Tax Worksheet in the instructions if:

- Either line 18b, column (2) or line 18c, column (2) is more than zero, or
- Both Form 1041, line 2b(1), and Form 4952, line 4g are more than zero.

**Form 990-T trusts.** Complete this part only if both lines 18a and 19 are gains, or qualified dividends are included in income in Part I of Form 990-T, and Form 990-T, line 34 is more than zero. Skip this part and complete the Schedule D Tax Worksheet in the instructions if either line 18b, column (2) or line 18c, column (2) is more than zero.

21	Enter taxable income from Form 1041, line 22 (or Form 990-T, line 34)	21	
22	Enter the smaller of line 18a or 19 in column (2) but not less than zero	22	
23	Enter the estate's or trust's qualified dividends from Form 1041, line 2b(2) (or enter the qualified dividends included in income in Part I of Form 990-T)	23	
24	Add lines 22 and 23	24	
25	If the estate or trust is filing Form 4952, enter the amount from line 4g; otherwise, enter -0-	25	
26	Subtract line 25 from line 24. If zero or less, enter -0-	26	
27	Subtract line 26 from line 21. If zero or less, enter -0-	27	
28	Enter the smaller of the amount on line 21 or \$2,550	28	
29	Enter the smaller of the amount on line 27 or line 28	29	
30	Subtract line 29 from line 28. If zero or less, enter -0-. This amount is taxed at 0%	30	
31	Enter the smaller of line 21 or line 26	31	
32	Subtract line 30 from line 26	32	
33	Enter the smaller of line 21 or \$12,400	33	
34	Add lines 27 and 30	34	
35	Subtract line 34 from line 33. If zero or less, enter -0-	35	
36	Enter the smaller of line 32 or line 35	36	
37	Multiply line 36 by 15% (0.15)	37	
38	Enter the amount from line 31	38	
39	Add lines 30 and 36	39	
40	Subtract line 39 from line 38. If zero or less, enter -0-	40	
41	Multiply line 40 by 20% (0.20)	41	
42	Figure the tax on the amount on line 27. Use the 2016 Tax Rate Schedule for Estates and Trusts (see the Schedule G instructions in the instructions for Form 1041)	42	
43	Add lines 37, 41, and 42	43	
44	Figure the tax on the amount on line 21. Use the 2016 Tax Rate Schedule for Estates and Trusts (see the Schedule G instructions in the instructions for Form 1041)	44	
45	Tax on all taxable income. Enter the smaller of line 43 or line 44 here and on Form 1041, Schedule G, line 1a (or Form 990-T, line 36)	45	

**SCHEDULE C**  
**(Form 1040)**

**Profit or Loss From Business**  
**(Sole Proprietorship)**

OMB No. 1545-0074

**2016**

Department of the Treasury  
Internal Revenue Service (99)

► Information about Schedule C and its separate instructions is at [www.irs.gov/schedulec](http://www.irs.gov/schedulec).  
► Attach to Form 1040, 1040NR, or 1041; partnerships generally must file Form 1065.

Attachment  
Sequence No. **09**

Name of proprietor <b>TERRY SMITH ESTATE</b>		Social security number (SSN)
<b>A</b> Principal business or profession, including product or service (see instructions) <b>GYM</b>	<b>B</b> Enter code from instructions ► <b>999999</b>	
<b>C</b> Business name. If no separate business name, leave blank. <b>CHUCK'S WORKOUT GYM</b>	<b>D</b> Employer ID number (EIN), (see instr.) <b>42-0000000</b>	
<b>E</b> Business address (including suite or room no.) ► City, town or post office, state, and ZIP code		
<b>F</b> Accounting method: (1) <input checked="" type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify) ►		
<b>G</b> Did you 'materially participate' in the operation of this business during 2016? If 'No,' see instructions for limit on losses.		<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>H</b> If you started or acquired this business during 2016, check here		<input type="checkbox"/>
<b>I</b> Did you make any payments in 2016 that would require you to file Form(s) 1099? (see instructions)		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>J</b> If 'Yes,' did you or will you file required Forms 1099?		<input type="checkbox"/> Yes <input type="checkbox"/> No

