



Principles of Federal Taxation

Assignment: Tax Return #2

Learning Objectives

- Identify *for* AGI deductions related to business activities.
- Apply knowledge of *for* AGI deductions to calculate taxable income.

Assignment Overview

You will need to complete 2023 Forms 1040, Schedules 1, A, B, D, and E for the Davis's.

Important: For purposes of this project, ignore **QBI, AMT tax, Net Investment Income tax, and passive activity losses**.

Lisa (birthdate 3/15/1983) and Matt (birthdate 7/2/1984) Davis married on August 1, 2023. Lisa's SSN is 111-22-3333. Matt's SSN is 444-55-6666. They live at 1280 *insert your last name* Drive, Dallas, TX 75205.

Matt divorced from Dorothy Davis on October 20, 2012. Under the divorce agreement, Matt is required to pay Dorothy alimony of \$1,200 per month. Dorothy's SSN is 777-88-9999. Matt has full custody of Chris Davis, his son, who is 9 years old (SSN 100-11-2222) and lives with Lisa and Matt all year.

We will cover tax credits in more detail in the future, but for this tax return assignment, assume that the Davis's can claim a \$2,000 child tax credit for their son (report the credit on Form 1040 line 19).

Matt is a software engineer and his salary is \$75,000. His employer withheld \$8,000 for federal income taxes. There is no state income tax in Texas. Lisa is a lawyer and her salary is \$84,500. Her employer withheld \$10,000 for federal income taxes.

Lisa and Matt had the following stock transactions for the year:

- Sold 1,000 shares of Home Depot stock on September 2, 2023 for \$32,000. Their basis was \$21 per share, purchased April 12, 2023.
- Sold 100 shares of UPS stock on October 4, 2023 for \$10,000. Their basis was \$220 per share, purchased February 3, 2016.
- Sold 500 shares of TJ Maxx stock on October 12, 2023 for \$18,000. Their basis was \$46 per share, purchased February 5, 2015.

On September 16, 2023, Matt's grandmother passed away and they inherited \$145,000 in cash.

For one week during the year, Lisa and Matt go skiing in Colorado and rent their personal home for \$400 a night. They pay for cleaning services before and after the renters leave, totaling \$240.

In the summer, Lisa and Matt go to their beach house. This year they spent 64 days enjoying the beach. They rent out the house when they are not there. In 2023, they rented the home for 96 days and earned \$24,000. The address is 100 Seashell Way, Port Aransas, TX 78373. They note the following annual expenses related to the home:

Mortgage interest	\$11,000
Cleaning services	\$2,000
Insurance	\$2,500
Utilities	\$5,400
Property taxes	\$3,000
Realtor commissions	\$1,700

Lisa and Matt also own a house in Austin that they rent all year to four University of Texas graduate students. The address is 809 Theresa Ave, Austin, TX 78703. They provide documentation of the following:

Rental revenue	\$36,000
Cleaning services	\$200
Insurance	\$3,200
Mortgage interest	\$14,000
Repairs and maintenance	\$500
Property taxes	\$4,200

The Davis' also had the following items for 2023:

- Lisa and Matt both had laser eye surgery during 2023 to correct their vision. Each surgery cost \$7,500 and their insurance reimbursed \$1,000 for each procedure.
- Their other medical expenses included visits to the doctor and dentist (\$500 total), allergy shots (\$2,080), nutritional supplements (\$300), and prescription medicines (\$200).
- Lisa paid interest of \$2,200 for student loans she took out for law school. Assume that their relevant modified AGI is \$176,000 (regardless of your actual calculation of AGI) for purposes of determining any potential deduction.
- Earned dividends totaling \$11,000 from Texas Instruments, Inc. \$9,800 of the dividends are qualified dividends.
- Earned interest of \$2,900 from a high-interest savings account at Frost Bank
- Paid an early withdrawal penalty of \$35 to Frost Bank
- Earned interest of \$3,000 from Parry Corporation bonds
- Paid \$17,000 for a modest wedding and \$6,900 to travel to Europe for a short honeymoon. Matt's parents gifted Lisa and Matt \$5,000 cash as a wedding gift.

