

SEE Sample Test Questions Part 1

Numbers and/or letters following the code section symbol are used to guide the user to the appropriate area in the Code for that reference.

1. Two taxpayers married on November 30. That same year, the husband enrolled in an accredited college to further his career and subsequently received a Form 1098-T, Tuition Statement. The wife was employed with an income of \$45,000 and paid for the husband's education expenses. The taxpayers did not receive any other income for the year. Based on their circumstances, what is the correct method to report the education credit?

- A. Taxpayers must file a joint return to claim an education credit
- B. Based on the wife's AGI, they do not qualify to claim an education credit
- C. Husband is ineligible to claim an education credit because the wife paid his education expenses
- D. Wife should report nonqualified education expenses on Form 8863, Education Credits (American Opportunity and Lifetime Learning Credits)

Key: A

References: IRC § 25A(g)(6); Instructions for Form 8863 (2022), page 2

2. The taxpayer has a child under the age of 24 who is a full-time student in their second year of college. The student will be claimed as a dependent on the taxpayer's return. The student's educational expenses included \$8,000 for tuition and \$4,000 for room and board. The student received a \$5,000 scholarship for tuition use only, as well as an additional \$2,500 scholarship to pay any of the student's college expenses. The taxpayer paid the remaining \$4,500.

Which of the following statements is correct, based on the information above?

- A. The student can claim the American Opportunity credit on the student's return for tuition expenses of \$3,000 when the student reports the additional \$2,500 scholarship as income
- B. The taxpayer can claim the American Opportunity credit on the taxpayer's return for tuition expenses of \$3,000 when the student reports the additional \$2,500 scholarship as income
- C. The taxpayer can claim the American Opportunity credit on the taxpayer's return for tuition expenses of \$3,000, and neither the taxpayer nor the student should report any of the additional \$2,500 scholarship as income
- D. The taxpayer can claim the American Opportunity credit on the taxpayer's return for tuition expenses of \$3,000 when the taxpayer reports the additional \$2,500 scholarship as income

Key: B

References: IRC § 25(A)(b)(1); IRC § 25(A)(g)(3); IRC § 117; Instructions for Form 8863, page 2; Publication 970 (2021), pages 9-20

3. Which of the following statements is correct regarding Form 1095A, Health Insurance Marketplace Statement?

- A. Taxpayers do not need Form 1095-A to complete Form 8962, Premium Tax Credit, to reconcile advance payments of the premium tax credit or claim the premium tax credit on their tax return
- B. Taxpayers will receive Form 1095-A to complete Form 8962, Premium Tax Credit, if they have been covered by an employer insurance plan for the entire year
- C. Taxpayers will use Form 1095-A to complete Form 8962, Premium Tax Credit, to reconcile advance payments of the premium tax credit or claim the premium tax credit on their tax return
- D. Taxpayers will attach a Form 1095-A to their tax return to reconcile advance payments of the premium tax credit or claim the premium tax credit on their return

Key: C

References: Form 8962 Instructions (2022), page 2; Form 1095-A (2022)

4. Which of the following statements is correct regarding Form 8995 Qualified Business Income (QBI) Deduction Simplified Computation?

- A. Corporations should complete the Form 8995 to claim the QBI Deduction on their corporate returns
- B. Taxpayers will receive the Form 8995 from the IRS, if they are determined to be eligible for the QBI Deduction
- C. A single individual with QBI, whose taxable income doesn't exceed the threshold amount, should use the Form 8995 to claim the QBI Deduction
- D. A partnership is required to attach Form 8995 to their partnership tax return to claim the QBI Deduction

Key: C

References: IRC § 199A(a); Instructions for Form 8995, Qualified Business Income Deduction Simplified Computation (2022), page 1

5. Which of the following is true regarding the premium tax credit (PTC)?

- A. Married individuals are always required to file a joint return to qualify for the credit
- B. For at least 6 months during the year the individual was enrolled in a qualified health plan
- C. Form 1095-A, Health Insurance Marketplace Statement, is not needed to complete Form 8962, Premium Tax Credit (PTC)

D. No PTC is allowed for an individual's coverage for any period that an individual is not lawfully present in the United States

Key: D

References: IRC § 36B(c)(1)(C); IRC 36B(e)(1); Pub 974 (2021); Instructions for Form 8962 (2022), pages 2-5

6. Which of the following situations is reported on Form 1099-MISC:

- A. Payment of non-employee compensation of \$600 or more
- B. Payments of rent of \$400
- C. Payments of \$5 in royalty income
- D. Payments made to a physician or other supplier or provider of medical or healthcare services of \$600 or more made in your trade or business

Key: D

References: Instructions for Form 1099-MISC and 1099-NEC, pages 1-10; Treas. Reg. 1.6041-1

7. What is the total amount a sole proprietor is obligated to report on Forms 1099-NEC based on the following expenses claimed on schedule C?

Attorneys' fees to incorporated law firm: \$600

Sign painter: \$800 (\$600 labor and \$200 materials)

Web page designer: \$500

Incorporated janitorial company: \$800

Consultant A: \$1,000 (\$400 paid in cash and \$600 paid by check)

Consultant B: \$500 paid in cash

Consultant C: \$400 paid by check

- A. \$1,400
- B. \$1,600
- C. \$2,000
- D. \$2,400

Key: D

References: Instructions for Form 1099-MISC and 1099-NEC pages 8-10; Pub 15-A (2022), pages 4-9 covers whether someone is an employee or a nonemployee independent contractor. (Key is computed as \$600 to law firm + \$800 to sign painter + \$1,000 to Consultant A = \$2,400)

8. The standard deduction is increased for individuals who are age 65 and older and/or:

- A. Blind
- B. Retired from the military
- C. A beneficiary of a trust
- D. Receiving unemployment compensation

Key: A

References: IRC 63(f); IRS, Publication 501 (2022), page 23

9. A 62-year-old, married taxpayer files Married Filing Separately, and lives apart from the spouse for the entire taxable year. What is the taxpayer's base amount for computing taxable social security benefits for the taxable year?

