Fundamentals of Taxation 2018 Edition 11th edition Cruz Test Bank

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Fundamentals of Taxation 2018 Edition, 11e **(Cruz)**
Chapter 2 Expanded Tax Formula, Forms 1040A and 1040, and Basic Concepts

1) The federal individual income tax returns are the 1040ES, 1040A and 1040.

2) The tax code defines adjusted gross income (AGI) as gross income minus a list of permitted deductions.

3) The amount of tax liability for a taxpayer depends on many factors, including the filing status of the taxpayer.

4) A married couple can file a joint return only if both have earned income.

5) A married couple in the process of obtaining a divorce cannot file a joint tax return.

6) A married taxpayer filing separately must show the name, address, and social security number of the spouse on the tax return.

7) To qualify for head of household status, a taxpayer must maintain a household that is the principal place of abode of a qualifying person for more than half the year.

8) A taxpayer can qualify for head of household even though his or her parents are living in a separate household from that of the taxpayer (assume all other requirements are met).

9) If a taxpayer's spouse dies during the tax year, the taxpayer must file as a qualifying widow(er).

10) The exemption amount is subject to annual adjustment for inflation.

11) The personal exemption for 2017 is $4,050.

12) A taxpayer can be claimed as a dependent on another return and still he or she can claim a personal exemption on his or her tax return.

13) To be claimed as a dependent, a person must be a qualifying child or a qualifying relative.

14) A qualifying child does not have to meet the support test in order to be claimed as a dependent.

15) A qualifying relative must be related to the taxpayer (as listed by the IRS), or be a member of the taxpayer's household for the entire year.

16) A taxpayer who either is 65 or older or blind can claim an additional standard deduction.

17) The standard deduction in 2017 for a married couple, under 65 and not blind, is $12,700.

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18) In 2017, the additional standard deduction for a single taxpayer, who is 65 or older and not blind, is $1,200.

19) Even if the total of the itemized deductions is lower than the standard deduction, a taxpayer should choose to itemize on his or her tax return.

20) The tax tables stop at taxable income of $115,000.

21) Most taxpayers make payments to the IRS through income tax withholdings and quarterly estimated tax payments.

22) A taxpayer may request an automatic seven-month extension of time to file his or her tax return.

23) An extension to file a tax return is an extension of time to file and an extension of time to pay.

24) The maximum penalty for failure to file a tax return that is not due to fraud is 25%.

25) The IRS can impose a 75% penalty on any portion of understatement of tax that is attributable to negligence.

26) Taxable income (TI) is computed after subtracting from adjusted gross income (AGI), the standard deduction or itemized deductions and personal and dependency exemptions.

27) When a taxpayer's AGI exceeds certain levels, certain tax benefits are reduced or eliminated.

28) Marital status of a taxpayer is determined on the last day of the tax year.

29) A couple who is legally married on the last day of the tax year cannot file married filing separately.

30) Even though the taxpayer is claimed as a dependent on another tax return, he or she can still receive an exemption amount for himself or herself when filing his or her tax return.

31) In a multiple support agreement, the taxpayer who will receive the exemption must file all the Forms 2120 with his or her tax return.

32) The taxpayer's brother must live with the taxpayer for the entire year to meet the relationship or member of household test under qualifying relatives.

33) If a married couple files separate returns and one of them itemizes, the other spouse must also itemize.

34) A taxpayer who has income that is not subject to withholding is never required to make estimated payments during the year.

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35) If the taxpayer still owes tax after April 15, the IRS assesses interest based on the remaining amount owed.

36) Many deductions and credits are determined with reference to adjusted gross income (AGI).

37) A taxpayer must be married to claim Head of Household status.

38) Personal exemptions are for the taxpayer and spouse.

39) The amount of the standard deduction increases for people who are age 62 and have retired.

40) The accuracy-related penalty applies when negligence or any substantial understatement occurs.

41) A single taxpayer is 43 years old and has wages only of $16,000. Which is the simplest form this person can file?
A) 1040A.
B) 1040EZ.
C) 1040.
D) 1040ES.