- Paid mortgage interest of \$13,500 on their home in Dallas. The acquisition debt on their homes in Dallas and at the beach do not exceed \$750,000.
- Paid property taxes of \$4,700 on their home in Dallas
- Estimated sales taxes paid is \$3,510
- Paid interest expense of \$1,400 on their auto loan and \$520 in vehicle registration fees, \$350 of which was an ad valorem assessment.
- Matt made a contribution of \$3,800 to a traditional IRA and Lisa contributed \$4,000 to a Roth IRA. Assume that Lisa and Matt are not subject to phase out for purposes of determining any potential deduction.
- Matt won \$350 playing the lottery. He also had gambling losses of \$700.
- Paid \$500 in interest on a loan they took out to invest in stocks and paid \$150 in interest on a second loan that they took out to invest in City of Dallas bonds. Their investment income for the year is greater than \$650.
- Donated cash to the following charities: \$2,000 to Habitat for Humanity, \$1,000 to the Red Cross, and \$1,000 to Special Olympics.
- Donated \$400 to the election campaign of a senator.
- Donated a painting worth \$2,600 to the Dallas Museum of Art for their expanded gallery. Matt originally purchased the painting for \$1,800 in 2013. Lisa also donated used furniture to Goodwill. She paid \$1,000 for the furniture five years ago and estimates that she could have sold the furniture for \$400.

Form **1040**

Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return

2023

OMB No. 1545-0074

IRS Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2023, or other tax year beginning _____, 2023, ending _____, 2023, ending _____, 2023. See separate instructions.

Your first name and middle initial Matt		Last name Davis	Your social security number 4 4 4 5 5 6 6 6 6	
If joint return, spouse's first name and middle initial Lisa		Last name Davis	Spouse's social security number 1 1 1 2 2 3 3 3 3	
Home address (number and street). If you have a P.O. box, see instructions. 1280 Shah Drive			Apt. no.	Presidential Election Campaign Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund. <input type="checkbox"/> You <input type="checkbox"/> Spouse
City, town, or post office. If you have a foreign address, also complete spaces below. Dallas		State Texas	ZIP code 75205	
Foreign country name		Foreign province/state/county	Foreign postal code	

Filing Status

Single
 Married filing jointly (even if only one had income)
 Married filing separately (MFS)
 Head of household (HOH)
 Qualifying surviving spouse (QSS)

If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QSS box, enter the child's name if the qualifying person is a child but not your dependent: _____

Digital Assets At any time during 2023, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.) Yes No

Standard Deduction Someone can claim: You as a dependent Your spouse as a dependent Spouse itemizes on a separate return or you were a dual-status alien

Age/Blindness You: Were born before January 2, 1959 Are blind Spouse: Was born before January 2, 1959 Is blind

Dependents (see instructions):

(1) First name	Last name	(2) Social security number	(3) Relationship to you	(4) Check the box if qualifies for (see instructions): Child tax credit	Credit for other dependents
Chris	Davis	1 0 0 1 1 2 2 2 2	Son	<input checked="" type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>

Income

1a	Total amount from Form(s) W-2, box 1 (see instructions)	1a	159,500
b	Household employee wages not reported on Form(s) W-2	1b	
c	Tip income not reported on line 1a (see instructions)	1c	
d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)	1d	
e	Taxable dependent care benefits from Form 2441, line 26	1e	
f	Employer-provided adoption benefits from Form 8839, line 29	1f	
g	Wages from Form 8919, line 6	1g	
h	Other earned income (see instructions)	1h	
i	Nontaxable combat pay election (see instructions)	1i	
z	Add lines 1a through 1h	1z	159,500
2a	Tax-exempt interest	2a	
3a	Qualified dividends	3a	9,800
4a	IRA distributions	4a	
5a	Pensions and annuities	5a	
6a	Social security benefits	6a	
b	Taxable interest	2b	5,900
b	Ordinary dividends	3b	1,200
b	Taxable amount	4b	
b	Taxable amount	5b	
b	Taxable amount	6b	
c	If you elect to use the lump-sum election method, check here (see instructions)		<input type="checkbox"/>
7	Capital gain or (loss). Attach Schedule D if required. If not required, check here	7	(3,000)
8	Additional income from Schedule 1, line 10	8	20,410
9	Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income	9	184,010
10	Adjustments to income from Schedule 1, line 26	10	20,435
11	Subtract line 10 from line 9. This is your adjusted gross income	11	163,575
12	Standard deduction or itemized deductions (from Schedule A)	12	39,022
13	Qualified business income deduction from Form 8995 or Form 8995-A	13	0
14	Add lines 12 and 13	14	39,022
15	Subtract line 14 from line 11. If zero or less, enter -0-. This is your taxable income	15	124,553

Attach Sch. B if required.

