

Comprehensive Income Tax Course: Module 1 Final Exam

1. Bob's wife died May 2, 2013. He was able to file Married Filing Jointly for tax year 2013 but is uncertain what his filing status will be for the current tax year. Which of the following is listed ***incorrectly*** as a condition that must be met in order for a taxpayer to use the filing status Qualifying Widow(er)?
 - a) The taxpayer was entitled to file a joint return with a spouse in the year of death.
 - b) The taxpayer did not remarry before the end of the tax year.
 - c) The taxpayer has a child who qualifies as a dependent for the tax year.
 - d) The taxpayer's income must be from wages, salaries, or tips.
2. The Smiths are considering filing separately but have been told there are limitations imposed on taxpayers using that filing status. Which of the following is ***not*** a limitation (or increased limitation) imposed on taxpayers using the Married Filing Separately filing status?
 - a) Capital loss deduction limitation
 - b) Child tax credit limitation
 - c) Limitation on the amount of alimony paid that can be used as an adjustment to income
 - d) Employer dependent care benefit limitation
3. If the taxpayer's spouse died in October and the taxpayer didn't remarry, which of the following filing status should he use?
 - a) Single
 - b) Married Filing Jointly
 - c) Head of Household
 - d) Qualifying Widow(er) with Dependent Child
4. Randy turned 16 last year and had his first summer job. Even though his parents are claiming him as a dependent he wants to file a return in order to get his refund. He receives his W-2 and decides he can do his own return using form 1040-EZ. Which of the following information is ***not*** found on a Form W-2?
 - a) The taxpayer's Social Security number
 - b) The taxpayer's wages, tips and other compensation
 - c) The taxpayer's federal tax to be refunded
 - d) The taxpayer's state wages
5. Clark has been a tax preparer for many years and has completed countless tax returns. Which of the following is an exception to the most commonly used filing forms to report income and deductions to the IRS?
 - a) 1040NR
 - b) 1040EZ
 - c) 1040A
 - d) 1040
6. Janet is unsure of her correct filing status. Which of the following is listed ***incorrectly*** as a filing status available on the federal tax return?
 - a) Single
 - b) Married filing Head of Household
 - c) Married Filing Jointly
 - d) Head of Household

7. Don had very low income last year and asks whether he even needs to file. Which of the following is an exception to the filing requirements table that would require filing with lower income?

- Self-employment income in excess of \$400
- A dependent over age 19 who has earned income in the amount of \$3,950
- Wages of less than \$108.28 from a church or qualified controlled organization that is exempt from employer Social Security or Medicare taxes
- A dependent with unearned income of \$500

8. Henry turned 65 on January 1. Jane, Henry's wife, turned 65 the day before Henry. What is their filing requirement for tax year 2014?

- \$20,300
- \$21,500
- \$22,700
- \$23,600

9. Jack understated a client's tax liability this year. Jack will face a penalty, as a paid preparer, for intentional understatement of a taxpayer's tax liability due to an unreasonable position. What is the penalty?

- \$500 per return
- \$50 per return up to \$25,000 per year
- \$250 per return
- Greater of \$1,000 or 50% of the income derived per return

10. Mary's husband, Bob, died March 12, 2014. She married Richard on December 15, 2014. What would Bob's filing status be?

- Single
- Married Filing Jointly
- Married Filing Separately
- Head of Household

11. Bob died March 12, 2013, leaving Mary with a two-year old son. What would Mary's filing status be for tax year 2014 if she does not remarry?

- Married Filing Jointly
- Married Filing Separately
- Head of Household
- Qualifying Widow(er) with Dependent Child

12. Bob died March 12, 2013. If in tax year 2016, Mary still does not remarry what would be her filing status? (Mary still has a dependent child living with her.)

- Single
- Married Filing Jointly
- Married Filing Separately
- Head of Household

13. Jack, who is a paid preparer, understated a client's tax liability this year. What is the paid preparer penalty for intentional disregard for IRS rules resulting in understatement of taxpayer's tax liability?

- a) \$50 per return up to \$25,000 per year
- b) \$5,000 per return up to \$25,000 per year
- c) \$1,000 per return
- d) Greater of \$5,000 or 50% of the income derived per return

14. Mr. and Mrs. Collins are having marital problems and temporarily separated in May 2014. Their two young children are living with Mrs. Collins. They're uncertain what filing status they should use. When would a taxpayer be considered unmarried and able to file as Head of Household?

