The JW Group, LLC
6190-QE-0001
CTEC 60-Hour Qualifying Education Course for 2009/2010

1. [1.A.1] – Instructions for Form 8275-R (2/09 Rev.) - Page 2 [12 minutes]

A preparer is not considered to have recklessly or intentionally disregarded a rule when a position is:

A) Without merit
B) Requested by the client
C) Adequately disclosed or is not frivolous
D) Adequately disclosed and is not frivolous

2. [1.A.2] – IRS Publication 4687 (Rev. 06-2009), Page 2 [13 minutes]

Which of the following statements is false regarding a tax preparer's due diligence requirements as it related to the Earned Income Tax Credit (EITC):

The paid preparer:

A) May, but is not required to, complete the EITC worksheet in the Form 1040 series instructions or the Publication 596, Earned income credit (or complete a document with the same information)
B) Must complete Form 8867, Paid Preparer's Earned Income Credit Checklist, or a document with the same information.
C) The preparer must retain EITC-related records for 3 years after the June 30th following the date the return or claim was presented for signature
D) Must not know or have reason to know that any information used to determine if the taxpayer is eligible for the EITC or to compute the amount of the credit is not correct.

3. [1.A.3.a] - Instructions for Form 8275-R (2/09 Rev.), Page 2 [17 minutes]

A preparer who files a return or claim for refund is subject to a penalty for taking a position which understates any part of the client's tax liability and there was no reasonable basis for the position.

The amount of the penalty is:

A) The greater of $10,000 or 1000 percent of the income derived (or to be derived) by the tax return preparer
B) The greater of $100 or 10 percent of the income derived (or to be derived) by the tax return preparer
C) The greater of $1,000 or 50 percent of the income derived (or to be derived) by the tax return preparer

D) The greater of $5000 or 50 percent of the income derived (or to be derived) by the tax return preparer

4. [1.A.3.b] - Instructions for Form 8275-R (2/09 Rev.), Page 2 [13 minutes]

In cases where any part of the understatement of tax on a client's return is due to reckless or intentional disregard of rules or regulations by the preparer, the preparer is subject to a penalty equal to the greater of:

A) $5,000 or 50 percent of the income derived, or to be derived, by the tax return preparer with respect to the return or claim.
B) $1,000 or 10 percent of the income derived, or to be derived, by the tax return preparer with respect to the return or claim.
C) $500 or 5 percent of the income derived, or to be derived, by the tax return preparer with respect to the return or claim.
D) $100 or 1 percent of the income derived, or to be derived, by the tax return preparer with respect to the return or claim.

5. [I.B] 2008 IRS Pub. 17 – Pg.6 [7 min]

Which of the following is <u>not</u> one of the three general factors in determining whether or not a U.S. citizen or resident must file a Federal income tax return?

A) Your gross income
B) Your filing status
C) Your ability to pay your taxes
D) Your age

6. [I.C.1.a] 2008 IRS Pub. 17 – Pg. 8 [7 minutes]

Which of the following forms would an individual use to report his/her income to the IRS for Federal income tax purposes?

A) Form 1120
B) Form 1065
C) Form 56
D) Form 1040

7.[I.C.1.b] IRS Pub. 950 (Rev. 9/2008) – Pg. 4 [13 minutes]

Which form is used to report estate tax?

A) Form 1040
B) Form 1120
C) Form 709
D) Form 706

8. [I.C.1.c] 2008 IRS Pub. 17 – Pg. 148 [13 minutes]

Which schedule is used to deduct sales taxes paid during the year on an individual income tax return?

A) Schedule B
B) Schedule D
C) Schedule A
D) Schedule SE

9. [I.C.1.d.1] 2008 IRS Pub. 17 - Pg. 146 [13 minutes]

Which schedule is used to deduct real estate taxes paid during the year on an individual income tax return?

A) Schedule B
B) Schedule A
C) Schedule D
D) Schedule R

10. [I.C.1.d.2] 2008 IRS Pub. 17 – Pgs. 146 and 150 [13 minutes]

Which schedule is used to deduct personal property taxes paid during the year on an individual income tax return?

A) Schedule B
B) Schedule A
C) Schedule D
D) Schedule R

11. [I.C.1.e] IRS Pub. 510 (Rev. 4/2009) Pg. 35 [13 minutes]

Which form is used to report the gas guzzler (excise) tax?

A) Form 6197

B) Form 1040
C) Form 1041
D) Form 1120-S

12. [I.C.1.f] IRS Pub. 510 (Rev. 4/2009) Pg. 3 & TTB web site: http://www.ttb.gov/forms/5000.shtml [15 minutes]

Which form is used to report tobacco and liquor excise taxes?

A) TTB Form 6197
B) TTB Form 5000.24
C) IRS Form 1065
D) IRS Form 990

13. [I.C.1.g] 2008 IRS Pub. 17 - Pg. 7 [13 minutes]

Which schedule is used to report Social Security taxes on self-employment earnings (i.e., self-employment tax)?

A) Schedule A
B) Schedule D
C) Schedule C
D) Schedule SE

14. [I.C.1.h.1] 2008 IRS Pub. 17 - Pg. 147 [13 minutes]

Mandatory payments made by an employee to the New Jersey Unemployment Compensation Fund are deductible on what Federal Schedule on Form 1040?

A) Schedule A
B) Schedule B
C) Schedule D
D) Schedule EIC

15. [I.C.1.h.2] 2008 IRS Pub. 17 - Pg. 147 [13 minutes]

Mandatory payments made by an employee to the California Nonoccupational Disability Benefit Fund are deductible on what Federal Schedule on Form 1040?

A) Schedule A

B) Schedule B
C) Schedule D
D) Schedule EIC

16. [1.C.1.h.3] – 2008 IRS Pub. 334 - Pg. 10 [13 minutes]

Which form is used to determine the amount of Social Security and Medicare taxes payable by an employer for its employees for a calendar quarter?

A) IRS Form 941
B) IRS Form 9416
C) IRS Form 9417
D) IRS Form 656

17. [1.C.2] – 2008 IRS Pub. 17 – Pg. 8 [17 minutes]

Janet James, age 21, files her 2008 Federal return as single. Janet does not have any dependents. Her taxable income is $120,000 – all from wages. She does itemize her deductions.

What Federal income tax return may she file for 2008?

A) Form 1040EZ
B) Form 1040A
C) Form 1040
D)Any of the above forms

18. [1.C.2] – 2008 IRS Pub. 17 – Pg. 8 [18 minutes]

Ryan Jake, age 35, files his 2008 Federal return as single. Ryan does not have any dependents. His taxable income is $45,000 – all from wages. He does <u>not</u>: (1) itemize her deductions; (2) claim any adjustments to income; (3) have any household employees; (4) own a home or (5) have any disaster losses

What Federal income tax return may he file for 2008?

A) Form 1040EZ
B) Form 1040A
C) Form 1040
D)Any of the above forms

19. [1.C.2] – 2008 IRS Pub. 17 – Pg. 8 [20 minutes]

Angelo and Rena Ampa, husband and wife, ages 70 and 68, file their 2008 Federal return as married filing jointly. They do not have any dependents. Angelo's taxable income is $45,000 – all from wages. Rena's taxable income is $70,000 – all from wages. They do not: (1) itemize their deductions; (2) claim any adjustments to income; (3) have any household employees; or (4) have any disaster losses

What Federal income tax return may they file for 2008?

A) Form 1040EZ
B) Form 1040A
C) Form 1040
D)Any of the above forms

20. [1.C.2] – 2008 IRS Pub. 17 – Pgs. 9-10 [13 minutes]

You must send is a paper Form 8453 to the IRS if you are attaching or filing which of the following:

A) Form 1098-C
B) Form 3115
C) Form 5713
D) Form 8858
E) Any of the above

21. [1.D.1] – 2008 IRS Pub. 17 – Pg. 206 [18 minutes]

You may have to pay the alternative minimum tax if your taxable income for regular tax purposes, combined with certain adjustments and tax preference items, is more than:

A)$69,950 if your filing status is married filing a joint return (or qualifying widow(er) with dependent child)

B) $46,200 if your filing status is single or head of household

C) $34,975 if your filing status is married filing a separate return

D) All of the above are true

22. [1.D.2] – 2008 IRS Pub. 17 – Pg. 78 [15 minutes]

What is the Federal penalty for taking an early distribution from a traditional IRA account?

A) 5% of the distribution
B) 10% of the distribution
C) $500 per distribution
D) $250 per distribution

23. [1.D.2] – 2008 IRS Pub. 17 – Pgs. 78-79 [21 minutes]

Jonathan Mona, age 51, is a college professor, single and with no dependents. Jonathan has owned his home for many years. Jonathan voluntarily withdraws $10,000 from his Traditional IRA in 2008 as a single, one-time transaction. He is not totally and permanently disabled and did not incur any medical expenses during the year.

In addition to having to include the $10,000 as income on his tax return, the Federal penalty associated with this particular withdrawal is:

A) $0
B) $1,000
C) $2,500
D) None of the above

24. [1.D.2] – 2008 IRS Pub. 17 – Pg. 78-79 [21 minutes]

Greg Knot, age 57, is a professional athelete, single with one dependent – his daughter May. Greg files as Head of Household. Greg voluntarily withdraws $10,000 from his Traditional IRA in 2008 as a single, one-time transaction. As a result of an accident he suffered in 2007 he is totally and permanently disabled. He incurred $4,000 in medical expenses in 2008.

In addition to having to include the $10,000 as income on his tax return, the Federal penalty associated with this particular withdrawal is:

A) $0
B) $1,000
C) $2,500
D) None of the above

25. [1.D.2] – 2008 IRS Pub. 17 – Pg. 78-79 [25 minutes]

Nora Akai, age 29, is an insurance manager for a large construction company. Nora was not married in 2008 and she has three children – Ned, John and Miko which she claims as dependents on her tax return – which she files as Head of Household. Nora voluntarily withdraws $20,000 from her Traditional IRA in 2008 as a single, one-time transaction in order t o pay for her childrens' education. She is not totally and permanently disabled and did not incur any medical expenses during the year.

In addition to having to include the $20,000 as income on his tax return, the Federal penalty associated with this particular withdrawal is:

A) $0
B) $1,000
C) $2,000
D) None of the above

26. [1.D.2] – 2008 IRS Pub. 17 – Pg. 78-79 [21 minutes]

Bill Bridge, age 58, was a manager for a large construction company before he was laid off. Bill was single in 2008 and had no dependents. In 2008 $1,000 of the $3,000 in his Traditional IRA account was involuntarily withdrawn by the IRS due to an IRS levy on the account. He is not totally and permanently disabled and did not incur any medical expenses during the year.

In addition to having to include the $1,000 as income on his tax return, the Federal penalty associated with this particular withdrawal is:

A) $0
B) $100
C) $300
D) None of the above

27. [1.D.2] – 2008 IRS Pub. 17 – Pg. 78-79 [21 minutes]

Mar Shell, age 50, is a part-time salesperson for a manufacturing company. Mar was single in 2008 and had no dependents. In 2008 she voluntarily withdrew $5,000 from her Traditional IRA account. She is not totally and permanently disabled. Mar's adjusted gross income was $35,000 and she incurred $10,000 in out-of-pocket medical expenses.

In addition to having to include the $5,000 as income on her tax return, the Federal penalty associated with this particular withdrawal is:

A) $0
B) $263
C) $500
D) None of the above

28. [1.D.2] – 2008 IRS Pub. 17 – Pg. 79 [20 minutes]

Bob Hartman, age 55, was a full-time policeman (a qualified public safety employee) for the city of Crumel until he retired in July 2008. Bob was single in 2008 and had no dependents. In A ugust, 2008 he voluntarily withdrew $5,000 from his governmental defined benefit pension plan in order to buy a used motorcycle. He is not totally and permanently disabled.

In addition to having to include the $5,000 as income on her tax return, the Federal penalty associated with this particular withdrawal is:

A) $0
B) $250
C) $500
D) None of the above

29. [1.D.3] – 2008 IRS Pub. 17 – Pg. 126 [18 minutes]

Mark Bridge, age 36, makes a $5,500 contribution to his traditional IRA account for the 2008 tax year - $500 above the annual $5,000 IRA contribution limit for individuals under 50. If Bill does not withdraw the $500 excess contribution by the date his 2008 tax return is due (including extension), what will be his federal excess contribution penalty for the year?

A) $100
B) $30
C) $500
D) $1,000

30. [1.E] – 2008 IRS Pub. 17 – Pg. 10 [7 min]

For most individuals that use a calendar as their tax year, what is the due date for filing their 2008 Federal income tax return?

A) January 31, 2009
B) February 15, 2009
C) April 15, 2009
D) July 31, 2009

31. [1.E] – 2008 IRS Pub. 17 – Pg. 11 [10 min]

Jake Anberry is a U.S. Citizen and was assigned to a naval base in Japan for the period January 15, 2008 through December 1, 2009. Jake attached an explanation regarding the details of his naval assignment on his tax return. What is the due date for filing his 2008 Federal income tax return?

A) January 31, 2009
B) February 15, 2009
C) April 15, 2009
D) June 15, 2009

32. [1.E] – 2008 IRS Pub. 17 – Pg. 11 [10 min]

Jill Sang is a U.S. Citizen and was assigned to a naval base in Puerto Rico for the period March 15, 2008 through December 15, 2009. Jill attached an explanation regarding the details of his naval assignment on his tax return. What is the due date for filing her 2008 Federal income tax return?

A) January 31, 2009
B) February 15, 2009
C) April 15, 2009
D) June 15, 2009

33. [1.F] – 2008 IRS Pub. 17 – Pgs. 17 & 295 [17 minutes]

Joe Smith was a full-time resident of California in 2008 and is still a California resident when he filed his 2008 Federal income tax return on February 3, 2009. Joe files Form 1040 and encloses a payment with his return. Joe must mail his tax return to what address:

A) Department of the Treasury – Internal Revenue Service Center – Atlanta, GA 39901-0002
B) Department of the Treasury – Internal Revenue Service Center – Fresno, CA 93888-0102
C) Department of the Treasury – Internal Revenue Service Center – Andover, MA 05501-0102
D) Department of the Treasury – Internal Revenue Service Center – Austin, TX 73301-0215

34. [1.F] – 2008 IRS Pub. 17 – Pgs. 17 & 295 [17 minutes]

Mary Barby was a full-time resident of Georgia in 2008 and was still a Georgia resident when she filed her 2008 Federal income tax return on March 3, 2009. Mary files Form 1040 and encloses a payment with her return. Mary must mail her tax return to what address:

A) Department of the Treasury – Internal Revenue Service Center – Atlanta, GA 39901-0102
B) Department of the Treasury – Internal Revenue Service Center – Fresno, CA 93888-0102
C) Department of the Treasury – Internal Revenue Service Center – Andover, MA 05501-0102
D) Department of the Treasury – Internal Revenue Service Center – Austin, TX 73301-0215

35. [1.F] – 2008 IRS Pub. 17 – Pgs. 17 & 295 [17 minutes]

Trent Scott was a full-time resident of Texas in 2008 and was still a Texas resident when he filed his 2008 Federal income tax return on April 3, 2009. Trent filed Form 1040A and no payment was enclosed because there was a refund due per the return. Trent must mail his tax return to what address:

A) Department of the Treasury – Internal Revenue Service Center – Atlanta, GA 39901-0102
B) Department of the Treasury – Internal Revenue Service Center – Fresno, CA 93888-0102
C) Department of the Treasury – Internal Revenue Service Center – Andover, MA 05501-0102
D) Department of the Treasury – Internal Revenue Service Center – Austin, TX 73301-0015

36. [1.F] – 2008 IRS Pub. 17 – Pgs. 17 & 295 [25 minutes]

Don Whitaker was a full-time resident of California in 2008. However, he became a resident of Maine in early 2009 and was still a Maine resident when he filed his 2008 Federal income tax return on April 13, 2009 and he used the new Maine address on his 2008 return. Don filed Form 1040EZ and no payment was enclosed because there was a refund due per the return. Don must mail his tax return to what address:

A) Department of the Treasury – Internal Revenue Service Center – Atlanta, GA 39901-0102
B) Department of the Treasury – Internal Revenue Service Center – Fresno, CA 93888-0102
C) Department of the Treasury – Internal Revenue Service Center – Andover, MA 05501-0014
D) Department of the Treasury – Internal Revenue Service Center – Austin, TX 73301-0015

37. [1.G.1] – 2008 IRS Pub. 17 – Pg. 12 [13 minutes]

Under the cash method of accounting you must report all items of income in the year in which they were:

A) Actually and constructively received
B) Actually or constructively received
C) Not actually or constructively received but billed to the payor
D) None of the above

38. [1.G.2] – 2008 IRS Pub. 17 – Pg. 12 [15 minutes]

Which of the following statements is <u>false</u> regarding accounting periods for individuals?

A) Most individuals use a calendar year as the reporting period to prepare their income tax returns

B) A fiscal year is period other than a calendar year
C) A fiscal year can be up to 15 months long
D) You choose your accounting period when you file your first income tax return.

39. [1.G.3] – 2008 IRS Pub. 17 – Pgs. 14 & 15 and Form 1040 – Page 2 [21 minutes]

Prior to taking into account the $3,500 of Federal income taxes that were withheld from his paychecks during 2008 Jamie determined that the amount of Federal tax due on line 61 of his 2008 tax return (Form 1040) was $4,000. As a result, Jamie:

A)Will receive a $500 refund
B)Will owe $1,000 in taxes on his return
C)Will owe $7,500 in taxes on his return
D)Will receive a $7,500 refund

40. [1.G.4] – 2008 IRS Pub. 17 – Pg. 9 [8 min]

Which of the following is <u>not</u> one of the benefits of IRS e-File as stated in IRS Publication 17 ?

A) Receive an e-mailed proof of receipt within 48 hours after the IRS receives your return
B) Your return has a lower chance of being audited
C) IRS computers quickly and automatically check for errors or other missing information
D) Get your refund faster than paper filers do, in as little as 10 days with direct deposit

41. [1.G.5] – 2008 IRS Pub. 17 – Pg. 54 [15 minutes]

Investment income of children greater than $1,800 for the year must be reported on Form 8615, when the child:

A) Was under the age of 18 as of the end of the year
B) Was age 18 at the end of the year and did not have earned income that was more than half of the child's support
C) Was a full-time student over 18 but under age 24 by the end of the year and did not have earned income that was more than half of the child's support.
D) All of the above

42. [1.H] – 2008 IRS Pub. 17 – Pgs. 13-14 [7 min]

In what order are forms and schedules attached to IRS Form 1040?

A) Based on the Attachment Sequence Number shown in the upper right corner of of the form or schedule
B) Based on the order that each form or schedule was completed
C) Based of the form or schedule number
D) Any order is acceptable so long as the form or schedule is completed in full

43. [1.I] – 2008 IRS Pub. 17 – Pg. 18 [9 min]

You should Amend your Federal income tax return via Form 1040X, if, after filing your original return, you find that:

A) You did not report some income
B) You claimed deductions or credits you should not have claimed
C) You did not claim deductions or credits you should not have claimed
D) You should have claimed a different filing status
E) Any of the above

44. [1.I] – 2008 IRS Pub. 17 – Pg. 18 [9 min]

On Form 1040X:

A) Items of income, deductions, credits and tax due must be entered as (1) originally reported on your return, (2) as changed per the amended return

B) If tax is owed on the amended return, pay the full amount due with the return or if a full payment cannot be made, a request for monthly installment payments may be a potential option.

C) If you overpaid tax per the amended return, you can have all or part of the overpayment refunded to you, or you can apply all of part of it to your estimated tax

D) All of the above

45 [1.I] – 2008 IRS Pub. 17 – Pg. 18 [7 min]

Which of the following statements is <u>false:</u>

After completing Form 1040X:

A) Check it to be sure that it is complete

B) Do not forget to show the year of your original return and explain all changes you made

C) Be sure to attach and forms or schedules needed to explain your changes

D) Mail Form 1040X to the Internal Service Center where you filed the original return – regardless of where you live at the time you file Form 1040X

46. [1.I] – 2008 IRS Pub. 17 – Pg. 18 [9 min]

Generally, you must file a claim for a credit or refund within:

A) 3 years after the date you filed your original return or within 2 years after the date you paid the tax, whichever is later.

B) 3 years after the date you filed your original return or within 2 years after the date you paid the tax, whichever is earlier.

C) 4 years after the date you filed your original return or within 3 years after the date you paid the tax, whichever is later.

D) 4 years after the date you filed your original return or within 3 years after the date you paid the tax, whichever is earlier.

47. [1.J.1] – 2008 IRS Pub. 17 – Pg. 19 [15 minutes]

What is the monthly penalty for filing a late Federal individual income tax return under most circumstances?

A) 5% per month (or part of a month) with a maximum total penalty of 25%
B) 5% per month (or a part of a month) with a maximum total penalty of $1,000
C) $500 per month (or a part of a month) – with a maximum total penalty of $5,000
D) $500 per month (or part of a month) with no total penalty ceiling

48. [I.J.2] – 2008 IRS Pub. 17 – Pg. 19 [9 min]

What is the normal Federal monthly failure-to-pay penalty for paying taxes late?

A) 0.50% per month of the unpaid tax with a maximum total penalty of 25%
B) 0.50% per month of the unpaid tax with a maximum total penalty of 75%
C) 0.25% per month of the unpaid tax with a maximum total penalty of 25%
D) 0.50% per month of the unpaid tax with no maximum total penalty ceiling

49. [I.J.3] 2008 IRS Pub. 17 – Pg. 19 [15 minutes]

The Federal accuracy-related penalty imposed as a result of negligence or disregard of the rules or regulations is equal to what percent of the underpayment of tax:

A) 5%
B) 20%
C) 25%
D) None of the above

50. [I.J.4] – 2008 IRS Pub. 17 – Pg. 19 [15 minutes]

A 20% penalty applies when there is a substantial understatement of tax as shown on the return versus the correct amount of tax. In order to be substantial the understatement of tax must be:

A) Greater than $2,500 below the correct amount of tax
B) Greater than 50% of the correct amount of tax
C) Greater than the larger of 20% of the correct amount of tax or $5,000 below the correct amount of tax
D) Greater than the larger of 10% of the correct amount of tax or $5,000 below the correct amount of tax

51. [I.K] 2008 IRS Pub. 17 – Pg. 17 [15 minutes]

Under which of the following situations would an individual normally be entitled to interest on refunds issued by the IRS?

A) When the refund is issued within 45 days of the date the return was filed
B) Whenever the refund is greater than $5,000 – regardless of when the refund is issued
C) Whenever the refund is greater than $50,000 – regardless of when the refund is issued
D) When the refund is issued after 45 days of the date the return was filed or the due date of the return – whichever is later

52. [I.L.1] – Form W-7P (Rev. 4/09) – Pg. 1 [13 minutes]

If a paid tax return preparer does not want to disclose his/her Social Security Number (SSN) on returns he/she prepares the paid preparer must:

A) Not sign in the paid preparer's section of the return
B) Obtain and Preparer Tax Identification Number (PTIN)
C) Use the client's social security number in the paid preparer's section of the return
D) All of the above

53. [I.L.2] – 2008 IRS Pub. 17 – Pg. 17 [15 minutes]

Which of the following is <u>not</u> one the requirements to keep records related to individual Federal tax returns a stated in IRS Publication 17?

A) Records must be kept for as long as they are important for the federal tax law
B) Records that support an item of income or a deduction appearing on a return until the period of limitations for the return runs out
C) Records related to the tax return must be kept for one year after the filing of the return
D) Records relating to the basis of property are to be kept for as long as they are important in figuring the basis of the original or replacement property.

54. [I.M] 2008 IRS Pub. 17 – Pg. 18 [12 minutes]

What form is used to file an amended individual Federal income tax return?

A) Form 1040-A
B) Form 1099
C) Form 1040-EZ
D) Form 1040-X

55. [I.M] 2008 IRS Pub. 17 – Pg. 18 [15 minutes]

Generally, by which date must an amended Federal income tax return be filed in order to claim a refund?

A) Within 3 years after the date the original return was filed or 3 years after the date the taxes were paid for the originally filed return – whichever is earlier
B) Within 3 years after the date the original return was filed or 3 years after the date the taxes were paid for the originally filed return – whichever is later
C) Within 3 years after the date the original return was filed or 2 years after the date the taxes were paid for the originally filed return – whichever is earlier
D) Within 3 years after the date the original return was filed or 2 years after the date the taxes were paid for the originally filed return – whichever is later

56. [II.A] 2008 IRS Pub. 17 – Pg. 20 [13 minutes]

There are five filing statuses for individuals filing their Federal income tax returns. Which of the following is not one of the five filing statuses?

A) Single
B) Married Filing Jointly
C) Married Filing Head of Household
D) Married Filing Separately

57. [II.A] 2008 IRS Pub. 17 – Pg. 20 [10 minutes]

True/False:

If more than one filing status applies to you, choose the one that will give you the highest tax.

A) True
B) False

58. [II.B] 2008 IRS Pub. 17 – Pg. 20 [15 minutes]

In general a taxpayer's Federal filing status depends on whether or not he/she is considered married or unmarried. Normally, in order to be considered unmarried for the tax year the taxpayer must not be married or legally separated:

A) As of the last day of the year
B) For the majority of days during the year
C) As of April 15 of the tax year
D) None of the above

59. [II.B] 2008 IRS Pub. 17 – Pg. 20 [12 minutes]

True/False:

In general, your filing status depends on whether you are considered unmarried or married. For federal tax purposes, a marriage means only a legal union between a man and woman as husband and wife

A) True
B) False

60. [II.B] 2008 IRS Pub. 17 – Pg. 20 [13 minutes]

True/False:

If you obtain a divorce in one year for the sole purpose of filing tax returns as unmarried individuals, and at the time of divorce you intended to and did remarry each other in the next tax year, you and your spouse must file as married individuals

A) True
B) False

61. [II.B] 2008 IRS Pub. 17 – Pgs. 22-23 [18 minutes]

You may be able to file as head of household if:

A) You are unmarried or considered unmarried on the last day of the year

B) You paid more than half the cost of keeping up a home for the year

C) A qualifying person lived with you in the home for more than half the year (except for temporary absences, such as school). However, if the qualifying person is your dependent parent, he or she does not have to live with you.