Standard Deduction for—

- Single or Married filing separately, \$13,850
- Married filing jointly or Qualifying surviving spouse, \$27,700
- Head of household, \$20,800
- If you checked any box under Standard Deduction, see instructions.

Tax and Credits	16	Tax (see instructions). Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/>	16	18,017
	17	Amount from Schedule 2, line 3	17	0
	18	Add lines 16 and 17	18	18,017
	19	Child tax credit or credit for other dependents from Schedule 8812	19	2,000
	20	Amount from Schedule 3, line 8	20	0
	21	Add lines 19 and 20	21	2,000
	22	Subtract line 21 from line 18. If zero or less, enter -0-	22	16,017
	23	Other taxes, including self-employment tax, from Schedule 2, line 21	23	0
	24	Add lines 22 and 23. This is your total tax	24	16,017

Payments	25	Federal income tax withheld from:		
	a	Form(s) W-2	25a	18,000
	b	Form(s) 1099	25b	
	c	Other forms (see instructions)	25c	
	d	Add lines 25a through 25c	25d	
	26	2023 estimated tax payments and amount applied from 2022 return	26	
	27	Earned income credit (EIC)	27	
	28	Additional child tax credit from Schedule 8812	28	
	29	American opportunity credit from Form 8863, line 8	29	
	30	Reserved for future use	30	
	31	Amount from Schedule 3, line 15	31	
	32	Add lines 27, 28, 29, and 31. These are your total other payments and refundable credits	32	0
	33	Add lines 25d, 26, and 32. These are your total payments	33	18,000

Refund	34	If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you overpaid	34	1,983																		
	35a	Amount of line 34 you want refunded to you . If Form 8888 is attached, check here <input type="checkbox"/>	35a	1,983																		
Direct deposit? See instructions.	b	Routing number <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td></tr></table> c Type: <input checked="" type="checkbox"/> Checking <input type="checkbox"/> Savings	x	x	x	x	x	x	x	x	x	x										
x	x	x	x	x	x	x	x	x	x													
	d	Account number <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td></tr></table>	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x		
x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x					
	36	Amount of line 34 you want applied to your 2024 estimated tax	36																			

Amount You Owe	37	Subtract line 33 from line 24. This is the amount you owe . For details on how to pay, go to www.irs.gov/Payments or see instructions	37	
	38	Estimated tax penalty (see instructions)	38	0

Third Party Designee Do you want to allow another person to discuss this return with the IRS? See instructions Yes. Complete below. No

Designee's name _____ Phone no. _____ Personal identification number (PIN) _____

Sign Here Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature	Date	Your occupation Software Engineer	If the IRS sent you an Identity Protection PIN, enter it here (see inst.)
Spouse's signature. If a joint return, both must sign.	Date	Spouse's occupation Lawyer	If the IRS sent your spouse an Identity Protection PIN, enter it here (see inst.)
Phone no.	Email address		

Paid Preparer Use Only

Preparer's name Sameer Shah	Preparer's signature	Date	PTIN	Check if: <input type="checkbox"/> Self-employed
Firm's name	Firm's address 1280 Shah Drive, Dallas TX 75205			Phone no. 5209655906
Firm's address				Firm's EIN

**SCHEDULE 1
(Form 1040)**

Department of the Treasury
Internal Revenue Service

Additional Income and Adjustments to Income

Attach to Form 1040, 1040-SR, or 1040-NR.

Go to www.irs.gov/Form1040 for instructions and the latest information.

OMB No. 1545-0074

2023

Attachment
Sequence No. **01**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR

