

**Summary, 2018****Income***Employment, Interest, Dividends, Schedule C*

	<u>Box 1 Wages</u>	<u>Federal Inc. Tax Withheld</u>	<u>FICA Tax</u>	<u>Medicare Tax</u>	<u>SUI/SDI Tax</u>	<u>State Inc. Tax</u>	<u>Income Total</u>
<b>Employment</b>							
<b>Husband Employer</b>							
Wages	\$ 149,707.16						
Signing bonus	8,550.00						
Vested shares	<u>407,434.56</u>						
Gross Pay, Husband	\$ 565,691.72						
Less, income deferr	<u>11,327.36</u>						
<b>Total, Husband</b>	<b>\$ 554,364.36</b>	104,055.83	7,960.80	11,367.99	1,149.67	48,995.96	\$ 554,364.36
<b>Wife Employer</b>							
Wages	<b>\$ 215,215.00</b>						
Less, income deferr	<u>8,600.00</u>						
Total, Wife, W-2	<b>\$ 206,615.00</b>	<b>12,966.85</b>	<b>7,960.80</b>	<b>3,257.56</b>	<b>1,149.67</b>	<b>12,824.16</b>	<u>206,615.00</u>
Total	<b>\$ 760,979.36</b>	<b>\$ 117,022.68</b>	<b>\$ 15,921.60</b>	<b>\$ 14,625.55</b>	<b>\$ 2,299.34</b>	<b>\$ 61,820.12</b>	<b>\$ 760,979.36</b>
<b>Interest</b>							
8a. Total, Interest Income							<b>\$ 1,159.65</b>
<b>Dividends</b>							
9a. Ordinary Dividends							<b>26.90</b>
Qualified Dividends						20.06	
<b>Schedule C, Sole Proprietorship Business Revenue</b>							
						Biophysics <u>Research</u>	
Gross Revenue						<b>\$ 2,800.00</b>	
Operating Expenses						\$ 88,154.15	
Depreciation						<u>28,744.61</u>	
Total Deductions						<b>\$ 116,898.76</b>	
Total, Net Income(loss)						<b>\$ (114,098.76)</b>	<b>\$ (114,098.76)</b>

**Income**  
**Schedule D and Schedule E**

**Schedule D**

**Schedule D, Part I**

Sch D line 2 Form 8949, Share transaction	\$ (15.10)	
Sch D line 5 Partnership form K-1, line 8, short term	<u>(184.00)</u>	
Sch D line 7 <b>NET, short term gains</b>		<b>\$ (199.10)</b>

**Schedule D, Part II**

Sch D line 12 Parthnership Form K-1, line 9a, long term	\$ (39.00)	
Mututal Fund, Technology	\$ 35.82	
Mutulal Fund, Health Sciences	<u>179.59</u>	
Sch D,line 13 <b>Total, Capital Gain Distributions</b>		<b><u>215.41</u></b>
Sch D line 15 <b>NET, long term gains</b>		<b><u>179.59</u></b>
<b>Sch D line 16 Total, short &amp; long term,Combine line 7 and line 15</b>		<b>\$ (19.51) (19.51)</b>

**PENSION DISTRIBUTION**

16a. Taxable pension income -

**Schedule E, Rental Property**

	Short-term Rent <u>Property 1</u>	Short-term Rent <u>Property 2</u>	Short-term Rent <u>Property 3</u>	<u>Total</u>	
Gross Revenue	\$ <b>32,796.83</b>	\$ <b>10,690.45</b>	\$ -	\$ <b>43,487.28</b>	
Operating Expenses	\$ 20,853.46	\$ 18,428.57	\$ 17,482.75	\$ 56,764.78	
Depreciation	<u>45,523.37</u>	<u>97,013.84</u>	<u>21,507.05</u>	<u>164,044.26</u>	
Total Deductions	<u>\$ 75,177.79</u>	<u>\$ 124,057.17</u>	<u>\$ 38,989.80</u>	<u>\$ 238,224.76</u>	
Total,Net Income(loss), Schedule E	\$ <b>(42,380.96)</b>	\$ <b>(113,366.72)</b>	\$ <b>(38,989.80)</b>	\$ <b>(194,737.48)</b>	\$ <b>(194,737.48)</b>