D) All of the above are applicable to the taxpayer

62. [II.C.1] – 2008 IRS Pub. 17 – Pg. 21 [17 minutes]

Joan and Robert Aire are legally married and they are not legally separated. Neither of them are in the military. They lived together through October, 2008. In November 2008 Robert moved out of the house for a two-year period because of his job duties. Joan is preparing a joint return for the year. May Joan sign Robert's name on the tax return since Robert is away from home?

A) Yes
B) No

63. [II.C.2] – 2008 IRS Pub. 17 – Pg. 21 [12 minutes]

True/False:

If a taxpayer is divorced under a final decree as of the last day of the tax year he/she is considered unmarried for the entire tax year and cannot file as married filing jointly or married filing separately.

A) True
B) False

64. [II.C.3] – 2008 IRS Pub. 17 – Pg. 21 [13 minutes]

<u>True/False</u>:

If a spouse dies during the year and the surviving spouse does not remarry by the end of the year the surviving spouse is considered unmarried for the entire tax year.

A) True
B) False

65. [II.C.3] – 2008 IRS Pub. 17 – Pg. 21 [20 minutes]

Sam and Dianne Salone were married for many years prior to 2008. On July 3, 2008 Sam died. On December 20, 2008 Dianne married Frazier Blane and they remained married for the remainder of the year. Which of the following statements is true:

A) Sam and Dianne can file a joint return for the 2008 tax year

B) Frazier and Dianne can file a joint return for the 2008 and Sam will file as single

C) Frazier and Dianne can file a joint return for the 2008 and Sam will file as married filing separately

D) Sam, Dianne and Frazier all must file as single for the 2008 tax year

66. [III.A] – 2008 IRS Pub. 17 – Pg. 25 [13 minutes]

On a joint return a married couple can claim:

A) A total of one exemption for both spouses (collectively)
B) One exemption each for each spouse
C) No exemptions for any spouse
D) Each spouse can claim one exemption for both himself and the other spouse for a total of four exemptions

67. [III.B.1.a] 2008 IRS Pub. 17 – Pg. 27 [15 minutes]

Which of the following is <u>not</u> one of the five tests that must be met for a child to be a qualifying child for the purposes of being claimed as a dependent?

A) Relationship
B) Age
C) Residency
D) Scholastic achievement
E) Support

68. [III.B.1.a] 2008 IRS Pub. 17 – Pg. 27 [15 minutes]

Under the relationship test, in order to be a potentially qualifying child the child must be:

A) Your son, daughter, stepchild, adopted son, adopted daughter, foster child, brother, sister, half brother, half sister, stepbrother, stepsister or a descendant of any of them

B) Your cousin or a descendant of your cousin

C) A child of your best friend

D) Any of the above

69. [III.B.1.a] 2008 IRS Pub. 17 – Pg. 27 [13 minutes]

Under the age test, in order to be a potentially qualifying child the child must be:

A) Under age 19 at the end of the year

B) A full-time student under age 24 at the end of the year

C) Permanently and totally disabled at any time during the year, regardless of age

D) Any of the above

70. [III.B.1.a] 2008 IRS Pub. 17 – Pg. 27 [15 minutes]

Under the residency test, in order to be a potentially qualifying child the child must:

A) Have lived with you for more than half the year (except for temporary absences)

B) Have lived with you for more than 250 days during the year

C) Have lived with you for more than 250 days during the year (except for temporary absences)

D) Have lived with you for more than 300 days during the year

71. [III.B.1.a] 2008 IRS Pub. 17 – Pg. 28 [15 minutes]

Under the support test, in order to be a potentially qualifying child the child must:

A) Not have provided fore than one-fourth of his or her own support for the year

B) Not have provided fore than one-third of his or her own support for the year

C) Not have provided fore than one-half of his or her own support for the year

D) Not have provided any of his or her own support for the year

72. [III.B.1.a] 2008 IRS Pub. 17 – Pg. 30 [13 minutes]

The four tests that must be met for a person to be your qualifying relative are:

A) Not a qualifying child test

B) Member of household or relationship test

C) Gross income test

D) Support test

E) All of the above

73. [III.B.1.a] 2008 IRS Pub. 17 – Pg. 30 [18 minutes]

Which of the following individuals would pass the "not a qualifying child" test as a potential qualifying relative of the taxpayer for purposes of the dependency exemption:

A) Aiko Youngblood, the daughter of a taxpayer, Joel Youngblood, is a 20 year old, full-time college student and she meets all of the tests to be the taxpayer's qualifying child.

B) Ryan Skinner, age 7, is the son of the taxpayers – Max and Tomisina Skinner. Ryan meets all of the tests to be the taxpayer's qualifying child

C) A & B

D) None of the above

74. [III.B.1.a] 2008 IRS Pub. 17 – Pg. 30 [21 minutes]

Jay Samson supports his friend, Melanie, and her six-year old child, Amanda. Melanie and Amanda lived with Jay the entire year in Jay's home. Melanie had no income in 2008 and she did not file a tax return for the 2008 tax year. Which of the following statements is true:

A) Melanie and Amanda are considered Jay's qualifying relative if the member of household or relationship test, gross income test, and support test are met.

B) Melanie and Amanda are considered Jay's qualifying relative under all circumstances.

C) Melanie and Amanda can never be considered a qualifying relatives of Jay since they are not blood relatives.

D) Melanie and Amanda are considered Jay's qualifying relative if any of the following tests have been met: (1) the member of household or relationship test, (2) the gross income test, or (3) the support test.

75. [III.B.1.b] 2008 IRS Pub. 17 – Pg. 26 [12 minutes]

<u>True/False</u>: If you could be claimed as a dependent by another person, you cannot claim anyone else as a dependent?

A) True
B) False

76. [III.B.1.c] 2008 IRS Pub. 17 – Pg. 26 [13 minutes]

<u>True/False</u> – You generally cannot claim a married person as a dependent if he or she files a joint return – except in cases where a joint return is filed jointly by the dependent and his or her spouse merely as a claim for refund and no tax liability would exist for either spouse on separate returns.

A) True
B) False

77. [III.B.1.c] 2008 IRS Pub. 17 – Pg. 26 [15 minutes]

<u>True/False</u> – Ray fully supported his 18 year-old son, Ralph and Ralph lived with Ray the entire year while his wife, Maria was in the stationed away from home in the Navy. Ralph and Maria filed their 2008 tax return as married filing jointly.

Because Ralph is Ray's qualifying child, Ray may claim Ralph as a dependent on his 2008 tax return.

A) True
B) False

78. [III.B.1.d] – 2008 IRS Pub. 17 – Pg. 26 [18 minutes]

Which of the following is <u>false</u> regarding the ability to to claim another person as a dependent?

A) You generally cannot claim a person as a dependent unless that person is a U.S. Citizen, U.S. resident alien, U.S. national, or a resident of Canada or Mexico, for some part of the year

B) If you are a U.S. Citizen or U.S. National who has legally adopted a child who is not a U.S. citizen, U.S. resident alien, or U.S. National, the rules described in answer #A (above) do not have to be met so long as the child lived with you as a member of your household all year.

C) Both A and B are false

D) Neither A or B is false

79. [III.B.1.d] – 2008 IRS Pub. 17 – Pg. 27 [18 minutes]

<u>True/False</u>:

In 2008 The Rolm family, hosted Aiko Yamaguchi, a citizen of Japan, in their home for the entire year under a qualified international education exchange program. Aiko will stay in the United States for two-years while completing her college degree. After the two-year period she will return to Japan. The Rolm family paid for all of Aiko's expenses for the year. As Aiko lived in the United States for the entire year she is considered a U.S. resident and therefore the Rolm family can claim Aiko as a dependent on their 2008 tax return.

A) True
B) False

80. [III.B.2.a] – 2008 IRS Pub. 17 - Pg. 34 [17 minutes]

What form should be filed in situations when more than one person provides more than 10% of a person's support, no one provides more than half of the support, and one person will be designated as the person that will claim the relative as a personal exemption on their return for that year:

A) Form 2120
B) Form 656
C) Form 56
D) Form 843

81. [III.B.2.a] – 2008 IRS Pub. 17 – Pg. 34 [23 minutes]

Wilma, her brother Max and her two sisters – Marsha and Cherice – provide the support for their elderly mother, Gertrude, for the year. The percentage of support each child provides to their mother during the year is as follows:

Wilma – 50%
Max – 40%
Marsha – 5%
Cherice – 5%

Which of the following statements is <u>false</u>:

A) Either Wilma or Max can claim an exemption for their mother

B) Between Wilma and Max, the one that does not claim their mother as an exemption on their tax return must sign a statement agreeing not to take an exemption for their mother.

C) Between Wilma and Max, the one that <u>does</u> claim their mother as an exemption on their return must attach Form 2120, or a similar declaration, to his or her return and must keep the statement signed by the other sibling for his or her records.

D) None of the above statements are false

82. [III.B.2.b] – 2008 IRS Pub. 17 – Pg. 244 [17 minutes]

A child will be treated as the qualifying child of his or her noncustodial parent if the parents:

A) Are divorced or legally separated under a decree of divorce or separate maintenance

B) The child received over half of his or her support from the parents

C) The child is in the custody of one or both parents for more than half the year

D) The custodial parent signs Form 8332 that he or she will not claim the child as a dependent for the year, and the non-custodial parent attaches the form to his or her return.

E) All of the above

83. [III.B.2.b] 2008 IRS Pub. 17 – Pg. 34 [11 min]

Under the support test for children of divorced or separated parent, if a child does does not meet the requirements to be a qualifying child of either parent, a child will be treated as being the qualifying relative of his or her noncustodial parent if the parents:

A) Are divorced or legally separated under a decree of divorce or separate maintenance, are separated under a written separation agreement, or lived apart at all times during the last 6 months of the year

B) The child received over half of his or her support for the year from the parents

C) The child is in the custody of one or both parents for more than half the year

D) Either (1) The custodial parent signed a written declaration that he or she will not claim the child as a dependent for the year, and the noncustodial parent attaches this written declaration to his or her return or (2) a pre-1985 decree of divorce or separate maintenance or written separation agreement that applies to 2008 states that the noncustodial parent can claim the child as a dependent, the decree or agreement was not changed after 1984 to say the noncustodial parent cannot claim the child as a dependent, and the noncustodial parent provides at least $600 for the child's support during the year.

E) All of the above must occur

84. [III.B.3] – 2008 IRS Pub. 17 – Pg. 28 [13 minutes]

If more than one person files a return claiming the same qualifying child and none of the persons are the child's parent, then under the tie-breaker rule the child will be treated as the qualifying child of the:

A) Person who files their return first
B) Person who claimed the child in the previous year
C) Person with the lowest AGI
D) Person with the highest AGI

85. [III.B.3] 2008 IRS Pub. 17 – Pgs. 28-29 [23 minutes]

Joan Sawmill and her 5-year-old son, Jacob, lived with Joan's mother for the entire year. Joan is 37 years old and earned $8,500 in wages during the year. She had no other income. Joan's mother is not a dependent of Joan. Jacob is a qualifying child of both Joan and her mother as he meets the relationship, age, residency, and support tests for both Joan and her mother.

Which of the following statements is true:

A) If both Joan and her mother claim Jacob as a dependent on their tax return, the IRS will only allow Joan to claim Jacob as a dependent and claim him as a qualifying child for the child tax credit and earned income credit.

B) If both Joan and her mother claim Jacob as a dependent on their tax return, the IRS will only allow Joan's mother to claim Jacob as a dependent and claim him as a qualifying child for the child tax credit and earned income credit.

C) Joan cannot agree to let her mother claim Jacob as a dependent and claim him as a qualifying child for the child tax credit and earned income credit.

D) All of the above are true

86. [III.B.3] – 2008 IRS Pub. 17 – Pgs. 28-29 [25 minutes]

Jack Klug has three children – a 1-year-old son, Jack Jr., a 2-year-old daughter, Mei Li and a 4-year-old daughter, Aiko. Jack and his three children lived with Jack's fatherr for the entire year. Jack is 23 years old and earned $5,500 in wages during the year. He had no other income. Jack's father is <u>not</u> a dependent of Jack. Aiko, Mei Li and Jack Jr. are all qualifying children of both Jack and his father as they all as he meet the relationship, age, residency, and support tests for both Jack and his father.

Which of the following statements is true:

A) Jack is required to claim at least two of the the children as his dependent

B) Jack is required to claim all three children as his dependents

C) Jack and his father can claim any one of the children as their dependents – so long as only Jack or his father (but not both) claim any one child

D) If both Jack and his father claim the same child as their dependent, the IRS will disallow the claim by Jack since the child lives at his grandfather's house.

87. [III.B.3] – 2008 IRS Pub. 17 – Pgs. 28-29 [20 minutes]

Alex Zander is 17 years old. Alex has a 1-year-old son, Ryan. Both Alex and Ryan lived with Alex's mother, Theresa, for the entire year. Alex did not have any income during the year. Both Alex and Ryan rely totally on the support of Teresa.

Which of the following statements is true:

A) Theresa may not claim either Alex or Ryan as a dependent on her tax return

B) Theresa may not claim Ryan as a dependent on her tax return but can claim Alex as a dependent

C) Theresa may not claim Alex as a dependent on her tax return but can claim Ryan as a dependent

D) Theresa may claim both Alex and Ryan as dependents on her tax return

88. [III.B.3; II.A; IIB; XI.B & XI.E] – 2008 IRS Pub. 17 - Pgs 28-29 [31 minutes]

Chris Muldrow, his wife Wilma, and their 11-year-old son, Kramer, all lived together until August 15, 2008, when Chris moved out of the house. For the remainder of August and the entire month of September Kramer lived with Chris. Kramer lived with Wilma for the remainder of the year. Kramer met the relationship, and support tests for both parents. At the end 2008 Chris and Wilma were not divorced, legally separated, or separated under a written separation agreement. Chris and Wilma will file separate returns for 2008.

Which of the following statements is true:

A) (1) Either parent (but not both) may claim Kramer as a dependent and treat him as a qualifying child for the child tax credit and exclusion for dependent care benefits; (2) both Chris and Wilma must file as married filing separately; and (3) neither parent can claim the earned income credit or the credit for child and dependent care expenses.

B) (1) Both parents may claim Kramer as a dependent and treat him as a qualifying child for the child tax credit and exclusion for dependent care benefits; (2) both Chris and Wilma must file as married filing separately; and (3) neither parent can claim the earned income credit or the credit for child and dependent care expenses.

C) (1) Both parents may claim Kramer as a dependent and treat him as a qualifying child for the child tax credit and exclusion for dependent care benefits; (2) both Chris and Wilma may file as head of household and (3) neither parent can claim the earned income credit or the credit for child and dependent care expenses.

D) (1) Both parents may claim Kramer as a dependent and treat him as a qualifying child for the child tax credit and exclusion for dependent care benefits; (2) both Chris and Wilma may file as head of household and (3) both parents can claim the earned income credit or the credit for child and dependent care expenses.

89. [III.B.3] – 2008 IRS Pub. 17 – Pgs. 28-29 [20 minutes]

Joe and Alecia, unmarried, have a five-year old daughter, Mei-Li. Joe, Alecia and Mei-Li lived together in the same household for the entire year in 2008. Mei-Li is a qualifying child of both Joe and Alecia because she meets the relationship, age, residency, and support tests for both Joe and Alecia. Joe's adjusted gross income (AGI) is $110,000 and Alecia's AGI is $40,000. Alecia filed her 2008 tax return on March 1, 2009 while Joe filed his 2008 tax return on April 10, 2009.

Both Joe and Alecia claim Mei-Li as a dependent on their own 2008 tax returns.

In this situation the IRS will allow Mei-Li to be claimed as a dependent by:

A) Alecia because she filed her tax return before Joe

B) Joe because he filed his tax return after Alecia

C) Alecia because her AGI is lower than Joe's

D) Joe because his AGI is higher than Alecia's

90. [III.C] 2008 IRS Pub. 17 – Pg.35 [13 minutes]

For the 2008 tax year the phaseout for the deductibility of personal exemptions on a married filing separately return starts at what adjusted gross income?

A) $239,950
B) $119,975
C) $100,000
D) $199,950

91. [III.C] 2008 IRS Pub. 17 – Pg.35 [17 minutes]

Mary Wider is a single woman with no dependents. In 2008 her AGI was $115,000.

How much is Mary able to deduct as a personal exemption on her Federal tax return:

A) $0
B) $1,250
C) $2,333
D) $3,290
E) $3,500

92. [III.C] 2008 IRS Pub. 17 – Pg.35 [17 minutes]

James Zorn is a single man with no dependents. In 2008 his AGI was $165,000.

How much is James able to deduct as a personal exemption on his Federal tax return:

A) $0
B) $1,250
C) $2,333
D) $3,290
E) $3,500

93. [III.C] 2008 IRS Pub. 17 – Pg.35 [17 minutes]

Tim Tyler is a single man with no dependents. In 2008 his AGI was $450,000.

How much is Jim able to deduct as a personal exemption on his Federal tax return:

A) $0
B) $1,250
C) $2,333
D) $3,290
E) $3,500

94. [III.C] 2008 IRS Pub. 17 – Pg.35 [20 minutes]

Eveyln Snider is a single woman with one child who is 10 years old. Eveyln files as head of household.. In 2008 her AGI was $150,000.

How much is Eveyln able to deduct as a personal exemptions on her Federal tax return:

A) $0
B) $3,500
C) $4,666
D) $6,580
E) $7,000

95. [III.C] 2008 IRS Pub. 17 – Pg.35 [20 minutes]

Chris Magrias is a single man with one child who is 8 years old. Chris files as head of household.. In 2008 his AGI was $202,000.

How much is Chris able to deduct as a personal exemptions on his Federal tax return:

A) $0
B) $3,500
C) $4,666
D) $6,860
E) $7,000

96. [III.C] 2008 IRS Pub. 17 – Pg.35 [17 minutes]

Case Bay is a single man with one child who is 1 year old. Case files as head of household. In 2008 his AGI was $500,000.

How much is Case able to deduct as a personal exemptions on his Federal tax return:

A) $0
B) $3,500
C) $4,666
D) $6,860
E) $7,000

97. [III.C] 2008 IRS Pub. 17 – Pg.35 [21 minutes]

Marc and Teresa Crabtree, husband and wife, have two children – Ryan who is 1 year old and Rena who is 5 years old. They claim both children as dependents on their tax return. Marc and Teresa file a joint tax return. In 2008 their AGI was $500,000.

How much can Marc and Teresa deduct as personal exemptions on their Federal tax return:

A) $0
B) $3,500
C) $4,666
D) $9,332
E) $14,000

98. [III.C] 2008 IRS Pub. 17 – Pg.35 [20 minutes]

Mark and Nicole Strudel, husband and wife, have two children – Ben who is 1 year old and Jospeh who is 5 years old. They claim both children as dependents on their tax return. Marc and Teresa file a joint tax return. In 2008 their AGI was $220,000.

How much can Mark and Nicole deduct as personal exemptions on their Federal tax return:

A) $0

B) $3,500
C) $4,666
D) $9,332
E) $14,000

99. [III.C] 2008 IRS Pub. 17 – Pg.35 [21 minutes]

Chris and Wendy Patrone, husband and wife, have three children – Barbara who is 1 year old, Robert who is 5 years old and Steven who is 7 years old. They claim all three children as dependents on their tax return. Chris and Wendy file a joint tax return. In 2008 their AGI was $245,000.

How much can Chris and Wendy deduct as personal exemptions on their Federal tax return:

A) $0
B) $ 7,000
C) $11,665
D) $16,450
E) $17,500

100. [III.C] 2008 IRS Pub. 17 – Pg.35 [20 minutes]

Brian and Elmira Johns, husband and wife, have three children – Justine who is 1 year old, Stephanie who is 3 years old and Alecia who is 6 years old. Brian and Elmira file separate returns. Brian claims all three children as dependents on his tax return. In 2008 Brian's AGI was $105,000.

How much can Brian deduct as personal exemptions on his Federal tax return:

A) $0
B) $ 3,500
C) $ 7,000
D) $10,500
E) $14,000

101. [III.C] 2008 IRS Pub. 17 – Pg.35 [23 minutes]

Rafael and Jessica Sandra, husband and wife, have three children – Betty who is 2 years old, James who is 3 years old and Samantha who is 9 years old. Rafael and Jessica file separate returns. Jessica claims all three children as dependents on her tax return. In 2008 Jessica's AGI was $221,850.

How much can Jessica deduct as personal exemptions on her Federal tax return:

A) $0

B) $ 3,500
C) $ 7,000
D) $ 9,332
E) $14,000

102. [III.C] 2008 IRS Pub. 17 – Pg.35 [23 minutes]

Rita and Kramer Dorsett, husband and wife, have three children – Lane who is 4 years old, Oscar who is 5 years old and Carlos who is 8 years old. Rita and Kramer file separate returns. Rita claims all three children as dependents on her tax return. In 2008 Jessica's AGI was $125,000.

How much can Rita deduct as personal exemptions on her Federal tax return:

A) $0
B) $ 3,500
C) $ 7,000
D) $12,600
E) $14,000

103. [III.C] 2008 IRS Pub. 17 – Pg.35 [21 minutes]

Belinda and Dan Kreig were married in 1987 and remained married until Dan's death in August, 2007. Belinda has never remarried since the death of Dan. Belinda has one child, Marsha, who is 10 years old. In 2008 Belinda files as a qualifying widow. Belinda claims Marsha as a dependent on her tax return. In 2008 Belinda's AGI was $195,000.

How much can Belinda deduct as personal exemptions on her Federal tax return:

A) $0
B) $ 3,500
C) $ 4,666
D) $7,000
E) $10,500

104. [III.C] 2008 IRS Pub. 17 – Pg.35 [21 minutes]

Ray and Rhonda Smith were married in 1998 and remained married until Ray's death in December, 2007. Rhonda has never remarried since the death of Ray. Rhonda has one child, Missy, who is 12 years old. In 2008 Rhonda files as a qualifying widow. Rhonda claims Missy as a dependent on her tax return. In 2008 Belinda's AGI was $376,000.

How much can Rhonda deduct as personal exemptions on her Federal tax return:

A) $0
B) $ 3,500
C) $ 4,666
D) $7,000
E) $10,500

105. [III.C] 2008 IRS Pub. 17 – Pg.35 [23 minutes]

Hank and Peggie Shill were married in 1999 and remained married until Hank's death in January, 2006. Peggie has never remarried since the death of Hank. Peggie has one child, Gomer, who is 13 years old. In 2008 Peggie files as a qualifying widow. Peggie claims Gomer as a dependent on her tax return. In 2008 Peggie's AGI was $253,000. How much can Peggie deduct as personal exemptions on her Federal tax return:

A) $0
B) $ 4,666
C) $ 6,160
D) $7,000
E) $10,500

106. [IV.A.1.a] 2008 IRS Pub. 17 – Pg.36 – [12 minutes]

A new Form W-4 must be provided to an employer within 10 days of:

A) A divorce if the employee has been claiming married status
B) Any event that decreases the number of withholding allowances the employee may claim
C) Either A or B
D) None of the above

107. [IV.A.1.a] 2008 IRS Pub. 17 – Pg.36 – [12 minutes]

Form W-4 includes which types of information that your employer will use to figure your withholding:

A) Whether to withhold at the single rate or at the lower married rate

B) How many withholding allowances you claim

C) Whether you want an additional amount withheld

D) All of the above

108. [IV.A.1.a] 2008 IRS Pub. 17 – Pg. 37 – [15 minutes]

Which of the following statement is/are false regarding Form W-4:

A) If you have income from more than one job at the same time, complete only one set of Form W-4 worksheets and then split your allowances between Forms W-4 fpr each job.

B) If both you and your spouse are employed and expect to file a joint return, figure your withholding allowances using your combined income, adjustments, deductions, exemptions, and credits.

C) You must use the Form W-4 worksheets when preparing Form W-4 – even if you can use an alternative method that more accurately figures the number of withholding allowances.

D) All of the above statements are false

109. [IV.A.1.b] 2008 IRS Pub. 17 – Pg. 37 [15 minutes]

An employee can claim a full exemption from income tax withholding for 2008 if:

A) For 2007 the employee had a right to a refund of all federal income tax withheld because he/she had no tax liability

B) For 2008 the employee expects a refund of all federal income tax withheld because he/she expects to have no tax liability

C) Both A and B exist

D) None of the above

110. [IV.A.1.b] 2008 IRS Pub. 17 – Pg.37 [10 minutes]

True/False:

Students are automatically exempt from withholding.

A) True
B) False

111. [IV.A.2] 2008 IRS Pub. 17 – Pg.42 [13 minutes]

An employer must provide a W-2 to its employees for wages earned during 2008 by which date?

A) February 28, 2009
B) February 2, 2009
C) March 31, 2009
D) April 15, 2009

112. [IV.A.2] 2008 IRS Pub. 17 – Pg.42 [15 minutes]

If you stopped working for your employer before the end of year and you ask your employer for your Form W-2 they must provide it to you:

A) Within 30 days after receiving your written request or within 30 days after your final wage payment, whichever is later

B) Within 30 days after receiving your written request or within 30 days after your final wage payment, whichever is earlier

C) Within 10 days after receiving your written request or within 10 days after your final wage payment, whichever is later

D) Within 10 days after receiving your written request or within 10 days after your final wage payment, whichever is earlier

113. [IV.A.3.a] 2008 IRS Pub. 17 - Pg. 38 [13 minutes]

Which of the following statements is false regarding withholding on tip income:

A) You must include tips on your tax return on the same line as your regular pay

B) No withholding is required for tips

C) Your employer can figure your withholding by withholding at the regular rate on the sum of your regular pay plus your reported tips

D) Your employer can figure your withholding by withholding on your pay plus a percentage of your reported tips

114. [IV.A.3.e] – 2008 IRS Pub. 17 - Pg. 39 [13 minutes]

Backup withholding at a flat rate of 28% is required on most kinds of payments that are reported on Form 1099 when:

A) You do not give the payer your TIN in the required manner
B) The IRS notifies the payer that the TIN you gave to the payer is incorrect
C) You are required, but fail, to certify that you are not subject to backup withholding
D) Any of the above

115. [IV.A.3.f] – 2008 Pub. 525 – Pg. 5 [20 minutes]

Employer A provides dependent care benefits under a qualified plan for its employees by providing a daycare facility at its offices. Employee B receives dependent care benefits under this plan. Part of the value of the dependent care services that Employee B receives is taxable because the fair market value of the services was $7,500 for 2008.

On what basis should Employer A withhold from Employee B's paychecks during the year related to the dependent care benefits?

