Classwork 4 – with answers

**Classwork 1.** True or False.

1. Employee bonuses are not included in gross income. **FALSE**
2. Most taxable compensation you receive as an employee is shown in box 1 of Form W-2. **TRUE**
3. Tips are not taxable income. **FALSE**
4. The amounts shown in each box on Form W-2 are entered on your tax return. **FALSE**
5. Taxable employee compensation is reported on line 7 of Form 1040. **TRUE**
6. If the amount shown in box 1 of Form W-2 is incorrect, you should cross it out and write in the correct amount. **FALSE**
7. Box 8 of Jackie’s Form W-2 shows allocated tips of $340. If Jackie cannot prove she received a smaller amount of tips, she must include $340 in the amount she enters on line 7 of Form 1040 and she must complete Form 4137. **TRUE**
8. Joe contributes part of his salary to the 401(k) retirement plan set up by his employer. Joe will never have to pay tax on these contributions. **FALSE**
9. Generally, withholding of federal taxes is required on all employee compensation. **TRUE**
10. Income reported on Form 1099-MISC, box 7, is not reported as wages on line 7 of Form 1040. **TRUE**

**CLASSWORK 2**: Should the following types of compensation be included in box 1 of Form W-2? Yes or No.

1. A vacation trip you were awarded as a prize for meeting sales goals. **YES**
2. Your employer’s contribution to a qualified retirement plan. **NO**
3. The ham your employer gave you for Christmas. **NO**
4. Employer provided vehicles used for personal driving, including commuting to and from work. **YES**
5. Payments received from your employer while you were out with a broken leg. **YES**

**CLASSWORK 3**: Multiple choice.

1) Shea is a waitress. The amount in box 1 of her Form W-2 is $17,540. She reported tips totaling $2,489 to her employer. Her unreported tips totaled $37. What is the amount of her tips included in the box 1 of her Form W-2?

* + - * 1. **$2,489**
        2. $2,526
        3. $0

2) How much does Shea have to include on Form 1040, line 7?

* + - * 1. $17,540
        2. **$17,577**
        3. $20,029
        4. $20,066.

3) James is a waiter. The amount in box 1 of James’s Form W-2 is $14,722. He reported tips of $1,554 to his employer. Box 8 of his FormW-2 shows the amount of $412 and James does not have records to dispute this amount. What amount will James enter on line 7 of Form 1040?

* + - * 1. $16,688
        2. **$15,134**
        3. $14,722
        4. $16,276

1. Which of the following is an example of unearned income?
   * + - 1. Wages
         2. A bonus from your employer
         3. Sick pay
         4. **Unemployment compensation**