- a) He is married and living with his spouse as husband and wife.
- b) He is living with his spouse in a common law marriage that is recognized in the state where he now lives, or in the state where the common law marriage began.
- c) He is married and living apart from his spouse, but not legally separated under a decree of divorce or separate maintenance.
- d) Spouse did not live in the home at all during the last six months of the year, has a qualifying child and is otherwise eligible to file as Head of Household.

15. Review the following scenarios. Which scenario is matched to the ***incorrect*** form?

- a) Married taxpayers with income of less than \$17,000 filing Form 1040EZ
- b) A Single person who itemizes his deductions on Schedule A and files Form 1040
- c) A married couple with interest and/or dividends less than \$1,500 and child care credit. The taxpayer has taxable income of \$67,850 and files form 1040A.
- d) A married filing separate taxpayer with a taxable income of \$102,000 filing Form 1040EZ

16. Mr. Simpson died on September 26th. Who is responsible for filing his final return?

- a) His mother
- b) His attorney
- c) His personal representative
- d) His ex-wife

17. Allen is the executor of his mother's estate. What additional form should be filed with his mother's personal return to claim a refund?

- a) No additional form is needed because Allen is the personal representative.
- b) Form 1310
- c) No one is eligible to claim a refund for a decedent.
- d) Form 1041

18. Mr. and Mrs. Kelly separated in October. Mrs. Kelly had no income during the year. She resides in the couple's house and Mr. Kelly continues to pay all expenses for the household. Mrs. Kelly has decided that she does not want to file a joint return with Mr. Kelly. The couple has no dependent children. Which of the following statements is true in regard to their situation?

- Mr. Kelly can file a joint return without Mrs. Kelly's consent.
- Mr. Kelly must file a Married Filing Separate return. He may claim Mrs. Kelly's exemption without her consent.
- Mr. Kelly must file a Married Filing Separately return. He may claim Mrs. Kelly as a dependent only if she consents.
- Mr. Kelly must file as Single, and he may not claim Mrs. Kelly as an exemption.

19. The Browns filed as Married Filing Jointly and claim four dependents. Which of the following would a Married Filing Jointly taxpayer **not** be able to claim as a dependency exemption?

- A qualifying child
- A qualifying foster child
- A parent
- A spouse

20. If any of the Browns' four dependents is a qualifying relative there are requirements which must be satisfied. Which of the following is an **invalid** requirement that must be satisfied to claim an exemption for a qualifying relative?

- Member of household or relationship test
- Support test
- Gross income test
- Age test

21. Clark, the veteran preparer, knows there are several types of Taxpayer Identification Numbers (TIN). Which of the following is an **invalid** Taxpayer Identification Number that can be used on Form 1040A?

- Social Security Number (SSN)
- Employer Identification Number (EIN)
- Individual Taxpayer Identification Number (ITIN)
- Adoption Taxpayer Identification Number (ATIN)

22. Calvin Olsen and his siblings provided support for their mother all year. Based on the following information, who is eligible to claim their mother's exemption using the multiple support agreement?

- Calvin provided \$4,000 for support
- Calvin's brother Jerome provided \$1,250 for support
- Calvin's sister Alice provided \$1,250 for support
- Calvin's sister Betsy provided \$3,000 for support
- Calvin's sister Nancy provided \$3,500 for support

- Calvin, Betsy, or Nancy
- Calvin only
- Calvin or Nancy
- Calvin and his siblings should decide who claims the exemption

23. The Smiths are separated and must determine who may claim their son Todd as a dependent. Which of the following conditions does **not** need to be true in order for a divorced or separated parent to satisfy the dependency residency test for a child?

- The parents are divorced or legally separated under a decree of divorce or separate maintenance agreement or, separated under a written separation agreement, or lived apart at all times during the last 6 months of the calendar year.
- The parents provided more than half of the child's total support for the calendar year.
- One or both parents had custody of the child for more than half of the calendar year.
- The child chooses which parent to live with.

24. Henry and Ethel Morris have an AGI of \$219,800. The couple is filing MFJ and they claimed four exemptions. What is their exemption deduction for 2014?

