filers with AGI over $384,000 and couples filing jointly with AGI greater than $436,300.

**Other Taxes**

**LINE 45: ALTERNATIVE MINIMUM TAX**
An entry on this line indicates that the taxpayer may have tax preferences, which may suggest that assets such as incentive stock options exist. If there is an entry here, the lawyer will want to carefully examine Form 6251, Alternative Minimum Tax.

**LINE 46: EXCESS ADVANCE PREMIUM TAX CREDIT REPAYMENT**
The line item relates to the Affordable Care Act. Individuals choosing to purchase insurance through the Health Insurance Marketplace may choose to have advance credit payments sent to their insurer. If those payments are more than the premium tax credit for which they are eligible based on their income, they need to repay the excess amount. As indicated on the Line 46, Form 8962 should be attached if that situation exists.

**Credits**

**LINE 48: FOREIGN TAX CREDIT**
An amount shown here is notification of the existence of foreign bank accounts or other income-producing assets abroad. The spouse who controls the foreign assets is responsible for providing all information relative to them, including the date of acquisition, amount invested, nature of the investment, current income, and so on. The above information should be obtained through discovery requests if your client does not have the information.

**LINE 49: CHILD AND DEPENDENT CARE CREDIT**
An entry here indicates child care expenses have been incurred. The lawyer should consider this when examining the income and expense statement of the taxpayer to the 2017 amounts paid. The actual payment of child care expense will vary from time to time. Adequate discovery should uncover the current need for payments to child care providers to take care of children so that their parents can be employed.

**LINE 50 TO 55: OTHER CREDITS**
A variety of special tax credits are provided for in this section of the tax return. The education credits on line 50 are where the American Opportunity and Lifetime Learning credits for postsecondary educational institutions is claimed ($2,500 maximum). An entry here may indicate that there is a college age child or college age children in the household; however, there was a phase out of this credit in 2016. No credit is allowed if adjusted gross income is over $180,000 on joint return and $90,000 for all others.

The child tax credit of as much as $1,000 for each child under 17 ($2,000 per child in 2018) on line 52 is available for parents whose adjusted gross income is less than $110,000 ($400,000 in 2018) on joint returns, $75,000 ($200,000 in 2018) for single taxpayers and $55,000 ($200,000 in 2018) for taxpayers filing as married filed separately.

The residential energy credit on line 53 will indicate that there may have been improvements to the principal residence. The source of funds for improvements may affect the characterization of that property as separate, marital, community, or hybrid.

**LINE 57: SELF-EMPLOYMENT TAX**
The tax on income from self-employment is discussed at length under the description of Form 1040SE presented later in this handbook.

**LINE 58: UNREPORTED SOCIAL SECURITY AND MEDICARE TAX**
If a taxpayer receives tips of $20 or more in any month and does not report the full amount to their employer, they must pay the social security and Medicare or railroad retirement (RRTA) tax on the unreported tips. The tips are reported on Form 4137. Form 8919 is used by employees whose employers did not withhold social security and Medicare tax from their wages.

**LINE 59: ADDITIONAL TAX ON IRAS, OTHER QUALIFIED RETIREMENT PLANS**
The line item references Form 5329 which deals with a number of additional taxes such as the tax on early
distributions from an IRA that was not rolled over within the prescribed 60 day time period and the tax for failure of persons who are over 70 and a half years old to make required minimum distributions from their IRAs or other qualified retirement plans.

**LINE 60a: HOUSEHOLD EMPLOYMENT TAXES**
An individual who has a household employee must pay Social Security and Medicare taxes and may be required to withhold income taxes. IRS Schedule H provides a step-by-step guide for this purpose.

**LINE 60b: FIRST-TIME HOMEBUYER CREDIT REPAYMENT**
An individual who took a credit in 2008 for purchasing a home reports the repayment of the credit under certain special circumstances. Any tax reported on this line warrants additional investigation because it may affect issues involving a client’s personal residence.

**LINE 61: HEALTH CARE: INDIVIDUAL RESPONSIBILITY**
Compliance with the Affordable Health Care Act is reported on this line. The tax for non-compliance is reported in Box 61. The rules relating to the Affordable Health Care Act are complex and will not be covered here; however, the practitioner can discover if their client or the opposing party is underinsured through an investigation of compliance or non-compliance with the Affordable Care Act.

