

2024

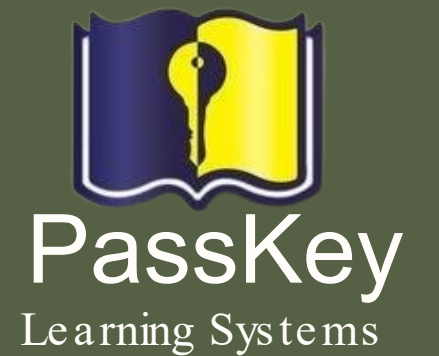
NICOLE RAMOS, EA



LIVE EA STUDY SESSION

Part 1: First Hour

Part 2: Second Hour



Nicole Ramos, EA

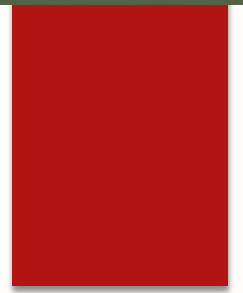


Nicole Ramos, an Enrolled Agent based in New York, is a distinguished tax professional and educator. With a bachelor's degree from the University of Maryland at College Park, Nicole utilizes her EA credential to manage collections representation cases. As the Director of Educational Programs at Tax Practice Pro, she has been pivotal in developing and instructing the Annual Federal Tax Refresher (AFSP) course.

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Part 1 Study Questions

Forum Question



Question: The book discusses Cheryl and her nephew Bradley. Please explain if Bradley is a qualifying child or a qualifying relative?

Cheryl is 46 and unmarried. Her nephew, Bradley, lived with her all year and turned 18 years old on December 28, 2023. Bradley is not a student anymore because he finished high school last year and did not go to college. Bradley did not provide more than one-half of his own support. He had \$4,200 of income from wages and \$1,020 of investment income. Which of the following statements is correct?

- A. Bradley is Cheryl's qualifying child.
- B. Bradley is not a qualifying child; however, Cheryl can claim him as a qualifying relative.
- C. Bradley is neither a qualifying child nor a qualifying relative.
- D. Cheryl can claim Bradley only if he goes back to college.

Forum Question

Question: The book discusses Cheryl and her nephew Bradley. Why is Bradley a qualifying child and not a qualifying relative?

Answer: Bradley is still a qualifying child because he is 18 at the end of the year. The cut off for the age test is 19 if the child is not a student.

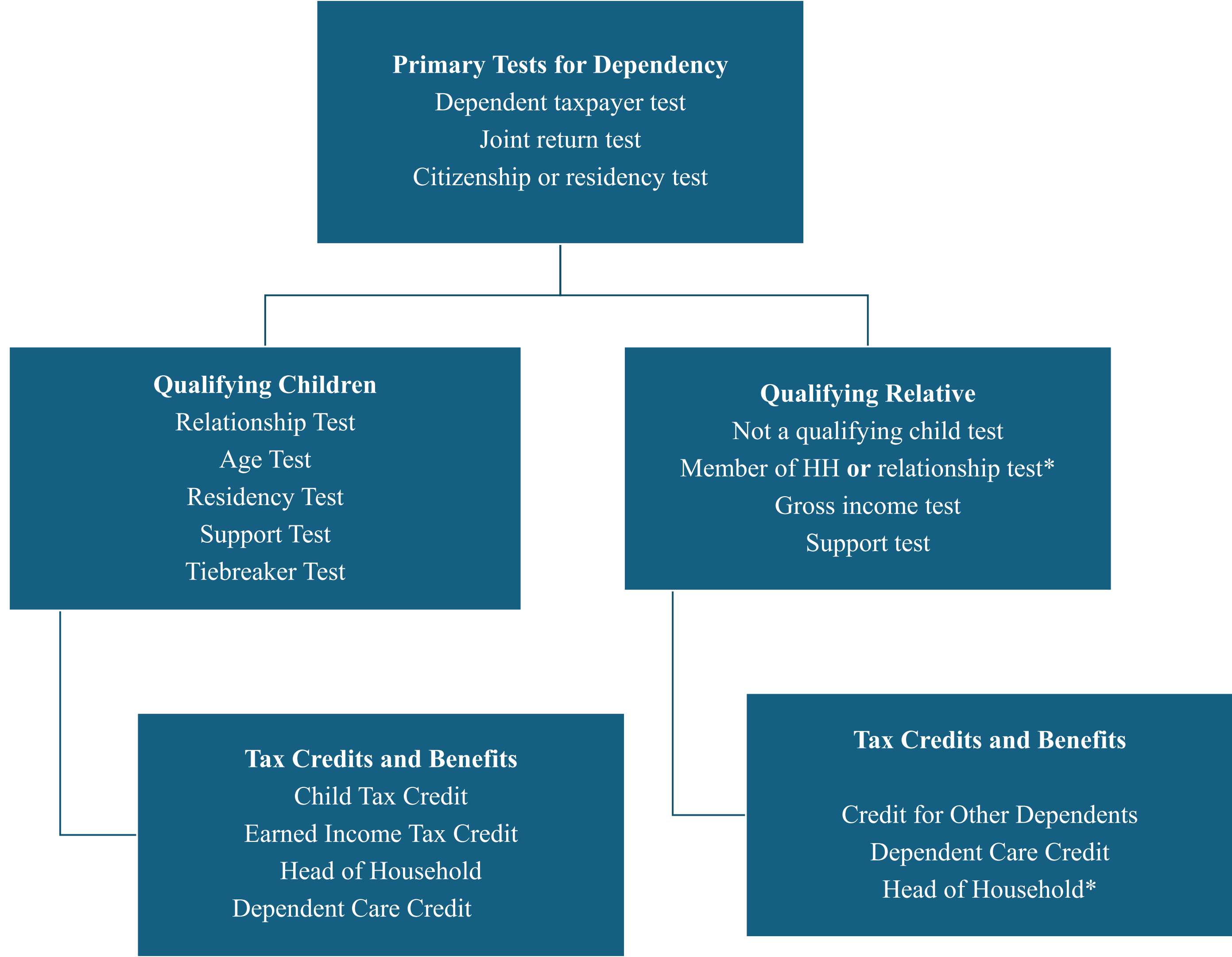
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Pass Key Question