**Part I Income**

1 Gross receipts or sales. See instructions for line 1 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. <input type="checkbox"/>	1	60,000.
2 Returns and allowances	2	
3 Subtract line 2 from line 1	3	60,000.
4 Cost of goods sold (from line 42)	4	
5 <b>Gross profit.</b> Subtract line 4 from line 3	5	60,000.
6 Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	
7 <b>Gross income.</b> Add lines 5 and 6	7	60,000.

**Part II Expenses.** Enter expenses for business use of your home **only** on line 30.

8 Advertising	8	2,000.	18 Office expense (see instructions)	18	
9 Car and truck expenses (see instructions)	9		19 Pension and profit-sharing plans	19	
10 Commissions and fees	10		20 Rent or lease (see instructions):		
11 Contract labor (see instructions)	11	16,000.	a Vehicles, machinery, and equipment	20a	
12 Depletion	12		b Other business property	20b	6,000.
13 Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13		21 Repairs and maintenance	21	
14 Employee benefit programs (other than on line 19)	14		22 Supplies (not included in Part III)	22	1,000.
15 Insurance (other than health)	15		23 Taxes and licenses	23	
16 Interest:			24 Travel, meals, and entertainment:		
a Mortgage (paid to banks, etc.)	16a		a Travel	24a	
b Other	16b		b Deductible meals and entertainment (see instructions)	24b	
17 Legal and professional services	17		25 Utilities	25	
			26 Wages (less employment credits)	26	
			27a Other expenses (from line 48)	27a	4,000.
			b Reserved for future use	27b	

28 <b>Total expenses</b> before expenses for business use of home. Add lines 8 through 27a	28	29,000.
29 Tentative profit or (loss). Subtract line 28 from line 7	29	31,000.
30 Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method (see instructions). <b>Simplified method filers only:</b> enter the total square footage of: (a) your home: _____ and (b) the part of your home used for business: _____. Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30	30	
31 <b>Net profit or (loss).</b> Subtract line 30 from line 29. • If a profit, enter on both <b>Form 1040, line 12</b> (or <b>Form 1040NR, line 13</b> ) and on <b>Schedule SE, line 2.</b> (If you checked the box on line 1, see instructions). Estates and trusts, enter on <b>Form 1041, line 3.</b> • If a loss, you <b>must</b> go to line 32.	31	31,000.

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 <b>Form 1040, line 12</b> , (or <b>Form 1040NR, line 13</b> ) and on <b>Schedule SE, line 2.</b> (If you checked the box on line 1, see the line 31 instructions). Estates and trusts, enter on <b>Form 1041, line 3.</b> • If you checked 32b, you <b>must</b> attach <b>Form 6198.</b> Your loss may be limited.		32a <input type="checkbox"/> All investment is at risk.
		32b <input type="checkbox"/> Some investment is not at risk.

**Part III Cost of Goods Sold** (see instructions)

33 Method(s) used to value closing inventory: a  Cost b  Lower of cost or market c  Other (attach explanation)

34 Was there any change in determining quantities, costs, or valuations between opening and closing inventory? If 'Yes,' attach explanation.  Yes  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	
41 Inventory at end of year.	41	
42 <b>Cost of goods sold.</b> Subtract line 41 from line 40. Enter the result here and on line 4.	42	

**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 2016, 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.

Laundry and Cleaning	4,000.
<b>48 Total other expenses.</b> Enter here and on line 27a	<b>48</b> 4,000.

**Depreciation and Amortization**  
 (Including Information on Listed Property)  
 Attach to your tax return.

Information about Form 4562 and its separate instructions is at [www.irs.gov/form4562](http://www.irs.gov/form4562).