- \$15,800
- \$15,600
- \$16,800
- \$14,800

25. Bill's wife just had twins and he wants his federal withholding changed on his paycheck. What form should be used to determine federal withholding exemptions?

- 1040
- 1040V
- W-2
- W-4

26. Bill, the new father of twins, asks his tax preparer to change his federal withholding. His tax preparer tells him he cannot do this. Who is responsible for determining the taxpayer's withholding allowance?

- The taxpayer
- The employer
- The IRS
- The Social Security Administration

27. Bill's tax preparer explains to Bill how to go about changing his federal withholding. Where or with whom should Form W-4 be filed?

- The taxpayer's employer
- The Internal Revenue Service
- The Social Security Administration
- The Department of Labor

28. Bill's tax preparer also explains to Bill whether or not he should review his W-4 information. How often should the Form W-4 be evaluated?

- It is not necessary to evaluate the W-4 after it is initially completed for new employment.
- Annually, or as often as the taxpayer's situation changes
- Only in the case of birth of a dependent
- Only when the taxpayer's marital status changes

29. Harry is single with a full-time job as well as a part-time job for extra money. What should a single taxpayer with two jobs do about withholding and exemptions?

- Claim the same number of withholdings at both places of employment
- Complete a separate set of Form W-4 worksheets for each place of employment
- Complete only one set of Form W-4 worksheets for all places of employment and divide the exemptions between the two jobs
- Decide how many exemption allowances he wants to claim for each place of employment

30. Last year Bob was refunded all federal withholding because he had no tax liability. He has determined he should be exempt from withholding because he isn't expecting to have tax liability again this year. What should a taxpayer do if he determines that he is exempt from withholding?

- Write "Exempt" on line 7 of Form W-4
- Write "Exempt" at the top of Form W-4
- Write "Exempt" at the top of Form 1040EZ, 1040A, or 1040
- Write "Exempt" on the withholding line of Form 1040EZ, 1040A, or 1040

31. In order for Bob to continue to claim to be exempt, when is it necessary for him to complete a new Form W-4?

- Only if his situation changes
- No later than February 15 each year
- No later than December 1 each year
- No later than January 1 each year

32. Tim will receive his first pension distribution this year. He's concerned whether or not this distribution is taxable. Which of the following type of pension and annuity distributions would be exempt from having taxes withheld?

- Traditional individual retirement arrangement (IRA)
- A life insurance company under an endowment, annuity, or life insurance contract
- A pension, annuity, or profit-sharing plan, a stock bonus plan
- A Roth IRA distribution

33. On August 14, Olaf was involved in an electrical accident which left him with partial vision in only one eye. Olaf's ophthalmologist has prescribed a contact lens to correct the vision in one eye. However, due to pain Olaf can only wear the contact lens for a few hours each day. Olaf's vision is not expected to improve beyond the present condition. Is Olaf entitled to the higher standard deduction for blindness?

- No, Olaf must be totally blind in both eyes to be eligible for the higher standard deduction.
- No, Olaf is not entitled to the higher standard deduction because his vision is correctable with a contact lens.
- Yes, Olaf is entitled to the higher standard deduction because he can only wear the contact lens briefly.
- Yes, Olaf is entitled to the higher standard deduction but only beginning in the year following the accident.

34. Lester is retired with only investment income and prefers not to make estimated tax payments. Which of the following is listed **incorrectly** as a qualification a taxpayer must meet to avoid making estimated tax payments in the current year?

- He was required to file a prior year tax return.
- He had no tax liability for the prior year.
- He was a U.S. citizen or resident for the whole year.
- His prior year tax year covered a 12 month-period.

35. Lester's tax preparer convinces Lester he should make the estimated payments and explains to Lester when the payments are due. Estimated taxes are due on all of the dates listed below with the exception of:

- April 15
- June 15
- September 15
- December 15

36. Ray's preparer tells him he may owe an underpayment penalty on this year's taxes. Which of the statements below would prevent a taxpayer from owing an underpayment penalty?

- He fails to withhold enough income tax.
- He fails to make required estimated tax payments.
- He fails to make estimated tax payments on time.
- He did not have a tax liability in the previous tax year.

37. Ray chooses to let the IRS determine his underpayment penalty. What will the IRS do if the IRS calculates the underpayment penalty for a taxpayer?