Which of the following is not a requirement a taxpayer must meet in order to claim head of household filing status?

- A. The taxpayer is unmarried or considered unmarried on the last day of the year.
- B. The taxpayer paid more than half of the cost of keeping up the home for the entire year.
- C. The taxpayer's spouse did not live in the home during the last 6 months of the tax year.
- D. The taxpayer's home was the main home of a foster child for more than half the year.

Pass Key Answer

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- D. **The taxpayer's home was the main home of a foster child for more than half the year.**

Pass Key Question

Matthew is 32 years old and works full time. Matthew's 19-year old cousin, Bruno, lived with him all year. Bruno did not work, and had no taxable income. Bruno's parents are deceased, and no one else can claim him as a dependent. Matthew supported his cousin completely. Would Bruno meet the tests to be Matthew's Qualifying Relative?

- A. No, because cousins are not considered "family members" for the purpose of this rule.
- B. Bruno would meet the tests to be Matthew's Qualifying Relative
- C. Bruno must be a full-time student in order to be claimed as a dependent
- D. Bruno cannot be claimed by anyone because he is a legal adult

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Pass Key Question

Since her husband died four years ago, Juniper has lived with her best friend, Marnie, who is also a widow. Juniper is a U.S. citizen and lived with Marnie all year. Juniper had no income and received all of her support from Marnie. Juniper is Marnie's dependent because she lived with Marnie all year as a member of her household. Marnie earned \$47,000 in wages during the year. What is Marnie's filing status?

- A. Qualifying Surviving Spouse
- B. Married Filing Jointly
- C. Single
- D. Head of Household

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Pass Key Question

Abram and Dawn file a joint return. They are both U.S. citizens, and they have valid SSNs. Their tax liability is \$2,000. They have three dependents that lived in their household all year. None of the dependents earned any taxable income during the year.

1. Abel is their 21-year-old son and has an SSN. He is not a student or disabled.
2. Imelda is their 16-year-old niece, and she has an ITIN.
3. Martina is Abram's mother. She is 75 years old, has a valid SSN and meets the qualifying relative test.

Imelda, Abel, and Martina are all U.S. residents for tax purposes. Which of them is a qualifying dependent for the Credit for Other Dependents?

- A. Abel, Imelda, and Martina.
- B. Abel and Martina only.
- C. Abel only.
- D. Martina only.

Pass Key Answer

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- C. Abel only.
- D. Martina only.

Pass Key Question

Tyson is 21 years old and lives with his parents, who provide the majority of his support. He makes \$4,900 in wages from a part-time job in 2023. Tyson enrolled in a college degree program in January. He attended college full-time for three months (January, February, and March) and then drops out of the program before finishing the semester. Can Tyson's parents claim him as a dependent?