Name(s) shown on return: **TERRY SMITH ESTATE**  
 Business or activity to which this form relates: **Schedule C - CHUCK'S WORKOUT GYM**  
 Identifying number: **42-0000000**

**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 instructions)	1	
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	
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	
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	
6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
7	Listed property. Enter the amount from line 29	7	
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8	
9	Tentative deduction. Enter the smaller of line 5 or line 8	9	
10	Carryover of disallowed deduction from line 13 of your 2015 Form 4562	10	
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instrs)	11	
12	Section 179 expense deduction. Add lines 9 and 10, but don't enter more than line 11	12	
13	Carryover of disallowed deduction to 2017. Add lines 9 and 10, less line 12	13	

Note: Don't use Part II or Part III below for listed property. Instead, use Part V.

**Part II Special Depreciation Allowance and Other Depreciation (Don't 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	
15	Property subject to section 168(f)(1) election	15	
16	Other depreciation (including ACRS)	16	

**Part III MACRS Depreciation (Don't include listed property.)** (See instructions.)  
**Section A**

17	MACRS deductions for assets placed in service in tax years beginning before 2016	17	
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 2016 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						
b 5-year property		60,000	5	HY	200DB	
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	
i Nonresidential real property			27.5 yrs	MM	S/L	
			39 yrs	MM	S/L	
				MM	S/L	

**Section C - Assets Placed in Service During 2016 Tax Year Using the Alternative Depreciation System**

20a Class life					S/L	
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	
22	Total. Add amounts from line 12, lines 14 through 17, lines 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	
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	

62

**Part V Listed Property** (Include automobiles, certain other vehicles, certain aircraft, 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? <input type="checkbox"/> Yes <input type="checkbox"/> No									24b If 'Yes,' is the evidence written? <input type="checkbox"/> Yes <input type="checkbox"/> 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		
26 Property used more than 50% in a qualified business use:										
27 Property used 50% or less in a qualified business use:										
28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1.....								28		
29 Add amounts in column (i), line 26. Enter here and on line 7, page 1.....								29		

**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.

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

**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 aren't more than 5% owners or related persons (see instructions).

37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?.....	Yes	No
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,' don't 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 2016 tax year (see instructions):					
FRANCHISE FEE	10/13/16	75,000.		15	1,250.
GOODWILL	10/13/16	165,000.		15	2,750.
43 Amortization of costs that began before your 2016 tax year.....				43	
44 Total. Add amounts in column (f). See the instructions for where to report.....				44	4,000.

63

**Sales of Business Property**  
(Also Involuntary Conversions and Recapture Amounts Under Sections 179 and 280F(b)(2))

**2016**

Department of the Treasury  
Internal Revenue Service

▶ Attach to your tax return.  
▶ Information about Form 4797 and its separate instructions is at [www.irs.gov/form4797](http://www.irs.gov/form4797).

Attachment  
Sequence No. **27**

Name(s) shown on return

Identifying number

**TERRY SMITH ESTATE**

**42-0000000**

**1** Enter the gross proceeds from sales or exchanges reported to you for 2016 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)

**3** Gain, if any, from Form 4684, line 39 **3**  
**4** Section 1231 gain from installment sales from Form 6252, line 26 or 37. **4**  
**5** Section 1231 gain or (loss) from like-kind exchanges from Form 8824. **5**  
**6** Gain, if any, from line 32, from other than casualty or theft. **6**  
**7** Combine lines 2 through 6. Enter the gain or (loss) here and on the appropriate line as follows: **7**

**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.

**8** Nonrecaptured net section 1231 losses from prior years. See instructions. **8**  
**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. **9**

**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):

<b>EQUIPMENT</b>	10/13/16	12/29/16	60,000.		60,000.	0.
<b>FRANCHISE FEE</b>	10/13/16	12/29/16	240,000.	4,000.	240,000.	4,000.