Your social security number

Matt Davis, Lisa Davis

444-55-6666

Part I Additional Income

1	Taxable refunds, credits, or offsets of state and local income taxes	1	
2a	Alimony received	2a	
b	Date of original divorce or separation agreement (see instructions):		
3	Business income or (loss). Attach Schedule C	3	
4	Other gains or (losses). Attach Form 4797	4	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5	20,060
6	Farm income or (loss). Attach Schedule F	6	
7	Unemployment compensation	7	
8	Other income:		
a	Net operating loss	8a	()
b	Gambling	8b	350
c	Cancellation of debt	8c	
d	Foreign earned income exclusion from Form 2555	8d	()
e	Income from Form 8853	8e	
f	Income from Form 8889	8f	
g	Alaska Permanent Fund dividends	8g	
h	Jury duty pay	8h	
i	Prizes and awards	8i	
j	Activity not engaged in for profit income	8j	
k	Stock options	8k	
l	Income from the rental of personal property if you engaged in the rental for profit but were not in the business of renting such property	8l	
m	Olympic and Paralympic medals and USOC prize money (see instructions)	8m	
n	Section 951(a) inclusion (see instructions)	8n	
o	Section 951A(a) inclusion (see instructions)	8o	
p	Section 461(l) excess business loss adjustment	8p	
q	Taxable distributions from an ABL account (see instructions)	8q	
r	Scholarship and fellowship grants not reported on Form W-2	8r	
s	Nontaxable amount of Medicaid waiver payments included on Form 1040, line 1a or 1d	8s	()
t	Pension or annuity from a nonqualified deferred compensation plan or a nongovernmental section 457 plan	8t	
u	Wages earned while incarcerated	8u	
z	Other income. List type and amount:	8z	
9	Total other income. Add lines 8a through 8z	9	350
10	Combine lines 1 through 7 and 9. This is your additional income . Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8	10	20,410

Part II Adjustments to Income

11	Educator expenses		11	
12	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106		12	
13	Health savings account deduction. Attach Form 8889		13	
14	Moving expenses for members of the Armed Forces. Attach Form 3903		14	
15	Deductible part of self-employment tax. Attach Schedule SE		15	
16	Self-employed SEP, SIMPLE, and qualified plans		16	
17	Self-employed health insurance deduction		17	
18	Penalty on early withdrawal of savings		18	35
19a	Alimony paid		19a	14,400
b	Recipient's SSN	7 7 7 8 8 9 9 9 !		
c	Date of original divorce or separation agreement (see instructions):	October 20, 2012		
20	IRA deduction		20	3,800
21	Student loan interest deduction		21	2,000
22	Reserved for future use		22	
23	Archer MSA deduction		23	
24	Other adjustments:			
a	Jury duty pay (see instructions)	24a		
b	Deductible expenses related to income reported on line 8l from the rental of personal property engaged in for profit	24b		
c	Nontaxable amount of the value of Olympic and Paralympic medals and USOC prize money reported on line 8m	24c		
d	Reforestation amortization and expenses	24d		
e	Repayment of supplemental unemployment benefits under the Trade Act of 1974	24e		
f	Contributions to section 501(c)(18)(D) pension plans	24f		
g	Contributions by certain chaplains to section 403(b) plans	24g		
h	Attorney fees and court costs for actions involving certain unlawful discrimination claims (see instructions)	24h		
i	Attorney fees and court costs you paid in connection with an award from the IRS for information you provided that helped the IRS detect tax law violations	24i		
j	Housing deduction from Form 2555	24j		
k	Excess deductions of section 67(e) expenses from Schedule K-1 (Form 1041)	24k		
z	Other adjustments. List type and amount:	24z		
25	Total other adjustments. Add lines 24a through 24z		25	
26	Add lines 11 through 23 and 25. These are your adjustments to income . Enter here and on Form 1040, 1040-SR, or 1040-NR, line 10		26	20,435

**SCHEDULE A
(Form 1040)**

Department of the Treasury
Internal Revenue Service

Itemized Deductions

Attach to Form 1040 or 1040-SR.

Go to www.irs.gov/ScheduleA for instructions and the latest information.

Caution: If you are claiming a net qualified disaster loss on Form 4684, see the instructions for line 16.