- Wait to collect the penalty until the taxpayer files his next tax return
- Deduct the penalty amount from current estimated tax payments
- Deduct the penalty from current withholdings
- Send the taxpayer a bill

38. Greg has a balance due on his current return. He will not owe a penalty if his total tax less withholding is less than which of the following amounts?

- \$1,500
- \$1,000
- Last year's liability
- \$2,000

39. Greg's preparer tells him he may be required to pay estimated taxes. Which of the following conditions would cause Greg to be required to pay estimated taxes?

- He expects to owe more than \$1,000.
- He expects to owe Federal income taxes.
- He expects to owe at least \$1,000.
- Only if he is receives a Form 1099.

40. Wayne's employer provides meals and lodging on business trips. Which of the following is listed **incorrectly** as a condition that must be met for the taxpayer to avoid reporting the value of meals and lodging as income?

- The meals are: Furnished on the business premises of the employer for the convenience of the employer
- Lodging is: Furnished on the business premises of the employer for the convenience of the employer
- A condition of employment (the taxpayer must accept it in order to be able to properly perform his duties)
- The cost of the meals must not exceed the federal per diem rate.

41. Riley received benefits from an accident or health insurance plan through his employer. Under what circumstances are these benefits **not** taxable to Riley the employee?

- If the employer paid the plan premiums
- If the amount of the premiums were included in the employee's income
- If the amount of the premiums were not included in the employee's income
- Only if the employer decides the benefits are not taxable

42. Connie's employer provided her with a company vehicle that she is allowed to drive home. Connie is allowed to use the vehicle for personal use. What portion of the vehicle usage is taxable to Connie?

- Connie's business and personal use of the vehicle are taxable.
- None of the vehicle usage is taxable to Connie.
- Only the personal use portion that is not commuting to and from work is taxable.
- Connie's personal use of the vehicle is taxable.

43. Teresa's employer sold her a new car at a discount. To prevent Teresa from paying taxes on the discount she received, which of the following statements must be true?

- The discount Teresa received must be the same discount offered to customers in the ordinary course of business in which Teresa works.
- The employer must decide prior to the sale if he is going to report the discount as a taxable fringe benefit.
- Teresa must pay cash for the car.
- Teresa's employer must offer the same discount plus 20% to all customers.

44. Becky is a flight attendant for a company that owns both an airline and a hotel chain. Her employer allows her to take personal flights, only if there is an unoccupied seat. He also allows her to stay in any one of their hotels, only if there is an unoccupied room, at no cost. What value will Becky report as income?

- Becky will not be required to report any value as income.
- Becky will report the value of the flight as income.
- Becky will report both the value of the flight and the hotel stay as income.
- Becky will report only the value of the hotel stay as income.

45. Sam's employer provides transportation benefits. Which of the following is **unacceptable** as a qualified transportation benefit?

- A transit pass
- Reimbursement for tolls
- Qualified parking
- Transportation in a commuter highway vehicle between the taxpayer's home and work place

46. Sam's employer also provides his employees with small benefits that it would be unreasonable to account for. These benefits are called de minimis benefits. Which of the following **would not** be a de minimis benefit?

- Company picnics
- Cab fare home when working overtime
- A bonus
- Discounts at the company cafeteria

47. The Smiths are separated and unsure how to report community income. Which of the following is listed **incorrectly** as a condition under which a taxpayer is *not* responsible for tax relating to an item of community income?

- He does not file a joint return for the tax year.
- He does not include an item of community income in gross income on his separate return.
- He established that he did not know of, and had no reason to know of, that community income.
- He treats the item as if only he is entitled to the income.

48. Troy needed to have the transmission in his car rebuilt. Gene, Troy's best friend, offered to rebuild the transmission in exchange for an old pickup truck belonging to Troy. Troy agreed and gave the truck to Gene. The value of the service Gene provided is \$950. The value of the pickup is \$750. How much bartering income must Troy report on his tax return?

- \$ 950
- \$ 750
- \$ 0
- \$1,700

49. Sam started a new job and was told his employer offers a cafeteria plan. Sam is unsure what a cafeteria plan is. Which of the following defines a cafeteria plan?

- A plan allowing an employer to have an onsite facility for employee meals
- A corporate citizen plan to furnish meals to low income residents
- An arrangement whereby an employer offers a choice of nontaxable fringe benefits from which to select
- A plan awarding the employee with a variety of stock options

50. Last year John received a refund or reimbursement of items he previously had used as deductions on his tax return. Which of the following is **not** a recovery of an item previously deducted?

