

PRACTICAL INCOME TAX PROBLEM

Vern buys 100 shares of Dingdong stock for \$1,000. Vern sells 50 shares for \$750 three months later. Capital gain is \$_____.

A Bond costing \$5,000 is sold for \$5,300 on May 31, 2016. The sale price includes \$200 of interest income accrued from January 1 to May 31. Interest income is \$_____. Capital gain is \$_____.

On October 30, 2012, Bob purchased a home for \$100,000. On October 1, 2016, Bob sold his home for \$600,000. Capital gain is \$_____.

Short-term: The holding period is one year or less.

Long-term: The holding period is more than one year.

Eric purchased stock that has a trade date of August 28, 2015. In order to qualify for the long-term holding period, the stock would have to be sold with a trade date on or after _____.

Jane is single. Her only income for 2016 is her salary of \$500,000.

Salary	\$
Standard deduction	(\$6,300)
Exemption (phased out)	<u>(\$ 0)</u>
Taxable income	\$

Tax at regular tax rates:

- ($\$9,275 - \0) x 10%
- ($\$37,650 - \$9,275$) x 15%
- ($\$91,150 - \$37,650$) x 25%
- ($\$190,150 - \$37,650$) x 28%
- ($\$413,350 - \$190,151$) x 33%
- ($\$415,050 - \$413,350$) x 35%
- ($\$493,700 - \$415,050$) x 39.6%

Tax \$

Joe Jackson is single. His only income for 2016 is a long-term capital gain of \$500,000. How is the gain taxed at different capital gain rates?

Long-term capital gain	\$
Standard deduction	(\$6,300)
Exemption (phased out)	<u>(\$ 0)</u>
Taxable income	\$

Tax at capital gain rates:

- $(\$9,275 - \$0) \times 0\%$
- $(\$37,650 - \$9,275) \times 0\%$
- $(\$91,150 - \$37,650) \times 15\%$
- $(\$190,150 - \$37,650) \times 15\%$
- $(\$413,350 - \$190,151) \times 15\%$
- $(\$415,050 - \$413,350) \times 15\%$
- $(\$493,700 - \$415,050) \times 20\%$

Tax \$

Income Tax Rate (Single)

Taxable Income	Tax Rate		
	Ordinary income	Capital Gain (ST)	Capital Gain (LT)
\$0 - \$9,275	10%	10%	0%
\$9,276 - \$37,650	15%	15%	0%
\$37,651 - \$91,150	25%	25%	15%
\$91,151 - \$190,150	28%	28%	15%
\$190,151 - \$413,350	33%	33%	15%
\$413,351 - \$415,050	35%	35%	15%
\$415,051 or more	39.6%	39.6%	20%