A) Based on the full $7,500 value of the dependent care services
B) Based on only the taxable portion of the dependent care services
C) Based on the first $5,000 of value of the dependent care services
D) No taxes should be withheld on any of the dependent care services

116. [IV.B.1] 2008 IRS Pub. 17 – Pgs.39-40 [13 minutes]

Estimated taxes for 2009 generally must be made during 2009 if:

A) You expect to owe at least $1,000 in tax for 2009, after subtracting your withholding and credits

B) You expect your withholding and credits to be less than 90% of the tax to be shown on your 2009 tax return or 100% of the tax shown on your 2008 tax return – which ever is smaller

C) A & B

D) None of the above

117. [IV.B.1] 2008 IRS Pub. 17 – Pgs.39-40 [12 minutes]

John Gorgu had no tax liability in 2008 and is a U.S. Citizen. John expects to owe $1,500 in tax in 2009.

Is John required to make estimated tax payments in 2009?

A) Yes
B) No

118. [IV.B.1] 2008 IRS Pub. 17 – Pgs.39-40 [12 minutes]

Joceyln Gapta had a $750 tax liability in 2008 and is a U.S. Citizen. Jocelyn expects to owe $1,500 in tax in 2009.

Is Jocelyn required to make estimated tax payments in 2009?

A) Yes
B) No

119. [IV.B.2] 2008 IRS Pub. 17 – Pg. 43 [15 minutes]

Which of the following statements is/are <u>false</u> regarding the penalty of underpayment:

A) If you think you owe the penalty but you do not want to figure it our yourself when you file your tax return, you may not have to. Generally the IRS will figure the penalty for you and send you a bill.

B) If you think you owe the penalty, but you think you are able to lower or eliminate your penalty, you must complete Form 2210 or Form 2210-F and attach it to your return.

C) The IRS recommends that taxpayers consult chapter 4 of Publication 505 for detailed information on this penalty.

D) None of the above statements are false

120. [IV.B.2 and IV.B.3] 2008 IRS Pub. 17 – Pg. 43 [17 minutes]

John Red had the following:

- A 2007 Federal tax amount of $5,000
- No estimated tax payments in 2008
- $6,000 in Federal taxes withheld from his paychecks in 2008
- A 2008 AGI of $60,000

- The total 2008 tax minus his withholding was $1,200

Will John be subject to an underpayment penalty for 2008?

A) Yes
B) No

121. [IV.B.2 and IV.B.3] 2008 IRS Pub. 17 – Pg. 43 [17 minutes]

Sarah Pancell had the following:

- A 2007 Federal tax amount of $8,000
- No estimated tax payments in 2008
- $4,000 in Federal taxes withheld from her paychecks in 2008
- A 2008 AGI of $60,000
- The total 2008 tax minus her withholding was $2,200

Will Sarah be subject to an underpayment penalty for 2008?

A) Yes
B) No

122. [IV.B.2 and IV.B.3] 2008 IRS Pub. 17 – Pg. 43 [17 minutes]

Skip Foreman had the following:

- A 2007 Federal tax amount of $15,000
- No estimated tax payments in 2008
- $15,090 in Federal taxes withheld from his paychecks in 2008
- A 2008 AGI of $160,000
- The total 2008 tax minus withholding was $3,200

Will Skip be subject to an underpayment penalty for 2008?

A) Yes
B) No

123. [IV.B.2 and IV.B.3] 2008 IRS Pub. 17 – Pg. 43 [17 minutes]

Linda Filet had the following:

- A 2007 Federal tax amount of $10,000
- $3,000 in estimated tax payments in 2008
- $7,090 in Federal taxes withheld from her paychecks in 2008
- A 2008 AGI of $140,000
- The total 2008 tax minus withholding and estimated tax payments was $1,735

Will Linda be subject to an underpayment penalty for 2008?

A) Yes
B) No

124. [IV.B.2 and IV.B.3] 2008 IRS Pub. 17 – Pg. 43 [17 minutes]

Nancy Snyder had the following:

- No 2007 Federal taxes
- No estimated tax payments in 2008
- $1,090 in Federal taxes withheld from her paychecks in 2008
- A 2008 AGI of $90,000
- The total 2008 tax minus withholding was $7,735

Will Nancy be subject to an underpayment penalty for 2008?

A) Yes
B) No

125. [IV.B.2 and IV.B.3] 2008 IRS Pub. 17 – Pg. 43 [17 minutes]

Joan Jaz had the following:

- A 2007 Federal tax amount of $10,000
- $1,000 in estimated tax payments in 2008
- $7,090 in Federal taxes withheld from her paychecks in 2008
- A 2008 AGI of $110,000
- The total 2008 tax minus withholding was $735

Will Joan be subject to an underpayment penalty for 2008?

A) Yes
B) No

126. [IV.B.3] 2008 IRS Pub. 17 – Pg.43 [18 minutes]

In what situations is the underpayment penalty is <u>not</u> applicable:

A) The total of your withholding and estimated tax payments was at least as much as your 2007 tax (or 100% of your 207 tax if your AGI was more than $150,000, $75,000 if your 2008 filing status is married filing separately) and you paid all required estimated tax payments on time

B) The tax balance due on your return is no more than 10% of your total 2008 ta, and you paid all required estimated tax payments on time

C) Your total 2008 tax minus your withholding is less than $1,000

D) You did not have a tax liability in 2007

E) All of the above

127. [IV.C] – 2008 1040 Instructions – Page 65 [13 minutes]

Which of the following statements is <u>false</u> regarding the payment of individual income taxes by credit card:

A) Taxes can be paid via American Express, Discover, MasterCard or Visa cards.

B) A service provider must be used to pay via credit card

C) A convenience fee will be charged by the service provider based on the amount your are paying.

D) None of the above are false

128. [V.A.1] 2008 IRS Pub. 17 – Pg.44 [15 minutes]

Which of the following is taxable income to an employee?

A) Regular wages
B) Bonuses
C) Commissions
D) All of the above

129. [V.A.1] 2008 IRS Pub. 17 – Pgs.44-47 [27 minutes]

Seneca Zorn, cash-basis taxpayer, was employed by Knoxville Sales as a salesperson for 2008. In 2008 Seneca received the following from Knoxville Sales:

- Base wages of $40,000
- A year-end bonus of $3,000
- An advance commissions of $2,000. These commissions were based on sales that were anticipated to close in early 2009
- A $200 gift basket of baked goods and golf accessories. The gift basket was part of an employee achievement award that was presented to Seneca by Knoxville in a special ceremony in front of the entire company on his five-year anniversary with the company.
- A secured note made payable to Seneca in the amount of $10,000. The note called for a payment of $1,000 per year for the next 10 years. The discounted value of the note at the date Seneca received it was $7,235. No payments were made on the note in 2008.

How much taxable income did Seneca receive from Knoxville in 2008:

A) $40,000
B) $43,000
C) $45,000
D) $45,200
E) $52,235
F) $52,435
G) $55,200

130. [V.A.1] 2008 IRS Pub. 17 – Pgs. 44-47 [27 minutes]

Marcus Knapp, a cash-basis taxpayer, was employed by Industrial Design as a salesperson and design consultant for 2008. In 2008 Marcus received the following from Industrial Design:

- Base wages of $35,000
- A year-end bonus of $6,000
- Advance commissions of $2,000. These commissions were based on sales that were anticipated to close in early 2009. Marcus paid $750 of the $2,000 back to Industrial Design in 2008 because he knew that some of the future sales would likely not close at all.
- A $300 gift basket of foreign cheeses and chocolate. The gift basket was part of an employee achievement award that was presented to Marcus by Indus in a special ceremony in front of the entire company on his three-year anniversary with the company.
- Sick pay $1,100

How much taxable income did Seneca receive from Industrial Design in 2008:

A) $35,000
B) $41,000
C) $42,250
D) $43,000
E) $43,300
F) $43,650
G) $44,400

131. [V.A.1] 2008 IRS Pub. 17 – Pgs.44-47 [25 minutes]

Jennifer Miley was employed by High Sales Records as a saleswomen for 2008. In 2008 Jennifer received the following from High Sale Records:

- Base wages of $25,000
- A year-end bonus of $1,000
- A frozen turkey the day before Thanksgiving. The cost of the turkey was $12
- A $100 gift certificate for Play Now Sporting Goods that can be exchanged for cash at Play Now
- A $4,000 college tuition reimbursement, The reimbursement qualified as employer-provided educational assistance.

How much taxable income did Jennifer receive from Industrial Design in 2008:

A) $25,000
B) $26,000
C) $26,012
D) $26,100
E) $26,112
F) $30,000

G) $30,112

132. [V.A.1] 2008 IRS Pub. 17 – Pgs.44-47 [25 minutes]

Jake Grimm was employed as a high school teacher and football coach for San Crumel High School for most of 2008. In November, 2008 he was laid-off by the local school district. In 2008 Jake received the following from San Crumel High:

- Base wages of $50,000
- Severance pay of $12,500
- A monthly public transportation pass for 10 months (January through October). The cost of pass was $100 per month.
- Free use of a personal, retirement planner to advise Jake on the qualified retirement plan account he had with the high school. The retirement plan adviser's bill for services rendered for Jake was $350. The high school was billed directly for the services and the school paid the planner directly.

How much taxable income did Jake receive from San Crumel high school in 2008:

A) $50,000
B) $51,000
C) $51,350
D) $62,500
E) $63,500
F) $63,850

133. [V.A.2.a] – 2008 IRS Pub. 17 – Pg. 74 [15 minutes]

Max Redroom received a $2,500 annuity distribution in 2008 - $1,000 of which is taxable. How should Max report these amounts on his 2008 Federal tax return (Form 1040):

A) Report $2,500 on line 16a and $1,000 on line 16b
B) Report $2,500 on both lines 16a and 16b
C) Report $1,000 on both lines 16a and 16b
D) Report $1,000 on line 16a and $2,500 on line 16b

134. [V.A.2.a] – 2008 IRS Pub. 17 – Pg. 74 [12 minutes]

Which of the following statements is/are <u>true</u>:

A) If you received more than one annuity and at least one of them is not fully taxable, enter the total amount received from all annuities on Form 1040, line 16a and enter the taxable amount on Form 1040, line 16b

B) If all the annuities you receive are fully taxable, enter the total of all of them on Form 1040, line 16b.

C) Both of the above statements are true

D) None of the above statements are true

135. [V.A.2.a] – 2008 IRS Pub. 17 – Pg. 74 [15 minutes]

Which of the following statements is/are <u>false</u>:

A) Before you can figure how much, if any, of a distribution from a pension or annuity plan is taxable, you must determine for cost (your investment in the contract) in the pension or annuity.

B) Your total cost in the plan includes everything that you paid – including amount your employer paid that were taxable to you when paid.

C) Cost does include any amounts deducted or excluded from income

D) After determining the total costs of the pension or annuity, you must subtract any refunds of premiums, rebates, dividends, unrepaid loans, or other tax-free amounts you received by the later of the annuity starting date or the date on which you received your first payment.

136. [V.A.2.a] – 2008 IRS Pub. 17 – Pgs. 75-76 [15 minutes]

Under the Simplified Method of reporting annuity payments:

A) You figure the tax-free part of each annuity payment by dividing your cost by the total number of anticipated monthly payments.

B) For an annuity that is payable for the lives of the annuitants, this number is based on the annuitants' ages on the annuity start date and is determined from a table.

C) For any other annuity, this number is the number of monthly annuity payments under the contract.

D) All of the above statements are true

137. [V.A.2.c] 2008 IRS Pub. 17 – Pg.46 [13 minutes]

For 2008 the cost of up to $_______ of group-term life insurance coverage provided to an employee by and employer is not included in the employee's taxable income.

A) $25,000
B) $100,000
C) $50,000
D) None of the above

138. [V.A.2.d] – 2008 IRS Pub. 17. - Pg. 44 [10 minutes]

What IRS Publication should be referred to for details regarding qualifying moving expense reimbursements from an employer:

A) IRS Publication 521
B) IRS Publication 463
C) IRS Publication 525
D) IRS Publication 505

139. [V.A.2.e] 2008 IRS Pub. 17 – Pg.48 [10 minutes]

What IRS Publication does the IRS refer to to obtain detailed information on the taxability of stock options?

A) Pub. 525
B) Pub. 1
C) Pub. 200
D) None of the above

140. [V.A2.f.1] 2008 IRS Pub. 17 – Pg.46 [15 minutes]

Under what arrangement with an employer are reimbursements for the employee's medical expenses generally <u>not</u> included as taxable income:

A) 401(k) plan
B) Nonqualfied Stock Options
C) Incentive Stock Options
D) Health Flexible Spending Arrangement

141. [V.A2.f.1] 2008 IRS Pub. 17 – Pg.46 [13 minutes]

Which of the following answers is/are correct regarding contributions by your employer to your Archer Medical Savings Account (MSA):

A) They generally are not included in your income

B) They will be reported in box 12 of Form W-2 with code R

C) You must report this amount on Form 8853 and file Form 8853 with your return

D) All of the above are correct

142. [V.A2.f.1] 2008 IRS Pub. 17 – Pg.45 [12 minutes]

You must include in your taxable income sick pay benefits received from which of the following payers:

A) A welfare fund

B) A state sickness or disability fund

C) An association of employers or employees

D) An insurance company, if you employer paid for the plan

E) All of the above

143. [V.A.2.f.2] 2008 IRS Pub. 17 – Pg.45 [12 minutes]

Generally, the value of health plan coverage provided to employees by employers is:

A) Fully included as income
B) Not included as income
C) Not included as income for salaried employees only
D) Not included as income for hourly employees only

144. [V.A.2.f.2] 2008 IRS Pub. 17 – Pg.46 [12 minutes]

What IRS Publication does the IRS suggest you look into to obtain more information on health plan insurance premiums paid by the employer as well as other tax-favored health plans:

A) Pub. 320
B) Pub. 545
C) Pub. 969

D) Pub. 1025

145. [V.A.2.f.3] – 2008 IRS Pub. 17 – Pg. 50 [13 minutes]

Provide the best answer to the following:

A) Generally, if you are covered by an accident or health insurance plan through a cafeteria plan, and the amount of the insurance premiums was not included in your income, you are not considered to have paid the premiums and you must include any benefits you receive in your income.

B) If the amount of the accident or health insurance premiums was included in your income, you are considered to have paid the premiums, and any benefits you receive are not taxable.

C) Both of the above statements are true

D) Both of the above statements are false

146. [V.A.2.f.4] 2008 IRS Pub. 17 – Pg.51 [13 minutes]

Amounts an employee receives as workers' compensation for an occupational sickness or injury, if paid under a workers' compensation act or a statute in the nature of a workers' compensation act are:

a) Fully exempt from tax
b) Fully taxable
c) Partially taxable
d) Taxable for salaried employees but non-taxable for hourly employees

147. [V.A.2.f.4] 2008 IRS Pub. 17 – Pg.51 [12 minutes]

True/False:

If part of your workers' compensation benefits reduces your social security or equivalent railroad retirement benefits received, that part is considered social security (or equivalent railroad retirement) benefits and may be taxable

A) True
B) False

148. [V.A.2.f.4] 2008 IRS Pub. 17 – Pg.51 [10 minutes]

True/False:

If you return to work after qualifying for workers' compensation, salary payments you receive for performing light duties are not taxable as wages.

A) True
B) False

149. [V.A.2.g] 2008 IRS Pub. 17 – Pg.48 [15 minutes]

Which of the following offerings are not taxable to a member of the clergy:

A) Amounts received for performing marriage ceremonies
B) Amounts received for performing baptisms
C) Amounts received for performing at funerals
D) Offerings made directly to the religious institution

150. [V.A.2.h] 2008 IRS Pub. 525 – Pg. 7 [15 minutes]

Which of the following statements is false:

A) You do not include in your income the value of meals provided to you and your family by your employer at no charge if the meals are both furnished on the business premises of the employer and is furnished for the convenience of the employer.

B)You do not include in your income the value of meals provided to you and your family by your employer at no charge if the meals are either furnished on the business premises of the employer or is furnished for the convenience of the employer.

C)You must include in your income the value of meals provided to you and your family by your employer at no charge if the meals are both furnished on the business premises of the employer and is furnished for the convenience of the employer.

D) None of the above statements are false

151. [V.A.2.h] 2008 IRS Pub. 525 – Pg 7 [15 minutes]

Which of the following statements is/are true:

A) You do not include in your income the value of lodging provided to you and your family by your employer at no charge if the lodging is both furnished on the business premises of the employer, furnished for the convenience of the employer and is a condition of your employment

B) You do not include in your income the value of lodging provided to you and your family by your employer at no charge if the lodging is either furnished on the business premises of the employer, furnished for the convenience of the employer or is a condition of your employment

C) You must include in your income the value of lodging provided to you and your family by your employer at no charge if the lodging is both furnished on the business premises of the employer, furnished for the convenience of the employer and is a condition of your employment

D) None of the above statements are true

152. [V.A.2.i] 2008 IRS Pub. 17 – Pg.50 – [20 minutes]

Generally, if an employee is covered by an accident or health insurance plan through a cafeteria plan, and the amount of the insurance premiums were not included in the employee's income:

A) The employee is not considered to have paid the premiums and any benefits the employee receives are included in income
B) The employee is considered to have paid the premiums and any benefits the employee receives are not included in income
C) 50% of the benefits received are taxable
D) None of the above

153. [V.A.2.j] 2008 IRS Pub. 17 – Pg.46 [13 minutes]

What is the maximum amount of qualified employer-provided educational assistance that be be excluded from income in 2008:

A) $500
B) $4,000
C) $5,250
D) $10,000

154. [V.A.2.k] 2008 IRS Pub. 17 – Pgs. 220-221 [21 minutes]

Which of the following statements is/are false regarding non-taxable dependent care assistance provided by employers to their employees:

A) Dependent care benefits include amounts the employer paid directly to either the employee or the care provider for the care of the employee's qualifying person while the employee is at work

B) Dependent care benefits include the fair market value of care in a daycare facility provided or sponsored by the employer

C) If an employee received dependent care benefits his/her salary may have been reduced to pay for these benefits. If so, the employer must give the employee a Form W-2 (or similar statement) showing in box 10 the total amount of dependent care benefits provided to the employee during the year under a qualified plan.

D) The maximum amount of qualified dependent care benefits that can be excluded from income is $7,500 per year

E) None of the above are false

155. [V.A.2.l.1] 2008 IRS Pub. 17 – Pg.46 [15 minutes]

When an employer provides a car to an employee, the value of the *personal* use of the car is usually a:

A) Nontaxable fringe benefit
B) Taxable fringe benefit
C) Tax credit available to the employee
D) None of the above

156. [V.A.2.l.2] – 2008 IRS Pub. 525 – Pg. 6 [17 minutes]

Which of the following is <u>false</u> regarding an employer who sells to its employees property or services at a discount:

A) The employee may be able to exclude the amount of the discount from taxable wage income if the discounted property or services are be offered to customers in the ordinary course of the line of business in which the employee works

B) The employee may be able to exclude the amount of the discount from taxable wage income if the discounted property is <u>not</u> real property or property commonly held for investment (such as stocks or bonds)

C) For discounted *property,* the income exclusion is limited to the price charged non-employee customers multiplied by the employer's gross profit percentage (gross profit divided by gross sales) on all property sold during the employer's previous tax year

D) For discounted *services,* the income exclusion is limited to the price charged non-employee customers multiplied by 35%

157. [V.A.2.l.3] – 2008 IRS Pub. 525 – Pgs. 7-8 [13 minutes]

The value of services an employee receives from his/her employee for free is not included as income by the employee if:

A) The employer offers the same service for sale to customers in the ordinary course of the line of business in which the employee works

B) The service does not have a substantial additional cost (including any sales income given up) to provide the employee with the service

C) Either A or B

D) Both A and B

158. [V.A.2.l.4] 2008 IRS Pub. 17 – Pg.47 [13 minutes]

What is the maximum of qualified transportation fringe benefits that an employer may pay per month in 2008 in benefit of an employee that will not be included as taxable income to the employee:

A) $50
B) $100
C) $125
D) $115

159. [V.A.2.l.5] 2008 IRS Pub. 17 – Pg.46 [18 minutes]

Which of the following is not a nontaxable, *de minimis* fringe benefit provided to an employee by his/her employer:

A) A holiday turkey
B) Cab fare for employees when they have to occasionally work overtime
C) Occasional company picnics
D) A $10 holiday bonus check

160. [V.A.2.m] 2008 IRS Pub. 17 – Pg. 22 [13 minutes]

True/False: If you live in Arizona, California, Idaho, Louisiana, Nevada New Mexico, Texas, Washington or Wisconsin and file married filing separately, your income may be considered separate income or community property income. The IRS advises that married taxpayers living in these states refer to Publication 555 to get detailed information on how to report certain items of income if filing married filing separately.

A) True
B) False

161. [V.B.1] 2008 IRS Pub. 17 – Pgs.55-56 [13 minutes]

Which of the following is <u>not</u> reportable as taxable interest:

A) Interest earned on a bank savings account
B) The value of a toaster received for opening a new bank account
C) Interest received on a loan you made to another person
D) All of the above are reportable as taxable interest

162. [V.B.1] 2008 IRS Pub. 17 – Pg.55 [10 minutes]

Certain distributions commonly called dividends are actually interest. You must report as interest so-called "dividends" on deposits or on share accounts in:

A) Cooperative banks

B) Credit unions

C) Mutual savings banks

D) All of the above

163. [V.B.1] 2008 IRS Pub. 17 – Pg.56 [18 minutes]

Bryan Johns opened a checking account at her local bank with an opening deposit of $2,500. In 2008 he received the following from this new account:

- $ 103 in cash interest
- A coffee machine from the bank with a cost to the bank of $15. This same model of coffee machine was advertised at $25 by a local hardware store

How much taxable interest must Bryan report on his return based on the items listed above?

A) $103
B) $118
C) $128
D) None of the above

164. [V.B.1] 2008 IRS Pub. 17 – Pg.56 [18 minutes]

Samantha Lung opened a savings account at her local bank with an opening deposit of $5,500. In 2008 she received the following from this new account:

- $365 in cash interest
- A digital music player from the bank with a cost to the bank of $18. This same music player was advertised at $25 by a local electronics store

How much taxable interest must Samantha report on her return based on the items listed above?

A) $365
B) $383
C) $390
D) None of the above

165. [V.B.1] 2008 IRS Pub. 17 – Pg.56 [13 minutes]

Which of the following statements is/are <u>true</u>?

I) Interest on insurance dividends left on deposit with an insurance company that can be withdrawn annually is generally taxable to you in the year it is credited to your account.
II) However, if you can withdraw it only on the anniversary date of the policy (or other specified date), the interest is taxable in the year that date occurs.

A) I only
B) II only
C) Both I and II
D) Neither I or II

166. [V.B.1 & XII.H.3] 2008 IRS Pub. 17 Pg. 56 & 2008 Schedule CA Inst. – Page 2, Line 10 [25 minutes]

Christopher Mangione, a California resident for the entire year in 2008, received $450 in interest on a U.S. Treasury bill. How is this interest treated for both Federal and California tax purposes:

	Federal	California
A)	Taxable	Taxable
B)	Taxable	Not Taxable
C)	Not Taxable	Taxable
D)	Not Taxable	Not Taxable

167. [V.B.2] 2008 IRS Pub. 17 – Pgs.59-60 [17 minutes]

Interest earned on which of the following bonds are taxable at the Federal level:

A) Bonds issued by the State of California to finance their operations
B) Bonds issued by the County of San Mateo, California to finance their operations
C) U.S. Treasury Bonds
D) Bonds issued by the city of Menlo Park to finance their operations

168. [V.B.2] 2008 IRS Pub. 17 – Pgs.59 and 60 [18 minutes]

Which of the following statements is/are false:

A) Interest on a bond used to finance government operations generally is not taxable at the Federal level if the bond is issued by a state, the District of Columbia, a possession of the United States, or any of their political subdivisions (such as counties, cities and towns)

B) Bonds issued after 1982 by an Indian tribal government are treated as issued by a state and generally the interest earned on these bonds is generally tax exempt at the Federal level if the bonds are part of an issue of which substantially all of the proceeds are to be used in the exercise of any essential government function.

C) Interest on arbitrage bonds issued by state or local governments after October 9, 1969, is taxable at the Federal level..

D) Interest on a private activity bond that is not a qualifying bond is not taxable at the Federal level.

169. [V.B.3.a] 2008 IRS Pub. 17 – Pg.60 – [18 minutes]

A cash-basis taxpayer is not considered to have constructively received interest until which of the following circumstances occur:

A) When interest is credited to your account and is subject to withdrawal
B) When you actually withdraw the interest from the bank
C) When interest is credit to your account but is not subject to withdrawal
D) When the last and final interest payment is made to you on a 10-year loan you made to another person and they had to pay principal and interest to you every month during the loan

170. [V.B.3.b] 2008 IRS Pub. 17 – Pg.59 [15 minutes]

Original issue discount (OID) is a form of interest. You generally include OID in income as it accrues over the term of the debt instrument, <u>except</u> in cases such as:

A) When the debt instrument is a U.S. Savings bond
B) When the debt instrument has a fixed maturity date of not more than 1 year from the date of issue
C) None of the above
D) All of the above

171. [V.B.4] 2008 IRS Pub. 17 – Pg.61 [15 minutes]

Which of the following is <u>not</u> a correct location to report taxable interest:

a) Form 1040, Line 8a
b) Form 1040A, line 8a
c) Form 1040EZ, Line 2
d) All of the above are correct locations to report taxable interest

172. [V.B.4] 2008 IRS Pub. 17 – Pg.61 [18 minutes]

You must complete Schedule 1 (Form 1040A), Part I, if you file Form 1040A and:

A) Your taxable interest income is more than $1,500

B) You are claiming the interest exclusion under the Education Savings Bonds Program

C) You received interest from a seller-financed mortgage, and the buyer used the property as a home

D) You received a Form 1099-INT for U.S. Savings bonds interest that includes amounts you reported before 2008.