42) A 36-year-old taxpayer with a dependent child and claiming head of household status has received $29,000 in alimony payments and earned wages of $44,000. Which is the simplest form this person can file?
A) 1040A.
B) 1040EZ.
C) 1040.
D) 1040ES.

43) A taxpayer is married with a qualifying child (dependent), but she has been living separate from her spouse for the last five months of the year. However, she paid for more than half of the cost of keeping up the household. Her spouse does not want to file jointly. What filing status must she use when filing her tax return? She wants to obtain the maximum legal benefit.
A) Single.
B) Married Filing Separately.
C) Qualifying Widow(er).
D) Head of Household.

44) The taxpayer's spouse died at the beginning of 2016. He has no qualifying child. Which status should the taxpayer select when filing his tax return for 2017?
A) Single.
B) Married Filing Separately.
C) Married Filing Jointly.
D) Qualifying Widow(er).

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45) A legally divorced taxpayer maintains a household for himself and maintains a separate household that is the principal place of abode of his dependent widowed mother. What filing status should he use when filing his tax return?
A) Married Filing Separately.
B) Single.
C) Qualifying widow(er).
D) Head of Household.

46) For tax purposes, marital status is determined as of the _____ day of the year.
A) first
B) third
C) last
D) None of these

47) What was the amount of the personal exemption for 2017?
A) $3,900.
B) $4,000.
C) $4,100.
D) $4,050.

48) Elisa is 21 years of age and a full-time student living with her parents. She had wages of $680 ($75 of income tax withholding) for 2017. Can Elisa claim her exemption on her return even though her parents will claim her as a dependent on their tax return?
A) Elisa and her parents can both claim the exemption.
B) No one can claim the exemption for Elisa.
C) Yes, Elisa can claim the exemption.
D) No, Elisa cannot claim the exemption.

49) A taxpayer can deduct a(an) _____ amount from AGI for each dependent.
A) Deduction
B) Exemption
C) Itemized
D) Adjustment

50) Mirtha is 21 years of age and a full-time student living by herself. She had wages of $25,000 for 2017 and provided more than half of her own support. Can Mirtha claim the exemption for herself on her tax return?
A) Mirtha's parents can claim the exemption.
B) Both, Mirtha and her parents can claim the exemption.
C) Yes, Mirtha can claim the exemption.
D) No one can claim the exemption for Mirtha.

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51) To be a qualifying child, the taxpayer must meet three general tests and five specific tests. Which one is *not* part of the five specific tests?
A) Gross income test.
B) Relationship test.
C) Residency test.
D) Special test for qualifying child of more than one taxpayer.

52) To be a qualifying child, the taxpayer must meet three general tests and five specific tests. What are the three general tests?
A) Relationship test, residency test and gross income test.
B) Support test, age test and relationship test.
C) Dependent taxpayer test, relationship test and citizen or resident test.
D) Dependent taxpayer test, joint return test and citizen or resident test.

53) To be a qualifying relative, the taxpayer must meet three general tests and four specific tests. Which one is *not* part of the four specific tests?
A) Relationship test or member of household test.
B) Age test.
C) Support test.
D) Gross income test.

54) For a qualifying relative to be claimed as a dependent, this person must either be related to the taxpayer, or be a member of the taxpayer's household for the entire year. Select the relative who must be part of the taxpayer's household for the entire year.
A) Mother.
B) Sister.
C) Cousin.
D) Son-in-law.

55) The taxpayer must provide over _____ of the qualifying relative's support to be able to claim a dependency exemption.
A) 49%
B) 50%
C) 51%
D) 75%

56) Which of the following items would not be considered as *support* for a dependency exemption?
A) medical insurance premiums.
B) food.
C) clothing.
D) life insurance premiums.

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57) Robert, Fred and Lucas are supporting their mother who lives in a separate apartment. Their contributions towards her support are 10%, 40% and 50%, respectively. In a multiple support agreement, who would be entitled to claim the mother as a dependent?
A) Robert.
B) Fred or Lucas.
C) Robert, Fred or Lucas.
D) None of these.

58) The basic standard deduction in 2017 for a *single* taxpayer, under 65 and not blind, is:
A) $6,350.
B) $4,050.
C) $9,300.
D) $6,300.