OMB No. 1545-0074

2023

Attachment
Sequence No. 07

Name(s) shown on Form 1040 or 1040-SR

Matt Davis, Lisa Davis

Your social security number

444-55-6666

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17					
Medical and Dental Expenses	Caution: Do not include expenses reimbursed or paid by others.																						
	1 Medical and dental expenses (see instructions)	1																		15,780			
	2 Enter amount from Form 1040 or 1040-SR, line 11	2																		163,575			
	3 Multiply line 2 by 7.5% (0.075)	3																		12,268			
	4 Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-																				3,512		
Taxes You Paid	5 State and local taxes.																						
	a State and local income taxes or general sales taxes. You may include either income taxes or general sales taxes on line 5a, but not both. If you elect to include general sales taxes instead of income taxes, check this box <input checked="" type="checkbox"/>	5a																				3,510	
	b State and local real estate taxes (see instructions)	5b																				5,900	
	c State and local personal property taxes	5c																				350	
	d Add lines 5a through 5c	5d																				9,760	
	e Enter the smaller of line 5d or \$10,000 (\$5,000 if married filing separately)	5e																				9,760	
	6 Other taxes. List type and amount:	6																					
7 Add lines 5e and 6																						9,760	
Interest You Paid	8 Home mortgage interest and points. If you didn't use all of your home mortgage loan(s) to buy, build, or improve your home, see instructions and check this box <input type="checkbox"/>																						
	a Home mortgage interest and points reported to you on Form 1098. See instructions if limited	8a																				17,900	
	b Home mortgage interest not reported to you on Form 1098. See instructions if limited. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address	8b																					
	c Points not reported to you on Form 1098. See instructions for special rules	8c																				0	
	d Reserved for future use	8d																					
	e Add lines 8a through 8c	8e																				17,900	
9 Investment interest. Attach Form 4952 if required. See instructions	9																					500	
10 Add lines 8e and 9																						18,400	
Gifts to Charity	11 Gifts by cash or check. If you made any gift of \$250 or more, see instructions	11																				4,000	
	12 Other than by cash or check. If you made any gift of \$250 or more, see instructions. You must attach Form 8283 if over \$500	12																				3,000	
	13 Carryover from prior year	13																					
	14 Add lines 11 through 13																					7,000	
Casualty and Theft Losses	15 Casualty and theft loss(es) from a federally declared disaster (other than net qualified disaster losses). Attach Form 4684 and enter the amount from line 18 of that form. See instructions																						
Other Itemized Deductions	16 Other—from list in instructions. List type and amount: <u>Gambling Loss</u>																						
Total Itemized Deductions	17 Add the amounts in the far right column for lines 4 through 16. Also, enter this amount on Form 1040 or 1040-SR, line 12																						39,022
	18 If you elect to itemize deductions even though they are less than your standard deduction, check this box <input type="checkbox"/>																						

**SCHEDULE B
(Form 1040)**

Department of the Treasury
Internal Revenue Service

Interest and Ordinary Dividends

Attach to Form 1040 or 1040-SR.

Go to www.irs.gov/ScheduleB for instructions and the latest information.

OMB No. 1545-0074

2023

Attachment
Sequence No. **08**

Name(s) shown on return

Matt Davis, Lisa Davis

Your social security number

444-55-6666

**Part I
Interest**

(See instructions and the Instructions for Form 1040, line 2b.)

Note: If you received a Form 1099-INT, Form 1099-OID, or substitute statement from a brokerage firm, list the firm's name as the payer and enter the total interest shown on that form.

1 List name of payer. If any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see the instructions and list this interest first. Also, show that buyer's social security number and address:

Frost Bank

Parry Corporation

Amount

2,900

3,000

1

2 Add the amounts on line 1

3 Excludable interest on series EE and I U.S. savings bonds issued after 1989. Attach Form 8815

4 Subtract line 3 from line 2. Enter the result here and on Form 1040 or 1040-SR, line 2b

Note: If line 4 is over \$1,500, you must complete Part III.

5,900

5,900

Amount

**Part II
Ordinary Dividends**

(See instructions and the Instructions for Form 1040, line 3b.)

Note: If you received a Form 1099-DIV or substitute statement from a brokerage firm, list the firm's name as the payer and enter the ordinary dividends shown on that form.

5 List name of payer: Texas Instruments Inc

5

6 Add the amounts on line 5. Enter the total here and on Form 1040 or 1040-SR, line 3b

Note: If line 6 is over \$1,500, you must complete Part III.

1,200

1,200

**Part III
Foreign Accounts and Trusts**

Caution: If required, failure to file FinCEN Form 114 may result in substantial penalties. Additionally, you may be required to file Form 8938, Statement of Specified Foreign Financial Assets. See instructions.

You must complete this part if you (a) had over \$1,500 of taxable interest or ordinary dividends; (b) had a foreign account; or (c) received a distribution from, or were a grantor of, or a transferor to, a foreign trust.