- A. Tyson's parents can claim him as a qualifying relative.
- B. Tyson's parents can claim him as a qualifying child.
- C. Tyson's parents cannot claim him as a dependent.
- D. Tyson's parents can claim him as a foster child.

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- B. Tyson's parents can claim him as a qualifying child.
- C. **Tyson's parents cannot claim him as a dependent.**
- D. Tyson's parents can claim him as a foster child.

Pass Key Question

Hamilton is 26, unmarried, and still living with his parents. Hamilton worked a regular job and was not a student. He earned \$14,950 in wages and provided more than half of his own support. Hamilton does not have any children or other dependents. Based on this information, which credit would Hamilton likely qualify for?

- A. Earned Income Tax Credit.
- B. Child Tax Credit.
- C. American Opportunity Credit.
- D. Foreign Tax Credit.

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- A. **Earned Income Tax Credit.**
- B. Child Tax Credit.
- C. American Opportunity Credit.
- D. Foreign Tax Credit.

Pass Key Question

Sebastian is unmarried and 29 years old. He is permanently and totally disabled. He lived with his mother Olivia all year. Olivia is unmarried, age 58, and earned \$32,000 in wages during the year. Olivia pays all the rent and utilities for the apartment that they both reside in. Sebastian earned \$7,100 in wages at a part-time workshop for disabled individuals. Sebastian does not provide more than one-half of his own support. Based on this information, can Olivia claim Sebastian as a qualifying child for Head of Household and EITC purposes?

- A. Sebastian is a qualifying child for EITC purposes but not for Head of Household.
- B. Sebastian is a qualifying child for Head of Household but not for EITC purposes.
- C. Sebastian is a qualifying child for Head of Household and EITC purposes.
- D. Sebastian is not a qualifying child for Head of Household or for EITC purposes.

Pass Key Answer

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- B. Sebastian is a qualifying child for Head of Household but not for EITC purposes.
- C. **Sebastian is a qualifying child for Head of Household and EITC purposes.**
- D. Sebastian is not a qualifying child for Head of Household or for EITC purposes.

Pass Key Question

Alexander is married but has lived apart from his wife, Angela, for two years. He is not legally separated or divorced from his wife. Angela refuses to file jointly with him. Alexander pays all the costs of keeping up his home for himself and his dependent 14-year-old son, who lives with him. Does his marital status prevent him from using the Head of Household filing status?

- A. No, he may file as head of household. correct
- B. He may not file as head of household, but he can file Single.
- C. He can only file MFS. wrong
- D. Yes, he may file only as MFS or MFJ.

Pass Key Answer

Alexander is married but has lived apart from his wife, Angela, for two years. He is not legally separated or divorced from his wife. Angela refuses to file jointly with him. Alexander pays all the costs of keeping up his home for himself and his dependent 14-year-old son, who lives with him. Does his marital status prevent him from using the Head of Household filing status?

A. No, he may file as head of household.

B. He may not file as head of household, but he can file Single.

C. He can only file MFS.

D. Yes, he may file only as MFS or MFJ.

PassKey Question

Greta is 80 years old. She has three children: Luther, Silas, and Caprice. Each child contributes financially towards her support. Luther and Silas each provide 45%, and Caprice provides 10%. Which taxpayer would be eligible to claim Greta as a dependent parent under a multiple support agreement?

- A. Luther or Silas.
- B. Caprice or Silas.
- C. Luther, Silas, or Caprice.
- D. No one is eligible to claim Greta.

PassKey Answer

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A. Luther or Silas.

B. Caprice or Silas.

C. Luther, Silas, or Caprice.

D. No one is eligible to claim Greta.

Passkey Question

Karlita, Melissa, Gina, and Megan are sisters who support their elderly mother financially. Their mother is in a long-term care facility and does not have any taxable income or live with any of her children. The four sisters paid the following amounts toward their mother's total support of \$50,000:

- Karlita: \$12,500
- Melissa: \$12,500
- Gina: \$20,000
- Megan: \$5,000

Under the IRS rules for multiple support agreements, who can claim their mother as a dependent?