59) The basic standard deduction in 2017 for a taxpayer, under 65 and not blind, filing *married filing jointly* is:
A) $12,400.
B) $12,600.
C) $12,700.
D) $9,350.

60) The basic standard deduction in 2017 for a taxpayer, 67 and not blind, filing *head of household* is:
A) $9,300.
B) $10,900.
C) $10,850.
D) $9,350.

61) When a taxpayer can be claimed as a dependent on the tax return of another individual, the basic standard deduction for the taxpayer is limited to the greater of (a) _____, or (b) the taxpayer's earned income plus $350, but not more than the amount of the basic standard deduction.
A) $1,000
B) $950
C) $1,050
D) $350

62) Luisa's parents can claim her as a dependent on their tax return. In 2017, her only source of income was a part-time job as a medical clerk where she earned $2,600 during the year. What is Luisa's standard deduction?
A) $2,600.
B) $4,050.
C) $1,050.
D) $2,950.

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63) Ed's parents can claim him as a dependent on their tax return. In 2017, his only source of income was $1,050 of interest income received from Global Bank. What is Ed's standard deduction?
A) $1,050.
B) $1,000.
C) $4,050.
D) $350.

64) What is the amount of the social security wage limitation for 2017?
A) $118,500.
B) $110,100.
C) $127,200.
D) $117,000.

65) What is the amount of the tax liability for a married couple filing jointly, having taxable income of $153,500? All answers should be rounded to the nearest dollar.

Use the appropriate Tax Tables or Tax Rate Schedules.
A) $38,375.
B) $29,753.
C) $30,233.
D) $29,865.

66) What is the amount of the tax liability for a single person having taxable income of $59,200? All answers should be rounded to the nearest dollar.

Use the appropriate Tax Tables or Tax Rate Schedules.
A) $10,656.
B) $9,350.
C) $10,545.
D) $14,800.

67) What is the amount of the tax liability for a head of household person having taxable income of $87,573? All answers should be rounded to the nearest dollar.

Use the appropriate Tax Tables or Tax Rate Schedules.
A) $16,146.
B) $16,134.
C) $17,963.
D) $17,633.

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68) What is the amount of the tax liability for a qualifying widow(er) with a dependent child and having taxable income of $18,355? All answers should be rounded to the nearest dollar.

Use the appropriate Tax Tables or Tax Rate Schedules.
A) $1,836.
B) $2,331.
C) $1,838.
D) $2,753.

69) What is the amount of the tax liability for a qualifying widow(er) with a dependent child and having taxable income of $121,600? All answers should be rounded to the nearest dollar.
A) $25,234.
B) $21,878.
C) $30,400.
D) $27,665.

70) Failure to make required estimated payments will subject the taxpayer to a potential underpayment penalty plus interest. However, if the difference between the tax shown on the return and the amount of tax withheld for wages is less than _____, the taxpayer will not be assessed a penalty.
A) $1,250
B) $500
C) $850
D) $1,000

71) The interest charged by the IRS for the first three months of 2017 was:
A) 3%.
B) 5%.
C) 4%.
D) 6%.

72) John forgot to file his tax return by April 15. He did not file an extension. John finally filed his tax return on June 30 and had a remaining tax liability of $1,500. What is John's failure to file penalty? Assume he made all his payments on time.
A) $375.
B) $225.
C) $233.
D) $300.

73) The failure to file penalty is _____ of the tax shown on the return for each month (or fraction of a month) the tax return is not filed, up to a maximum of 25%.
A) 0.25%
B) 0.5%
C) 5.0%
D) 5.5%

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74) The IRS can impose a _____ penalty on any portion of understatement of tax that is attributable to fraud.
A) 25%
B) 75%
C) 50%
D) 5%

75) Criminal penalties only apply to:
A) Careless disregard for tax authority.
B) Willful failure to file a return.
C) Tax evasion.
D) Willful failure to file a return and tax evasion.

76) A single taxpayer is 35 years old and has only wages of $16,000. Which is the simplest form this person can file?
A) 1040A.
B) 1040EZ.
C) 1040ES.
D) 1040.

