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Preparation of Tax Forms: Final Examination (May 27, 1967)

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Part I

Please fill in only so much of Form 1040 for 1966 for J. D. Jones and his wife Susie based on the following information as will enable you to determine the balance payable or refundable.

Address: 307 A Street, N.W., Washington, D. C. 20006
Social Security Nos. (H) 301-46-1234; (W) 302-36-4321
Aged: Under 65. Dependents: None. Occupation: (H) Salesman; (W) housewife

Salary (H) paid by the Ajax Corporation, Washington, D. C. - \$15,000.
Income tax withheld - \$2,000. Social Security tax withheld -\$ 277.20
1966 Estimated Tax Payments -\$ 400.

During the year 1966 Mr. Jones was reimbursed by his employer in the sum of \$1,000 for work connected expenses as follows: Local taxi fare, \$100; away from home transportation, meals and lodging, \$1,100; and customer entertaining, \$300.

Other income of Mr. and Mrs. Jones was as follows:

Dividends from General Motors (H)	\$ 200
Dividends from Reg. Inv. Co. X (W)	50
Cap. Gain Dividends from Reg. Inv. Co. X (W)	40
Undistributed Cap. Gain Div. from Reg. Inv. Co. X (W)	40
Gross rent received from Summer Cottage	500
(Allowable cottage expenses for repairs and taxes)	(100)
Dividend on stock of Corporation B, a Corporation electing to be taxed as a partnership (J)	100
Interest on Savings and Loan Share Account (J)	200
Net profit on the sale of Y Co. stock - held for 2 years	500
Net profit on the sale of New York State Bond - held 1 year	10

Mr. Jones gave you the following as his expenses:

Contributions to the United Community Fund	\$ 200
Contributions to the X Church	500
Interest paid on Bank loan of \$500, which he had borrowed to buy the New York State Bond	25
Income tax of \$600 due the State of Virginia during 1966, which he paid by check for \$500 plus a credit of \$100 resulting from a refund of \$100 due to an overpayment on his 1964 return. The 1964 State tax payments were deducted on his 1964 Federal Income Tax return	600
Hospitalization premiums deducted from his salary	250
Interest on Home Mortgage	200
Casualty loss - Clothing destroyed by fire	75

Part II

Please fill in only so much of Form 1120 for 1966 as is necessary to enable you to answer the following questions:

(a) Assume Form 1120 for 1966 shows the following on page 1:

Line 3 - Gross profit	\$ 38,000
Line 4 - Dividends from domestic corporations	24,000
Line 11 - Total	62,000
Line 27 - Total deductions	40,000
Line 28 - Taxable income before special deductions	22,000

What is the amount of the taxable income, if any, to be shown on Line 30?
And the amount of the tax, if any, to be shown on Line 31?

(b) Assume a 1966 taxable domestic corporation has:

Gross operating profits of	\$ 50,000
Long-term capital gain (net)	5,000
Allowable deductions	15,000
And distributes dividends during the year to its stockholders of	20,000

What is the amount of the tax to be shown on Line 31, page 1 of Form 1120?

Part III

An eligible electing corporation files Form 1120-S for 1966 showing:

Page 1

Line 3 - Gross profit	\$ 40,000
Line 4(a) - Domestic dividends	1,000
Line 9(b) - Gains	3,000
Line 9(c) - Gains	1,000
Line 27 - Total deductions	20,000
Line 28 - Taxable income	25,000

Page 3 - Schedule K

Line 1 - Taxable income	\$ 25,000
Line 2(a) Money distributed	20,000
Line 3 - Undistributed taxable income	5,000

Please fill in the pertinent columns of Schedule K for a 50% stockholder showing the income to be reported by him on his Form 1040.

Part IV

Assume a partnership has the following items of income and deductions for the tax year 1966:

Gross profit on goods sold	\$ 60,000
Dividends from foreign corporations	1,000
Dividends from domestic corporations	1,000
Net profit on sale of office machines used in taxpayer's business for two years	1,000
Net loss on sale of stock held as an investment for three months	(500)
Total allowable deductions	20,000

Please fill in the pertinent columns of Schedule K showing the income (or loss) to be reported on Form 1040 by a 50% partner.