- A. Zero
- B. \$9,000
- C. \$25,000
- D. \$32,000

Key: C

References: § 86(c)(1); IRS, Publication 915 (2023), page 3; Publication 17 (2022), page 61

10. Which of the following is NOT included when calculating if any social security benefits are taxable:

- A. Interest that is tax-exempt
- B. Foreign earned income
- C. Meals excluded from gross income under section 119
- D. Employer-provided adoption benefits

Key: C

References: § 86(b)(2); Publication 915 (2022), page 3; Publication 17 (2022), page 61 & 63

11. If you have a dependent that you cannot claim for the child tax credit, the dependent may still qualify you for which \$500 credit?

- A. The Alternative Minimum Tax Credit
- B. The State and Local Income Tax Credit
- C. The Credit for Other Dependents
- D. The Credit for Foreign Dependents

Key: C

References: I.R.C. § 24(h)(4); Publication 17 (2022), Chapter 14, Child Tax Credit/Credit for Other Dependents, page 107

12. A child may be subject to kiddie tax in the current year if:

- A. Neither parent of the child is alive at the end of the year
- B. The child is under age 18 at the end of the tax year
- C. The child has only nontaxable income of more than \$2,300
- D. The child is required to file a tax return and he or she files a joint return for the year

Key: B

References: I.R.C. § 1(g)(2); Form 8615 (2022) Instructions pg. 1, 3

13. Which of the following is correct regarding a personal casualty loss?

- A. Loss of property due to progressive deterioration is not deductible
- B. It is reduced by the amount of your standard deduction
- C. It must be less than 10% of your adjusted gross income
- D. It is deducted over a three-year consecutive period

Key: A

References: § 165; Publication 547 (2021)

14. The Net Investment Income Tax may apply to which of the following?

- A. Alimony
- B. Traditional IRA distribution
- C. Taxable mutual fund distribution
- D. Tax exempt municipal bond interest

Key: C

References: IRC § 1411(c)(1) and (5); Instructions for Form 8960 Net Investment Income Tax--Individuals, Estates, and Trusts (2022), pages 1, 5 and 6; Treas. Reg. §§ 1.1411-1

15. A single taxpayer filed their 2008 return and claimed \$7,500 for the first-time homebuyer credit. The home was used as a primary residence until it was foreclosed on in the current tax year. Which is correct regarding the first-time homebuyer credit?

- A. The balance of the credit must be repaid and is reported on the tax return for the tax year which the foreclosure is completed
- B. The remaining unpaid credit is pro-rated over 15 years
- C. Since the home was purchased in 2008, there is no longer a requirement to repay the balance of the credit
- D. There is no requirement to repay the credit when the home is used as a primary residence for at least 5 years

Key: A

References: IRC § 36(f), Instructions for Form 5405 (Nov. 2022), page 1

16. For medical expenses to be deductible as an itemized deduction in the current year, the expense must exceed what percentage of adjusted gross income?

- A. 2.0%
- B. 7.5%
- C. 10%
- D. Medical expenses are no longer deductible

Key: B

References: IRC § 213; Publication 502, page 2

17. Tax preparation fees for individuals are deductible for the current year as:

- A. They are not deductible
- B. A tax credit on Schedule 1
- C. An investment expense on Schedule A
- D. A miscellaneous itemized deduction subject to the 2% limit

Key: A

References: IRC § 67 and 67(g); Pub 17 (2022), page 100

18. Which of the following is true regarding the Report of Foreign Bank and Financial Accounts (FBAR) requirements:

- A. The FinCEN Form 114 (FBAR) is filed online with the Financial Crimes Enforcement Network
- B. The due date for the FBAR filing is generally July 15 of the current tax year for individuals
- C. The FinCEN Form 114 (FBAR) is filed with the current tax year individual income tax return
- D. FinCEN will not grant an automatic extension if unable to meet the FBAR annual due date

Key: A

References: 31 C.F.R. §§ 1010.350(b); 1010.306(c); Publication 54 (2022), page 8

19. The interest on qualified U.S. savings bonds may not be taxable if an individual pays:

- A. A reduced rent that is government subsidized
- B. Mortgage interest for a rental property
- C. Household employee wages more than \$1,000
- D. Qualified higher educational expenses in the same year

Key: D

References: I.R.C. § 135; Pub 17(2022) page 58

20. Which of the below is a correct statement regarding Form 8938, Statement of Specified Foreign Financial Assets?

- A. Form 8938 is attached to your annual return and filed by the due date, including extensions
- B. If an income tax return is not required to be filed for the tax year, you are still required to file Form 8938 when specified foreign financial assets is more than the appropriate reporting threshold
- C. If you are required to file Form 8938, you must report the specified foreign financial assets in which you have an interest only if the assets affect your tax liability for the year
- D. Filing Form 8938 relieves you of the requirement to file FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR) if you are otherwise required to file the FBAR

Key: A

References: IRS, Bank Secrecy Act, (31 U.S.C. § 5314); 31 C.F.R. §§ 1010.350(a); 1010.306(c); Pub 54, page 8 ; Instructions for Form 8938 (Rev. November 2021); Pub 4261 (July 2021)