77) The early withdrawal penalty is a *for AGI deduction.* Which form can the taxpayer use to claim this benefit?
A) 1040EZ.
B) 1040A.
C) 1040.
D) 1040A or 1040.

78) A 37- year-old taxpayer with a dependent child and claiming head of household status has received $21,000 in child support payments and earned wages of $46,000. Which is the simplest form this person can file?
A) 1040A.
B) 1040.
C) 1040ES.
D) 1040EZ.

79) The taxpayer's spouse died at the beginning of 2017. He has no qualifying child. Which status should the taxpayer select when filing his tax return?
A) Single.
B) Qualifying Widow(er).
C) Married Filing Separately.
D) Married Filing Jointly.

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80) Which condition listed below is not required for a taxpayer to qualify as a qualifying widow(er) with dependent child?
A) The household was the principal place of abode for the entire year of both the taxpayer and his or her child.
B) Taxpayer must remarry before the end of the tax year in question.
C) Taxpayer paid more than half the cost of keeping up a household.
D) Taxpayer was eligible to file a joint return in the year the spouse died.

81) What is the amount of the personal and dependency exemption for 2017?
A) $6,350.
B) $4,050.
C) $4,000.
D) $4,100.

82) George is 21 years of age and a full-time student living with his parents. He had wages of $1,375 ($140 of income tax withholding) for 2017. Can George claim his exemption on his return even though his parents will claim him as a dependent on their tax return?
A) No, George cannot claim the exemption.
B) George and his parents can both claim the exemption.
C) No one can claim the exemption for George.
D) Yes, George can claim the exemption.

83) To be a qualifying relative, the taxpayer must meet three general tests and four specific tests. Which one is *not* part of the three general tests?
A) Citizen or resident test.
B) Dependent taxpayer test.
C) Support test.
D) Joint return test.

84) Jane, Joseph and John are supporting their father who lives in a separate apartment. Their contribution towards his support is 10%, 35% and 55%, respectively. In a multiple support agreement, who would be entitled to claim the father as a dependent?
A) Jane.
B) Joseph or John.
C) Jane, Joseph or John.
D) None of these.

85) Which of the following items would not be considered as *support* for a dependency exemption?
A) shelter.
B) life insurance premiums.
C) medical and dental care.
D) food.

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86) Which amount represents the standard deduction for a taxpayer who is single and 68 years of age?
A) $6,350.
B) $7,550.
C) $7,850.
D) $7,900.

87) The additional standard deduction amount for a taxpayer who is 65, single and blind is:
A) $3,100.
B) $2,500.
C) $2,800.
D) $3,000.

88) Robin's parents can claim him as a dependent on their tax return. In 2017, his only source of income was a part-time job as a supermarket clerk where he earned $3,200 during the year. What is Robin's standard deduction?
A) $1,050.
B) $3,550.
C) $3,200.
D) $6,350.

89) The basic standard deduction in 2017 for a taxpayer, 69 and not blind, filing *head of household* is:
A) $6,350.
B) $9,350.
C) $10,850.
D) $10,900.

90) What is the amount of the tax liability for a head of household person having taxable income of $122,500? All answers should be rounded to the nearest dollar.
A) $30,625.
B) $27,796.
C) $34,300.
D) $24,878.

91) What is the amount of the tax liability for a single person having taxable income of $55,300? All answers should be rounded to the nearest dollar.

Use the appropriate Tax Tables or Tax Rate Schedules.
A) $9,570.
B) $9,754.
C) $8,295.
D) $9,681.

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92) What is the amount of the tax liability for a married couple filing jointly having taxable income of $96,843? All answers should be rounded to the nearest dollar.

Use the appropriate Tax Tables or Tax Rate Schedules.
A) $14,526.
B) $13,604.
C) $15,684.
D) $15,923.

93) What is the amount of the tax liability for a married person filing a separate return and having taxable income of $115,715? All answers should be rounded to the nearest dollar.
A) $26,435.
B) $25,842.
C) $32,400.
D) $25,950.