- A refund of a medical expense deducted in a prior year
- Reimbursement of an employee business expense deducted in a prior year
- Mortgage interest refund
- Self-employment tax

51. John is unsure how to report recoveries on his tax return. How should a recovery of an item previously deducted be reported?

- a) A credit
- b) A deduction
- c) Income
- d) An exemption

52. Thomas received the following payments during the year and does not know if these items should be reported on his tax return. Identify the taxable item for Thomas.

- a) Cash rebates
- b) Recoveries of items that did not produce tax benefits in previous years
- c) Accidental health insurance proceeds (Employee paid premiums)
- d) Vacation pay

53. Chad works as a server at a local restaurant. He is one of the more popular servers and receives substantial tips from the customers. What are the tips Chad receives considered to be?

- a) Income that is not subject to taxation
- b) Income that is not subject to reporting to the employer
- c) Income that is subject to federal income taxation
- d) Income only if the tips are received in cash

54. Sue and her husband divorced last year and Sue received alimony. She is uncertain if she has to report the alimony on her tax return and if she does where it should be reported. Where must the recipient of alimony report the income?

- a) Form 1040, line 11
- b) Form 1040, line 31a
- c) Form 1040, line 21
- d) Is not required to report alimony received

55. What form must Sue's payment from her husband be in order to be considered alimony?

- a) Transfer of services or property
- b) Execution of a debt instrument by the payer
- c) Cash payments (checks or money orders)
- d) The use of property

56. The divorce decree also awarded child support to Sue. Which of the following would Sue's child support payments be?

- a) Alimony
- b) Taxable
- c) Nontaxable
- d) Voluntary

57. Tony has new clients who have farm income and needs to prepare a return for them. Farm income is reported on which of the following forms?

- a) Schedule C
- b) Schedule F
- c) Schedule C, and then Form 1040
- d) Schedule F, and then Form 1040

58. Walt invests heavily in mutual funds. Which of the following is a type of mutual fund?

- a) Money market fund
- b) Money market certificates
- c) Original Issue Discount
- d) Insurance dividends

59. Geoffrey received ordinary dividends from the following sources:

- Acme Corp. \$ 59
- CDR, Inc. \$ 172
- VTEC \$1,642
- BETA, Inc. \$ 128

Geoffrey is single with no dependents. His taxable income for the tax year is \$102,383. What form(s) must Geoffrey use to complete his return? (Use the least complicated form.)

- a) Form 1040EZ
- b) Form 1040A
- c) Form 1040A, Schedule B
- d) Form 1040, Schedule B

60. Marilyn received ordinary dividends from the following sources:

- TTS, Inc. \$ 968
- PFS, Corp. \$1,869

She received a nontaxable distribution from:

- ABC, Inc. \$ 847

Marilyn is single with no dependents. Her taxable income (derived from interest income and W-2 income) for the tax year is \$31,004. What form(s) must Marilyn use to complete her return? (Use the least complicated form.)

- a) Form 1040EZ
- b) Form 1040
- c) Form 1040A, Schedule B
- d) Form 1040, Schedule B

61. Wendy received the following dividend income:

- Capital, Inc. (ordinary dividends) \$ 68
- ERC (ordinary dividends) \$757
- Maapco (ordinary) \$814
- Maapco (reinvested) \$858
- Federal Credit Union \$910

What is the amount to be reported on line 6, Schedule B?

- a) \$1,639
- b) \$2,497
- c) \$ 858 (not required to use Schedule B)
- d) \$1,768

62. Mark and Alice had the following income:

• Dividends from the credit union	\$ 974
• Interest from National Bank	\$ 875
• Conco ordinary dividends	\$ 658
• Duval Fund (ordinary dividends)	\$ 169
• Municipal bond interest	\$ 205
• Series EE bond interest (education expenses)	\$ 547
• Media Corp (liquidating dividends)	\$ 245
• Interest received on a personal loan	\$1,458

What amount should be on Schedule B, Part I, line 2?