E) You received, as a nominee, interest that actually belongs to someone else

F) You received a Form 1099-INT for interest on frozen deposits

G) <u>Any</u> of the items listed in answers A-F are present

H) <u>All</u> of the items listed in answers A-F are present

173. [V.B.4] 2008 IRS Pub. 17 – Pg.61 [18 minutes]

You must use Form 1040 instead of Form 1040A or Form 1040 EZ if:

A) You forfeited interest income because of the early withdrawal of a time deposit

B) You received or paid accrued interest on securities transferred between interest payment dates

C) You had a financial account in a foreign country, unless the combined value of all foreign accounts was $10,000 or less during all of 2008 or the accounts were with certain U.S. Military banking facilities

D) You acquired taxable bonds after 1987 and choose to reduce interest income from the bonds by any amortizable bond premium

E) You are reporting original issue discount (OID) in an amount more or lress than than the amount shown on Form 1099-OID

F) You received tax-exempt interest from private activity bonds issued after August 8, 1986

G) <u>Any</u> of the items listed in answers A-F are present

H) <u>All</u> of the items listed in answers A-F are present

174. [V.B.4] 2008 IRS Pub. 17 – Pg.61 [18 minutes]

You must complete Schedule B (Form 1040), Part I, if you file Form 1040 and:

A) Your taxable interest income is more than $1,500

B) You are claiming the interest exclusion under the Education Savings Bond Program

C) You had a foreign account or you received a distribution from, or were a grator of, or tranferor to, a foreign trust

D) You received interest from a seller-financed mortgage, and the buyer used the property as a home

E) You received a Form 1099-INT for U.S. savings bond interest that includes amounts you reported before 2008

F) You received, as a nominee, interest that actually belongs to someone else

G) You received a Form 1099-INT for interest on frozen deposits

H) You received a Form 1099-INT for interest on a bond that you bought between interest payment dates

I) <u>All</u> of the items listed in answers A-H are present

J) Any of the items listed in answers A-H are present

175. [V.C.1] 2008 IRS Pub. 17 – Pg.63 [17 minutes]

Which of the following is false regarding ordinary dividends:

A) They are paid out of earnings and profits of a corporation.
B) They are taxable as ordinary income
C) They are exempt from taxation
D) They are reported in box 1a of Form 1099-DIV

176. [V.C.2] 2008 IRS Pub. 17 – Pg.64 [12 minutes]

Where are capital gain distributions reported:

A) Box 2a of Form 1099-DIV
B) Box 6 of Form 1099-DIV
C) Box 1 of Form 1099-INT
D) Box 1 of Form 1098

177. [V.C.2] 2008 IRS Pub. 17 – Pg.64 [10 minutes]

True/False:

You report capital gain distributions as long-term capital gains regardless of how long you owned your shares in a mutual fund or Real Estate Investment Trust (REIT)

A) True
B) False

178. [V.C.2] 2008 IRS Pub. 17 – Pg.64 [17 minutes]

Some mutual funds and REITs keep their long-term capital gains and pay tax on them. You must treat your share of these gains as distributions, even though you did not receive them.

Which of the following answers is correct regarding these undistributed capital gains:

Where Reported by Mutual Fund/REIT   Where Reported by Mutual Fund/REIT Owner

A)	Form 1099-DIV	Schedule D – Long-Term Capital Gains
B)	Form 1099-DIV	Schedule D – Short-Term Capital Gains
C)	Form 2439	Schedule D – Long-Term Capital Gains
D)	Form 2439	Schedule D – Short-Term Capital Gains

179. [V.C.2] 2008 IRS Pub. 17 – Pg.64 [12 minutes]

True/False:

The taxpayer can claim a credit on his/her tax return for taxes paid by mutual funds or REITs on their undistributed capital gains on line 68 of Form 1040 and checking box a on that line.

A) True
B) False

180. [V.C.3] 2008 IRS Pub. 17 – Pg.64 – [13 minutes]

Which of the following is following false regarding nondividend distributions:

A) They are not paid out of the earnings and profits of a corporation
B) They are reported on box 3 of Form 1099-DIV
C) They reduce your basis in the stock
D) They always taxable

181. [V.C.3] 2008 IRS Pub. 17 – Pg.64 – [13 minutes]

Which of the following statements is false regarding non-dividend distributions?

A) A non-dividend distribution reduces the basis of your stock.

B) They are not taxed until your basis in the stock is fully recovered

C) If you buy stock in a corporation in different lots at different times, and you cannot definitively identify the shares subject to the non-dividend distribution, reduce the basis of your latest purchases first.

D) When the basis of your stock has been reduced to zero, report any additional non-dividend distribution that you receive as a capital gain.

182. [V.C.3] 2008 IRS Pub. 17 – Pg.64 – [21 minutes]

Tom Apple purchased $1,000 in Bridgeco stock in 2001. In 2004 Tom received a non-dividend distribution of $800. Tom did not include this $800 distribution in income in 2004, but he reduced his basis in Bridgco stock by $800 – resulting in a basis of $200 in Bridgeco.

In 2008 Tom received another non-dividend distribution of $300.

How should Tom treat the $300 distribution in 2008?

A) None of it is taxable, but he must reduce his basis in Bridgeco by $300

B) All of it is taxable as long-term capital gain and his basis in Bridgeco does not change

C) $200 of the $300 is not taxable, he must report $100 as long-term capital gains and he reduces his basis in Bridgeco to zero.

D) $150 of the $300 is not taxable, he must report $150 as short-term capital gains and he reduces his basis in Bridgeco to $50.

183. [V.C.3] 2008 IRS Pub. 17 – Pg.64 – [25 minutes]

On July 15, 2005 Marriet Hammel purchased 500 shares of Safeco stock for $5,000. On December 1, 2005 Marriet purchased an additional 200 shares of Safeco for $2,000. In 2008 Marriet received a non-dividend distribution of $4,000. She could not definitively identify the shares subject to the non-dividend distribution.

How should she treat the $4,000 distribution in 2008?

A) (1) Reduce the basis of the shares she purchased on July 15, 2005 by $4,000 and (2) report no income.

B) (1) Reduce the basis of the shares she purchased on December 1, 2005 by $2,000, (2) reduce the basis of the shares she purchased on December 1, 2005 by $2,000 and (3) report no income

C) (1) Reduce the basis of the shares she purchased on December 1, 2005 by $2,000 and (2) report $2,000 in long-term capital gains

D) None of the above

184. [V.C.3] 2008 IRS Pub. 17 – Pg.64 – [27 minutes]

On April 20, 2008 Tom Bruski purchased 500 shares of Wafeco stock for $500. On November 1, 2008 Tom purchased an additional 1,000 shares of Wafeco for $1,000. On December 15, 2008 Tom received a non-dividend distribution of $750. Tom could not definitively identify the shares subject to the non-dividend distribution.

How should she treat the $750 distribution in 2008?

A) (1) Reduce the basis of the shares he purchased on April 20, 2008 by $500, (2) reduce the basis of the shared purchased on November 1, 2008 by $250 and (3) report no income.

B) (1) Reduce the basis of the shares he purchased on April 20, 2008 by $500 and (2) report long-term capital gains of $250

C) (1) Reduce the basis of the shares he purchased on April 20, 2008 by $500 and (2) report short-term capital gains of $250

D) (1) Reduce the basis of the shares he purchased on November 1, 2008 by $500 and (2) report no income

185. [V.C.4] 2008 IRS Pub. 17 – Pg.64 – [13 minutes]

Which of the following is following <u>false</u> regarding liquidating distributions:

A) They are distributed during a partial distribution of a corporation
B) They are distributed during a complete distribution of a corporation
C) They are never a form of a return of capital
D) They are reported either on box 8 or 9 of Form 1099-DIV

186. [V.C.4] 2008 IRS Pub. 17 – Pg.65 – [10 minutes]

<u>True/False</u>:

Dividends you receive on veterans' insurance policies are <u>not</u> taxable.

A) True
B) False

187. [V.C.4] 2008 IRS Pub. 17 – Pg.65 – [10 minutes]

<u>True/False</u>:

Insurance policy dividends that the insurer keeps and uses to pay your premiums are <u>not</u> taxable.

A: True
B) False

188. [V.C.5] 2008 IRS Pub. 17 – Pg.65 [17 minutes]

Which of the following is <u>not</u> one of the proper locations to report dividends:

A) Ordinary dividends on line 9a of Form 1040
B) Qualified dividends on line 9b of Form 1040
C) Ordinary dividends on line 9a of Form 1040A
D) Ordinary dividends on line 9a of Form 1040EZ

189. [V.D] 2008 IRS Pub. 17 – Pg.81 [17 minutes]

Generally, up to 50% of Social Security benefits are taxable. However, up to 85% of Social Security benefits can be taxable under which of the following situations:

A) The total of one-half of your benefits and all your other income is more than $34,000 for single taxpayers
B) The total of one-half of your benefits and all your other income is more than $44,000 for married filing jointly taxpayers
C) You are married filing separately and lived with your spouse at any time during 2007
D) All of the above

190. [V.E.1.a] 2008 IRS Pub. 17 – Pg.66 [15 minutes]

Which of the following statements is <u>false</u> regarding advance rent:

A) Advance rent is any amount you receive before the period the rent covers.
B) You must include advance rent in your rental income in the year you receive it
C) You must include advance rent in your rental income evenly over the tax years it covers (if it covers more than one year)
D) The tax years in which you report advance rent is the same regardless of the method of accounting you use

191. [V.E.1.b] 2008 IRS Pub. 17 – Pg.65 [12 minutes]

Which of the following statements is <u>false</u> regarding rental security deposits?:

A) They are not included in income when received if the landlord plans on returning it to the tenant at the end of the lease
B) When any part of the deposit is permanently retained because the tenant did not live up to

his/her terms of the lease that portion of the deposit is reported as income

C) If an amount called a security deposit is to be used as a final payment of rent, it is advance rent and is to be included in income when received

D) None of the above statements are false

192. [V.E.1.c] 2008 IRS Pub. 17 – Pg.66 [13 minutes]

Expenses of a landlord that are paid on behalf of the landlord by the tenant are treated as rental income by the landlord. Which of the following is an example of a landlord expense paid by the tenant:

A) Property taxes assessed and billed to the landlord that are paid by the tenant
B) Wages of the tenant's business paid by the tenant
C) Computer equipment purchased by the tenant for its business
D) All of the above

193. [V.E.2.a] 2008 IRS Pub. 17 – Pg.67 [17 minutes]

Which of the following statements is <u>false</u> regarding rental property repairs:

A) A landlord can deduct the cost of repairs made to his/her rental property
B) A repair keeps the rental property in good operating condition
C) A repair does not materially add to the value of the property or substantially prolong its life
D) If repairs are made as part of an extensive remodeling or restoration of the property the repairs can be separated from the rest of the project and deducted currently

194. [V.E.2.b] 2008 IRS Pub. 17 – Pg.67 [17 minutes]

Which of the following statements is <u>false</u> regarding travel expenses associated with rental property endeavors:

A) You can deduct the ordinary and necessary expenses of traveling away from home if the primary purpose of the trip was to collect rental income or to manage, conserve or maintain your rental property.

B) You must properly allocate your travel expenses between rental and non-rental activities

C) You can deduct the cost of traveling away from home if the primary purpose of the trip was the improvement of the property

D) All of the above are true

195. [V.E.2.c] 2008 IRS Pub. 17 – Pg.66 [13 minutes]

Which of the following statements is/are <u>true</u> regarding depreciation of rental property:

A) You can begin to depreciate rental property when it is ready and available for rent
B) All improvements to rental property can be deducted in full in the year incurred
C) Additional information on the start date for depreciation can be found in IRS Publication 15A
D) All of the above are true

196. [V.E.3] 2008 IRS Pub. 17 – Pg. 68 [15 minutes]

The Reed family rents out its vacation home for 13 days during 2008. The 2008 rental receipts from the vacation home:

A) Must be reported as income in full, with no deductions allowed against the income
B) Must be reported as income if full, with all applicable rental deductions allowed
C) Are not reported as income, but all rental-related expenses can be deducted
D) Are not reported as income and all rental-related expenses are not deducted

197. [V.E. (1.a,b,c & 2.a.b.c)] 2008 IRS Pub. 17 – Pg.73 [12 minutes]

What schedule is used to report rental income and expenses for an individual filing Form 1040:

A) Schedule A
B) Schedule D
C) Schedule E
D) Schedule F

198. [V.F.1] 2008 IRS Pub. 334 – Pg.20 [15 minutes]

Which of the following gross receipts from a self-employed business is <u>not</u> reported as gross income:

A) Cash receipts from customers
B) Credit card receipts from customers
C) An exchange of property for services with no monetary changing hands (i.e., bartering).
D) All of the above <u>must</u> be reported as gross income

199. [V.F.2] 2008 IRS 2008 IRS Pub. 334 – Pg.28 [15 minutes]

Which of the following is <u>not</u> one of the components when determining cost of goods sold for a retailer:

A) Inventory at the beginning of the year
B) Purchases of inventory during the year

C) Inventory at the end of the year
D) General and administrative overhead expenses

200. [V.F.2] 2008 IRS 2008 IRS Pub. 334 – Pg.28-29 [20 minutes]

Fun Stuff, who utilizes the calendar year as its tax year, is a small retailer of children's electronics. Fun Stuff had the following in 2008:

- Inventory at the beginning of the year of $22,000
- Purchases of electronics during the year of $400,000
- Labor costs for its employees of $100,000
- Inventory at the end of the year of $15,000

What is Fun Stuff's cost of goods sold for 2008?

A) $400,000
B) $407,000
C) $507,000
D) $522,000

201. [V.F.2] 2008 IRS 2008 IRS Pub. 334 – Pg.28-29 [21 minutes]

Widgets R Us (Widgets), who utilizes the calendar year as its tax year, is a small retailer of party toys. Widgets had the following in 2008:

- Inventory at the beginning of the year of $52,000
- Purchases of toys (for sale to customers) during the year of $40,000
- Labor costs for its employees of $65,000
- Freight-in expenses associated with the purchases of toys for resale to customers of $10,000
- Inventory at the end of the year of $25,000

What is Widgets' cost of goods sold for 2008?

A) $40,000
B) $67,000
C) $77,000
D) $132,000
E) $142,000

202. [V.F.3.a] 2008 IRS Pub. 334 – Pg.31 [12 minutes]

In order for a business expense to be deductible, the expense must:

A) Be both ordinary and necessary
B) Be either ordinary or necessary
C) Be indispensable
D) Both A and C

203. [V.F.3.a] 2008 IRS Pub. 334 – Pg.31 [10 minutes]

An ordinary expense is one that is:

A) Common and accepted in your field of business
B) Common for every type of business
C) Only less than $500 in cost
D) None of the above

204. [V.F.3.a] 2008 IRS Pub. 334 – Pg.31 [12 minutes]

A necessary expense is one that is:

A) Helpful for your business
B) Appropriate for your business
C) Both helpful and appropriate for your business
D) Only in excess of $500 in cost

205. [V.F.3.b.1] 2008 IRS Pub. 334 – Pg.39 [12 minutes]

To claim expenses for business use of your home, the business part of your home must be:

A) Exclusive (with a few exceptions)
B) Regular
C) For your business
D) All of the above

206. [V.F.3.b.1] 2008 IRS Pub. 334 – Pg.39 [12 minutes]

In order to be considered a business part of your home this particular part of the home must be:

A) Your principal place of business
B) A place where you meet or deal with patients, clients, or customers in the normal course of your

business
C) A separate structure (not attached to your home) you use in connection with your business
D) Any of the above
E) All of the above

207. [V.F.3.b.2] 2008 IRS Pub. 334 – Pg.31 [15 minutes]

When an automobile is used for both business and personal purposes:

A) The business usage must be separated from the personal usage
B) Only the business portion of the usage may be deducted
C) The personal usage portion may not be deducted
D) All of the above are true

208. [V.F.3.b.3] 2008 IRS Pub. 334 – Pg.37 – [17 minutes]

Which of the following statements is/are <u>false</u> regarding travel and entertainment expenses:

A) Travel expenses are fully deductible whereas entertainment expenses are only 50% deductible
B) Both travel and entertainment expenses are fully deductible
C) Traveling between a self-employed business owner's home and principal place of business are not deductible
D) All of the above are false

209. [V.F.3.b.3] 2008 IRS Pub. 334 – Pg.37 – [10 minutes]

<u>True/False:</u>

You can deduct the cost of travel by airplane, train, bus or car between your home and your business destination

A) True
B) False

210. [V.F.3.b.3] 2008 IRS Pub. 334 – Pg. 37 – [10 minutes]

<u>True/False:</u>

You <u>cannot</u> deduct taxi, shuttle bus or limousine fares between the airport and station and your hotel, or between the hotel and your work location away from home.

A) True
B) False

211. [V.F.3.b.3] 2008 IRS Pub. 334 – Pg.37 – [10 minutes]

<u>True/False:</u>

You can deduct the cost of sending baggage and sample or display material between your regular and temporary work locations.

A) True
B) False

212. [V.F.3.b.4] 2008 IRS Pub. 334 – Pg.35 [10 minutes]

A self-employed business owner is generally able to deduct health insurance premiums paid for his or her family as an "above-the-line" deduction. What IRS Publication provides additional information regarding this deduction:

a) IRS Pub. 101
b) IRS Pub. 535
c) IRS Pub. 1040
d) IRS Pub. 35

213. [V.F.4.a] 2008 IRS Pub. 334 – Pg.45 [12 minutes]

Self-employment taxes are computed every year for payment on which schedule:

A) Schedule SE
B) Schedule D
C) Schedule E
D) Schedule B

214. [V.F.4.b] 2008 IRS Pub. 334 – Pg.41 [18 minutes]

What of the following statements is <u>true</u> regarding the calculation of the self-employment tax for 2008 by an individual who operates one business during the year:

A) The tax is 15.3% of all gross receipts earned by the business during the year

B) The tax is 15.3% of all net income earned by the business during the year – regardless of the amount of net income

C) The tax is 12.4% of the business' net income (up to $102,000 in net income) plus 2.9% of all net income of the business

D) The tax is 7.65% of all of the net income earned by the business during the year

215. [V.F.4.b] 2008 IRS Pub. 334 – Pg.41 [12 minutes]

True/False:

Fees you receive for services you perform as a notary public as a sole proprietor are reported on Schedule C or C-EZ but are not subject to self-employment tax.

A) True
B) False

216. [V.G] 2008 IRS Pub. 334 – Pg.3 [10 minutes]

What IRS Publication provides detailed information regarding reporting income for a self-employed farmer:

A) Publication 542
B) Publication 225
C) Publication 595
D) Publication 925

217. [V.H] 2008 IRS Pub. 17 – Pg.89 [12 minutes]

Gross income from a hobby (an activity in which one does not expect to make a profit) is:

A) Reported on line 21 of Form 1040
B) Reported on Schedule C of Form 1040
C) Reported on Schedule F of Form 1040
D) Not reportable

218. [V.I] 2008 IRS Pub. 17 – Pg. 66 [10 minutes]

What Publication does the IRS refer to for information regarding passive activity rules:

A) Publication 15-A

B) Publication 925
C) Publication 100-P
D) Publication 25

219. [V.J.1] 2008 IRS Pub. 17 – Pg.87 [12 minutes]

On what form are royalty income proceeds normally reported?:

A) Schedule A
B) Schedule D
C) Schedule E
D) Schedule F

220. [V.J.2] 2008 IRS Pub. 17 – Pg.84 – [18 minutes]

A bicycle store owner exchanges a bike with a fair market value of $500 to an art dealer for a paining with a fair market value of $500. The art dealer originally purchased the painting for $300.

What amount of *gross* income must the bicycle store owner report on her Schedule C for this bartering transaction:

A) $300
B) $200
C) $500
D) No gross income is reported for barter transactions

221. [V.J.3] 2008 IRS Pub. 17 – Pg.87 – [18 minutes]

A small business owner had to repay $2,000 in 2008 on an item that was previously reported as income on Schedule C when it was originally received in 2007. In regards to the repayment the owner should:

A) Amend his 2007 tax return and remove this item from income
B) Take a $1,000 credit on his 2008 tax return
C) Do nothing as this repayment has no tax impact
D) Deduct the $2,000 on his Schedule C for the 2008 tax year

222. [V.J.4] 2008 IRS Pub. 17 – Pgs. 86-87 – [20 minutes]

Ken Jackson received a $400 California income tax refund in 2008 after filing his 2007 California income tax return. All of his state income taxes paid in 2007 were deducted on his 2007 Federal income tax return and his total 2007 itemized deductions were $5,000 more than what he could have claimed as a standard deduction.

In regards to this $400 tax refund, Ken:

A) Must report the $400 as income on his 2008 Federal tax return
B) Must report the $400 as income on an amended 2007 Federal tax return
C) Will do nothing as this refund has no tax impact
D) Will take a $400 credit on his 2008 Federal tax return

223. [V.J.4] 2008 IRS Pub. 17 – Pgs.86-87 – [20 minutes]

Jim Saxon received a $300 refund in 2008 from his bank for mortgage interest that was overpaid to the bank in 2007. All of his mortgage interest paid in 2007 was deducted on his 2007 Federal income tax return and his total 2007 itemized deductions were $5,000 more than what he could have claimed as a standard deduction.

In regards to this $300 mortgage interest refund, Jim:

A) Must report the $300 as income on his 2008 Federal tax return
B) Must report the $300 as income on an amended 2007 Federal tax return
C) Will do nothing as this refund has no tax impact
D) Will take a $300 credit on his 2008 Federal tax return

224. [V.J.4] 2008 IRS Pub. 17 – Pgs.86-87 – [18 minutes]

Matt Perez received a $1,400 California income tax refund in 2008 after filing his 2007 California income tax return. Matt took the standard deduction on his 2007 Federal income tax return.

In regards to this $1,400 tax refund, Matt:

A) Must report the $1,400 as income on his 2008 Federal tax return
B) Must report the $1,400 as income on an amended 2007 Federal tax return
C) Will do nothing as this refund has no tax impact
D) Will take a $400 credit on his 2008 Federal tax return

225. [V.J.5] 2008 IRS Pub. 17 – Pg. 86 – [12 minutes]

A partnership normally reports each partner's share of the partnership's income, gains, losses, deductions and credits on:

A) Schedule P
B) Form 1099-MISC
C) Schedule K-1
D) None of the above

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226. [V.J.6.a] – IRS Pub. 1779 (Rev. 8/2008) [12 minutes]

IRS Publication 1779 provides helpful guidance in determining whether a worker is classified as an employee or an independent contractor.

According to Publication 1779 which of the following factors between the service provider and the service recipient are pertinent to the employee versus independent contractor determination?

A) Behavioral control
B) Financial control
C) Relationship of the parties
D) All of the above

227. [V.J.6.b] – 2008 Form 8919 – Pg. 2 [13 minutes]

Annie Briggs worked for Dizmo Company for six months in 2008. It was her understanding that she was an employee of Dizmo. However, in January 2009 Dizmo issued Annie a Form 1099-MISC instead of Form W-2. Dizmo did not withhold any taxes from the amounts paid to her in 2008. As a result, Annie should

A) File SS-8 with the IRS
B) Complete Form 8919 and attach it with her 2008 tax return
C) Both of the above
D) None of the above

228. [VI.A & VIII.C.1] – 2008 IRS Pub. 17 – Pg. 107 [20 minutes]

Which of the following statements is <u>false</u> regarding sales of main homes for individuals:

A) You may be able to exclude up to $250,000 in gains from taxable income for a single individual

B) In order to qualify for an exclusion of gain of a sale of a main home you must meet both an ownership and a use of the home test

C) You may be able to exclude up to $500,000 of the gain on the sale of your main home if you are married and file a joint return

D) For a married couple filing separately each spouse can exclude up to $500,000 of gain from income on their sale of their primary home (for a combined total of up to $1,000,000).

229. [VI.A & VIII.C.1] – 2008 IRS Pub. 17 – Pg. 107 [13 minutes]

A single individual may be able to exclude up to $250,000 of the gain on the sale of his/her main home if:

A) The ownership test has been met
B) The use test has been met
C) During the 2-year period ending on the date of the sale, he/she did not exclude gain from the sale of another home
D) All of the above are true

230. [VI.A & VIII.C.1] – 2008 IRS Pub. 17 – Pg. 107 [20 minutes]

Tim Taylor, who filed as single, bought and moved into his main home on March, 2005. While still residing at the property he sold the home at a gain in November 2008. During the 5-year period ending on the date of the sale, he owned and lived in the home for for than 2 years.

A) Tim has met the ownership and use tests and may exclude up to $250,000 in gain from the sale of his home

B) Tim has met the ownership and use tests and may exclude up to $50,000 in gain from the sale of his home

C) Tim has met the ownership test but not the use test and may not exclude any gain from the sale of his home

D) Tim has met the use test but not the ownership test and may not exclude any gain from the sale of his home

231. [VI.A & VIII.C.1] – 2008 IRS Pub. 17 – Pg. 107 [18 minutes]

Andre and Kim Vail, who filed as married filing jointly, bought and moved into their main home on July, 2000. They sold the home at a gain in January 2008. During the 5-year period ending on the date of the sale, they owned and lived in the home for for than 2 years.

A) They have met the ownership and use tests and may exclude up to $250,000 in gain from the sale of their home

B) They have met the ownership and use tests and may exclude up to $500,000 in gain from the sale of their home

C) They have met the ownership test but not the use test and may not exclude any gain from the sale of their home

D) They have met the use test but not the ownership test and may not exclude any gain from the sale of their home

232. [VI.B] – 2008 IRS Pub. 17 – Pg. 92 [17 minutes]

A candidate for a degree can exclude amounts received as a qualified scholarship or fellowship from taxable income. A qualified scholarship or fellowship is any amount you receive that is for:

A) Tuition and fees to enroll at or attend an educational institution
B) Fees, books, supplies, and equipment required for courses at the educational institution
C) Room and Board
D) A or B
E) All of the above

233. [VI.C] – 2008 IRS Pub. 17 – Pgs. 84-85 [15 minutes]

Generally, if a debt you owe is canceled or forgiven, you must include the amount in your income. However, certain debt discharges are not taxable.