**LINE 62: OTHER TAXES**
Any other taxes not reported elsewhere on a return are reported on the forms indicated. Form 8959 relates to additional Medicare taxes for Railroad Retirement employees. Form 8960 relates to taxes high income individuals pay on Net Investment Income. Any tax reported on this line merits further investigation into the individual’s investment portfolio. Net worth and income related to investments are relevant factors in many areas of litigation, including child support and alimony.

**LINES 67–74: PAYMENTS**
The amount withheld from wages and/or estimated tax payments will appear in this section, as well as other amounts to be credited against the total tax due. If an individual is making estimated tax payments, determine whether the estimate vouchers are filed as joint or individual. This distinction is very important in community property states. If the voucher is filed in a community property state, only the person in whose name the estimate is filed is entitled to a credit for the payment, regardless of the source of funds used to make the payment. This is in contrast to a joint voucher, where each spouse is entitled to one-half of the estimated tax payment. Sometimes parties who separate continue to make estimated tax payments jointly and later decide to file separate returns. In order to ascertain that the IRS allocates the joint estimated tax appropriately, it is advisable to notify the IRS with a special allocation request well before the filing of the tax returns. The signatures, preferably notarized, of both spouses should appear on this notification. Otherwise, the IRS will credit the total estimate to the first spouse who files a return. This misallocation will not be corrected by the IRS and may result in additional penalties and interest to the other spouse.

**LINES 75–79**
These lines indicate the existence of an asset (refund) or liability (amount owed). In addition, compare the current withholding or estimated tax payment pattern with that of previous years in order to determine whether someone is attempting to “overwithhold” in order to reduce monthly net income.

Joint refunds require both parties’ signatures; however, if the parties apply the refund as a credit against the following year’s tax liability, then caution is advised. If the parties file separately, the first to file will receive the full credit in the absence of a notification to the IRS to split the credit. The IRS will split the refund if notified but has no obligation to allocate the refund based on character, i.e., community versus separate. The allocation of the refund is the parties’ responsibility.

Some banks will accept a joint refund check for deposit in a joint bank account with only one signature. The money can then be removed and transferred elsewhere. Tracing the disposition of refund checks can sometimes lead to undisclosed assets.
For the year Jan. 1 - Dec. 31, 2017, or other tax year beginning ______, 20__ ending ______, 20__ See separate instructions.

**Your first name and initial**

**Last name**

**Your social security number**

111-11-1111

**If a joint return, spouse's first name and initial**

**Last name**

**Spouse's social security number**

222-22-2222

Home address (number and street); if you have a P.O. box, see instructions.

123 EASY STREET

**City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).**

BIG CITY, CA 90000

<table>
<thead>
<tr>
<th>Filing Status</th>
<th>Exemptions</th>
<th>Income</th>
<th>Adjusted Gross Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Single</td>
<td>X Yourself. If someone can claim you as a dependent, do not check box 6a</td>
<td>7 Wages, salaries, tips, etc. Attach Form(s) W-2.</td>
<td>23 Educator expenses</td>
</tr>
<tr>
<td>2 Married filing jointly (even if only one had income)</td>
<td>X Spouse</td>
<td>8a Taxable interest. Attach Schedule B if required.</td>
<td>24 Certain business expenses of reservists, performing artists, and fee-basis government officials, Attach Form 2106 or 2106-EZ.</td>
</tr>
</tbody>
</table>

**Boxes checked on 6a and 6b. No. of children on 6c who:**

- Live with you. ______
- Did not live with you due to divorce or separation (see instructions). ______
- Dependents on 6b. ______

**Add numbers on lines above.**

- 2

**Total number of exemptions claimed.**

- 4

**Attach Form(s)**

- W-2 here. Also Attach Forms W-2 and 1099-R if tax was withheld.
- If you did not get a W-2, see instructions.

**If more than four dependents, see instructions and check here.**

- 2

- If a joint return, spouse's first name and initial

**Dependants:**

- SUZIE TAXPAYER 456-78-9123 DAUGHTER
- BUSTER TAXPAYER 456-78-9124 SON

**Add numbers on lines above.**

- 7,061.
- 7,061.
- 2294,821.
**Tax and Credits**

### Standard Deduction for—
- People who check any box on line 39b or 39c who can be claimed as a dependent, see instructions.
- All others: Single or Married filing separately, $6,350
- Married filing jointly or Qualifying widow(er), $12,700
- Head of household, $9,350