- a) \$3,854
- b) \$2,333
- c) \$3,307
- d) \$3,512

63. Mark and Alice had the following income:

• Dividends from the credit union	\$ 974
• Interest from National Bank	\$ 875
• Conco ordinary dividends	\$ 658
• Duval Fund (ordinary dividends)	\$ 169
• Municipal bond interest	\$ 205
• Series EE bond interest (education expenses)	\$ 547
• Media Corp (liquidating dividends)	\$ 245
• Interest received on a personal loan	\$1,458

What is the amount of income to be reported on line 6, Part II, Schedule B?

- a) \$1,072
- b) \$2,046
- c) \$ 827
- d) \$1,801

64. Mark and Alice had the following income:

• Dividends from the credit union	\$ 974
• Interest from National Bank	\$ 875
• Conco ordinary dividends	\$ 658
• Duval Fund (ordinary dividends)	\$ 169
• Municipal bond interest	\$ 205
• Series EE bond interest (education expenses)	\$ 547
• Media Corp (liquidating dividends)	\$ 245
• Interest received on a personal loan	\$1,458

What is the amount of income to be reported on line 4, Part I, Schedule B?

- a) \$4,059
- b) \$2,333
- c) \$3,307
- d) \$3,854

65. Tony is a new tax preparer. The office manager at the location where he works cautions Tony about common interview mistakes. Which of the following is a common mistake tax preparers make when interviewing clients or potential clients?

- a) Using Head of Household status for taxpayers who do not qualify
- b) Asking questions to determine if spouses have lived together during the last six months of the year
- c) Using Qualifying Widow(er) status for a taxpayer who is a widow(er) and also has a qualifying child
- d) Preparing a tax return with a 1099R with a determinable taxable amount

66. In 2014 Josephine found an error in her 2012 return. She amended her return and found that the IRS owed her an additional refund. She received her refund with interest on September 30, 2014. In what tax year should Josephine report the interest income?

- a) 2013
- b) 2012
- c) 2014
- d) Not taxable

67. Don is a single parent. His son is 19 (not a student) and his daughter is 17 (still a student). Don claimed EIC on his tax return for both children. He later received a letter from the Internal Revenue Service which disallowed EIC for his son. The letter also stated that Don's claim was an error due to reckless or intentional disregard of the EIC rules. For how many years will Don be denied EIC?

- a) 10 years
- b) 5 years
- c) 2 years
- d) 1 year

68. Last year Rick fraudulently claimed his cousin's children as dependents on his return in order to receive earned income credit. The IRS discovered this when Rick's cousin also claimed the children. Rick's cousin was able to prove he had the right to claim his children and the EIC was denied on Rick's return. How long will EIC be prohibited if a taxpayer is denied EIC due to fraud?

- a) 10 years
- b) 5 years
- c) 2 years
- d) 1 year

69. Walt was the preparer who neglected to complete Form 8867 or otherwise record information needed for the return. Rick fraudulently claimed the children for EIC purposes. After the IRS was able to prove Rick had committed fraud it was shown that Walt failed to exercise due diligence. What penalty will a tax preparer face if it is determined that he has failed to exercise due diligence?

- a) \$100 per year
- b) \$500 per return
- c) \$500 per year
- d) \$100 per return

70. Jack received a notice from the IRS about his 2012 tax return. He called the IRS and the agent asked him to verify the adjusted gross income (AGI) on the return. On which form and line is AGI found?

- Line 21 of Form 1040
- Line 6 of Form 1040EZ
- Line 37 of Form 1040
- Line 15 of Form 1040A

71. In which of the following scenarios does the taxpayer fail to meet the residency test for EIC purposes?

- A taxpayer whose child lived with him for 5 months and 29 days
- A taxpayer whose eligible foster child lived with him all year
- A taxpayer whose child lived with him all year. He and his spouse separated on May 29
- A taxpayer who is 64 years old and lives alone

72. Trudy lives alone with her two children (ages 16 and 12) and her filing status is Head of Household. Trudy's earned income and AGI was \$31,000. Is Trudy eligible for EIC?

- Yes
- No, the taxpayer's earned income is not within the range to receive EIC
- No, the taxpayer's children do not meet the age test to be a qualifying child
- No, the taxpayer is not eligible due to her filing status

73. Jill prepares returns for many clients who are able to claim earned income credit. To be certain she is practicing due diligence pertaining to the earned income credit, which of the following forms must Jill prepare for these clients?

