

ASSIGNMENT #3



1. **READ 6.34 – Understanding Self-Employment Tax**
2. **COMPLETE EXERCISE 6.35 – which asks you to complete Schedule SE for BOTH Maria and Sally – thus, two separate forms. For MARIA only – enter the info on Schedule 1 & Schedule 2**
3. **COMPLETE Maria’s IRS form 1040, page 1 through line 15.**

Enter on:

- Line 1 - W-2 – Box 1 Federal taxable wages = \$ 35,616.65
- Line 2 - 1099 reported – Bank Interest Income from Savings Account = \$ 44
- Line 8 - Profit or Loss from Business (transferred from Schedule 1 line 15) = \$ 6,848
- THEN calculate line 9
- Enter Line 10, the deductible portion of Maria’s self-employment tax. Hint: The amount comes from Schedule 1, line 26
- **THEN Calculate Line 11 – Adjusted Gross Income**
- Enter Line 13 - Maria’s Standard Deduction assuming she is single

TAKE A BREATH after line 13

4. **READ 6.36a - QUALIFIED BUSINESS INCOME (QBI)** and learn about this deduction unique to business owners. Try to complete the exercise in the handout, which requires you to fill out Schedule 8995. If you get this far, that is AMAZING.

YOU NEED to refer to:

- IRS 1040 Instruction book (to look up standard deduction)
- IRS 1040 (page 1)
- IRS 1040 Schedule 1 - Additional Income and Adjustments
- IRS 1040 Schedule 2 - Additional Taxes
- IRS 1040 Schedule 8995 (QBI), which you will fill out for Maria
- IRS 1040 Schedule SE – which you fill out for both Maria and Sally
- 6.34 Understanding Self-Employment Tax
- 6.35a EXERCISE Calculate Maria and Sally’s Self Employment Tax
- 6.36a Understanding QBI and EXERCISE Calculate Maria’s QBI

EMAIL Instructor completed

1. **For Sally – Schedule SE**
2. **For Maria**
 - **Schedule SE,**
 - **Schedule 1**
 - **Schedule 2**
 - **1040 to line 1 line 13 (STOP THERE)**
 - **Schedule 8995**