19. Unemployment Income -

**SOCIAL SECURITY INCOME**

Gross income, Social Security, husband	\$ -		
Gross income, Social Security, wife	-		
20a, Total, Social Security Income	-		-
21. Other Income	\$ -		<u>-</u>

**Total Income, Net** **\$ 453,310.16**

**Schedule E, Short-Term Rental**  
**Single Family Residence, Property 2**  
Allocation Between Joint Owner and Taxpayer

	<u>Total</u>	Taxpayer <u>Allocation.%</u>	Allocation <u>Joint Owner</u>	Allocation <u>Taxpayer</u>
<b>RENTAL INCOME</b>				
Gross Income	\$ 98,390.51	33.33%	\$ 65,593.67	\$ 32,796.84
<b>Operating Expenses</b>				
9. Insurance	\$ 514.10	33.33%	\$ 342.73	\$ 171.37
10. Fees	2,200.00	33.33%	1,466.67	733.33
12a. Interest, Bank 3	20,338.06	33.33%	13,558.71	6,779.35
12b. Interest, Bank 4	6,064.83	33.33%	4,043.22	2,021.61
14. Repairs, Maintenance	20,137.35	33.33%	13,424.90	6,712.45
15. Supplies	12,135.73	33.33%	8,090.49	4,045.24
16. Property Taxes	20,978.16	33.33%	13,985.44	6,992.72
17. Utilities	6,595.05	33.33%	4,396.70	2,198.35
18. Depreciation	45,523.37	100.0%	-	45,523.37
<b>28. Total, Expenses</b>	<b><u>\$ 134,486.65</u></b>		<b><u>\$ 59,308.85</u></b>	<b><u>\$ 75,177.80</u></b>
<b>29. Profit (Loss)</b>	<b>\$ (36,096.14)</b>		<b>\$ 6,284.82</b>	<b>\$ (42,380.96)</b>

**Depreciation, 11.5 mo to Dec 13, 2018**

	<u>Date</u>	<u>Basis</u>	<u>Depreciation</u>	
Land	8/24/99	\$ 74,800.00		
Building	8/24/99	<u>216,350.02</u>	\$ 5,316.08	
<b>Basis, land and building</b>		<b>\$ 291,150.02</b>		
Rehabilitation	1999	\$ 8,281.83		
Rehabilitation	2001	13,676.82		
Rehabilitation	2004	13,740.08		
Rehabilitation	2005	21,313.08		
Rehabilitation	2006	3,681.86		
Rehabilitation	2012	39,244.50		
Rehabilitation	2013	83,308.72		
Disability access, \$11,508.44-\$5	2014	6,508.44		
Capital Improvements	2014	11,290.18		
Disability access, \$9,913.99 -\$5	2015	4,957.00		
Capital Improvements	2015	<u>15,481.74</u>		
<b>Total, Building and Capital Improvements</b>		<b>\$ 221,484.25</b>	<b><u>5,442.24</u></b>	
<b>Depreciation, 39 year life, 2.564% per year</b>			<b>\$ 10,758.32</b>	<b>\$ 10,758.32</b>
<b>Depreciation, 0.5 mo to Dec 31, 2018</b>				
Land	13-Dec-18	\$ 364,000.00		
Building	13-Dec-18	<u>1,036,000.00</u>	\$ 1,106.79	1,106.79
<b>Total, Improvements</b>		<b>\$1,400,000.00</b>		<b><u>1,106.79</u></b>
<b>Subtotal, Depreciation, 39-year life</b>				<b>\$11,865.11</b>
<b>Improvements, 2018, 1 year life, \$179</b>				
Interior improvements	2018		\$ 27,729.37	27,729.37
Disability Access Expenditures	2018	10,928.89		
Less, tax credit	2018	<u>(5,000.00)</u>		
<b>Improvements, 2018, 1 year life, \$179</b>		<b>\$ 5,928.89</b>	<b><u>5,928.89</u></b>	<b><u>5,928.89</u></b>
<b>Total Depreciation, 2018</b>			<b>\$ 33,658.26</b>	<b>\$45,523.37</b>

During 2018, the taxpayer owned 33.33% of Property 3 until Dec 13, 2018, when the taxpayer purchased 100%. Total 2018 depreciation includes 11.5 months on 1999-2015 basis and then 0.5 months on new Dec 13, 2018 basis. By agreement with the joint owner, 100% of depreciation is allocated to the taxpayer and 0% to the joint owner.