- Form 1040
- Form W-5
- Form 8862
- Form 8867

74. Lionel has heard many of his friends talk about getting a larger refund because they receive earned income credit. Lionel is uncertain what makes a taxpayer eligible for EIC. Which of the following is listed **incorrectly** as a condition of eligibility for purposes of earned income credit?

- The taxpayer must have earned income
- The taxpayer must meet residency requirements
- The taxpayer must meet the age requirement if he does not have a qualifying child
- The taxpayer must have at least one qualifying child

75. Danika is a single mother with three children, ages 3, 7, and 9. Danika's tax return shows an AGI of \$32,765 which includes earned income of \$32,700 and interest income of \$65. She meets the requirements for filing status Head of Household and supports her family without any additional help from other sources. Which of the following statements is true?

- Danika's EIC will be based on her earned income alone without considering her AGI
- Danika's EIC will be the smaller of the two EIC amounts based on her AGI or her earned income
- Danika's EIC will be based on her AGI without considering the earned income amount
- Danika is not eligible to receive EIC

76. Cassidy and Megan are married and have received income from the following sources.

Interest from Austin FCU	\$369	Dividends from Cartlett, Inc.	\$197
Interest from Crestar Bank	\$195	Interest from an account in Ireland	\$114
Dividends from ACME, Inc.	\$2,695	Interest from an account in Scotland	\$219
Dividends from Byerly's, Inc.	\$259		

Which parts of Schedule B, if any, must be completed by Cassidy and Megan?

- a) Part II only.
- b) Parts I and II.
- c) Parts I, II and III.
- d) Schedule B does not need to be completed.

77. Gerald had the following types of income.

Wages	\$175,000	
Interest from Fidelity Bank	\$649	Aggregate total \$21,633
Dividends from Good Brothers	\$1,749	Aggregate total \$249,895
Interest from a bank in India	\$299	Aggregate total \$8,300

What forms must Gerald file with his return?

- a) Form 1040EZ
- b) Form 1040A, Schedule 1
- c) Form 1040 and Schedule B
- d) Form 1040, Schedule B and FinCEN Report 114

Module 1: Final Exam Scenario

Sherry Jackson (age 48, DOB: 1/27/66, SSN 364-00-9945) is single. Her husband died June 3, 2010. Sherry and her twin sons, Dylan (age 18, DOB: 2/12/96, SSN 369-00-5684) and Thomas (age 18, DOB: 2/12/96, SSN 369-00-5726), live at 2604 New Circle Road, Your City, Your State – Your Zip. Sherry is a paramedic. She would like to designate \$3 for the Presidential Election Campaign Fund. Sherry and her sons were covered by a health insurance policy for the full year.

Sherry has a savings account and also received dividends from some stock that she owns. Complete the correct federal return for Sherry.

a Employee's SSN 364-00-9945	1 Wages, tips, other compensation 37650.75	2 Federal income tax withheld 2650.50	
OMB No. 1545-0008	3 Social security wages 37650.75	4 Social security tax withheld 2334.35	
b Employer identification number 53-0320644	5 Medicare wages and tips 37650.75	6 Medicare tax withheld 545.94	
c Employer's name address and ZIP code FIRST EMERGENCY SERVICES, INC. 845 Lexington Ave. Your City, Your State – Your ZIP			
e Employee's first name and initial Sherry	Last name Jackson	Suff.	
2604 New Circle Road Your City, Your State – Your ZIP			
f Employee's address and ZIP code			
d Control number 9	7 Social Security tips	8 Allocated tips	
9 10 Dependent care benefits 11 Nonqualified plans			
12a	14		
12b			
12c			
12d			
13 Statuary employee <input type="checkbox"/>	Retirement plan <input checked="" type="checkbox"/>	Third-party sick pay <input type="checkbox"/>	
15 State YS	Employer's state ID number 530320644	16 State wages, tips, etc. 37650.75	17 State income tax 2282.54
18 Local wages, tips, etc.		19 Local income tax	20 Locality name
Form W-2 Wage and Tax Statement 2014 Copy B to be filed with employee's Federal Income Tax Return			
This information is being furnished to the Internal Revenue Service. If you are required to file a tax return, a negligence penalty or other sanction may be imposed on you if this income is taxable and you fail to report it.			