Which of the following debt discharges are <u>not</u> taxable:

A) Debts discharged as a gift or bequest

B) When the debt is canceled in a bankruptcy case under title 11 of the U.S. Code

C) When you are insolvent when the debt is canceled. However, you cannot exclude any amount of canceled debt that is more than the amount by which you are insolvent

D) All of the above

234. [VI.D] – 2008 IRS Pub. 17 – Pg. 91 [13 minutes]

Which of the following statements regarding gifts or inheritances that are received from another person is <u>false</u>:

A) Generally, property you receive as a gift or inheritance is not included in your income.
B) If you inherited a pension or an individual retirement account (IRA), you may have to include part of the inherited amount in your income
C) Both of the above statement are false
D) Neither of the above statements is false

235. [VI.E] – 2008 IRS Pub. 17 – Page 50 (VA Benefits); Page 90 for Child Support Payments; Page 88 for Public Welfare Fund based on need; Page 92 for Prizes [13 minutes]

Which of the following items of income are taxable:

A) Prizes won on a game show
B) Child support payments
C) Payments from public welfare funds based on need
D) Veterans benefits

236. [VII.A] – 2008 IRS Pub. 17 – Pg. 130 [13 minutes]

Which of the following statements is <u>false</u> regarding alimony payments:

A) Alimony is deductible by the payer
B) Alimony is taxable by the recipient
C) A transfer of a car from one ex-spouse to another is consider alimony
D) In ordered to be considered alimony the payments must be required by a divorce or separation instrument.

237. [VII.B] 2008 IRS Pub. 17 – Pg. 90 [10 minutes]

According to IRS Publication 17 what IRS Publication should you refer to to obtain more information concerning property settlements incident to divorces and separations:

A) Publication 15-a
B) Publication 504
C) Publication 54
D) Publication 225

238. [VII.C] – 2008 IRS Pub. 17 – Pg. 132 [13 minutes]

Which of the following statements is true regarding the deductibility of the payer child support payments and the taxability of the recipient of child support payments:

	Payer	Recipient
A)	Deductible	Taxable
B)	Deductible	Non-Taxable
C)	Not Deductible	Taxable
D)	Not deductible	Not Taxable

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239. [VIII.A] – 2008 IRS Pub. 17 – Pg. 98 [15 minutes]

In order to determine the gain or loss on a sale or other disposition of property one must calculate the sales price of the property. The sales price is the amount realized in the transaction.

Which of the following statements is/are false regarding the amount *realized*:

A) The amount you realize from a sale or trade of property includes the fair market value of any property or services you receive.

B) The amount you realize from a sale or trade of property only includes cash received in the transaction

C) The amount you realize includes any of your debts that were assumed by the other party in the transaction

D) None of the above transactions are false

240. [VIII.B.1] – 2008 IRS Pub. 17 – Pg. 93 [13 minutes]

In order to determine the gain or loss on a sale or other disposition of property one must calculate his/her basis in the property.

In addition to the base price of the item sold, which of the following expenditures must be included in the basis of the property:

A) Any sales taxes paid on the purchase of the property
B) Any freight paid on the purchase of the property
C) Any installation and testing associated with the purchase of the property
D) All of the above

241. [VIII.B.2] – 2008 IRS Pub. 17 – Pg. 96 [15 minutes]

When of the following statements is/are <u>false</u> regarding property received as a gift or via an inheritance?

A) Your basis in property you inherit from a decedent is generally the fair market value of the property at the date of the decedent's death (or the fair market value on the alternative valuation date if the personal representative for the estate elects to use the alternative valuation)

B) If you receive property as a gift and the fair market value at the time of the gift of the property is equal to or greater than the donor's basis, your basis is the donor's basis at the time you received the gift

C) If you receive property as a gift and the fair market value at the time of the gift of the property is equal to or greater than the donor's basis, your basis is the fair market value at the time you received the gift

D) If you receive a gift and the fair market value of the property at the time of the gift is less than the donor's adjusted basis, your basis for figuring a gain is the same as the donor's adjusted basis, but your basis for figuring a loss is its fair market value when you received the gift.

242. [VIII.B.3] – 2008 IRS Pub. 17 – Pgs. 94-95 [20 minutes]

Before figuring gain or loss on a sale, exchange or other disposition of property you must usually make certain adjustments (increases and decreases) to the cost of the property. The result is the adjusted basis.

Which of the following scenarios is <u>false</u> regarding the adjusted basis of the property:

A) Joe purchased a purchased a computer for a total purchase price (including sales taxes and freight) of $1,200.00. Depreciation in the amount of $800.00 has been taken on the computer to date. Joe's adjusted basis in the computer is now $400.00.

B) Ben purchased his personal residence for $175,000. After the purchase he paid $50,000 to a contractor to put in a recreation room in unfinished basement. His adjusted basis in the house is $225,000.00.

C) Nicole purchased a mountain home for $400,000.00. Following the purchase she paid $25,000 to construct a new road from the street to her house on the top of the mountain. Her adjusted basis in the house is $425,000

D) Mark decided to exchange his old truck used exclusively in his business that had an adjusted basis of $5,000 (with a fair market value of $7,000) for a new truck. In addition exchanging the old truck he also paid an additional $3,000 in the exchange. His basis in the new truck is $10,000 (the $7,000 fair market value of his old truck plus the $3,000 in cash he paid in the exchange.

243. [VIII.D] – 2008 IRS Pub. 17 – Pg. 54 [10 minutes]

What IRS Publication should be referred to to get detailed information regarding the tax treatment of installment sales?

A) Publication 54
B) Publication 213
C) Publication 537
D) Publication 550

244. [VIII.E.1] – 2008 IRS Pub. 17 – Pg. 101 [12 minutes]

Which of the following is <u>not</u> considered a capital asset:

A) Stocks held in your personal account
B) Your home
C) Your automobile
D) Inventory

245. [VIII.E.1] – 2008 IRS Pub. 17 – Pg. 101 [12 minutes]

You can elect to treat musical compositions and copyrights in musical works as capital assets when you sell or exchange them if:

A) Your personal efforts created the property

B) You acquired the property under circumstances entitling you to the basis of the person who created the property or for whom the was prepared or produced

C) Either A <u>or</u> B apply

D) Both A <u>and</u> B apply

246. [VII.E.2.a] – 2008 IRS Pub. 17 – Pg. 103 [12 minutes]

Under most circumstances how long must you own a capital asset before it qualifies for a long-term capital gain or loss?

A) More than three months
B) More than six months
C) More than nine months
D) More than one year

247. [VII.E.2.a] – 2008 IRS Pub. 17 – Pg. 103 [10 minutes]

<u>True/False</u>:

For securities traded on an established securities market, your holding period begins on the day after the trade date you bought the securities, and ends on the trade date you sold them.

A) True
B) False

248. [VIII.E.2.a & VIII.B.2] – 2008 IRS Pub. 17 – Pg. 103 [21 minutes]

Jack Plance purchased 100 shares of XYZ Corp. on January 1, 1994 for $300. On March 1, 2008, when the shares were worth $3,000, Jack gifted the 100 shares of XYZ Corp. to his daughter, Jill. On November 1, 2008 Jill sold the 100 shares of XYZ Corp. for $2,000.

How is the sale of stock treated on Jill's tax return?

A) Short-term capital loss of $1,000
B) Long-term capital loss of $1,000
C) Short-Term capital gain of $1,700
D) Long-term capital gain of $1,700

249. [VIII.E.2.a] 2008 IRS Pub. 17 – Pg. 103 [10 minutes]

<u>True/False</u>:

The holding period for stock you received as a taxable stock dividend begins on the date of distribution.

A) True
B) False

250. [VIII.E.2.a] – 2008 IRS Pub. 17 – Pg. 103 [10 minutes]

The holding period for new stock you received as a nontaxable stock dividend begins on the same day as the holding period of the old stock.

A) True
B) False

251. [VIII.E.5] – 2008 IRS Pub. 17 – Pg. 64 [17 minutes]

Ryan Angelo received a $2,500 capital gain distribution in 2008 from a mutual fund that he owned.

What statement is true regarding the taxability of this distribution?

A) The most Federal income tax he will have to pay on this distribution is $375 (15% of the $2,500 distribution) because capital gain distributions are treated as long-term capital gains regardless of how long you own a mutual fund.

B) It is taxed at his marginal tax rate as ordinary income

C) It is reported on Form 1040 as miscellaneous income

D) All of the above statements are true

252. [IX.A.1] – 2008 IRS Pub. 17 – Pg. 118-121 [18 minutes]

Which statement is <u>false</u> regarding contributions to a Traditional Individual Retirement Arrangements (IRA)?

A) You can make contributions to a Traditional IRA if you received taxable compensation during the year and you were not age 70½ by the end of the year

B) For 2008, the most that can be contributed to a Traditional IRA is the smaller of $5,000 ($6,000 if you are 50 or older) or your taxable compensation for the year.

C) A person filing as single who has a retirement plan at work and has a modified Adjusted Gross Income (AGI) of $50,000 (comprised of only wage income) can fully deduct his/her $5,000 IRA contribution.

D) A person filing as head of household who has a retirement plan at work and has a modified Adjusted Gross Income (AGI) of $83,000 (comprised of only wage income) had fully deduct his/her $5,000 IRA contribution.

253. [IX.A.1] – 2008 IRS Pub. 17 – Pg. 118-121 [12 minutes]

For 2008, the most that a single person, age 34, can contribute to a traditional IRA generally is:

A) (1) $5,000 or (2) the amount of taxable compensation – whichever is less

B) A) (1) $5,000 or (2) the amount of taxable compensation – whichever is more

C) (1) $6,000 or (2) the amount of taxable compensation – whichever is less

D) (1) $6,000 or (2) the amount of taxable compensation – whichever is more

254. [IX.A.1] – 2008 IRS Pub. 17 – Pg. 119 [13 minutes]

For purposes of determining the amount of determining the amount of traditional IRA contributions that can be made during the year, which of the following is <u>not</u> considered taxable compensation?

A) Wages
B) Alimony
C) Self-employment income
D) Pension income

255. [IX.A.2] – 2008 IRS Pub. 17 – Pg. 129 [15 minutes]

You can convert amounts from a Traditional IRA to a ROTH IRA in which of the following ways?

A) Rollover – whereby you receive a distribution from a traditional IRA and roll it over (contribute it) to a Roth IRA within 60 days after the distribution from the traditional IRA

B) Trustee-to-trustee transfer – whereby you direct the trustee of the traditional IRA to transfer an amount from the traditional IRA to the trustee of the Roth IRA

C) Same trustee transfer – if the trustee of the traditional IRA also maintains the Roth IRA, you can direct the trustee to transfer an amount from the traditional IRA to the Roth IRA

D) All of the above.

256. [IX.A.2] – 2008 IRS Pub. 17 – Pg. 130 [12 minutes]

<u>True/False</u>:

Jamie Jones began to participate in her employer's SIMPLE IRA on July 1, 2007. May Jamie convert any amounts in her SIMPLY IRA into a Roth IRA in 2008?

A) True
B) False

257. [IX.A.2] – 2008 IRS Pub. 17 – Pg. 130 [23 minutes]

On March 3, 2008, Marcia Damond, age 42 and who rents her home, converted $10,000 from her traditional IRA into a Roth IRA. Had Marcia made a full distribution from her traditional IRA instead of rolling it over into a Roth IRA the entire distribution would have been taxable. This Roth IRA was the first Roth IRA she had ever established. On October 17, 2008, Marcia withdrew $5,000 from the Roth IRA to purchase an automobile.

How will these transactions impact her 2008 tax return?

A) No taxable income or penalties on the March 3, 2008 rollover. No taxable income or penalties on her October 17, 2009 distribution from her Roth IRA.

B) $5,000 taxable income but no penalties on the March 3, 2008 rollover. No taxable income or penalties on her October 17, 2009 distribution from her Roth IRA.

C) $5,000 taxable income and a $500 penalty on the March 3, 2008 rollover. $5,000 taxable income and a $500 penalty on her October 17, 2009 distribution from her Roth IRA.

D) $10,000 taxable income and a $1,000 penalty on the March 3, 2008 rollover. No taxable income or penalties on her October 17, 2009 distribution from her Roth IRA.

E) $10,000 taxable income but no penalties on the March 3, 2008 rollover. No taxable income, but a $500 penalty on her October 17, 2009 distribution from her Roth IRA.

F) $10,000 taxable income but no penalties on the March 3, 2008 rollover. $5,000 taxable income, but a $500 penalty on her October 17, 2009 distribution from her Roth IRA.

258. [IX.A.4] – 2008 IRS Pub. 17 – Pg. 120 [13 minutes]

In the case of a married couple with unequal compensation who files a joint return, the deduction for contributions to the IRA of the spouse with less compensation is limited to the lesser of (1) $5,000 ($6,000 if you are 50 or older in 2008) or (2) the total compensation includible in the gross income of both spouses for the year reduced by which of the following:

A) The IRA deduction for the year of the spouse with the greater compensation

B) Any designated nondeductible contribution for the year made on behalf of the spouse with the greater compensation,

C) Any contributions for the year to a Roth IRA on behalf of the spouse with the greater compensation

D) All of the above

259. [IX.A.4] – 2008 IRS Pub. 17 – Pg. 120 [10 minutes]

True/False:

The maximum combined contributions that can be made for the year to your IRA and your spouse's IRA can be as much as $10,000 ($11,000 if only one spouse if 50 or older, or $12,000 if both spouses are 50 or older).

A) True
B) False

260. [IX.A.5] – 2008 IRS Pub. 560 - Page 9 [13 minutes]

Which statement is false regarding savings incentive match plan for employees (SIMPLE) IRA's?

A) Under a SIMPLE IRA plan, a SIMPLE IRA must be set up for each eligible employee by the employer.

B) An employer can set up a SIMPLE IRA plan only if the employer had 100 or fewer employees who received $5,000 or more in compensation from the employer in the preceding year

C) Once the employer has set up a SIMPLE IRA plan the employer does not have to meet the 100-employee limit in subsequent years

D) None of these statements are false

261. [IX.C] – 2008 IRS Pub. 17 – Pgs. 130-131 [15 minutes]

Prior to taking into account $6,000 of alimony paid to her ex-husband during the year Doris' adjusted gross income (AGI) was $55,000. After taking into account the alimony paid during the year what is Doris' AGI for 2008:

A) $49,000
B) $55,000
C) $61,000
D) None of the above

262. [IX.C] – 2008 IRS Pub. 17 – Pgs. 130-131 [15 minutes]

Prior to taking into account $3,000 of alimony received from his ex-wife during the year Dave's adjusted gross income (AGI) was $45,000. After taking into account the alimony received during the year what is Dave's AGI for 2008:

A) $42,000
B) $45,000
C) $46,500
D) $48,000

262. [IX.D] – 2008 IRS Pub. 17 – Pg. 189 [15 minutes]

While all of the company's managers were away on a business retreat Bill Boche, an employee of Axtor Corporation, had to pay $50.00 from his own personal funds for some office supplies that he needed to perform his job. When the retreat was over one of the managers reimbursed Bill $50.00 for the office supplies.

How should Bill account for the $50.00 payment in office supplies:

A) Report it on Form 2106 to deduct it on his tax return
B) Report it on Schedule C to deduct it on his tax return
C) Do not report it on his tax return
D) Report it on Form 4797 to deduct it on his tax return

263. [IX.E] – 2008 IRS Pub. 17 – Pg. 117 [10 minutes]

Ryan Steve, a tax preparer, need additional guidance to determine which moving expenses incurred by one his clients are deductible and which ones are not. What IRS Publication should he refer to to get additional information on moving expenses?

A) Publication 521
B) Publication 12
C) Publication 523
D) Publication 517

264. [IX.F] – 2008 IRS Pub. 17 – Pgs. 133-134 [15 minutes]

Which of the following statements is true regarding the deductibility of interest on student loans:

A) It is not deductible for those filing as single with more than $70,000 in modified adjusted gross income

B) The loan most have been taken out solely to pay qualified education expenses

C) The loan must be for a student who was enrolled at least half-time in a program leading to a degree, certificate, or other recognized credential

D) All of the above statements are true

265. [IX.F] – 2008 IRS Pub. 17 – Pgs 133-134 [10 minutes]

True/False:

Loans from a person related to the student used solely to pay qualified education expenses are potentially deductible.

A) True
B) False

266. [IX.F] – 2008 IRS Pub. 17 – Pgs 133-134 [10 minutes]

Loans from a qualified employer plan used solely to pay qualified education expenses are potentially deductible.

A) True
B) False

267. [IX.F] – 2008 IRS Pub. 17 – Pgs. 133-134 [13 minutes]

For purposes of the student loan interest deduction, which of of the following are qualified education expenses:

A) Tuition and fees

B) Room and board (so long that it is not more than the greater of (1) the allowance for room and board, as determined by the eligible educational institution or (2) the actual amount charged if the student is residing in housing owned or operated by the eligible educational institution)

C) Books, supplies and equipment
D) All of the above

268. [IX.F] – 2008 IRS Pub. 17 – Pgs. 133-134 [12 minutes]

The maximum student loan interest deduction for 2008 is generally the smaller of $2,500 or the interest paid in 2008. In addition, the deduction is phased out between modified adjusted gross income (MAGI) of $55,000 and $70,000 [$115,00 and $145,000 if you file a joint return).

A) True
B) False

269. [IX.F] – 2008 IRS Pub. 17 – Pgs. 133-134 [12 minutes]

A qualified student for purposes of the student interest deduction is on who attends an eligible educational institution and least part-time and is:

A) The taxpayer
B) The taxpayer's spouse
C) A dependent of the taxpayer
D) Any of the above

270. [X.A.1] – 2008 IRS Pub. 17 – Pgs. 138-140 [13 minutes]

For 2008 what is the standard deduction for a taxpayer filing as single, has $20,000 in earned income, not blind, and is 27 years old?

A) $5,450
B) $8,000
C) $10,900
D) $11,900

271. [X.A.2] – 2008 IRS Pub. 17 – Pg. 139 [15 minutes]

The standard deduction for an individual for whom an exemption can be claimed on another person's return tax return is generally limited to the greater of:

A) (1) $900 or (2) the individual's earned income for the year + $300 (but not more than the regular standard deduction amount, generally $5,450)

B) (1) $900 or (2) the individual's earned income for the year + $600 (but not more than the regular standard deduction amount, generally $5,450)

C) (1) $1,800 or (2) the individual's earned income for the year + $600 (but not more than the regular standard deduction amount, generally $5,450)

D) (1) $1,800 or (2) the individual's earned income for the year + $1,000 (but not more than the regular standard deduction amount, generally $5,450)

272. [X.A.3] – 2008 IRS Pub. 17 – Pg. 138 [13 minutes]

Which of the following is true regarding the amount of the additional standard deduction for taxpayers filing as single that are blind and/or over 65 by the last day of the year:

	Blind	Over 65
A)	$500	$500
B)	$500	$750
C)	$750	$500
D)	$1,050	$1,050

273. [X.A.4] – 2008 IRS Pub. 17 – Pg. 138 [13 minutes]

Don and Marie Bixbee, a married couple, file their returns as married filing separately. Don itemizes deductions on his return. Marie must:

A) Take the standard deduction

B) Not take either the standard or itemized deduction

C) Itemize her deductions

D) Deduct $1,000 less than Don took as an itemized deduction – regardless of her applicable itemized deductions

274. [X.B.1] – 2008 IRS Pub. 17 – Pg. 151 [13 minutes]

Which is not one of the requirements to deduct qualified residence interest?

A) You file Form 1040 and itemize deductions on Schedule A

B) You are legally liable for the loan

C) There is a true debtor-creditor relationship between you and the lender

D) The mortgage is a secured debt on a qualified home in which you have an ownership interest

E) The interest rate on the home loan is greater than 10%

275. [X.B.1] – 2008 IRS Pub. 17 – Pg.151 [10 minutes]

True/False:

You can deduct as home mortgage interest a late payment charge if it was not for a specific service performed in connection with a mortgage loan.

A) True
B) False

276. [X.B.1] – 2008 IRS Pub. 17 – Pg.151 [17 minutes]

Which of the following mortgages allow the taxpayer to fully deduct the interest paid on the mortgage during 2008?

A) Mortgages taken out on or before October 13, 1987

B) Mortgages taken out after October 13, 1987, to buy, build, or improve your home, but only if throughout 2008 these mortgages plus any mortgages taken out on or before October 13, 1987 totaled $1 million or less ($500,000 or less if married filing separately)

C) Mortgages taken out after October 13, 1987, other than to buy, build, or improve your home (home equity debt), but only if throughout 2008 these mortgages totaled $100,000 or less ($50,000 or less if married filing separately) and totaled no more than the fair market value of your home reduced by any mortgages described in answer choices A and B (above)

D) All of the above

277. [X.B.1] – 2008 IRS Pub. 17 – Pg.151 [17 minutes]

Which of the following statements is/are false:

A) If you pay mortgage interest in advance for a period that goes beyond the end of the tax year (prepaid interest) you can deduct the amount of the prepaid interest in the year paid.

B) If you have to pay a penalty to your mortgage holder for paying off your home mortgage early, you can deduct that penalty as home mortgage interest provided the penalty is not for a specific service performed or cost incurred in connection with your mortgage loan.

C) If you sell your home, you can deduct your home mortgage interest (subject to any limits that may apply) paid up to, but not including, the date of sale.

D) None of the above are false

E) All of the above are false

278. [X.B.2] – 2008 IRS Pub. 17 – Pg.156 [13 minutes]

Which statement is false regarding the ability to deduct investment interest expense

A) Generally, your deduction for investment interest expenses is limited to the amount of your investment income

B) You can deduct investment interest you incurred to produce tax-exempt income

C) You cannot deduct interest expenses on straddles

D) None of these statements are false

279. [X.B.3] – 2008 IRS Pub. 17 – Pgs. 148-150 [15 minutes]

Which statement is false regarding deductible real estate taxes:

A) Deductible real estate taxes are any state, local, or foreign taxes on real property levied for the general public welfare

B) They are only deductible if they are based on the assessed value of the real property and charged uniformly against all property under the jurisdiction of the taxing authority.

C) They generally include taxes charged for local benefits and improvements that increase the value of the property

D) They do not include itemized charges for services (such as trash collection) assessed against specific property or certain people, even if the charge is paid to the taxing authority.

280. [X.B.3] – 2008 IRS Pub. 17 – Pgs. 148-150 [13 minutes]

Which of the following statements is/are false regarding real estate taxes:

A) If you bought or sold real estate during the year, the real estate taxes must be divided between the buyer and the seller according to the number of days in the real property tax year that each owned the property.

B) If the seller of real property cannot deduct real estate taxes until they are paid because the seller uses the cash method of accounting and the new buyer is personally liable for the real estate tax, the seller is considered to have paid his/her part of the real estate tax at the time the property was sold.

C) Neither A or B is false

D) Both A and F are false

281. [X.B.4] – 2008 IRS Pub. 17 – Pgs. 147-148 [21 minutes]

Angelo Ryan had the following in 2008:

1) $2,000 in California income taxes withheld from his paychecks by his employer
2) $1,000 in estimated income taxes paid to the State of California. These estimates were based on a good faith estimate of the additional California income taxes he would owe for the year
3) $750 in foreign income taxes that were paid on income that is exempt from U.S. Tax under the foreign earned income exclusion
4) A balance due of $900 per his 2008 California tax return. He paid the $900 to the State of California in 2009 when he filed the return.

How much of the above taxes can Angelo deduct on his 2008 Federal tax return?

A $2,000
B $3,000
C) $750
D) $4,650

282. [X.B.4] – 2008 IRS Pub. 17 – Pgs. 147-148 [15 minutes]

Which of the following statements is <u>false</u> regarding state and local income taxes:

A) If you and your spouse file separate states, local and federal income tax returns, you each can deduct on your federal return only the amount of your own state and local income tax that you paid during the tax year.

B) If you and your spouse file joint state and local returns and separate federal returns, each of you can deduct on your separate federal return a part of the total state and local income taxes paid during the year that is proportionate to your gross income compared to the combined income of you and your spouse.

C) You can deduct contributions to the California Nonoccupational Disability Benefit fund

D) Employee contributions to private or voluntary disability plans are deductible.

283. [X.B.5] – 2008 IRS Pub. 17 – Pg. 150 [13 minutes]

In 2008 Marc paid $325.00 annual registration fee to the California Department of Motor Vehicles for his personal car. The $325.00 fee was comprised of the following:

1) $275 in a vehicle license fee, which is based exclusively on the value of the car
2) $25 in county fees – this fee is not based on the value of the car
3) $25 in smog abatement fees – this fee is not based on the value of the car

How much of the $325 payment may Marc deduct on his 2008 Federal income tax return:

A) $275
B) $300
C) $325
D) None of the above

284. [X.B.5] – 2008 IRS Pub. 17 – Pg. 150 [10 minutes]

Deductible personal property taxes are reported on:

A) Schedule A (Form 1040), Line 6

B) Schedule A (Form 1040), Line 7

C) Schedule A (Form 1040), Line 8

D) Form 1040, Line 27

285. [X.B.6] – 2008 IRS Pub. 17 – Pgs. 141-145 [23 minutes]

In 2008 Gertrude incurred the following expenses - none of the them were reimbursed to her:

1) $5,000 in fees to doctors for weekly office visits for treatments on her severe arthritis
2) $1,200 for cosmetic dental work

In addition, she drove 260 miles between January 1 and June 30 and 260 miles between July 1 and December 31 in driving to her weekly doctor visits.

Gertrude's adjusted gross income for the year was $12,000.

How much can Gertrude deduct as medical expenses for 2008?

A) $1,200
B) $4,220
C) $5,000
D) $6,200

E) None of the above

286. [X.B.6] – 2008 IRS Pub. 17 – Pgs. 141-145 [18 minutes]

Which of the following statements is <u>false</u> regarding deductible medical expenses:

A) Insurance premiums you pay for policies that cover medical care are a deductible medical expense

B) Medical expenses you paid for your dependent are deductible medical expenses that can be taken on your tax return so long as the person was your dependent either at the time the medical expenses were provided or at the time you paid the expense.

C) Maternity clothes and vitamins are a deductible medical expenses

D) You can include in your deductible medical expenses the cost of meals and lodging at a hospital or similar institution if a principal reason for being there is to get medical care

E) You can include as a deductible medical expense amounts paid for transportation primarily for, and essential to, medical care

287. [X.B.6] – 2008 IRS Pub. 17 – Pgs. 141-145 [15 minutes]

Which of the following statements is <u>false</u> regarding deductible medical expenses:

A) You figure your medical expense deduction on lines 1-4 of Schedule A, 1040

B) You generally do not reduce your deductible medical expenses by any insurance or other reimbursements received during the year on the same medical expenditures.

C) You can include as a deductible medical expense the cost for an annual physical examination and diagnostic test by a physician, even if you are not ill at the time of the examination.

D) In general, medical expenses are the costs of diagnosis, cure, mitigation, treatment, or prevention of disease, and the costs for treatments affecting any part or function of the body.

