**Case Study 2.**

Jane Smith, age 40, is single and has no dependents. She is employed as a legal secretary by Legal Services, Inc. She owns and operates Typing Services located in Los Angeles. Jane is a material participant in the business. She is a cash basis taxpayer. Jane lives at 1111 S. Lexington Dr. #111, Glendale, CA 91205. Jane’s Social Security number is 123-45-6789. Jane indicates that she wishes to designate $3 to the Presidential Election Campaign Fund. During 2016, Jane had the following income and expense items:

1. $50,000 salary form Legal Service, Inc.
2. $20,000 gross receipts from her typing services business.
3. $700 interest income from Acme National Bank.
4. $1,000 Christmas bonus from Legal Service, Inc.
5. $5,000 check given to her by her wealthy aunt.
6. $100 won in a bingo game.
7. Expenses connected with the typing service:

Office rent $7,000

Supplies $4,400

Utilities & telephone $4,680

Wages to part-time typists $5,000

Payroll taxes $500

Equipment rentals $3,000

1. $8,346 interest expense on a home mortgage
2. Jane had loaned $2,100 to a friend, Joan Jensen, on June 3, 2014. Joan declared bankruptcy

On August 14, 2016, and was unable to repay the loan.

1. Legal Service, inc., withheld Federal income tax of $7,500 and FICA tax of $3,551.
2. Alimony of $10,000 received from her former husband, Ted Smith.
3. Interest income of $800 on savings account of Bank of America
4. Jane made estimated Federal tax payments of $1,000
5. State income tax paid of $1,500
6. Charitable contributions of $2,500

Compute Jane Smith’s 2016 Federal Income tax payable (or refund due). You will need Form 1040 and Schedules A, B, C, and D.