CORRECTED (if checked)

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. Franklin Commerce Bank P.O. Box 101035 Your City, Your State – Your Zip		Payer's RTN (optional)	OMB No. 1545-0112	2014 Form 1099-INT	Interest Income
		1 Interest income \$ 89.33			
PAYER'S federal identification number 54-1438602		2 Early withdrawal penalty \$			Copy B For Recipient This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.
RECIPIENT'S identification number 364-00-9945		3 Interest on U.S. Savings bonds and Treas. Obligations \$			
RECIPIENT'S name Sherry Jackson Street address (including apt. no.) 2604 New Circle Road City or town, state or province, country and ZIP or foreign postal code Your City, Your State – Your Zip		4 Federal income tax withheld \$	5 Investment expenses \$		
		6 Foreign tax paid \$	7 Foreign country or U.S. possession		
		8 Tax-exempt interest \$	9 Specified private activity bond interest \$		
		10 Market Discount \$	11 Bond premium \$		
Account number (see instructions)		11 Tax-exempt bond CUSIP no.	13 State	14 State identification no.	15 State tax withheld \$

Form 1099-INT

(keep for your records)

www.irs.gov/form1099int

Department of the Treasury – Internal Revenue Service

CORRECTED (if checked)

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. MERRETT LINK 441 W. Main St. Your City, Your State – Your Zip		1a Total ordinary dividends \$ 12.50	OMB No. 1545-0110	2014 Form 1099-DIV	Dividends and Distributions
		1b Qualified dividends \$			
PAYER'S Federal identification number 12-2511443		2a Total capital gain distr. \$	2b Unrecap. Sec. 1250 gain \$	Copy B For Recipient This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported	
RECIPIENT'S identification number 364-00-9945		2c Section 1202 gain \$	2d Collectibles (28%) gain \$		
RECIPIENT'S name Sherry Jackson Street address (including apt. no.) 2604 New Circle Road City or town, state or province, county, and ZIP or foreign postal code Your City, Your State – Your Zip		3 Nondividend distributions \$	4 Federal income tax withheld \$		
			5 Investment expenses \$		
		6 Foreign tax paid \$	7 Foreign country or U.S. possession		
		8 Cash liquidation distributions \$	9 Noncash liquidation distributions \$		
		10 Exempt-interest dividends \$	11 Specified private activity bond interest dividends \$		
Account number (see instructions)		12 State	13 State identification no.	14 State tax withheld \$	

Form 1099-DIV

(keep for your records)

www.irs/form1099div

Department of the Treasury – Internal Revenue Service

Comprehensive Module 1 Final Exam Scenario Questions

1. Answer the following question based on the tax return you prepared for Sherry Jackson.

Which form should be used to file the Jackson return?

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

2. Answer the following question based on the tax return you prepared for Sherry Jackson.

Select the total wages:

- A) 37,753
- B) 37,651
- C) 37,740
- D) 37,766

3. Answer the following question based on the tax return you prepared for Sherry Jackson.

Select the total income:

- A) \$37,753
- B) \$37,651
- C) \$37,740
- D) \$37,766

4. Answer the following question based on the tax return you prepared for Sherry Jackson.

Select the total Adjusted Gross Income (AGI):

- A) \$37,753
- B) \$37,651
- C) \$37,740
- D) \$37,766

5. Answer the following question based on the tax return you prepared for Sherry Jackson.

Select the total standard deduction:

- A) \$ 6,200
- B) \$10,650
- C) \$ 9,100
- D) \$12,400

6. Answer the following question based on the tax return you prepared for Sherry Jackson.

Select the total taxable income:

- A) \$16,701
- B) \$16,803
- C) \$13,503
- D) \$19,703

7. Answer the following question based on the tax return you prepared for Sherry Jackson.

Select the tax from the Tax Tables:

- A) \$2,070
- B) \$1,353
- C) \$1,876
- D) \$1,683

8. Answer the following question based on the tax return you prepared for Sherry Jackson.

Select the total tax:

- A) \$1,353
- B) \$2,070
- C) \$1,876
- D) \$ 0

9. Answer the following question based on the tax return you prepared for Sherry Jackson.

Select the total payments:

- A) \$3,780
- B) \$4,593
- C) \$2,651
- D) \$3,911

10. Answer the following question based on the tax return you prepared for Sherry Jackson.

Select the total refund:

- A) \$2,035
- B) \$3,911
- C) \$1,904
- D) \$ 775