**11** Loss, if any, from line 7. **11**  
**12** Gain, if any, from line 7 or amount from line 8, if applicable. **12**  
**13** Gain, if any, from line 31. **13**  
**14** Net gain or (loss) from Form 4684, lines 31 and 38a. **14**  
**15** Ordinary gain from installment sales from Form 6252, line 25 or 36. **15**  
**16** Ordinary gain or (loss) from like-kind exchanges from Form 8824. **16**  
**17** Combine lines 10 through 16. **17** 4,000.

**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 35, 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**

**BAA** For Paperwork Reduction Act Notice, see separate instructions.

Form 4797 (2016)

64

**Schedule K-1  
(Form 1041)**

Department of the Treasury  
Internal Revenue Service

**2016**

For calendar year 2016,  
or tax year beginning 10/13, 2016,  
and ending 1/31, 2017

Final K-1

Amended K-1

661113  
OMB No. 1545-0092

**Beneficiary's Share of Income, Deductions, Credits, etc.** ▶ See back of form and instructions.

**Part I Information About the Estate or Trust**

**A** Estate's or trust's employer identification number  
42-0000000

**B** Estate's or trust's name  
TERRY SMITH ESTATE

**C** Fiduciary's name, address, city, state, and ZIP code  
STEPHANIE SMITH  
237 Picardy Lane  
Cedar Rapids, IA 52401

**D**  Check if Form 1041-T was filed and enter the date it was filed  
\_\_\_\_\_

**E**  Check if this is the final Form 1041 for the estate or trust

**Part II Information About the Beneficiary**

**F** Beneficiary's identifying number  
012-65-3210

**G** Beneficiary's name, address, city, state, and ZIP code  
STEPHANIE SMITH  
237 Picardy Lane  
Cedar Rapids, IA 52401

Beneficiary 1

**H**  Domestic beneficiary  Foreign beneficiary

<b>Part III Beneficiary's Share of Current Year Income, Deductions, Credits, and Other Items</b>			
1	Interest income	11	Final year deductions
2a	Ordinary dividends 4,000.		
2b	Qualified dividends 4,000.		
3	Net short-term capital gain		
4a	Net long-term capital gain 1,000.		
4b	28% rate gain	12	Alternative minimum tax adjustment
4c	Unrecaptured section 1250 gain		
5	Other portfolio and nonbusiness income 25,600.		
6	Ordinary business income		
7	Net rental real estate income		
8	Other rental income	13	Credits and credit recapture
9	Directly apportioned deductions		
C*	STMT		
		14	Other information
		E	4,000.
10	Estate tax deduction	H	-26,775.

\*See attached statement for additional information.  
**Note.** A statement must be attached showing the beneficiary's share of income and directly apportioned deductions from each business, rental real estate, and other rental activity.

FOR IRS USE ONLY

65

Beneficiary's name  STEPHANIE SMITH	Beneficiary's identifying number  012-65-3210
Name of trust or decedent's estate  TERRY SMITH ESTATE	Estate's or trust's EIN  42-0000000

**Box 9 - Deductions**

Amortization (C):		
Attributable to Box 5.....	\$	4,000.
	Total \$	<u>4,000.</u>

DO NOT FILE



Client TAXSCHOO

TERRY SMITH ESTATE

42-0000000

11/20/16

07:27AM

Statement 1  
Form 1041, Line 2a  
Total Ordinary Dividends

BROKERAGE ACCT.....	\$ 4,000.
Total	<u>\$ 4,000.</u>

Statement 2  
Form 1041, Line 2b  
Qualified Dividends

BROKERAGE ACCT.....	\$ 4,000.
Total	<u>\$ 4,000.</u>

Statement 3  
Form 1041, Line 15(a)  
Other Deductions

COURT COSTS.....	\$ 1,400.
Total	<u>\$ 1,400.</u>

DO NOT FILE

Depreciation and Depletion Allocation

	<u>Total</u>	<u>Fiduciary's Form/Sch</u>	<u>Bene's K-1 Line 5</u>	<u>Bene's K-1 Lns 6,7 &amp; 8</u>
Amortization				
Form 1041, Line 15a	0.	0.	0.	0.
Schedule C	4,000.	0.	4,000.	0.
Schedule E, page 1	0.	0.	0.	0.
Schedule E, page 2	0.	0.	0.	0.
Schedule F	0.	0.	0.	0.
	<u>4,000.</u>	<u>0.</u>	<u>4,000.</u>	<u>0.</u>