## RESEARCH TAX CREDIT

	Qualified for Tax Credit, %	Total	Qualified for Tax Credit, \$	Expensed	Capitalized
<b>Qualified Research Expenditures</b>					
5. Wages/earned income, 2018	100.0%	\$ -	\$ -	\$ -	\$ -
6. Supplies, Research	100.0%	2,553.16	2,553.16	1,680.94	-
8. Contact labor	65.0%	31,315.50	20,355.08	31,315.50	-
<b>9. Total, Qualified Research Expenditures</b>		<b>\$ 33,868.66</b>	<b>\$ 22,908.24</b>	<b>\$ 32,996.44</b>	<b>\$ -</b>

### Calculation of Research Credit, Percentage of Base

Base percentage, average, R&D/Gross

Research/Gross of Biochemistry Assoc. after Acquisition

Acquired Company Results before Acquisition

	Research	Gross	Research/Gross		Research	Gross	Research/Gross
1984	3,032.20	7,454.34	40.68%	1985	6,064.39	14,908.67	40.68%
1985	4,678.18	14,565.67	32.12%	1985	9,356.35	29,131.33	32.12%
1986	5,282.77	11,458.44	46.10%	1986	10,565.54	22,916.87	46.10%
1987	8,152.10	4,256.09	191.54%	1987	16,304.20	8,512.17	191.54%
1988	<u>7,389.51</u>	<u>4,572.95</u>	<u>161.59%</u>	1988	<u>14,779.01</u>	<u>9,145.90</u>	<u>161.59%</u>
Average	\$ 5,706.95	\$ 8,461.50	<u>67.45%</u>	Average	\$ 11,413.90	\$ 16,922.99	<u>67.45%</u>
10. Base percentage, statutory maximum			<u>16.00%</u>	Base percentage, statutory maximum			<u>16.00%</u>
10. Fixed base %, minimum of above			16.00%	Fixed base %, minimum of above			<b>16.00%</b>

### Gross Receipts

2015	\$ 43,700.00
2016	10,025.00
2017	3,000.00
2018	<u>2,800.00</u>

11. Average gross, past 4 years	<b>\$ 14,881.25</b>	
12. Base amount, 16% of 4 year average gross		<b>\$ 2,381.00</b>
13. Increase over base, subtract Line 12 from Line 9		<b>\$ 20,527.24</b>
14. Base amount, 50% of current year outlay, multiply line 8 by 50%		<b>11,454.12</b>
15. Base amount, minimum of Line 13 or Line 14 above		11,454.12
Increase over base		<u>11,454.12</u>
16. Add lines 1, 4, and 15		<b>\$ 11,454.12</b>
17. Tax Credit, 20% of increase over base		<b>\$ 2,290.82</b>
Election of reduced credit, 26 USC 280C(c)(3)(B)	=(credit ) minus (credit times 0.35)	<u>801.79</u>
Total, reduced tax credit amount, line 16 x 13%		1,489.04 <b>\$ 1,489.04</b>

### Calculation of the reduced credit amount

The operations of the company qualify for the 16% fixed base because of the research/gross ratio for 1984-1988.

The research/gross ratio is based on continued research operations from the acquisition on January 1, 2004 of 50% of the research operations of a separate company, with continuation of research operations on software research. Based on the acquisition of 50% of the prior research operations, the company is not classified as a start-up company.

Generally, no deduction is allowed for the amount of research expenses equal to the research credit, 26 USC 280C(c)(1).

By contrast, all qualified research expenses may be deducted if the taxpayer elects a reduced credit, 26 USC 280C(c)(3).

The amount of the reduced credit is calculated by the formula specified in 26 USC 280(c)(3)(B)(ii):

$$\text{reduced credit} = (\text{credit}) \text{ minus } (\text{credit} * .35)$$

wherein:

reduced credit = the research credit under 26 USC 41(a) less a calculated amount

credit = the amount of research credit allowed under 26 USC 41(a)

\* = the multiplication function

.35 = the maximum rate of tax under 26 USC 11(b)(1), specified as 35%

Research tax credit is recognized, because the increase in qualified research expenditures exceeds the base amount.