7a At any time during 2023, did you have a financial interest in or signature authority over a financial account (such as a bank account, securities account, or brokerage account) located in a foreign country? See instructions

If "Yes," are you required to file FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR), to report that financial interest or signature authority? See FinCEN Form 114 and its instructions for filing requirements and exceptions to those requirements

b If you are required to file FinCEN Form 114, list the name(s) of the foreign country(-ies) where the financial account(s) is (are) located:

8 During 2023, did you receive a distribution from, or were you the grantor of, or transferor to, a foreign trust? If "Yes," you may have to file Form 3520. See instructions

Yes	No
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>

**SCHEDULE D
(Form 1040)**

Capital Gains and Losses

OMB No. 1545-0074

2023

Attachment
Sequence No. **12**

Department of the Treasury
Internal Revenue Service

Attach to Form 1040, 1040-SR, or 1040-NR.
Use Form 8949 to list your transactions for lines 1b, 2, 3, 8b, 9, and 10.
Go to www.irs.gov/ScheduleD for instructions and the latest information.

Name(s) shown on return
Matt Davis, Lisa Davis

Your social security number
444-55-6666

Did you dispose of any investment(s) in a qualified opportunity fund during the tax year? Yes No
If "Yes," attach Form 8949 and see its instructions for additional requirements for reporting your gain or loss.

Part I Short-Term Capital Gains and Losses—Generally Assets Held One Year or Less (see instructions)

See instructions for how to figure the amounts to enter on the lines below. This form may be easier to complete if you round off cents to whole dollars.	(d) Proceeds (sales price)	(e) Cost (or other basis)	(g) Adjustments to gain or loss from Form(s) 8949, Part I, line 2, column (g)	(h) Gain or (loss) Subtract column (e) from column (d) and combine the result with column (g)
1a Totals for all short-term transactions reported on Form 1099-B for which basis was reported to the IRS and for which you have no adjustments (see instructions). However, if you choose to report all these transactions on Form 8949, leave this line blank and go to line 1b	21,000	32,000		11,000
1b Totals for all transactions reported on Form(s) 8949 with Box A checked				
2 Totals for all transactions reported on Form(s) 8949 with Box B checked				
3 Totals for all transactions reported on Form(s) 8949 with Box C checked				
4 Short-term gain from Form 6252 and short-term gain or (loss) from Forms 4684, 6781, and 8824			4	
5 Net short-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1			5	
6 Short-term capital loss carryover. Enter the amount, if any, from line 8 of your Capital Loss Carryover Worksheet in the instructions			6 ()	
7 Net short-term capital gain or (loss) . Combine lines 1a through 6 in column (h). If you have any long-term capital gains or losses, go to Part II below. Otherwise, go to Part III on the back			7	11,000

Part II Long-Term Capital Gains and Losses—Generally Assets Held More Than One Year (see instructions)

See instructions for how to figure the amounts to enter on the lines below. This form may be easier to complete if you round off cents to whole dollars.	(d) Proceeds (sales price)	(e) Cost (or other basis)	(g) Adjustments to gain or loss from Form(s) 8949, Part II, line 2, column (g)	(h) Gain or (loss) Subtract column (e) from column (d) and combine the result with column (g)
8a Totals for all long-term transactions reported on Form 1099-B for which basis was reported to the IRS and for which you have no adjustments (see instructions). However, if you choose to report all these transactions on Form 8949, leave this line blank and go to line 8b	28,000	45,000		(17,000)
8b Totals for all transactions reported on Form(s) 8949 with Box D checked				
9 Totals for all transactions reported on Form(s) 8949 with Box E checked				
10 Totals for all transactions reported on Form(s) 8949 with Box F checked				
11 Gain from Form 4797, Part I; long-term gain from Forms 2439 and 6252; and long-term gain or (loss) from Forms 4684, 6781, and 8824			11	
12 Net long-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1			12	
13 Capital gain distributions. See the instructions			13	
14 Long-term capital loss carryover. Enter the amount, if any, from line 13 of your Capital Loss Carryover Worksheet in the instructions			14 ()	
15 Net long-term capital gain or (loss) . Combine lines 8a through 14 in column (h). Then, go to Part III on the back			15	(17,000)