DO NOT FILE

Client TAXSCHOO

TERRY SMITH ESTATE

42-0000000

11/20/16

07:27AM

**Bulk Sale Worksheet**  
**Bulk Sale: FRANCHISE FEE**

Sales Price:	240,000.
Total Cost/Basis:	240,000.
Expenses of Sale (included with cost/basis on form)	0.
Total Depreciation:	4,000.
Total Recapture:	4,000.
Total AMT Depreciation:	4,000.
Total AMT Basis:	240,000.

Asset Description	Cost/Basis	Depreciation	Recapture	AMT Basis	AMT Deprec.
2. FRANCHISE FEE	75,000.	1,250.	1,250.	75,000.	1,250.
3. GOODWILL	165,000.	2,750.	2,750.	165,000.	2,750.
Total	<u>\$ 240,000.</u>	<u>\$ 4,000.</u>	<u>\$ 4,000.</u>	<u>\$ 240,000.</u>	<u>\$ 4,000.</u>

Note: The first asset listed contains all sales information. (Sales price, expenses of sale, etc.)

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Client TAXSCHOO

TERRY SMITH ESTATE

42-00000000

11/20/16

07:27AM

	Interest	Dividends	Other Income	Passive Rentals	Passive RL Estate	Passive Other	Short Term Gain	Long Term Gain	Nontaxable	Total	Corpus Distributed	Short Term Carryover	Long Term Carryover	Excess Deductions
Net Income		4,000.	35,000.				1,000.	1,000.		40,000.				
Ded Not Attr One Class Inc			9,400.							9,400.				
Total Distributable Items		4,000.	25,600.				1,000.	1,000.		30,600.				
STEPHANIE SMITH		4,000.	25,600.				1,000.	1,000.		30,600.				
Total Distributed		4,000.	25,600.				1,000.	1,000.		30,600.				

DO NOT FILE

Client TAXSCHOO

TERRY SMITH ESTATE

42-00000000

11/20/16

07:27AM

No.	Description	Date Acquired	Date Sold	Bus. Pct.	Cost/ Basis	Cur 179 Bonus	Special Depr. Allow.	Prior 179/ Bonus/ Sp. Depr.	Prior Dec. Bal. Depr.	Salvage /Basis /Reductn.	Depr. Basis	Prior Depr.	Method	Life	Rate	Current Depr.
Schedule C - CHUCK'S WORKOUT GYM																
Amortization																
2	FRANCHISE FEE	10/13/16	12/29/16		75,000						75,000			S/L	15	1,250
3	GOODWILL	10/13/16	12/29/16		165,000						165,000			S/L	15	2,750
	Total Amortization				240,000	0	0	0	0	0	240,000	0				4,000
Machinery and Equipment																
1	EQUIPMENT	10/13/16	12/29/16		60,000						60,000		200DB	HY	5	0
	Total Machinery and Equipment				60,000	0	0	0	0	0	60,000	0				0
	Total Depreciation				60,000	0	0	0	0	0	60,000	0				0
	Grand Total Amortization				240,000	0	0	0	0	0	240,000	0				4,000
	Amortization Assets Sold				240,000	0	0	0	0	0	240,000	0				4,000
	Amort Remaining Assets				0	0	0	0	0	0	0	0				0
	Grand Total Depreciation				60,000	0	0	0	0	0	60,000	0				0
	Depreciation Assets Sold				60,000	0	0	0	0	0	60,000	0				0
	Depr Remaining Assets				0	0	0	0	0	0	0	0				0

DO NOT FILE