

# Case Study 1

## Lucas and Nina Caldwell

### General Instructions

#### BlockWorks Shell Return Information

Using BlockWorks Online (BWO) software in the PRACTICE ENVIRONMENT, complete a 2023 Form 1040 individual tax return for Lucas and Nina Caldwell. After you have made the required entries, you will need to return to the test and answer questions about this tax return.

Access and use the BlockWorks shell return for this case study by entering the following four-digit code: **5711**. If you close the return and later need to re-open it, you may do so by selecting "Open an existing practice shell return" in BlockWorks Online Practice. You can also search for the return by the client's name.

#### Save Your Work!

Before accessing BlockWorks, please make sure to save your progress on the test. Failing to do so may result in an automatic timeout, causing you to lose your work and start over.

After entering the required information, we recommend keeping the shell return open while answering the questions.

### Introduction

Lucas, age 63, and Nina, age 66, have been married for 36 years and wish to file a joint tax return. The couple's personal information has already been pre-entered for you. Lucas and Nina brought several tax-related forms with them to the tax interview. The information for Lucas's unemployment and retirement income and the couple's health care coverage has also been pre-entered, but you will need to refer to the other tax documents as you prepare the return.

### Scenario

The couple experienced some financial challenges in 2023. Lucas worked full-time for most of 2022 but lost his job at the end of the year and has been unable to find a new one.

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He has collected unemployment all year. After he lost his job, he and Nina incurred \$12,000 in credit card debt to keep up with personal expenses. They were concerned that it would take them years to repay the debt plus the interest that was accruing each month. So, Lucas and Nina offered the credit card company a settlement of \$7,000 in exchange for canceling the debt. In October 2023, the company agreed to the settlement. The couple used \$2,500 from savings and \$4,500 from a \$6,000 distribution that Lucas received from his former employer's retirement plan to pay the settlement. The company forgave the remaining \$5,000 balance.

Nina, who retired on December 31, 2022, began receiving pension benefits on January 6, 2023, when she was 65 years old and received payments for the entire year. The pension plan does not include a provision for survivor benefits. Nina also started receiving social security benefits in 2023.

The Caldwells had no other income in 2023 and take the standard deduction. They have no dependents. Nina had health coverage through medicare for the entire year. When Lucas lost his job, he was eligible to continue his coverage under COBRA, but he decided it was too expensive, so he had no health coverage during 2023.

After a thorough tax interview, you determine that Lucas and Nina were NOT insolvent when their credit card debt was canceled, nor have they ever filed for bankruptcy.

## Information Documents

<input type="checkbox"/> CORRECTED (if checked)		OMB No. 1545-0120 Form <b>1099-G</b> (Rev. January 2022)		<b>Certain Government Payments</b>
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. <b>STATE DEPARTMENT OF UNEMPLOYMENT P.O. BOX 1950 YOUR CITY, YS XXXXX XXX-555-0101</b>		1 Unemployment compensation <b>\$ 7,200.00</b>	2 State or local income tax refunds, credits, or offsets \$	<b>Copy B For Recipient</b>
PAYER'S TIN <b>47-2140101</b>	RECIPIENT'S TIN <b>214-00-5711</b>	3 Box 2 amount is for tax year	4 Federal income tax withheld <b>\$ 720.00</b>	This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.
RECIPIENT'S name <b>LUCAS CALDWELL</b>		5 RTAA payments \$	6 Taxable grants \$	
Street address (including apt. no.) <b>10 CHESTNUT STREET</b>		7 Agriculture payments \$	8 If checked, box 2 is trade or business income <input type="checkbox"/>	
City or town, state or province, country, and ZIP or foreign postal code <b>YOUR CITY, YS XXXXX</b>		9 Market gain \$	11 State income tax withheld \$	
Account number (see instructions) <b>4589634</b>		10a State <b>YS</b>	10b State identification no. ----- \$	
Form <b>1099-G</b> (Rev. 1-2022) (keep for your records)		www.irs.gov/Form1099G		Department of the Treasury - Internal Revenue Service

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PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.  <b>RETIRE STRONG INVESTMENTS</b> <b>15 RANSTEAD STREET</b> <b>YOUR CITY, YS XXXXX</b> <b>XXX-555-0102</b>			1 Gross distribution \$ <b>6,000.00</b>		OMB No. 1545-0119  <b>2023</b>  Form <b>1099-R</b>	<b>Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.</b>  <b>Copy B</b> <b>Report this income on your federal tax return. If this form shows federal income tax withheld in box 4, attach this copy to your return.</b>  This information is being furnished to the IRS.			
			2a Taxable amount \$ <b>6,000.00</b>				2b Taxable amount not determined <input type="checkbox"/> Total distribution <input type="checkbox"/>		
PAYER'S TIN  <b>47-2140102</b>		RECIPIENT'S TIN  <b>214-00-5711</b>		3 Capital gain (included in box 2a) \$			4 Federal income tax withheld \$ <b>600.00</b>		
RECIPIENT'S name  <b>LUCAS CALDWELL</b>  Street address (including apt. no.) <b>10 CHESTNUT STREET</b>  City or town, state or province, country, and ZIP or foreign postal code <b>YOUR CITY, YS XXXXX</b>			5 Employee contributions/ Designated Roth contributions or insurance premiums \$		6 Net unrealized appreciation in employer's securities \$				
			7 Distribution code(s) <b>7</b>		IRA/ SEP/ SIMPLE <input type="checkbox"/>		8 Other \$ %		
10 Amount allocable to IRR within 5 years \$		11 1st year of desig. Roth contrib.	12 FATCA filing requirement <input type="checkbox"/>	14 State tax withheld \$			15 State/Payer's state no. <b>YS/</b>		16 State distribution \$
Account number (see instructions) <b>5794366</b>			13 Date of payment	17 Local tax withheld \$			18 Name of locality		19 Local distribution \$