288. [X.B.7] – 2008 IRS Pub. 17 – Pgs. 158-163 [23 minutes]

In 2008 Adam Smith had an adjusted gross income of $50,000 and:

1) Gave $200 to to local war veterans' organization
2) Gave $100 to the Red Cross

3) Gave $100 directly to a family that was in need of housing assistance
4) Donated clothes that were in excellent condition to Goodwill. The thrift store value of the clothes was $25. Adam originally paid $300 for the clothes
5) Volunteered 30 hours during the year working in the office of a qualified organization. The volunteer work comprised of taking calls and filing paperwork. The paid staff at the organization that handles similar duties is paid $12 per hour.
6) Donated $125 his his local public television station – a qualified organization. For the donation the station gave Adam three coffee mugs. The total value of the coffee mugs was $25.

Adam has written documentation for all of the above transactions.

How much can Adam take as a charitable deduction in 2008 based on the items above?

A) $ 425
B) $ 525
C) $ 885
D) $ 985
E) $ 1,260

289. [X.B.7] – 2008 IRS Pub. 17 – Pgs. 158-163 [17 minutes]

Which of the following statements is <u>false</u>:

A) Money or property that you give to a civic league, labor union or to individuals are not deductible as charitable contributions.

B) Most contributions to qualified charitable organizations are deductible up to 30% or 50% of the taxpayer's AGI – depending on the type of organization receiving the donation.

C) Charitable contributions are reported on Schedule A, Form 1040. However, if the taxpayer's total non-cash contributions for the year exceeds $500 then Form 8283 must be filed as well.

D) You can claim a deduction for a contribution of $100 or more only if you have an acknowledgement of your contribution from the qualified organization or certain payroll deduction records.

290. [X.B.7] – 2008 IRS Pub. 17 – Pgs. 158-163 [21 minutes]

Which of the following statements is <u>false</u>:

A) You can deduct your contributions only if you make them to a qualified organization. To become a qualified organization, most organizations other than churches and governments must apply to the IRS.

B) If you donate a qualified vehicle to a qualified organization and you claim a deduction of more than $500, you generally can deduct the larger of (1) the gross proceeds from the sale of the vehicle by the organization or (2) the vehicle's fair market value on the on the date of the contribution.

C) You cannot deduct a cash contribution, regardless of amount, unless your keep one of the following: (1) a bank record that shows the name of the qualified organization, the date of the contribution, and the amount of the contribution (such as in a canceled check, a bank statement or a credit card statement); (2) A receipt or written communication from the qualifying organization showing the name of the qualified organization, the date of the contribution, and the amount of the contribution; or (3) payroll deduction records that shows the date and amount of the contribution in addition to a pledge card or other document prepared by the qualified organization that shows the name of the organization.

D) You can carry over your charitable contributions that you are not able to deduct in the current year because they exceed your AGI limits. You can deduct the excess in each of the next 5 years until it is used up, but not beyond that time.

291. [X.B.8.] - 2008 IRS Pub. 17 – Pg. 172 [17 minutes]

In April, 2008, Bob Smith discovered that his house was burglarized when he returned home from running errands. He immediately called the police who fully documented the burglary. The burglary loss, after insurance reimbursement, was $5,000. Bob's adjusted gross income for the year was $25,000. How much is Bob's potential casualty loss deduction:

A) $ 0
B) $2,400
C) $2,500
D) $5,000

292. [X.B.8.] - 2008 IRS Pub. 17 – Pg. 167 [10 minutes]

A casualty loss is the damage, destruction, or loss of property resulting from an identifiable event that is:

A) Sudden

B) Unexpected

C) Unusual

D) Any of the above

293. [X.B.8.] - 2008 IRS Pub. 17 – Pgs. 167-168 [12 minutes]

Which of the following events will be considered a deductible casualty loss:

A) Accidentally breaking glassware or china under normal conditions

B) Damage to your antique oriental rug caused by your puppy before it was housebroken.

C) Termite damage to your housebroken

D) Damage to your home caused by a sudden flooding of a nearby river

294. [X.B.8.] - 2008 IRS Pub. 17 – Pgs. 167-168 [13 minutes]

To deduct a casualty loss, you must be able to prove that you had a casualty. You do this by having records that show:

A) The type of casualty (for example, car accident, fire, storm, etc.) and when it occurred

B) That the loss was a direct result of the casualty

C) That you were the owner of the property or, if you leased the property from someone else, that you were contractually liable to the owner for the damage

D) Whether a claim for reimbursement exists for which there is a reasonable expectation of recovery

E) Any of the above

F) All of the above

295. [X.B.8.] - 2008 IRS Pub. 17 – Pgs. 167-168 [13 minutes]

To deduct a theft loss, you must be able to prove that you had a theft. You do this by having records that show:

A) When you discovered that your property was missing

B) That your property was stolen

C) That you were the owner of the property

D) Whether a claim for reimbursement exists for which there is a reasonable expectation of recovery

E) Any of the above

F) All of the above

296. [X.B.8.] - 2008 IRS Pub. 17 – Pg. 171 [15 minutes]

Which of the following statements regarding casualty and theft losses is false:

A) If your personal property is stolen or is damaged or destroyed by a casualty, you must figure your loss separately for each item of property. You then combine these separate losses to determine your total loss from that casualty or theft.

B) In figuring a casualty loss on personal-use real property, treat the entire property (including any improvements) as one item. Figure the loss using the smaller of (1) the adjusted basis or (2) the decrease in the fair market value of th entire property.

C) Report deductible casualty or theft losses on Form 4684 and Schedule A

D) Report a gain (for example, if your receive insurance proceeds that are more that your adjusted basis in the destroyed or stolen property) from a casualty or theft on Form 4684 and Schedule A

297. [X.B.9] – 2008 IRS Pub. 17 – Pg. 201 [12 minutes]

You must report the full amount of your gambling winnings for the year on Form 1030, line 21. You can deduct your gambling losses for the year on Schedule A (Form 1040), line 28. You cannot deduct gambling losses that are more than your winnings. To properly account for your individual gambling winnings and losses for the year you must keep an accurate diary or similar record of your losses and winnings.

The diary should contain, at a minimum, which of the following:

A) The date and type of your specific wager or wagering activity
B) The name and address or location of the gambling establishment
C) The names of other persons present with you at the gambling establishment
D) The amount(s) you won or lost
E) All of the above

298. [X.B.10.a] – 2008 IRS Pub. 17 – Pg. 198 [20 minutes]

In 2008 John, a registered nurse, had the following expenses that he paid out of his own funds and none of these amounts were reimbursed to him by his employer

1) $300 for nurse uniforms
2) $500 for union dues
3) $1,000 for continuing education that is required to maintain his registered nurse status

All of the above expenses were ordinary and necessary for John to carry on his required duties as an employee.

How much of the above expenses qualify as an unreimbursed employee expense, potentially deductible on Schedule A (Form 1040), line 21:

A) $300
B) $800
C) $1,800
D) None of the above

299. [X.B.10.a] – 2008 IRS Pub. 17 – Pg. 198 [15 minutes]

Which of the following is <u>not</u> considered a deductible unreimbursed employee expense:

A) Tools used in your work if the tools wear out and are thrown away within 1 year from the date of purchase

B) Certain job search expenses (such as preparing and mailing resumes, travel expenses incurred while looking for a new job, employment agency fees) so long as these expenses relate to looking for a job in your present occupation and there was not a substantial break between the ending of your last job and your looking for a new one.

C) Depreciation on computers or cell phones that are used in your work – if the computers or cell phones are are used (1) for the convenience of your employer and (2) required as a condition of your employment.

D) Lobbying expenses related to your employment.

300. [X.B.10.b] – 2008 IRS Pub. 17 – Pg. 200 [15 minutes]

In 2008 Bob paid the following:

1) $1,500 to his financial advisor for managing his stock portfolio
2) $75 for a safe deposit box. The safe deposit box is used exclusively to store corporate bonds that Bob has owned for many years.
3) $100 in trustee's administrative fees that were billed in December for management of Bob's IRA account.

How much of the following expenses qualify as a potential itemized deduction:

A) $75
B) $175
C) $1,500

D) $1,675

301. [X.B.10.c] – 2008 IRS Pub. 17 – Pg.198 [13 minutes]

In 2008 Josephine, an elementary school teacher, paid $600 for school supplies for her students. On her 2008 she took the maximum $250 above-the-line educator expense deduction on line 23 of her tax return (Form 1040).

May she report the the remaining $350 in educator expenses as a below-the-line miscellaneous deduction on Schedule A (Form 1040)?

A) Yes
B) No

302. [X.B.10.d] – 2008 IRS Pub. 17 – Pgs. 197 to 201 [17 minutes]

Most miscellaneous itemized deduction are subject to a 2% of adjusted gross income (AGI) limitation which means that, for these particular deductions, you must reduce the total of the miscellaneous itemized deductions by 2% of your AGI in order to determine your deduction on your tax return. However, there are some miscellaneous itemized deductions that are not subject to the 2% of AGI rule.

Which of the following statements is correct regarding what miscellaneous itemized deductions are and are not subject to the 2% of AGI rule:

	Subject to the 2% of AGI Rule	Not Subject to the 2% of AGI Rule
A)	Unreimbursed employee expenses	Tax preparation fees
B)	Unreimbursed employee expenses & Tax preparation fees	Gambling losses up to the amount of gambling winnings
C)	Unreimbursed employee expenses & Tax preparation fees & Gambling losses up to the amount of gambling winnings	Excess Deductions of an Estate

D) None of the above are correct

303. [X.C.1] – 2008 IRS Pub. 17 – Pg. 203 [13 minutes]

There is an itemized deduction phase-out / overall limit on certain itemized deductions on Schedule A (Form 1040).

Which of the following itemized deductions are <u>not</u> subject to the overall limit on itemized deductions (although they are still subject to other applicable limits):

A) Investment interest expense

B) Charitable contributions

C) Gifts by cash or check that you elect to treat as qualified contributions

D) All of the above

304. [X.C.1] – 2008 IRS Pub. 17 – Pg. 203 [12 minutes]

Which of the following itemized deductions <u>are</u> subject to the overall limit on itemized deductions:

A) Taxes paid

B) Interest paid

C) Job expenses

D) All of the above

305. [X.C.2] – 2008 IRS Pub. 17 – Pg. 204 [27 minutes]

If your itemized deductions are limited / subject to the phase-out because of your total adjusted gross income, the total of all your itemized deductions is reduced by the smaller of the following reduced by two-thirds:

- 80% of your itemized deductions that are affected by the limit, <u>or</u>
- 3% of the amount by which your AGI exceeds $159,950 ($79,975 if married filing separately)

For tax year 2008, Bob and Ann Dansby file a joint return on Form 1040. Their adjusted gross income on line 38 in $259,600. Their Schedule A itemized deductions are as follows:

Taxes paid – line 9	$18,000
Interest paid – lines 10,11,12 and 13	$45,100
Investment interest expense – line 14	$41,000
Gifts to charity – line 19	$21,500

Job expenses – line 27	$16,740
Total	**$142,140**

How much can Bob and Ann deduct as itemized deductions on their 2008 Federal tax return:

A) $ 79,975
B) $125,000
C) $141,143
D) $142,140

306. [XI.A] – 2008 IRS Pub. 17 – Pg. 229 [13 minutes]

Which of the following statements is false regarding the child tax credit for 2008?

A) The child tax credit may reduce your tax by as much as $3,500 for each qualified child.

B) A qualified child is a son, daughter, stepchild, foster child, brother, sister, stepbrother, or a descendant of any of the these.

C) The child must be under the age of 17 at the end of 2008

D) The child did not provide over half of his or her own support for 2008, did not provide over half his or her own support for 2008, lived with the taxpayer for more than half of 2008 and was a U.S. Citizen, U.S. National, or a resident of the United States.

E) None of these statements are false

307. [XI.A] – 2008 IRS Pub. 17 – Pg. 229 [12 minutes]

True/False:

You must reduce your child tax credit if the amount on line 46, Form 1040, or line 28, Form 1040A, is less than the credit.

A) True
B) False

308. [XI.A] – 2008 IRS Pub. 17 – Pg. 229 [13 minutes]

True/False:

You must reduce your child tax credit if your modified adjusted gross income (MAGI) is above the following amounts for the following filing statuses:

Filing Status	MAGI
Married filing jointly	$110,000
Single, Head of household or qualifying widow(er)	$ 75,000
Married filing separately	$ 55,000

A) True
B) False

309. [XI.A] – 2008 IRS Pub. 17 – Pg. 229 [10 minutes]

True/False:

You can claim the child tax credit on Forms 1040, 1040A and 1040EZ

A) True
B) False

310. [XI.B] – 2008 IRS Pub. 17 – Pgs.216-221 [15 minutes]

The child and dependent care credit is a Federal credit between 20% and 35% of expenses paid during the year to care for a child or dependent (a qualified person) so you (and your spouse if you are married) can work or look for work.

Which of the following is true regarding requirements in order to be considered a qualifying person for the purposes of this credit?

A) Your child who is your dependent and who was under age 13 when the care was provided

B) Your spouse if he/she was not physically or mentally able to care for himself or herself and lived with you for more than half the year

C) A person who was not physically or mentally able to care for himself or herself, lived with you for more than half the year, and either (1) was your dependent, (2) would have been your dependent except that (I) he or she received gross income of $3,500 or more, (ii) he or she filed a joint return, or (iii) you, or your spouse if filing jointly, could be claimed as a dependent on someone else's 2008 tax return

D) All of the above are true.

311. [XI.E] – 2008 IRS Pub. 17 – Pgs. 238-239 [18 minutes]

Which of the following taxpayers, all U.S. Citizens with a valid social security number, are <u>not</u> eligible for claiming the Earned Income Credit (EIC) ?

A) Rod, age 23 and files as single, has wage income of $10,000 for the year. He does not have any other income. He is not a qualifying person of another person and is not the dependent of another person.

B) Jeff, age 30 and files as head of household, has a daughter, Aiko, who lives with him the entire year. Jeff claims Aiko as a dependent on his tax return. Aiko cannot be claimed as a dependent on anybody else's return. Jeff pays for all of Aiko's expenses. Jeff has wage income of $26,000 and interest income of $1,000. He has no other income.

C) Missy, age 64, is single and lives alone. She earns $9,000 working part-time as a librarian. She had $750 in interest and $2,000 in dividend income in 2008. She had not other income in 2008.

D) All of the above taxpayers are eligible for the EIC.

312. [XI.G] – 2008 IRS Pub. 17 – Pg. 257 [17 minutes]

In 2008 Rosemary works two jobs – for Segovia Glass Works and Windfarm Shoes. She earned $50,000 in 2008 for Segovia Glass Works with $3,100 in social security tax withheld from her paychecks during the year. She earned $57,000 with Windfarm Shoes, with $3,534 in social security tax withheld from her paychecks.

How much can Rosemary claim as a credit on her income tax return for excess social security taxes withhold during the year and where does she claim the credit on her 2008 return (Form 1040)?

	Credit Amount	Where Credit is Reported
A)	$3,674	Schedule D (Form 1040)
B)	$3,674	Line 65 of Form 1040
C)	$ 310	Schedule D (Form 1040)
D)	$ 310	Line 65 of Form 1040

313. [XI.G] – 2008 IRS Pub. 17 – Pg. 257 [10 minutes]

<u>True/False</u>:

If you are filing a joint return, you cannot add the social security tax withheld from your spouse's wages to the amount withheld from your wages to to determine if either spouse had excess withholding.

A) True
B) False

314. [XI.H.1] – 2008 IRS Pub. 17 – Pgs. 233-238 [13 minutes]

The Hope credit is a credit allowed for qualified postsecondary expenses.

Which of the following statements is/are true regarding the Hope credit?

A) The maximum credit per eligible student is $1,800 per year ($3,600 if a student in a Midwestern disaster area)

B) It is available only until the first two years of postsecondary education are completed and only for two years per eligible student

C) The eligible student must be pursuing an undergraduate degree or other recognized educational credential

D) The eligible student must be enrolled at least half time for at least one academic period beginning during the year

E) The student must not have any felony drug convictions on his/her record

F) All of the above are true

315. [XI.H.2] – 2008 IRS Pub. 17 – Pgs. 233-238 [15 minutes]

The lifetime learning credit is a credit allowed for qualified postsecondary expenses.

Which of the following statements is/are <u>false</u> regarding the lifetime learning credit?

A) The maximum credit is $2,000 per year ($4,000 if a student in a Midwestern disaster area)

B) It is available only until the first two years of postsecondary education are completed and only for two years per eligible student

C) The eligible student does not need to be pursuing a degree or other recognized educational credential

D) The credit is available for one or more courses taken during the year

E) None of the above answers are false

316. [XI.H.3] – 2008 IRS Pub. 17 – Pg. 229 236 [12 minutes]

In which situation are your required to repay either the Hope or lifetime learning credits:

A) When you transfer to another university

B) When you move to another state

C) If, after you file your tax return, you or someone else receives tax-free educational assistance for, or a refund of, an expense you used to figure an education credit on that return.

D) All of the above

317. [XI.I] – 2008 IRS Pub. 17 – Pgs. 252-253 [13 minutes]

Which of the following statements is/are true regarding the Federal adoption credit:

A) For 2008 you may be able to take a tax credit of up to $11,650 for qualified expenses paid to adopt an eligible child

B) The credit begins to be reduced if your modified adjusted gross income (AGI) is more than $174,730 and it totally phased-out when your AGI is $214,730 or more

C) Examples of qualified adoption expenses include: adoption fees, court costs, attorney fees, travel expenses (while away from home) and re-adoption expenses to adopt a foreign child

D) An eligible child is any individual under 18 years old or someone who is physically or mentally incapable of caring for himself or herself

E) All of the above

318. [XI.J] – 2008 IRS Pub. 17 – Pg. 254 [12 minutes]

Which of the following statements is/are <u>false</u> regarding the Federal mortgage interest credit?

A) You may be eligible for the credit if you were issued a qualified mortgage credit certificate (MCC) from your state or local government.

B) The credit is figured out and reported on Form 8396

C) If the MCC rate is more than 20%, the credit you are allowed cannot be more than $2,000

D) All of the above statements are false

319. [XII.A.1] – 2008 FTB Pub. 1031, Pg. 3 [12 minutes]

You will be presumed to be a resident of California for any taxable year in which you spent at least how many months in California:

A) 6 months
B) 9 months
C) 10 months
D) 11 months

320 [XII.A.2] - 2008 FTB Pub. 1031 – Pgs. 3-4 [15 minutes]

For taxable years beginning on or after January 1, 1994, under the Safe Harbor rules an absence from California under an employment-related contract for a period of at least how many consecutive days may be considered an absence for other than a temporary or transitory purpose?

A) 365 days
B) 200 days
C) 720 days
D) 546 days

321. [XII.A.2] - 2008 FTB Pub. 1031 – Pgs. 3-4 [18 minutes]

Jeanette Jay receives and accepts a permanent job offer in Italy. She and her husband sold their home in California, packed all of their possessions and move to Italy on March 17, 2008, with their children. They leased an apartment and enroll their children in school in Italy. They obtained Italian driver's licenses and made numerous social connections in their new home in Italy. They had no intention of returning to California.

How will Jeanette and her husband be treated by California for tax purposes in 2008:

A) They will be a part-year California resident in 2008. From January 1, 2008 through March 17, 2008 they were California residents. On March 17, 2008 they became nonresidents of California. While they were nonresidents only income from California sources is taxable by California.

B) They will be a part-year California resident in 2008. From January 1, 2008 through March 17, 2008 they were California residents. On March 17, 2008 they became nonresidents of California. In 2008 all of their income is taxable by California.

C) They will be a part-year California resident in 2008. From January 1, 2008 through June 30 2008 they were California residents. On July 1, 2008 they became nonresidents of California. While they were nonresidents only income from California sources is taxable by California.

D) They will be full-year California residents in 2008. All of their income in 2008 is taxable by California during the year.

322. [XII.A.2] - 2008 FTB Pub. 1031 – Pgs. 3-4 [18 minutes]

Chris Sarias and his wife, Jenny, were California residents for many years prior to 2008. On February 1, 2008 Chris accepted a contract to work in Chile for 16 months and moved to Chile on March 1, 2008. He leased an apartment in Santiago, Chile. His contract states that his employer will arrange for him to return back to California when his contract expires. During the 16 month contract Jenny and their children, will remain in California residing in the home that they own.

How will Chris be treated by California for tax purposes in 2008:

A) Chris remains a California resident during his time working in Chile because he maintains strong ties with California because his wife and children remain in the California home during his absence and his intent is to return to California – this making his absence temporary and transitory. Chris is taxed on income from all sources, including income earned in Chile, by the State of California.

B) Chris will be a part-year California resident in 2008. From January 1, 2008 through January 30, 2008 he was a California resident. On February 1, 2008 he became a nonresident of California. While a nonresident only income from California sources is taxable by California.

C) Chris will be a part-year California resident in 2008. From January 1, 2008 through February 28, 2008 he was a California resident. On March 1, 2008 he became a nonresident of California. While a nonresident only income from California sources is taxable by California.

D) Chris will be a non-resident of California for all of 2008. Only his income from California sources is taxable by California in 2008.

323. [XII.A.2] - 2008 FTB Pub. 1031 – Pgs. 3-4 [20 minutes]

Maria Bortamo is a long-time resident of California. On April 1, 2008 she accepts a 15-month assignment in Dubai. She moved to Dubai on May 1, 2008. After accepting the new job assignment she puts her personal belongings, including her automobile, in storage in California. She has a California driver's license and is registered to vote in California. She maintains bank accounts in California. In Dubai she stays in an apartment provided to her by her employer, and the only ties she establishes in Dubai are connected to her employment. Upon completion of her assignment Maria plans on returning to California.

How will Maria be treated by California for tax purposes in 2008:

A) Maria remains a California resident while working in Dubai because she maintained greater connections with California that she established in Dubai. Her absence from California is for a temporary or transitory purpose. Maria is taxed on income from all sources, including income earned in Dubai, by the State of California.

B) Maria will be a part-year California resident in 2008. From January 1, 2008 through March 31, 2008 she was a California resident. On April 1, 2008 she became a nonresident of California. While a nonresident only income from California sources is taxable by California.

C) Maria will be a part-year California resident in 2008. From January 1, 2008 through April 30, 2008 she was a California resident. On May 1, 2008 she became a nonresident of California. While a nonresident only income from California sources is taxable by California.

D) Maria will be a non-resident of California for all of 2008. Only her income from California sources is taxable by California in 2008.

324. [XII.A.2] - 2008 FTB Pub. 1031 – Pgs. 2-4 [18 minutes]

Alice is a long-time resident of California and a single taxpayer. She accepts a three-year assignment in China. Her assignment in China covers the period January 1, 2007, through December 31, 2009. She rented out her residence and put her car and belongings in storage in California. She maintained her California bank accounts, driver's license, and voter registration. She has less than $200,000 of intangible income during each year. Upon completion of her assignment Alice intends to return to California. Alice returned to California to visit family no longer than a total of 45 days during the taxable years 2007 or 2008.

How will Alice be treated by California for tax purposes in 2008:

A) Because Alice plans on returning to California after her three-year assignment she will be considered a California resident during the entire year and all of her income, including that earned in China, will be taxable by the State of California.

B) Because Alice has less than $200,000 in intangible income each year of the contract, her contract is more than 545 consecutive days in duration and her return visits to California are no more than 45 days she is considered a nonresident of California in 2008. Only income sourced in California will be taxable in California.

C) Because Alice has less than $200,000 in intangible income each year of the contract, her contract is more than 545 consecutive days in duration and her return visits to California are no more than 45 days she is considered a nonresident of California in 2008. However, all of her income – including her wages earned in China – will be taxable by the State of California.

D) None of the above are correct.

325. [XII.A.3] - 2008 FTB Pub. 1031 – Pg. 2 [12 minutes]

What is <u>not</u> one of the factors of determining residency for California income tax purposes:

A) The state that issued your driver's license
B) The amount of time you spend in California versus outside of California
C) The state in which you are registered to vote
D) The state that you were born in.

326. [XII.A.3] - 2008 FTB Pub. 1031 – Pg. 3 [18 minutes]

Mark Steidz is a business executive and resides in Ohio with his family. Several times each year Mark travels to other states for business purposes. The average stay for each of his business trips is one or two weeks and the entire time spent in California for any taxable year does not exceed six weeks. Mark's family usually remains in Ohio while he is traveling for business purposes.

How will Mark be treated by California for tax purposes in 2008?

A) Under these circumstances Mark is not a California resident because his stays in California are temporary or transitory in nature. As a nonresident, Mark is taxed only on his income from California sources, including his income for services performed in California.

B) Mark will be a part-year California resident in 2008. For the days that Mark is in California on business he will be considered a California resident. The remainder of the days he will be considered a nonresident. While a nonresident only income from California sources is taxable by California.

C) Mark will be a California resident for all of 2008. All of his income will be taxable by the State of California.

D) None of the above are correct

327. [XII.A.3] - 2008 FTB Pub. 1031 – Pg. 2 [12 minutes]

What is <u>not</u> one of the factors of determining residency for California income tax purposes?

A) The location of your spouse/RDP and children

B) The location of your principal residence

C) The states where your vehicles are registered

D) The state where you were living when you first filed your income taxes

328. [XII.A.3] - 2008 FTB Pub. 1031 – Pg. 2 [12 minutes]

What is <u>not</u> one of the factors of determining residency for California income tax purposes?

A) The State in which you maintain your professional licenses

B) The location of the banks where you maintain accounts

C) The state where your parents were born

D) The origination point of your financial transactions

329. [XII.A.3] - 2008 FTB Pub. 1031 – Pg. 2 [12 minutes]

What is <u>not</u> one of the factors of determining residency for California income tax purposes?

A) The location of your medical professionals and other healthcare providers

B) The state where you were located when you turned 18 years old

C) The location of your social ties, such as your place of worship, professional associations, or social and country clubs of which you are a member

D) Location of your real property and investments

E) Permanence of your work assignments in California

330. [XII.B.1.a] - 2008 FTB Pub. 1031- Pg. 11 [12 minutes]

A single person under the age of 65 with no dependents must file a California income tax return when her California adjusted gross income is at least:

A) $ 2,000
B) $11,500
C) $11,876
D) $ 200

331. [XII.B.1.a] - 2008 FTB Pub. 1031- Pg. 11 [12 minutes]

Janet Smithers, age 37 with no dependents, is a single individual. Janet's only item of income is $10,000 of California gross income from a rental property that she owns. Janet is required to file a California tax return.

