

Practice Return 1

Drake Tax 2024

SCENARIO

In this scenario, you will practice entering the following:

- Form W-2 Income
- Health Care Coverage
- Earned Income Credit and Child Tax Credit and Due Diligence
- Childcare Expenses

INSTRUCTIONS

This practice return will help you become familiar with return preparation in Drake Tax. Use the scenario information and the attached source documents to complete the return. A video overview for this practice return is available here: <https://www.drakesoftware.com/service-learning/videos/practice-1-tutorial/>

PDF Instructions en [Español](#)

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

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

To agree with provided solutions:

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

Ponderosa Pine is unmarried and lives in Atlanta, GA with her 6-year-old son, Spruce. Ponderosa works full-time as a botanist at the University of Trees.

Ponderosa and her son are both U.S. citizens and cannot be a qualifying child or dependent on anyone else's federal tax return.

She provided proof of maintenance of the household, including utility bills and rent receipts. There is evidence that Ponderosa paid more than 50% of the cost of keeping up the home in which she and her son lived. She lived in the U.S. for the entire year.

Ponderosa provided you with a copy of her driver's license. The number is 123456789 issued in GA on 01/01/2015. Her license expires on 01/01/2025.

TAXPAYER INFORMATION

NAME	Ponderosa Pine
TIN	400-00-6001
DATE OF BIRTH	11-08-1975
EMAIL	Pine@1040.com
OCCUPATION	Botanist
ADDRESS	100 Evergreen Lane, Atlanta, GA 30302
PHONE	(828) 524-8020
BEST CONTACT TIME	Noon

DEPENDENT INFORMATION

The dependent:

- is unmarried and a U.S. citizen
- lived with the taxpayers in the U.S. for the entire year
- cannot be claimed by anyone other than the taxpayer

Ponderosa paid \$300 per month for 12 months for Spruce to be enrolled in the after-school program Kids Zone while she worked. There is no active Form 8332, Release/Revocation of Claim to Exemption for Child by Custodial Parent, or similar statement in place.

DEPENDENT

NAME	Spruce Pine
TIN	400-00-0042
DATE OF BIRTH	05-01-2015
RELATIONSHIP	Son
MONTHS IN HOME	12
CHILDCARE EIN	400001111
CHILDCARE PROVIDER NAME	Kids Zone, 100 Evergreen Lane, Atlanta, GA 30302
CHILD CARE	\$300 monthly for 12 months

INCOME

During 2024, Ponderosa was employed full-time as a botanist. She received Form W-2 from her employer. She does not have any interest in, or authority over, any foreign accounts. She also did not receive, sell, exchange, or otherwise acquire any financial interest in any virtual currency during the year.

FORM W-2

EMPLOYEE'S NAME	Ponderosa Pine
EMPLOYER'S EIN	100000000
EMPLOYER'S NAME AND ADDRESS	University of Trees, 200 Spruce Way, Atlanta, GA 30325
WAGES, TIPS, OTHER COMPENSATION	\$115,500
FEDERAL INCOME TAX WITHHELD	\$17,500
SOCIAL SECURITY WAGES	\$115,500
SOCIAL SECURITY TAX WITHHELD	\$7,161
MEDICARE WAGES	\$115,500
MEDICARE TAX WITHHELD	\$1,675

HEALTH CARE INFORMATION

Ponderosa and her son were covered by health care insurance for the entire year. Form 1095A was not provided.

DUE DILIGENCE

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

- the return was completed based on information provided to you by the taxpayer
- you interviewed the taxpayer, asked questions, and documented the taxpayer's responses
- you reviewed adequate information to determine the taxpayer is eligible to claim any credits present on the return
- all information provided appears to be correct, complete, and consistent
- reasonable inquiries were made to determine correct and complete information
- all inquiries were documented
- all record retention requirements are met
- the taxpayer provided documentation to substantiate eligibility for, and the amount of, the credits present
- any credits present on the return have never been disallowed or reduced in a previous year
- you explained the rules for EIC for taxpayers with qualifying children
- documentation is provided for residency of child (attached child care statement)
- the taxpayer's income appears to be sufficient to support the taxpayer and qualifying child
you have verified the taxpayer is unmarried and provided more than half the cost of keeping up the home for a qualifying person