### Earned income credit (EIC)
- Form(s) 8814
- Form 4972

### Alternative minimum tax (see instructions)
- Attach Form 8621
- Attach Form 8962

### Excess advance premium tax credit repayment
- Attach Form 8992

### Other Taxes
- Self-employment tax. Attach Schedule SE
- Unrecovered social security and Medicare tax from Form: 
  - Form 4137
  - Form 9019
- Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 6521 if required
- Household employment taxes from Schedule H
- First-time homebuyer credit repayment. Attach Form 5405 if required
- Health care: individual responsibility (see instructions) Full-year coverage
- Taxes from: 
  - Form 8959
  - Form 8960
  - Instrs; enter code(s)
- Add lines 44, 45, and 46

### Payments
- Federal income tax withheld from Forms W-2 and 1099
- 2017 estimated tax payments and amount applied from 2016 return
- Earned income credit (EIC)
  - Form 8949
  - Form 8885
- Add lines 64, 65, 66a, and 67 through 73. These are your total payments

### Refund
- If line 74 is less than line 63, subtract line 63 from line 74. This is the amount you overpaid
- Amount of line 75 you want to apply to your 2018 estimated tax

### Amount You Owe
- Estimated tax penalty (see instructions)

### Third Party Designee
- Do you want to allow another person to discuss this return with the IRS (see instructions)?

### Sign Here
- Joint return? See instructions.
- Spouse's signature. If a joint return, both must sign.

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**Form 1040 (2017)**

**Taxpayer:**

**Adjusted gross income:** $38,240.00

**Wages, salaries, tips:** $60,000.00

**Net sales or gross receipts:** $961,350.00

**Rental income:** $99,500.00

**Net investment income:** $12,700.00

**Other income:** $9,350.00

**Total income:** $1,146,700.00

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**Refund Due:** $9,845.00

**Third Party Designee:**

**Designee's name:**

**Phone:** (831) 981-4226

**Personal identification number (PIN):** 91403

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**Paid Preparer Use Only**

**Firm’s name:** WHITE ZUCKERMAN WARSAVSKY LUNA HUNT LLP

**Firm’s EIN:** 95-4115549

**Firm’s address:** 15490 VENTURA BLVD 3RD FL SHERMAN OAKS, CA 91403-3016

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**Signatures:**

**Preparer’s signature:**

**PTIN:** P01690465

**Preparer’s occupation:** INTERIOR DESIGN

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**Sign Here:**

**Spouse’s occupation:** PHYSICIAN

**Spouse’s signature:**

**Date:** 10/19/17

---

**Print/Type preparer’s name:**

**Preparer’s signature:**

**Date:**

---

**Phone no.:** 8189814226

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**Form 1040 (2017)**
PURPOSE OF SCHEDULE

Schedule A of Form 1040 is titled “Itemized Deductions” and, if such deductions are claimed, is required to be attached to the return. It is used by taxpayers whose combined itemized deductions exceed the standard deduction fixed by law according to filing status and age. The following table summarizes standard deductions for 2017, 2018, and for all subsequent years through 2025.

<table>
<thead>
<tr>
<th>Status</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joint</td>
<td>$12,700</td>
<td>$24,000</td>
</tr>
<tr>
<td>Head of Household</td>
<td>9,350</td>
<td>18,000</td>
</tr>
<tr>
<td>Single or Married</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Filing Separately</td>
<td>6,350</td>
<td>12,000</td>
</tr>
<tr>
<td>Additional for Over 65 and/or Blind:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unmarried</td>
<td>1,550</td>
<td>2,600</td>
</tr>
<tr>
<td>Married</td>
<td>1,250</td>
<td>1,600</td>
</tr>
</tbody>
</table>

Subject to limitations described in this section, itemized deductions are essentially composed of charitable contributions, certain interest expenses, local and state taxes, casualty and theft losses, medical and dental costs, job and investment expenses, and certain education costs.

Whether or not to include Schedule A is usually not a difficult decision unless itemized deductions equal or are slightly less than the standard deduction. In that case, a spouse should be advised to explore the possibility of prepaying or postponing the payment of certain deductible expenses and alternating the use of both itemized and standard deductions in different years.

Certain itemized deductions are permitted only if they exceed a certain percentage of adjusted gross income (AGI is shown on line 37 or 38 of Form 1040). In 2017, as in prior years, the deduction for medical expenses is available only to the extent those expenses exceed 7.5 percent of AGI. Deductions for job expenses and most miscellaneous deductions are available only to the extent they exceed 2 percent of AGI. Itemized deductions are subject to limitation based on the taxpayer’s adjusted gross income. The 2017 limitation reduces the value of itemized deductions by 3 percent of...