A) True
B) False

332. [XII.B.1.a] - 2008 FTB Pub. 1031- Pg. 11 [13 minutes]

Gary Pyle, age 52 with five dependents, has a filing status of head of household. Gary's only item of income is $50,000 of California gross income earned in his sole propreitor business that he owns. Gary's California adjusted gross income was $20,000. Gary is required to file a California tax return.

A) True
B) False

333. [XII.B.1.a] - 2008 FTB Pub. 1031- Pg. 11 [13 minutes]

James and Martha Gibson, ages 72 and 68, respectively, have no dependents. James and Martha have a filing status of married filing jointly. Their only item of income in 2008 is $35,000 of California gross income derived solely from stock sales. Their California adjusted gross income for the year was $36,000. The Gibsons are required to file a California tax return.

A) True
B) False

334. [XII.B.2] – FTB Publication 1063 (Rev. 06/2003) – Side 1 [13 minutes]

Which of the following corporations is <u>not</u> subject to California's franchise tax and is not required to file a California Franchise Tax return:

A) A Nevada corporation qualified to do business in California
B) A California corporation that does not have any revenues for the year
C) A New York corporation that does not conduct any business in California
D) All of the above must file a California Franchise Tax return

335. [XII.B.3] – 2008 Publication 1031 – Page 2 [13 minutes]

For taxable years beginning on or after January 1, 1994, a safe harbor is available for certain individuals leaving California under employment-related contracts to be considered a nonresident of California.

Which of the following is <u>not</u> one of the tests to qualify under this safe harbor rule:

A) The employee must be outside California under an employment/related contract for at least 546 consecutive days

B) The individual has intangible income equal to or less than $200,000 in any taxable year during which the employment-related contract is in effect.

C) The principle purpose of the absence from California is not to avoid personal income tax in California.

D) The individual was born in California.

336. [XII.B.3] – 2008 Publication 1031 – Page 11 [13 minutes]

John Jake, age 31 with no dependents, was a California resident for 30 years prior to 2008. On December 31, 2007 John permanently moved to Utah with no intent to return to California. John lived in Utah for all of 2008. John's only California-sourced income was $24,000 of California gross income he received on a rental home he still owns in California.

John is not required to file a California tax return in 2008 because he was a nonresident of California for all of 2008.

A) True
B) False

337. [XII.C.1] – 2008 FTB Pub. 1031 – Page 8 [10 minutes]

Which of the following states is <u>not</u> a community property state?

A) California
B) Idaho
C) Oregon
D) Arizona

338. [XII.C.1] – 2008 FTB Pub. 1031 – Page 8 [15 minutes]

Which of the following statements is <u>false</u> regarding community and separate property?

A) Community property is all of the property that is not separate property acquired by a husband/RDP or wife/RDP or both while domiciled in a community property state.

B) If property cannot be specifically identified as separate property, it is considered community property.

C) Separate property includes property owned separately by the husband/RDP or wife/RDP before marriage or registering as a domestic partnership'

D) Property received separately by a spouse as a gift or inheritance while domiciled in a community property state is community property.

339. [XII.C.2] – 2008 FTB Pub. 1031 – Page 8 [12 minutes]

Which of the following statements is <u>false</u> regarding income subject to the law of community property?

A) All wages earned by a spouse in California is always separate property and must be reported in full by that spouse on their separately filed return

B) Each spouse or Registered Domestic Partner owns one-half of all community property

C) If property cannot be specifically identified as separate property, it is considered community property

D) All of the above statements are true.

340. [XII.C.2] – 2008 FTB Pub. 1031 – Page 8 [15 minutes]

John and Katie Smith are a married couple who were both domiciled and earned all of their income in California in 2008. John earned $30,000 in wages in 2008. Katie earned $50,000 in wages in 2008. They had no other income for the year. John and Katie will be filing separate returns in 2008. They provide each other with a copy of their Form W-2 which shows their wages.

How much wage income will each report on their own 2008 California tax returns?

A) John will report $30,000 and Katie will report $50,000

B) John will report $40,000 and Katie will report $40,000

C) John will report $50,000 and Katie will report $30,000

D) None of the above answers are correct

341. [XII.C.3] – 2008 FTB Pub. 1031 – Page 8 [12 minutes]

If separate property, or the income from the separate property, if used for community purposes, or commingled, it could lose its separate property character.

A) True
B) False

342. [XII.C.4] – 2008 FTB Pub. 1031 – Page 8 [6 min]

So long as a pre-nuptial agreement states that all separate property will remain separate property even if the property is commingled with community purposes the property will retain its separate property character if commingling occurs.

A) True
B) False

343. [XII.C.5] – 2008 FTB Pub. 1031 – Page 8 [10 minutes]

For California income tax purposes the same community property rules apply equally for spouses and Registered Domestic Partners.

A) True
B) False

344. [XII.D.1] – 2008 FTB Pub. 1031 – Page 2 [12 minutes]

Which of the following statements is/are false regarding the filing status of Registered Domestic Partners (RDP)?

A) Registered Domestic Partners will always file jointly for both Federal and California tax purposes
B) RDP's have the option of filing jointly or as a single person at the Federal level
C) RDP's must file as single for California tax purposes.
D) All of the above statements are false.

345. [XII.D.1] – 2008 FTB Pub. 1031 – Page 2 [10 minutes]

What Publication issued by the California Franchise Tax Board should be referenced to obtain filing and other tax information for Registered Domestic Partners?

A) FTB Pub. 1032

B) FTB Pub. 737
C) FTB Pub. 1016
D) FTB Pub. 1017

346. [XII.D.2] – 2008 FTB Pub. 1001 – Page 1 [10 minutes]

What FTB Publication should be referenced to obtain detailed information on differences between Federal and California taxation of income earned by spouse's in the military:

A) Pub. 1032
B) Pub. 1004
C) Pub. 1015C
C) Pub. 1050

347. [XII.D.3] 2008 Instructions for Long Form 540NR – Pg. 1 [12 minutes]

Which of the following statements is/are true:

A) Usually, the California filing status for a married couple must be the same as that used on their Federal return.

B) A separate California return may have to be filed if one spouse was a nonresident of California for the entire year and had no income from California sources

C) If either spouse earns California source income while domiciled in a community property state, the community income will be split equally between the spouses. Both spouses will have California source income and they will not qualify for the nonresident spouse exception

D) All of the above statements are true

348. [XII.D.3] – 2008 FTB Publication. 1031 – Pg. 11 [12 minutes]

Renee and Bob Tampa are both life-long residents of Texas and have never been to California. They are considered married under Texas common law. They have no California source income income. As such, neither Renee nor Bob is required to file a California tax return.

A) True
B) False

349. [XII.E] – 2008 Personal Income Tax Booklet – Page 11 [12 minutes]

What is the standard deduction for California income tax purposes in 2008 for a person filing as single and who cannot be claimed by another as a dependent:

A) $7,384
B) $3,692
C) $5,000
D) $1,233

350. [XII.E] – 2008 Personal Income Tax Booklet – Page 11 [12 minutes]

What is the standard deduction for California income tax purposes in 2008 for a person filing as married/RDP filing jointly and who cannot be claimed by another as a dependent:

A) $7,384
B) $3,692
C) $5,000
D) $1,233

351. [XII.E] – 2008 Personal Income Tax Booklet – Page 11 [12 minutes]

What is the standard deduction for California income tax purposes in 2008 for a person filing as married/RDP filing separately and who cannot be claimed by another as a dependent:

A) $7,384
B) $3,692
C) $5,000
D) $1,233

352. [XII.E] – 2008 Personal Income Tax Booklet – Page 11 [12 minutes]

What is the standard deduction for California income tax purposes in 2008 for a person filing as head of household and who cannot be claimed by another as a dependent:

A) $7,384
B) $3,692
C) $5,000
D) $1,233

353. [XII.E] – 2008 Personal Income Tax Booklet – Page 11 [12 minutes]

What is the standard deduction for California income tax purposes in 2008 for a person filing as a qualifying widow(er) and who cannot be claimed by another as a dependent:

A) $7,384
B) $3,692
C) $5,000
D) $1,233

354. [XII.E] – 2008 Personal Income Tax Booklet – Page 11 [15 minutes]

What is the *minimum* standard deduction in 2008 for California income tax purposes for a person that files as single, has $1,500 of earned income and can be claimed by another as a dependent:

A) $ 900
B) $1,500
C) $3,692
D) $ 750

355. [XII.E] – 2008 Personal Income Tax Booklet – Page 11 [17 minutes]

Aiko Bach, age 20 and single, is required to file her own California tax return and can be claimed by her parents as a dependent on their tax return. Aiko's only income in 2008 was $2,900 of wages she earned as a tennis instructor.

What is Aiko's standard deduction on her California tax return?

A) $ 0
B) $ 900
C) $2,900
D) $3,692

356. [XII.E] – 2008 Personal Income Tax Booklet – Page 11 [10 minutes]

The standard deduction on a California tax return is reported on:

A) Form 540, Line 18
B) Form 540, Line 21
C) Form 540, Line 31
D) Form 540, Line 33

357. [XII.F] – 2008 Form 540 Pg.1 & 2008 Personal Income Tax Booklet Pgs. 9-10 [15 minutes]

The personal exemption amount in California for a single person who is not blind, 25 years old, has no dependents, cannot be claimed by another as a dependent and has a recalculated federal AGI of $75,000 is:

A) $5,250
B) $ 309
C) $ 99
D) $ 250

358. [XII.F] – 2008 Form 540 Pg.1 & 2008 Personal Income Tax Booklet Pgs. 9-10 [15 minutes]

The personal exemption amount in California for a single person who is blind, 30 years old, has no dependents, cannot be claimed by another as a dependent and has a recalculated federal AGI of $55,000 is:

A)$ 5,250
B) $ 309
C) $ 99
D) $ 198

359. [XII.F] – 2008 Form 540 Pg.1 & 2008 Personal Income Tax Booklet Pgs. 9-10 [15 minutes]

The personal exemption amount in California for a single person who is blind, 30 years old, has no dependents, cannot be claimed by another as a dependent and has a recalculated federal AGI of $55,000 is:

A) $5,250
B) $ 309
C) $ 99
D) $ 198

360. [XII.F] – 2008 Form 540 Pg.1 & 2008 Personal Income Tax Booklet Pgs. 9-10 [15 minutes]

The personal exemption amount in California for a single person who is not blind, 80 years old, has no dependents, cannot be claimed by another as a dependent and has a recalculated federal AGI of $35,000 is:

A) $5,250
B) $ 309
C) $ 99
D) $ 198

361. [XII.F] – 2008 Form 540 Pg.1 & 2008 Personal Income Tax Booklet Pgs. 9-10 [15 minutes]

The personal exemption amount in California for a single person who is blind, 67 years old, has no dependents, cannot be claimed by another as a dependent and has a recalculated federal AGI of $95,000 is:

A) $5,250
B) $ 297
C) $ 99
D) $ 198

362. [XII.F] – 2008 Form 540 Pg.1 & 2008 Personal Income Tax Booklet Pgs. 9-10 [15 minutes]

Jason and Martha Ray are married and file a joint California tax return. John is 37 years old. Martha is 31 years old. They have no dependents. Neither Jason or Martha is blind. Neither Jason nor Martha can be claimed as a dependent on another's return. Their total recalculated federal AGI is $65,000

The Ray's personal exemption for their 2008 California tax return is:

A) $ 99
B) $198
C) $297
D) $396
E) $495
F) $507
G) $584

363. [XII.F] – 2008 Form 540 Pg.1 & 2008 Personal Income Tax Booklet Pgs. 9-10 [15 minutes]

Juan and Sandra Monterey are married and file a joint California tax return. Juan is 32 years old. Sandra is 29 years old. They have one dependent – their son Mike. Neither Juan or Sandra is blind. Neither Juan nor Sandra can be claimed as a dependent on another's return. Their total recalculated federal AGI is $105,000

The Monterey's personal exemption for their 2008 California tax return is:

A) $ 99

B) $198
C) $297
D) $396
E) $495
F) $507
G) $584

364. [XII.F] – 2008 Form 540 Pg.1 & 2008 Personal Income Tax Booklet Pgs. 9-10 [17 minutes]

Christopher and Wendy Longarm are married and file a joint California tax return. Christopher is 27 years old. Wendy is 29 years old. They have no dependents. Christopher is blind. Wendy is not blind. Neither Christopher nor Wendy can be claimed as a dependent on another's return. Their total recalculated federal AGI is $125,000

The Longarm's personal exemption for their 2008 California tax return is:

A) $ 99
B) $198
C) $297
D) $396
E) $495
F) $507
G) $584

365. [XII.F] – 2008 Form 540 Pg.1 & 2008 Instructions for Form 540/540A Pg 10 [10 minutes]

The total amount of all personal, blind, senior and dependent credits are reported on:

A) Form 540, Line 7
B) Form 540, Line 10
C) Form 540, Line 11
D) Form 540, Line 12

366. [XII.G.1] – 2008 Personal Income Tax Booklet – Pgs. 2-3 & 11-12 [12 minutes]

Aiko, a high school student who is claimed by her parents as a dependent on their California tax return, earns $4,550 during 2008 working after school as a tennis instructor. Is Aiko required to file her own California return for the 2008 tax year?

A) Yes
B) No

367. [XII.G.1] – 2008 Personal Income Tax Booklet – Pgs. 2-3 & 11-12 [12 minutes]

Ryan, age 19 and a college student, is claimed by his parents as a dependent on their California tax return. Ryan earns $400 during 2008 working after school as a baseball coach. Is Ryan required to file his own California return for the 2008 tax year?

A) Yes
B) No

368. [XII.G.2] – 2008 FTB Form 3800 Instructions – Page 1 [18 minutes]

Jack and Jill Youngblood elected to report the interest and dividends (a total of $1,900) earned by their son, Joe, age 17, on their Federal income tax return. In regards to reporting Joe's interest and dividends on Jack and Jill's California return:

A) Because they made the election at the Federal level to report Joe's interest and dividends, they may elect to report Joe's interest and dividends on their California return

B) Because California only provides for an election to claim a child's interest and dividend interest on their parents' tax returns up to the age of 14, Jack and Jill may <u>not</u> make an election to report Joe's interest and dividend income on their California return.

C) Because interest and dividends earned by minors is never taxable for California purposes the $1,900 in interest and dividends does not need to be reported by either Joe or his parents.
D) None of the above statements are true

369. [XII.G.3] – FTB Form 3800 Instructions – Page 1 [13 minutes]

California Form FTB 3800 is required to be filed when:

A) A child of the taxpayer is under age 14 at the end of 2008

B) The child of the taxpayer had investment income taxable by California of more than $1,800

C) At least one of the child's parents was alive at the end of 2008

D) All of the facts as stated above are present

370. [XII.H.1] – 2008 Personal Income Tax Booklet – Pg. 54 [13 minutes]

Lida receives $1,500 of unemployment compensation from the California Employment Development

Department in 2008. Lida must:

A) Report the entire $1,500 of unemployment compensation as taxable income on her California income tax return

B) Report 50% of the $1,500 of unemployment compensation as taxable income on her California income tax return

C) Report the first $500 of the $1,500 of unemployment compensation as taxable income on her California income tax return

D) None of the $1,500 in unemployment compensation is taxable on her California income tax return

371. [XII.H.1] – 2008 Personal Income Tax Booklet – Pg. 54 [12 minutes]

Unemployment compensation is reported on:

A) Schedule CA (Form 540), Line 19, Columns A & B

B) Schedule CA (Form 540), Line 20, Columns A & B

C) Schedule CA (Form 540), Line 21a, Columns A&B

D) Schedule CA (Form 540), Line 16, Column A

372. [XII.H.2] – 2008 Personal Income Tax Booklet – Pg. 54 [13 minutes]

Noreen, a California resident, wins $25,000 in the California lottery and $2,000 from the Nevada lottery in 2008. Noreen:

A) Must report the $2,000 Nevada lottery winnings as income on her California return, but none of the $25,000 lottery winnings from the State of California.

B) Must report the $25,000 California winnings as income on her California return, but none of the $2,000 Nevada lottery winnings.

C) Must report both the $25,000 California and the $2,000 Nevada lottery winnings as income on her California return.

D) Both the California and Nevada lottery winnings are not taxable on her California return.

373. [XII.H.2] – 2008 Personal Income Tax Booklet – Pg. 54 [12 minutes]

California lottery winnings are reported on:

A) Schedule CA (Form 540), Line 19, Columns A & B

B) Schedule CA (Form 540), Line 20, Columns A & B

C) Schedule CA (Form 540), Line 21a, Columns A & B

D) Schedule CA (Form 540), Line 16, Column A

374. [XII.H.3] – 2008 Personal Income Tax Booklet – Pg. 52 (Line 8) [15 minutes]

Ben received $15,000 interest in 2008 from U.S. Treasury Bills that he owned. In regards to the $15,000 in U.S. Treasury bill interest:

A) It is fully taxable for California income tax purposes but not taxable for Federal income tax purposes.

B) It is fully taxable for Federal income tax purposes but not taxable for California income tax purposes.

C) It is fully taxable for both Federal and California income tax purposes

D) It is not taxable for both Federal and California income tax purposes

375. [XII.H.3] – 2008 Personal Income Tax Booklet – Pg. 52 (Line 8) [12 minutes]

Interest on U.S. Government Securities is reported on:

A) Schedule CA (Form 540), Line 8, Column B

B) Schedule CA (Form 540), Line 20, Columns B

C) Schedule CA (Form 540), Line 21a, Column A

D) Schedule CA (Form 540), Line 16, Column A

376. [XII.H.4] – 2008 Personal Income Tax Booklet - Pg. 52 (Line 8) [15 minutes]

Joe received $9,000 in interest from bonds issued by the city of San Jose, California.

In regards to the $9,000 in California municipal bond interest:

A) It is fully taxable for California income tax purposes but not taxable for Federal income tax purposes.

B) It is fully taxable for Federal income tax purposes but not taxable for California income tax purposes.

C) It is fully taxable for both Federal and California income tax purposes

D) It is not taxable for both Federal and California income tax purposes

377. [XII.H.5] – 2008 Personal Income Tax Booklet - Pg. 53 - Line 10 [15 minutes]

In 2008 Mark received a $400 income tax refund from the State of California based on the filing of his 2007 California income tax return. In 2007 Mark took the itemized deductions on both his Federal and California income tax returns and he received a full tax benefit on his 2007 Federal income tax return for all of the California income taxes paid in 2007.

In regards to the $400 California income tax refund:

A) It is fully taxable for California income tax purposes but <u>not</u> taxable for Federal income tax purposes.

B) It is fully taxable for Federal income tax purposes but <u>not</u> taxable for California income tax purposes.

C) It is fully taxable for both Federal and California income tax purposes

D) It is not taxable for both Federal and California income tax purposes

378. [XII.H.5] – 2008 Personal Income Tax Booklet – Pg. 53 - Line 10 [10 minutes]

State income tax refunds that are taxable at the Federal level are reported on:

A) Schedule CA (Form 540), Line 10, Columns A & B

B) Schedule CA (Form 540), Line 20, Columns A & B

C) Schedule CA (Form 540), Line 21a, Column A

D) Schedule CA (Form 540), Line 16, Column A

379. [XII.H.6] – 2008 Personal Income Tax Booklet – Pg. 54 - Line 20 [15 minutes]

Herbert, age 74, received $18,000 in Social Security income in 2008. How much of Herbert's social security income is taxable on his California income tax return:

A) $18,000

B) $9,000

C) $2,900

D) None of his social security income is taxable on his California return

380. [XII.H.6] – 2008 Personal Income Tax Booklet – Pg. 54 – Line 20 [10 minutes]

Social security income is reported on:

A) Schedule CA (Form 540), Line 10, Columns A & B

B) Schedule CA (Form 540), Line 20, Columns A & B

C) Schedule CA (Form 540), Line 21a, Column A

D) Schedule CA (Form 540), Line 16, Column A

381. [XII.H.7] – 2008 Personal Income Tax Booklet – Pg. 54 – Lines 16 & 20 [13 minutes]

Steve, a retired railroad engineer, received both Tier 1 and Tier 2 Railroad retirement income in 2008. On his 2008 California income tax return Steve must:

A) Report both Tier 1 and Tier 2 Railroad retirement as taxable income

B) Report neither Tier 1 nor Tier 2 Railroad retirement as taxable income

C) Report the Tier 1 income as taxable but the Tier 2 income is not taxable for California tax purposes

D) Report the Tier 2 income as taxable but the Tier 1 income is not taxable for California tax purposes

382. [XII.H.8] – 2008 Personal Income Tax Booklet – Pg. 56 – Line 41 [15 minutes]

Don and Marie Sher were able to claim a $200 mortgage interest credit on their 2008 Federal income tax return via Form 8396. The total mortgage interest paid on their house in 2008 was $2,250.

Which of the following statements is <u>false</u>:

A) Don and Marie must reduce their mortgage interest deduction on their Federal return by $200 – the amount of the mortgage interest credit.

B) Don and Marie can take a $200 mortgage interest credit on their California tax return.

C) Don and Marie cannot take any credit on their California tax return for the mortgage interest paid but they can potentially deduct the full $2,250 of mortgage interest on their California return.

D) None of the above statements are false

383. [XII.I.1] – 2008 Personal Income Tax Booklet – Pg. 11 [17 minutes]

Which of the following statements is/are <u>false</u> regarding taxpayers who itemize their deductions on their Federal returns:

A) They are also required to itemize on their California returns

B) Your California income tax will be less if you take the larger of (1) your California itemized deductions or (2) your California standard deduction

C) If a single taxpayer, who has an AGI on $50,000 itemized his deductions on her Federal return and the <u>only</u> Federal itemized deduction is $10,000 in California income taxes paid in 2008, the taxpayer will normally reduce their California taxes by taking the California standard deduction

D) B & C are false

384. [XII.I.2] 2008 Personal Income Tax Booklet – Page 9 [12 minutes]

Bob Smith itemizes his deductions for both Federal and California income tax purposes. Bob's deduction for investment interest expense for California tax purposes may be different for that at the Federal level. What California form must Bob use to determine the amount of investment interest deductible on his California tax return?

A) FTB Form 3511

B) FTB Form 3521

C) FTB Form 3526

D) FTB Form 3548

385. [XII.I.3] 2008 Personal Income Tax Booklet - Page 56 [13 minutes]

Jerri Jones had $2,550 in California income taxes withheld from her paychecks by her employer in 2008. Jerri did not pay any additional California income tax in 2008. She itemized her deductions for both her Federal and California tax returns in 2008.

How much California income tax will she be able to deduct on her 2008 California income tax return?

A) $2,550

B) $1,225

C) $1,000

D) Zero

386. [XII.I.3] 2008 Personal Income Tax Booklet – Page 56 [12 minutes]

California income taxes withheld and deducted on a taxpayer's Federal return is reported on:

A) Schedule CA (Form 540), Part II, Line 38

B) Schedule CA (Form 540), Part II, Line 39

C) Both A & B

D) Neither A or B

387. [XII.I.4] 2008 Personal Income Tax Booklet – Page 56 [15 minutes]

Zane Smite paid $450 in California income tax in 2008 based on the amount of California tax due per his 2007 California return. Zane itemized his deductions on both his Federal and California tax returns for 2008. Zane properly deducted the $450 California tax payment on Line 5 of Schedule A of his Federal return.

How should Zane report this $450 tax payment on his 2008 California tax return?

A) Include the $450 on Line 39 of California Schedule CA (540) as this payment is not deductible for California tax purposes

B) Zane does not need to make any entries on his California return as California allows this payment as a deduction.

C) Report it on Line 13 of California Form 540

D) Report it on Line 12 of California Form 540

388. [XII.I.4] 2008 Personal Income Tax Booklet – Page 56 [12 minutes]

Prior year state income taxes paid in the current year and deducted on a taxpayer's Federal return are reported on:

A) Schedule CA (Form 540), Part II, Line 38

B) Schedule CA (Form 540), Part II, Line 39

C) Both A & B

D) Neither A or B

389. [XII.J.1] 2008 Personal Income Tax Booklet – Page 57 [12 minutes]

Janet Smithers earned $200 in interest in a Health Savings Account (HSA) in 2008.

How is this interest treated for both Federal and California tax purposes:

A) Taxable for both Federal and California tax purposes

B) Taxable for Federal purposes but not for California

C) Taxable for California purposes but not for Federal

D) Not taxable for either Federal or California tax purposes

390. [XII.J.2.a] – 2008 Schedule P Form [13 minutes]

In order to determine if a California taxpayer is subject to California Alternative Minimum Tax (AMT) one must determine their Alternative Minimum Taxable Income (AMTI) on California Schedule P.

After calculating their AMTI the taxpayer must then deduct their applicable AMT exemption amount from AMTI and then multiply this figure by the Tentative Minimum Tax rate.

What is the Tentative Minimum Tax rate in 2008?

A) 2.25%

B) 4.5%

C) 6.0%

D) 7.0%

391. [XII.J.2.b.] 2008 Personal Income Tax Booklet – Pgs. 13-15 [12 minutes]

Alternative Minimum Tax (AMT) for California tax purposes does not apply to any trade or business with gross receipts, less returns and allowances, for the taxable year of:

A) Less than $5,000,000

B) Less than $3,250,000
C) Less than $2,00,000

D) Less than $1,000,000

392. [XII.J.4 & V.A.2.1.4] – 2008 IRS Pub. 17 – Pg. 47 & 2008 Calif. Schedule CA Instruction – Pg. 2 [20 minutes]

Davis Chung Co. provides a commuter highway van for its employees to take them to and from their home and work every work day. There is no charge for this service and the market value of this daily van service is $150 per month per employee. Pete Webb, an employee of Davis Chung Co., uses this van carpool service.

If Pete used this service every month for 2008 how much, if any, of the value of this transportation fringe benefit is taxable to Pete as wages in 2008:

A) $1,800 at both the Federal and California levels

B) $420 at the Federal level and $1,800 at the California level

C) $420 at the California level and $1,800 at the Federal level

D) $420 at the Federal level and zero at the California level

393. [XII.J.5.a. & V.F.3.b.3] IRS 2008 IRS Pub. 17 – Pg. 160 and 2008 FTB Pub 1001 – Pg. 8 [20 minutes]

Doug Bratt, the sole owner of a marketing business, entertains some of his business clients at a club where they discuss current and potential business. This particular club actively discriminates. The total amount of the club bill is $400.

