

Case Study 1

Paul and Lori Cumberland

General Instructions

BlockWorks Shell Return Information

Using BlockWorks in the PRACTICE ENVIRONMENT, access and use the BlockWorks shell return for Paul and Lori Cumberland prior to answering the test questions relating to their return. The couple's personal information and details relating to their wages and health care coverage has been pre-entered for you, but you will need to enter the information shown below to complete their return.

Access and use the BlockWorks shell return by entering the four-digit code **0781**. A unique SSN will be generated by the software. Although the return can be accessed again by selecting the taxpayer's name in the BlockWorks Client folder, be sure to note this unique shell SSN.

New SSN:

Save Your Work!

It is recommended that you SAVE the work you have done so far on this test before accessing BlockWorks. If you fail to do so and you are automatically timed out, you will lose your work and have to start over. After entering the required information, you should either save a copy of the completed return or keep the shell return open. You will need to refer to the completed return to answer the test questions about this taxpayer.

Introduction

Paul, age 47, and Lori, age 46, are married and want to file a joint return. Paul works full-time and his only income is from wages. Lori is a homemaker and does not receive any wages. They have one daughter, Kayla, who is age 21 and has been attending college since 2021.

Scenario

Kayla is a full-time student. She completed the second semester of her junior year at Your State College in May 2022, and she finished the first semester of her senior year in

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December 2022. She is on track to graduate with a degree in business administration in 2023. Although Kayla earned \$5,000 from working at a part-time job during the year, Paul and Lori provided more than half of her support. Kayla does return home on breaks from school.

During 2022, Kayla incurred education expenses of \$15,000 for her tuition and \$1,500 for books. The books were required for coursework, but not purchased through the university. Kayla took out student loans to pay the balance of her tuition. She plans to repay the loans as soon as she can after she graduates. She has never been convicted of a felony for possessing or distributing a controlled substance.

Paul and Lori provide the following Form 1098-T, and they state, if necessary, they can provide additional documentation verifying the amounts paid for Kayla's tuition and fees. The couple previously claimed the American Opportunity Credit for Kayla's college expenses in 2020 and 2021. This year, they want to claim the tax benefit for education that gives them the greatest overall benefit when they file their return.

You will need to make the necessary entries required to report the education expenses and decide which education credit is most optimal to take in the BlockWorks shell return.

<input type="checkbox"/> CORRECTED				OMB No. 1545-1574		2022	Tuition Statement
FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number		1 Payments received for qualified tuition and related expenses		2			
YOUR STATE UNIVERSITY 3535 COLLEGE BOULEVARD YOUR CITY, YS XXXXX (800) 555-4132		\$ 15,000.00					
FILER'S employer identification no.		STUDENT'S TIN		3		Copy B For Student This is important tax information and is being furnished to the IRS. This form must be used to complete Form 8863 to claim education credits. Give it to the tax preparer or use it to prepare the tax return.	
09-4130102		413-00-2011					
STUDENT'S name		4 Adjustments made for a prior year		5 Scholarships or grants			
KAYLA CUMBERLAND		\$		\$			
Street address (including apt. no.)		6 Adjustments to scholarships or grants for a prior year		7 Checked if the amount in box 1 includes amounts for an academic period beginning January-March 2023			
5788 WEST ORANGE ROAD		\$		<input type="checkbox"/>			
City or town, state or province, country, and ZIP or foreign postal code		8 Checked if at least half-time student		9 Checked if a graduate student		10 Ins. contract reimb./refund	
YOUR CITY, YS XXXXX		<input checked="" type="checkbox"/>		<input type="checkbox"/>		\$	
Service Provider/Acct. No. (see instr.)							
Form 1098-T		(keep for your records)		www.irs.gov/Form1098T		Department of the Treasury - Internal Revenue Service	

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.