- A. Any of the four sisters could potentially claim the dependency exemption, if they are in agreement
- B. Only Gina
- C. Either Gina, Karlita, or Melissa
- D. None of the sisters can claim their mother

Passkey Answer

Karlita, Melissa, Gina, and Megan are sisters who support their elderly mother financially. Their mother is in a long-term care facility and does not have any taxable income or live with any of her children. The four sisters paid the following amounts toward their mother's total support of \$50,000:

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- A. Any of the four sisters could potentially claim the dependency exemption, if they are in agreement
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- C. Either Gina, Karlita, or Melissa
- D. None of the sisters can claim their mother

Under the IRS rules for multiple support agreements, Karlita, Melissa or Gina can claim their mother as a dependent if the others signs a statement agreeing not to do so. Megan cannot claim her mother as a dependent, because she does not provide more than 10% of her mother's support during the year. Form 2120, Multiple Support Declaration is used to report a multiple support agreement.

Tax Residency Tests

Green Card Test: A lawful immigrant that has been issued an alien registration card, also known as a “green card” is a U.S. resident by default.

Substantial Presence Test: An alien without a green card is considered a U.S. resident for tax purposes only if they meet the substantial presence test for the calendar year.

- 31 days during the current tax year (2023), and
- 183 days during the three-year period, which includes the current year (2023) and the two years immediately *preceding* the current year (2021 and 2022).
 - 1/3 of the days present in the previous year (2022), and
 - 1/6 of the days present in the second year *before* the current year (2021).

Exempt Individuals

- Regularly commutes to work in the U.S. from a residence in Canada or Mexico
- Is present in the U.S. as a crew member of a foreign vessel.
- Is unable to leave because of a medical condition that arose while in the United States.
- Is a professional athlete in the U.S. to compete in a charitable sports event.
- Foreign government officials in the U.S. temporarily
- Teachers on temporary visas; visiting scholars or researchers
- Foreign students on temporary visas who do not intend to reside permanently in the U.S.

Pass Key Exam Question

To meet the "substantial presence" test in determining U.S. residency for IRS purposes, an individual without a valid green card must be physically present in the United States for at least _____ days over a three-year period?

- A. 120
- B. 183
- C. 214
- D. 365

Pass Key Exam Answer

To meet the "substantial presence" test in determining U.S. residency for IRS purposes, an individual without a valid green card must be physically present in the United States for at least ____ days over a three-year period?

A. 120

B. 183

C. 214

D. 365

Study Question

Vienna is a citizen of Brazil. She obtains a visitor's visa and was physically present in the U.S. for 120 days in each of the years 2021, 2022, and 2023. Is Vienna considered a U.S. resident under the substantial presence test for 2023?

- A. Yes, Vienna is considered a U.S. resident under the substantial presence test for 2023
- B. No, Vienna is not considered a U.S. resident under the substantial presence test for 2023.

Study Answer

Vienna is a citizen of Brazil. She obtains a visitor's visa and was physically present in the U.S. for 120 days in each of the years 2021, 2022, and 2023. Is Vienna considered a U.S. resident under the substantial presence test for 2023?

A. Yes, Vienna is considered a U.S. resident under the substantial presence test for 2023

B. No, Vienna is not considered a U.S. resident under the substantial presence test for 2023.

Current year (2023) days in the United States $(120) \times 1 = 120$ days

Prior Year (2022) days in the United States $(120) \times 1/3 = 40$ days

Year before that (2021) day in the United States $(120) \times 1/6 = 20$ days

Total for 2023 = **180 days (physical presence test is NOT met)**

Study Answer

Leo is a wealthy citizen of Panama. He first entered the U.S. on August 29, 2021 on a E-2 investor visa, because he wanted to purchase a few rental properties in Hawaii. Since his initial entry, Leo has returned to the U.S. several times to purchase more investment properties. He uses a management company to manage the properties, which are immediately profitable and trigger a filing requirement. He remained physically present in the United States for 12 days in 2021, 90 days in 2022, and 175 days in 2023.

- A. Leo meets the physical presence test in 2023 and must file a Form 1040 (not Form 1040-NR)**
- B. Leo does not meet the physical presence test in 2023 and will only report and be taxed on her U.S. sourced income

Current year (2023) days in the United States (175) x 1 = 175 days

Prior year (2022) days in the United States (90) x 1/3 = 30 days

Year before that (2021) days in the United States (12) x 1/6 = 2 days

Total for 2023 = 207 days (physical presence test is met)

October Live Study Session Schedule:

Saturday, October 26th – 11am – 12pm (ET) Part 1 12-1pm (ET) Part 2
Wednesday, October 30th – 7pm Part 1

Please sent study subjects to:

- Nicole@hockinternational.com
- Post on Hock Student Forum
- Post on New and Enrolled EA Study Group FB page

Laura Stahl, EA Study Group on Facebook:

<https://www.facebook.com/groups/eastudygroup>