Part III Summary

<p>16 Combine lines 7 and 15 and enter the result</p> <ul style="list-style-type: none"> • If line 16 is a gain, enter the amount from line 16 on Form 1040, 1040-SR, or 1040-NR, line 7. Then, go to line 17 below. • If line 16 is a loss, skip lines 17 through 20 below. Then, go to line 21. Also be sure to complete line 22. • If line 16 is zero, skip lines 17 through 21 below and enter -0- on Form 1040, 1040-SR, or 1040-NR, line 7. Then, go to line 22. 	16	(6,000)
<p>17 Are lines 15 and 16 both gains?</p> <p><input type="checkbox"/> Yes. Go to line 18.</p> <p><input type="checkbox"/> No. Skip lines 18 through 21, and go to line 22.</p>	18	
<p>18 If you are required to complete the 28% Rate Gain Worksheet (see instructions), enter the amount, if any, from line 7 of that worksheet</p>	19	
<p>19 If you are required to complete the Unrecaptured Section 1250 Gain Worksheet (see instructions), enter the amount, if any, from line 18 of that worksheet</p>		
<p>20 Are lines 18 and 19 both zero or blank and you are not filing Form 4952?</p> <p><input type="checkbox"/> Yes. Complete the Qualified Dividends and Capital Gain Tax Worksheet in the instructions for Form 1040, line 16. Don't complete lines 21 and 22 below.</p> <p><input type="checkbox"/> No. Complete the Schedule D Tax Worksheet in the instructions. Don't complete lines 21 and 22 below.</p>		
<p>21 If line 16 is a loss, enter here and on Form 1040, 1040-SR, or 1040-NR, line 7, the smaller of:</p> <ul style="list-style-type: none"> • The loss on line 16; or • (\$3,000), or if married filing separately, (\$1,500) } 	21	(3,000)
<p>Note: When figuring which amount is smaller, treat both amounts as positive numbers.</p>		
<p>22 Do you have qualified dividends on Form 1040, 1040-SR, or 1040-NR, line 3a?</p> <p><input checked="" type="checkbox"/> Yes. Complete the Qualified Dividends and Capital Gain Tax Worksheet in the instructions for Form 1040, line 16.</p> <p><input type="checkbox"/> No. Complete the rest of Form 1040, 1040-SR, or 1040-NR.</p>		

SCHEDULE E
(Form 1040)

Supplemental Income and Loss
(From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.)

OMB No. 1545-0074

2023
Attachment
Sequence No. **13**

Department of the Treasury
Internal Revenue Service

Attach to Form 1040, 1040-SR, 1040-NR, or 1041.
Go to www.irs.gov/ScheduleE for instructions and the latest information.

Name(s) shown on return
Matt Davis, Lisa Davis

Your social security number
444-55-6666

Part I **Income or Loss From Rental Real Estate and Royalties**

Note: If you are in the business of renting personal property, use **Schedule C**. See instructions. If you are an individual, report farm rental income or loss from **Form 4835** on page 2, line 40.

- A** Did you make any payments in 2023 that would require you to file Form(s) 1099? See instructions Yes No
B If "Yes," did you or will you file required Form(s) 1099? Yes No

1a Physical address of each property (street, city, state, ZIP code)

A 100 Seashell Way, Port Aransas, TX 78373

B 809 Theresa Ave, Austin, TX 78703

C

1b Type of Property (from list below)	2 For each rental real estate property listed above, report the number of fair rental and personal use days. Check the QJV box only if you meet the requirements to file as a qualified joint venture. See instructions.	Fair Rental Days	Personal Use Days	QJV
		A	B	C
A 3		96	64	<input type="checkbox"/>
B 1		365	0	<input type="checkbox"/>
C				<input type="checkbox"/>

Type of Property:

- 1 Single Family Residence 3 Vacation/Short-Term Rental 5 Land 7 Self-Rental
 2 Multi-Family Residence 4 Commercial 6 Royalties 8 Other (describe) _____