How much of this club bill can Doug deduct on his Federal and California tax returns?

A) $400 on both his Federal and California returns

B) $200 on his Federal and $200 on his California return

C) $200 on his Federal and $0 (zero) on his California return

D) $0 (zero) on his Federal return and $200 on his California return.

394. [XII.J.5.a] 2008 FTB Pub 1001 – Page 8 [10 minutes]

Where are business expenses related to dues paid to a club that discriminates on a California tax return?

A) Schedule CA (Form 540 or 540NR), line 12, column C

B) Schedule CA (Form 540 or 540NR), line 13, column C

C) Schedule CA (Form 540 or 540NR), line 15, column C

D) None of the above

395. [XII.J.5.b] – FTB 960 (Rev. 06/07) – Page 1 [12 minutes]

If an owner of real property in California has a rental property that is determined to be a substandard property by a local regulatory agency which of the following expenses are <u>not</u> allowed for California tax purposes:

A) Interest

B) Taxes

C) Amortization

D) Deprecation

E) All of the above

396. [XII.J.5.c] – FTB 2429 (Rev. 04/2008) – Page 1 [13 minutes]

For California tax purposes, if a taxpayer gets family support from his/her former spouse and the divorce decree or separation instrument does not designate any of the family support as child support, then:

A) None of the payments are considered alimony. The former spouse who pays it cannot deduct these payments and the former spouse who receives these payment does not have to report them as taxable income.

B) 50% of the payments are considered alimony. The former spouse who pays it can deduct 50% of these payments and the former spouse who receives these payment has to report 50% of them as taxable income.

C) 75% of the payments are considered alimony. The former spouse who pays it can deduct 75% of these payments and the former spouse who receives these payment has to report 75% of them as taxable income.

D) All of the payments are considered alimony. The former spouse who pays it can deduct these payments and the former spouse who receives these payment must report them as taxable income.

397. [XII.J.6.b & X.B.8] 2008 IRS Pub. 17 – Page 172 (Table 25-2) and 2008 FTB Schedule CA (540) Instructions – Page 7 [12 min]

Which of the following statements is <u>false</u> regarding disaster losses:

A) Federal, but not California, law allows an exception to the normal rule that casualty losses are subject to both a $100 and 10% of Adjusted Gross Income (AGI) limitation where casualty losses occur within certain disaster areas

B) California, but not Federal, law allows an exception to the normal rule that casualty losses are subject to both a $100 and 10% of Adjusted Gross Income (AGI) limitation where casualty losses occur within certain disaster areas

C) Both Federal and California law allows an exception to the normal rule that casualty losses are subject to both a $100 and 10% of Adjusted Gross Income (AGI) limitation where casualty losses occur within certain disaster areas

D) All of the above statements are false

398. [XII.J.6.c] 2008 FTB Pub. 1001 – Page 8 [12 minutes]

Josephine Shipp is a full-time California real estate broker and property manager. She owns a number of rental properties in California. Each property has tax losses in 2008.

What California form should Josephine use to determine how much (if any) of the losses can be deducted on her California return?

A) Form FTB 3801
B) Form FTB 3807
C) Form FTB 3885A
D) Form FTB 3808

399. [XII.K.1] 2008 FTB Schedule CA (540) Instructions – Page 4 & 2008 FTB Pub 1001 – Page 10 [12 minutes]

Waylen Jan has made regular contributions every year into his Individual Retirement Account (IRA) since 1999. Waylen lived in Oregon from 1999 though 2005. In 2006 he became a California resident.

What California publication should Waylen utilize to determine his basis in his IRA account for California purposes?

A) FTB Pub. 1005
B) FTB Pub. 1016
C) FTB Pub. 1021
D) FTB Pub. 1028

400. [XII.K.1] 2008 FTB Schedule CA (540) Instructions – Page 4 & 2008 FTB Pub 1001 – Page 10 [10 minutes]

<u>True/False</u>:

There may be differences in the taxable amount of the distribution depending on when the contributions were made, if you changed residency status after you first began making contributions to your IRA, or made different deductions for California because of differences between your California and federal self-employment income.

If any above the above-stated conditions apply you will need to calculate your IRA basis as if you were a California resident for all prior years.

A) True
B) False

401. [XII.K.2] – 2008 Calif. Schedule CA (540) Instructions – Page 5 [15 minutes]

At what Adjusted Gross Income (AGI) does the deduction for a Traditional IRA contribution (1) begin to phase out and (2) fully phase out for Federal and California purposes for 2008 for someone filing as Head of Household:

	Federal	California
A)	\$85,000 - \$105,000	\$80,000 - \$100,000
B)	\$159,000 - \$169,000	\$150,000 - \$160,000
C)	\$150,000 - \$160,000	\$159,000 - \$169,000
D)	\$53,000-\$63,000	\$50,000-\$60,000

402. [XII.K.2] – 2008 Calif. Schedule CA (540) Instructions – Page 5 [15 minutes]

At what Adjusted Gross Income (AGI) does the deduction for a Traditional IRA contribution (1) begin to phase out and (2) fully phase out for Federal and California purposes for 2008 for someone filing as single:

	Federal	California
A)	\$85,000 - \$105,000	\$80,000 - \$100,000
B)	\$159,000 - \$169,000	\$150,000 - \$160,000
C)	\$150,000 - \$160,000	\$159,000 - \$169,000
D)	\$53,000-\$63,000	\$50,000-\$60,000

403. [XII.K.2] – 2008 Calif. Schedule CA (540) Instructions – Page 5 [15 minutes]

At what Adjusted Gross Income (AGI) does the deduction for a Traditional IRA contribution (1) begin to phase out and (2) fully phase out for Federal and California purposes for 2008 for someone filing as married filing jointly:

<u>Federal</u> <u>California</u>

A)	$85,000 - $105,000	$80,000 - $100,000
B)	$159,000 - $169,000	$150,000 - $160,000
C)	$150,000 - $160,000	$159,000 - $169,000
D)	$53,000-$63,000	$50,000-$60,000

404. XII.K.2] – 2008 Calif. Schedule CA (540) Instructions – Page 5 [15 minutes]

At what Adjusted Gross Income (AGI) does the deduction for a Traditional IRA contribution (1) begin to phase out and (2) fully phase out for Federal and California purposes for 2008 for someone filing as a qualifying widow(er):

	Federal	California
A)	$85,000 - $105,000	$80,000 - $100,000
B)	$159,000 - $169,000	$150,000 - $160,000
C)	$150,000 - $160,000	$159,000 - $169,000
D)	$53,000-$63,000	$50,000-$60,000

405. [XII.L.1 & VIII.E.5.a] – IRS Pub. 17 – Page 64 and 2008 FTB Schedule CA (540) Instr- Page 3 – Line 13 [15 minutes]

Fred Moyer received a $3,000 Capital Gain distribution in 2008 from a mutual fund that he owned.

What statement is true regarding this distribution:

A) The highest Federal tax rate he will pay on this distribution is 15% - regardless of his marginal tax rate – because it is treated as a long-term capital gain

B) California treats the income from this distribution as regular income

C) Both of the above statements are true

D) Both of the above statements are false

406. [XII.L.2] – FTB Form 593 Booklet – Page 1 [13 minutes]

Yorvit Torra sold a parcel of real estate in 2008 that he owned as an investment for many years as an investment.

Which statement is false regarding the withholding of California income tax on this sale:

A) Withholding is not required if the sales price was $700,000 or less.

B) Withholding is not required if this real estate was his principal residence (as defined in IRC Section 121) and Yorvit certifies that it was his principal residence on a fully executed FTB Form 593-C.

C) Withholding is not required if Yorvit certifies on a fully executed form FTB Form 593-C that that the sale of the real estate resulted in a taxable loss or no taxable gain.

D) If withholding is required the standard withholding rate is 3⅓%

E) All of the above statements are false

407. [XII.L.2] – 2008 California Form 593 Booklet – Page 5 [10 minutes]

What FTB form is used to determine whether a seller of real estate in California qualifies for a full or partial real estate withhold exemption?

A) Form 593-C
B) Form 593-E
C) Form 540
D) Form 540A

408. [XII.L.2] – 2008 California Form 593 Booklet – Page 8 [10 minutes]

What FTB form is used to determine whether a seller of real estate in California to estimate the amount of gain or loss for real estate withholding purposes and to calculate an optional gain on sale withholding amount?

A) Form 593-C
B) Form 593-E
C) Form 540
D) Form 540A

409. [XII.L.3] – 2008 Personal Income Tax Booklet – Page 47 [15 minutes]

In 2008 Rodger Pete, a California resident, sold 400 shares of XYZ stock at a loss of $4,000. He had no other sales of capital assets during the year. His only income for the year was $50,000 in wages from his job.

In regards to the $4,000 loss, on his 2008 California return Rodger may:

A) Carry back the full $4,000 loss to his 2005 return with an amended 2005 California return

B) Carry back the full $4,000 loss to his 2007 return with an amended 2007 California return

C) Deduct $3,000 on his 2008 California return and carryover the remaining $1,000 to the 2009 tax year

D) Deduct the full $4,000 on his 2008 California tax return

410. [XII.L.3] – 2008 Personal Income Tax Booklet - Page 47 [12 minutes]

Which of the following statements is/are true regarding 2007 capital loss carryovers for California tax purposes?

A) If you had prior year carryover losses, you must recalculate those losses as if you had been a resident of California for all prior years.

B) The California capital loss carryovers from 2007 are entered on line 6 of California Schedule D.

C) FTB Publication 1100 should be referenced to obtain additional information on capital loss carryovers for California tax purposes

D) All of the above statements are true

411. [XII.M.1] 2008 540 Instructions – Page 14 [13 minutes]

Which of the following statements is true regarding the ability to take the California credit for Joint Custody Head of Household?

A) A taxpayer may not claim this credit if he/she used the married/RDP filing jointly, head of household, or qualifying widow(er) filing status.

B) The custody arrangement for the child must be part of a decree of dissolution or legal separation or part of a written agreement between the parents where the proceedings have been initiated, but a decree of dissolution or legal separation has not yet been issued.

C) The taxpayer must have furnished more than one-half of the household expenses for his/her home that also served as the main home of the taxpayer's child, step-child, or grandchild for at least 146 days but not more than 219 days of the taxable year.

D) The credit is the lesser of (1) $393 or (2) The total tax as stated on Line 27 of California Form 540 multiplied by 30%.

e) All of the above statements are true.

412. [XII.M.1] 2008 540 Instructions – Page 14 [10 minutes]

The California credit for Joint Custody Head of Household is reported on:

A) Line 25, Form 540
B) Line 28, Form 540
C) Line 31, Form 540
D) None of the above

413. [XII.M.2] – 2008 FTB Form 3501 Pgs. 2-4 [12 minutes]

Which of the following statements is/are true regarding California employer childcare program credit?

A) The credit is 30% of costs an employer pays or incurs for establishing a childcare program, or constructing a childcare facility in California for use primarily by the children of its employees or tenants' employees.

B) Two or more employers who share in the costs eligible for the credit may claim the credit in proportion to the respective share of the costs they paid or incurred.

C) Both of the above

D) None of the above

414. [XII.M.3] – 2008 Personal Income tax Booklet – Page 16 [13 minutes]

Which of the following statements is <u>false</u> regarding California's child and dependent care expenses credit?

A) The credit is applicable if you paid someone to care for your qualifying child under the age of 13 or a dependent or spouse/registered domestic partner of any age who is physically or mentally incapable of caring for him or herself.

B) The care must be provided in California

C) In order to claim the credit you must complete and attach form FTB 3506 to your California return

D) To claim this credit, your federal adjusted gross income must be $150,000 or less

415. [XII.M.3] – 2008 Personal Income tax Booklet – Page 16 [10 minutes]

California's child and dependent care expenses credit is reported on:

A) Line 25, Form 540
B) Line 28, Form 540
C) Line 43, Form 540
D) None of the above

416. [XII.M.6 & XIII.D] - 2008 Personal Income tax Booklet – Pages 15-16 [12 minutes]

You may claim a credit on your California return for excess State Disability Insurance (SDI) or Voluntary Plan Disability Insurance (VPDI) if which of the following conditions apply:

A) You had two or more California employers during 2008
B) You received more than $86,698 in wages
C) The amounts of SDI (or VPDI) withheld appear on your Forms W-2 or CA Sch W-2
D) <u>All</u> of the above conditions must apply

417. [XII.M.6 & XIII.D] - 2008 Personal Income tax Booklet – Pages 15-16 [10 minutes]

The California credit for excess SDI (or VPDI) withheld is reported on:

A) Line 25, Form 540
B) Line 28, Form 540
C) Line 38, Form 540
D) Line 39, Form 540

418. [XII.M.7] - 2008 Personal Income tax Booklet – Page 14 [13 minutes]

Which of the following statements is/are <u>false</u> regarding California's credit for child adoption costs?

A) The credit is 35% of the cost of adopting a qualifying child

B) A qualifying child is one who was both (1) a citizen or legal resident of the United States and (2) in the custody of a California public agency or a California political subdivision

C) The maximum credit is limited to $2,500 per minor child

D) None of the above statements are false

419. [XII.M.8] – 2008 California Schedule S – Other State Tax Credit – Pgs. 1-3 [15 minutes]

A California taxpayer may qualify for a credit for income taxes paid to another state when the same income that is taxes by the other state is also taxed by California.

Which of the following statements is/are false regarding this credit:

A) Residents of California may claim this credit only if the income taxed by the other state had a source within the other state under California law

B) The credit is allowed if the other state allows California residents a credit for net income taxes paid to California

C) Other state income taxes which are paid to the other state do not necessarily have to be in the same year, as long as the taxes relate to the same transaction

D) None of the above statements are false

420. [XII.M.9] – 2008 California Personal Income Tax Booklet – Pages 14 and 58 [17 minutes]

Chris Smith, a California resident for the entire year in 2008, had a California adjusted gross income of $16,000 and files his returns as single. In 2008 he rented his principal residence for the entire year – paying $600 per month in rent. Chris lives alone. He cannot be claimed as a dependent by anybody else. The landlord pays property taxes on the house. He did not claim the homeowner's property tax exemption anytime in 2008.

Is Chris eligible for California's renter's credit on his 2008 California return and if so what is the amount of the credit.

	Eligible	Amount
A)	No	
B)	Yes	$ 60
C)	Yes	$120
D)	Yes	$7,200

421. [XII.M.9] – 2008 California Personal Income Tax Booklet – Pages 14 and 58 [10 minutes]

The California nonrefundable renter' credit is reported on:

A) Line 25, Form 540
B) Line 28, Form 540
C) Line 38, Form 540
D) Line 39, Form 540

422. [XII.N.1] - 2008 Personal Income Tax Booklet – Page 45 [15 minutes]

Mary and Jim Duggan, long-time California residents and a married couple who files their returns jointly, had an adjusted gross income of $60,000 in 2008. They expect to owe at least $500 in California tax in 2009 (after subtracting withholding and credits).

What is the <u>minimum</u> amount of estimated tax payments that must make to the State of California for the 2009 tax year in order to avoid underestimated tax penalties:

A) The smaller of 70% of the tax shown on their 2009 tax return or the tax shown on their 2008 tax return including AMT – including California taxes withheld and tax credits

B) The smaller of 80% of the tax shown on their 2009 tax return or the tax shown on their 2008 tax return including AMT – including California taxes withheld and tax credits

C) The smaller of 90% of the tax shown on their 2009 tax return or the tax shown on their 2008 tax return including AMT – including California taxes withheld and tax credits

D) The smaller of 110% of the tax shown on their 2009 tax return or the tax shown on their 2008 tax return including AMT – including California taxes withheld and tax credits

423. [XII.O.1] – FTB Collections Procedures Manual Glossary (Rev. 9/20/05) – Pg. 3 [10 minutes]

<u>True/False</u>:

If a demand to file a taxpayer's income tax return is issued, and the return is not filed, the FTB will impose a penalty of 25% (a Demand Penalty) of the tax liability before applying any payments or credits.

A) True
B) False

424. [XII.O.2] - 2008 Personal Income Tax Booklet - Page 18 [18 minutes]

Which of the following is true regarding California's income tax penalties for (1) late filing of returns and (2) late payment of tax:

A) Late Filing of Returns - The maximum total penalty is 25% of the tax not paid if the tax return is filed after October 15, 2009 and the minimum penalty for filing a tax return more than 60 days late is $100 or 100% of the balance due, whichever is less

Late Payment of Tax – The penalty is 5% of the tax not paid when due plus ½% for each month, or part of a month, the tax remains unpaid.

B) Late Filing of Returns - The maximum total penalty is 35% of the tax not paid if the tax return is filed after October 15, 2009 and the minimum penalty for filing a tax return more than 60 days late is $100 or 100% of the balance due, whichever is less

Late Payment of Tax – The penalty is 6% of the tax not paid when due plus ½% for each month, or part of a month, the tax remains unpaid.

C) Late Filing of Returns - The maximum total penalty is 40% of the tax not paid if the tax return is filed after October 15, 2009 and the minimum penalty for filing a tax return more than 90 days late is $100 or 100% of the balance due, whichever is less

Late Payment of Tax – The penalty is 7% of the tax not paid when due plus ½% for each month, or part of a month, the tax remains unpaid.

D) Late Filing of Returns - The maximum total penalty is 25% of the tax not paid if the tax return is filed after October 15, 2009 and the minimum penalty for filing a tax return more than 100 days late is $150 or 100% of the balance due, whichever is less

Late Payment of Tax – The penalty is 8% of the tax not paid when due plus ½% for each month, or part of a month, the tax remains unpaid.

425. [XII.O.2] - 2008 Personal Income Tax Booklet - Page 18 [10 minutes]

Late filing and late payment penalties are reported on:

A) Line 36, Form 540
B) Line 45, Form 540
C) Line 63, Form 540
D) None of the above

426. [XII.P.2] – 2008 Form 540X Instructions – Page 1 [12 minutes]

Income tax refunds can only be issued by the State of California to taxpayers if the refund claim is made within the statute of limitations.

Under most circumstances what is the statute of limitations on claims for refund:

A) The later of (1) three years from the original due date of the return or (2) one year from the date of the overpayment

B) The later of (1) four years from the original due date of the return or (2) one year from the date of the overpayment

C) The later of (1) four years from the original due date of the return or (2) two years from the date of the overpayment

D) The later of (1) five years from the original due date of the return or (2) two years from the date of the overpayment

427. [XII.Q.1.c] – 2008 FTB Publication 1005 – Pages 3 & 4 [12 minutes]

For (1) nonresidents of California receiving a California pension and (2) residents of California receiving a non-California pension, which statement is <u>false</u>:

A) California does not impose tax on retirement income received by a nonresident after 12/31/1995

B) California residents are taxed on all pension income attributable to services performed outside California

C) Both of the above statements are false

D) None of the above statements are false

428. [XII.Q.1.c] – 2008 FTB Publication 1005 – Pages 3 & 4 [15 minutes]

Sam Smith worked 20 years in Oregon, moved to California in 2003 and worked an additional 3 years for the same company. Sam retired in California and began receiving his pension, which is attributable to his services performed in both California and Oregon. Since retiring Sam has never left the State of California. The taxable amount of his pension for federal purposes is $20,000.

Which of the following statements is/are true:

A) Sam is a full-year resident of California for 2008

B) As a California resident, Sam is taxed on all of his income, regardless of its source. Therefore, the amount taxable for California purposes is $20,000, even though a portion of the pension is for the services he performed in Texas

C) Sam does not make an adjustment on Schedule CA (540), or Form 540A, Side 1, to exclude any of the pension from his income

D) All of the above are true.

429. [XII.Q.1.f] – 2008 FTB Schedule CA (Form 540NR) Instructions – Page 7 [17 minutes]

Bob Jones, sole proprietor of Jonesy Construction Company (Jonesy), lives in Phoenix, Arizona. Up until 2008 all of the work performed by Jonesy was in Arizona. However, in 2008 Jonsey performed a single construction project in Monterey, California for $40,000 with deductible expenses of $30,000 – resulting in net income of $10,000. After completing the work in Monterey in August, 2008 Jonesy was paid by the project owner and the company returned back to Phoenix to perform construction work in Arizona for the remainder of the year.

As a nonresident of California, is Bob Jones required to file California Form 540NR in 2008?

A) No

B) Yes. $10,000 will be reported on Part II, Line 12, Column E of Schedule CA (Form 540NR)

C) Yes. $30,000 will be reported on Part II, Line 12, Column E of Schedule CA (Form 540NR)

D) Yes. $40,000 will be reported on Part II, Line 12, Column E of Schedule CA (Form 540NR)

430. [XII.Q.1.f] – 2008 FTB Schedule CA (Form 540NR) Instructions – Page 7 [10 minutes]

<u>True/False</u>:

To determine the portion of income or loss from businesses engaged in multistate activities that you must report, use the apportionment formula described in Schedule R, Apportionment and Allocation of Income.

A) True
B) False

431. [XII.Q.2.d] – 2008 Schedule CA (Form 540NR) Instructions – Pg. 9 [10 minutes]

<u>True/False</u>:

To determine a part-year California resident's itemized or standard deductions applicable to his/her California tax return (i.e., the deduction percentage) you must divide the amount on Line 37, Column E by Line 37, Column D of Schedule CA (Form 540NR).

A) True
B) False

432. [XII.Q.3.a] – 2008 FTB Publication 1032 – Page 3 and 4 [12 minutes]

Which of the following answers is correct regarding non-California domiciled military service members who are stationed in California?

A) They are not taxed by California on pay received for military services performed in California.

B) Non-military pay income is subject to California tax

C) Both statements are true

D) Both statements are false

433. [XII.Q.3.a & XII.Q.3.b] – 2008 FTB Publication 1032 – Pg. 3 [13 minutes]

State residency for tax purposes for active military service members is subject to conditions set forth in the federal Servicemembers Civil Relief Act (SCRA). The SCRA provides that:

A) A person shall not be deemed to have lost a residence or domicile in any state solely by reason of being absent in compliance with military orders

B) A person shall not be deemed to have acquired a residence or domicile in any other state solely by reason of being there in compliance with military orders

C) Compensation for military service is not considered to be from sources within the state where a member is stationed if that state is not the member's domicile

D) All of the above

434. [XII.Q.3.b] - 2008 FTB Publication 1032 – Pgs. 3-4 [12 minutes]

An individual domiciled in California when entering the military is to be a:

A) Resident while stationed in California

B) Resident while stationed in California on permanent change of station (PCS) orders and temporary duty assignments outside California, regardless of the duration

C) Nonresident while stationed outside California on PCS orders

D) All of the above

435. [XII.Q.3.a & XII.Q.3.b] – 2008 FTB Publication 1032 – Pg. 3 [12 minutes]

Domicile, for purposes of determining the residency of a military service member is defined as the one place:

A) Where you maintain a true, fixed home and a permanent establishment

B) To which you intend to return

C) Which you intend to make your permanent home.

D) All of the above

436. [XII.R.1.] - Form FTB 1144 (Rev. 9/2000) – Page 2 [13 minutes]

Which of the following statements is/are false regarding California's Power of Attorney rules:

A) The Power of Attorney declaration will not be accepted and will be returned to the taxpayer if it is not signed and dated by the taxpayer

B) Unless you specify otherwise, filing a new power of attorney with the State of California's Franchise Tax Board will automatically revoke all prior declarations for the same matters and years or time periods.

C) The Franchise Tax Board prefers that a Power of Attorney Declaration be filed on Form FTB 3520

D) Under a Power of Attorney Declaration you can authorize somebody else to endorse or cash tax refunds checks

437. [XIII.A] 2008 Personal Income Tax Booklet – Pg. 6 [13 minutes]

California use tax has been in effect in California since July 1, 1935. It applies to purchases from out-of-state sellers and is similar to the sales tax paid on purchases you make in California. If you have not already paid all use tax due to the State Board of Equalization, you must report and pay the use tax due on your state income tax return.

You should pay California use tax on purchases made from out-of-state purchases made over the Internet if:

A) The seller does not collect California sales or use tax

B) You use, give away, store, or consume the item in this state

C) Both A & B occur

D) None of the above

438. [XIII.A] 2008 Personal Income Tax Booklet – Pg. 6 [10 minutes]

If a taxpayer owes any California use tax in 2008 and does not report and pay the tax to the State Board of Equalization, where does the taxpayer report the use tax on his/her individual income tax return?

A) Line 31 of Form 540

B) Line 32 of Form 540

C) Line 48 of Form 540

D) Line 49 of Form 540

438. [XIII.C] – 2008 Personal Income Tax Booklet – Page 60 [12 minutes]

Taxpayers have the option of making voluntary contribution to various funds on their California income tax returns.

A) All contributions either reduce your overpaid tax or increase your tax due

B) Contributions to each fund must be at least $1 and in whole dollar amounts

C) Both statements are <u>true</u>

D) Both statements are <u>false</u>

439. [XIII.C] – 2008 Form 540 – Pg. 2 [10 minutes]

The total amount of voluntarily contributions to various funds for the year on an individual's tax return is reported on:

A) Line 44, Form 540

B) Line 48, Form 540

C) Line 61, Form 540

D) None of the above

440. [XIII.E.1] - 2008 Personal Income Tax Booklet – Pgs. 48-49 [15 minutes]

You must use form FTB 3885A, Depreciation and Amortization Adjustments:

A) When there is a difference between the amount of depreciation and amortization allowed as a deduction using California law and the amount allowed under Federal law

B) To report depreciation expense from federal Form 2106, Employee Business Expenses

C) Both of the above

D) None of the above

441. [XIII.E.3] – 2008 FTB Publication 1001 – Page 5 [13 minutes]

George Fernandez purchased a commercial warehouse (nonresidential real property) and immediately rented out to various tenants in 1995.

The MACRS recovery period, for depreciation purposes, that is applicable to George for the warehouse for Federal and California purposes is:

	Federal	California
A)	15 years	15 years
B)	39 years	31.5 years
C)	31.5 years	39 years
D)	39 years	39 years

442. [XIII.E.4] - 2008 FTB Publication 1001 – Page 5 [10 minutes]

True/False:

Federal law allowed the rapid write-off of tangible personal property and buildings over recovery periods which were shorter than economic useful lives under the Accelerated Cost Recovery System (ACRS). California law, in general, did not conform to federal law but did allow ACRS for certain residential rental property constructed in California on or after 07/01/85, and before 01/01/87.

A) True
B) False