Form **1099-R** www.irs.gov/Form1099R Department of the Treasury - Internal Revenue Service

CORRECTED (if checked)

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.  <b>SECURE RETIREMENT STRATEGIES</b> <b>24 SANSOM STREET</b> <b>YOUR CITY, YS XXXXX</b> <b>XXX-555-0103</b>			1 Gross distribution \$ <b>9,544.00</b>		OMB No. 1545-0119  <b>2023</b>  Form <b>1099-R</b>	<b>Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.</b>  <b>Copy B</b> <b>Report this income on your federal tax return. If this form shows federal income tax withheld in box 4, attach this copy to your return.</b>  This information is being furnished to the IRS.			
			2a Taxable amount \$				2b Taxable amount not determined <input checked="" type="checkbox"/> Total distribution <input type="checkbox"/>		
PAYER'S TIN  <b>47-2140103</b>		RECIPIENT'S TIN  <b>214-00-1011</b>		3 Capital gain (included in box 2a) \$			4 Federal income tax withheld \$ <b>954.00</b>		
RECIPIENT'S name  <b>NINA CALDWELL</b>  Street address (including apt. no.) <b>10 CHESTNUT STREET</b>  City or town, state or province, country, and ZIP or foreign postal code <b>YOUR CITY, YS XXXXX</b>			5 Employee contributions/ Designated Roth contributions or insurance premiums \$		6 Net unrealized appreciation in employer's securities \$				
			7 Distribution code(s) <b>7</b>		IRA/ SEP/ SIMPLE <input type="checkbox"/>		8 Other \$ %		
10 Amount allocable to IRR within 5 years \$		11 1st year of desig. Roth contrib.	12 FATCA filing requirement <input type="checkbox"/>	14 State tax withheld \$			15 State/Payer's state no. <b>YS/</b>		16 State distribution \$
Account number (see instructions) <b>7395584</b>			13 Date of payment	17 Local tax withheld \$			18 Name of locality		19 Local distribution \$

Form **1099-R** www.irs.gov/Form1099R Department of the Treasury - Internal Revenue Service

# Senior Tax Specialist Certification Test (2023)

CORRECTED (if checked)

CREDITOR'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. <b>BENEFICIAL CREDIT SERVICES</b> <b>859 MARKET STREET</b> <b>YOUR CITY, YS XXXXX</b> <b>(XXX) 746-XXXX</b>		1 Date of identifiable event <b>10/20/2023</b>	OMB No. 1545-1424 Form <b>1099-C</b> (Rev. January 2022) For calendar year <b>2023</b>	<b>Cancellation of Debt</b>
		2 Amount of debt discharged <b>\$ 5,000.00</b>		
		3 Interest, if included in box 2 <b>\$</b>		
CREDITOR'S TIN <b>47-2140104</b>	DEBTOR'S TIN <b>214-00-5711</b>	4 Debt description <b>CREDIT CARD</b>		<b>Copy B For Debtor</b>  This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if taxable income results from this transaction and the IRS determines that it has not been reported.
DEBTOR'S name <b>LUCAS CALDWELL</b>  Street address (including apt. no.) <b>10 CHESTNUT STREET</b> City or town, state or province, country, and ZIP or foreign postal code <b>YOUR CITY, YS XXXXX</b>		5 If checked, the debtor was personally liable for repayment of the debt <input checked="" type="checkbox"/>		
Account number (see instructions) <b>47895</b>	6 Identifiable event code <b>F</b>	7 Fair market value of property <b>\$</b>		

Form **1099-C** (Rev. 1-2022) (keep for your records) [www.irs.gov/Form1099C](http://www.irs.gov/Form1099C) Department of the Treasury - Internal Revenue Service

## FORM SSA-1099 – SOCIAL SECURITY BENEFIT STATEMENT

2023

- PART OF YOUR SOCIAL SECURITY BENEFITS SHOWN IN BOX 5 MAY BE TAXABLE INCOME.
- SEE THE REVERSE FOR MORE INFORMATION.

Box 1. Name <b>NINA CALDWELL</b>		Box 2. Beneficiary's Social Security Number <b>214-00-1011</b>	
Box 3. Benefits Paid in 2023 <b>\$ 21,388.00</b>	Box 4. Benefits Repaid to SSA in 2023 <b>\$</b>	Box 5. Net Benefits for 2023(Box 3 minus Box 4) <b>\$ 21,388.00</b>	
DESCRIPTION OF AMOUNT IN BOX 3  <b>MEDICARE PART B      \$1,978.80</b>  <b>PAID BY CHECK OR DIRECT DEPOSIT      \$19,409.20</b>		DESCRIPTION OF AMOUNT IN BOX 4     Box 6. Voluntary Federal Income Tax Withholding  <b>\$</b>  Box 7. Address  <b>10 CHESTNUT STREET</b> <b>YOUR CITY, YS XXXXX</b>	
		Box 8. Claim Number (Use this number if you need to contact SSA.)  <b>A214-00-1011</b>	

Form **SSA-1099-SM** (1-2023) **DO NOT RETURN THIS FORM TO SSA OR IRS**

## *Senior Tax Specialist Certification Test (2023)*

### **Test Questions**

After you have made the required entries and completed the couple's tax return in BlockWorks, return to the test in Block Academy and answer the corresponding questions about this taxpayer. We recommend keeping the return open in BlockWorks so you can refer to it as needed while answering the questions.