Income:	Properties:		
	A	B	C
3 Rents received	3 24,000	36,000	
4 Royalties received	4		
Expenses:			
5 Advertising	5		
6 Auto and travel (see instructions)	6		
7 Cleaning and maintenance	7 2,000	200	
8 Commissions	8 1,700		
9 Insurance	9 2,500	3,200	
10 Legal and other professional fees	10		
11 Management fees	11		
12 Mortgage interest paid to banks, etc. (see instructions)	12 6,600	14,000	
13 Other interest	13		
14 Repairs	14	500	
15 Supplies	15		
16 Taxes	16 1,800	4,200	
17 Utilities	17 3,240		
18 Depreciation expense or depletion	18		
19 Other (list) _____	19		
20 Total expenses. Add lines 5 through 19	20 17,840	22,100	
21 Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a (loss), see instructions to find out if you must file Form 6198	21 6,160	13,900	
22 Deductible rental real estate loss after limitation, if any, on Form 8582 (see instructions)	22 ()	()	()
23a Total of all amounts reported on line 3 for all rental properties	23a	60,000	
b Total of all amounts reported on line 4 for all royalty properties	23b		
c Total of all amounts reported on line 12 for all properties	23c	20,600	
d Total of all amounts reported on line 18 for all properties	23d		
e Total of all amounts reported on line 20 for all properties	23e	39,400	
24 Income. Add positive amounts shown on line 21. Do not include any losses	24		20,060
25 Losses. Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here	25 ()		()
26 Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, and IV, and line 40 on page 2 do not apply to you, also enter this amount on Schedule 1 (Form 1040), line 5. Otherwise, include this amount in the total on line 41 on page 2	26		20,060

Name(s) shown on return. Do not enter name and social security number if shown on other side.

Your social security number

Caution: The IRS compares amounts reported on your tax return with amounts shown on Schedule(s) K-1.

Part II Income or Loss From Partnerships and S Corporations

Note: If you report a loss, receive a distribution, dispose of stock, or receive a loan repayment from an S corporation, you must check the box in column (e) on line 28 and attach the required basis computation. If you report a loss from an at-risk activity for which any amount is not at risk, you must check the box in column (f) on line 28 and attach Form 6198. See instructions.

27 Are you reporting any loss not allowed in a prior year due to the at-risk or basis limitations, a prior year unallowed loss from a passive activity (if that loss was not reported on Form 8582), or unreimbursed partnership expenses? If you answered "Yes," see instructions before completing this section Yes No

28	(a) Name	(b) Enter P for partnership; S for S corporation	(c) Check if foreign partnership	(d) Employer identification number	(e) Check if basis computation is required	(f) Check if any amount is not at risk
A			<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
B			<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
C			<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
D			<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Passive Income and Loss		Nonpassive Income and Loss		
(g) Passive loss allowed (attach Form 8582 if required)	(h) Passive income from Schedule K-1	(i) Nonpassive loss allowed (see Schedule K-1)	(j) Section 179 expense deduction from Form 4562	(k) Nonpassive income from Schedule K-1
A				
B				
C				
D				
29a Totals				
b Totals				
30	Add columns (h) and (k) of line 29a			30
31	Add columns (g), (i), and (j) of line 29b			31 ()
32	Total partnership and S corporation income or (loss). Combine lines 30 and 31			32

Part III Income or Loss From Estates and Trusts

33	(a) Name	(b) Employer identification number
A		
B		

Passive Income and Loss		Nonpassive Income and Loss	
(c) Passive deduction or loss allowed (attach Form 8582 if required)	(d) Passive income from Schedule K-1	(e) Deduction or loss from Schedule K-1	(f) Other income from Schedule K-1
A			
B			
34a Totals			
b Totals			
35	Add columns (d) and (f) of line 34a		35
36	Add columns (c) and (e) of line 34b		36 ()
37	Total estate and trust income or (loss). Combine lines 35 and 36		37

Part IV Income or Loss From Real Estate Mortgage Investment Conduits (REMICs) – Residual Holder

38	(a) Name	(b) Employer identification number	(c) Excess inclusion from Schedules Q, line 2c (see instructions)	(d) Taxable income (net loss) from Schedules Q, line 1b	(e) Income from Schedules Q, line 3b
39	Combine columns (d) and (e) only. Enter the result here and include in the total on line 41 below				39

Part V Summary

40	Net farm rental income or (loss) from Form 4835. Also, complete line 42 below	40	
41	Total income or (loss). Combine lines 26, 32, 37, 39, and 40. Enter the result here and on Schedule 1 (Form 1040), line 5	41	20,060
42	Reconciliation of farming and fishing income. Enter your gross farming and fishing income reported on Form 4835, line 7; Schedule K-1 (Form 1065), box 14, code B; Schedule K-1 (Form 1120-S), box 17, code AN; and Schedule K-1 (Form 1041), box 14, code F. See instructions	42	
43	Reconciliation for real estate professionals. If you were a real estate professional (see instructions), enter the net income or (loss) you reported anywhere on Form 1040, Form 1040-SR, or Form 1040-NR from all rental real estate activities in which you materially participated under the passive activity loss rules	43	