94) The IRS can impose a _____ penalty on any portion of understatement of tax that is attributable to fraud.
A) 20%
B) 25%
C) 75%
D) 5%

95) Peter forgot to file his tax return by April 15. He did not file an extension. Peter finally filed his tax return on July 31 and had a remaining tax liability of $3,500. What is Peter's failure to file penalty? Assume he made all his payments on time.
A) $875.
B) $525.
C) $350.
D) $700.

96) A head of household taxpayer with a dependent child had wages of $47,200. Which is the simplest form this person can file?
A) 1040EZ.
B) 1040ES.
C) 1040A.
D) 1040.

97) The taxpayer's spouse died at the beginning of 2017. She has a qualifying child. Which status should the taxpayer select when filing her tax return for 2017?
A) Single.
B) Married Filing Jointly.
C) Head of Household.
D) Qualifying Widow(er).

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98) On December 31, 2017, a taxpayer received the notification that he was legally divorced. However, he lived with his spouse for 8 months during 2017. He has no dependent children. What status should he select when filing his tax return for 2017?
A) Married Filing Separately.
B) Head of Household.
C) Married Filing Jointly.
D) Single.

99) What is the total amount of personal exemptions a taxpayer and spouse can claim for 2017?
A) $8,100.
B) $9,300.
C) $4,050.
D) $12,600.

100) Severin, who is 20 years old and a full- time student, is claimed by his parent as a dependent. However, in 2017, he earned $5,350. What is the amount of the personal exemption that he can claim on his tax return?
A) $4,050.
B) $1,050.
C) $0.
D) $5,400.

101) To be a qualifying child, the taxpayer must meet three general tests and five specific tests. Which one is *not* part of the three general tests?
A) Joint return test.
B) Citizen or resident test.
C) Dependent taxpayer test.
D) Support test.

102) To be a qualifying relative, the taxpayer must meet three general tests and four specific tests. Which one is part of the four specific tests?
A) Gross income test.
B) Age test.
C) Citizen or resident test.
D) Residency test.

103) A qualifying relative must earn less than _____ for the year 2017.
A) $1,050
B) $6,350
C) $9,350
D) $4,050

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104) The basic standard deduction in 2017 for a *single* taxpayer who is 67 years old and not blind is:
A) $7,850.
B) $6,350.
C) $7,900.
D) $1,550.

105) The basic standard deduction in 2017 for a *Head of Household* taxpayer who is 41 years old and not blind is:
A) $6,350.
B) $7,900.
C) $12,700.
D) $9,350.

106) What is the limit on the social security amount for 2017?
A) $127,200.
B) $117,000.
C) $113,700.
D) $118,500.

107) The tax liability for a married couple with taxable income of $141,325 is:
A) $35,331.
B) $26,809.
C) $20,276.
D) $21,199.

108) The tax liability for a single taxpayer with taxable income of $67,350 is:

Use the appropriate Tax Tables or Tax Rate Schedules.
A) $12,700.
B) $10,103.
C) $12,638.
D) $12,583.

109) The tax liability for a head of household taxpayer with taxable income of $124,225 is:
A) $25,701.
B) $31,056.
C) $18,634.
D) $25,309.

110) The IRS can impose a _____ penalty on the tax due on a return where there is negligence.
A) 5%
B) 75%
C) 20%
D) 25%

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111) Why is the concept of "Adjusted Gross Income (AGI)" important?

112) What is the simplest tax return form a taxpayer should file if he or she has only $41,000 in wages and is claiming head of household with a dependent child?

113) David and Martha were divorced on December 31, 2017. Can they file their 2017 income tax return using married filing jointly? Why or Why not? What other filing status choices do they have, if any?

114) What qualifications are necessary to file as *qualifying widow(er)*?

115) How many personal exemptions can the taxpayer claim? What is the amount of the personal exemption for 2017?

116) Can Albert, who is a full-time student and earns $1,575 working as a clerk, claim an exemption for himself on his tax return? Assume his parents are claiming him as a dependent.

117) A taxpayer can claim a dependency exemption if the person is a *qualifying child or a qualifying relative* and the person meets three tests. List the three tests this person must meet.

118) List and describe the five tests that a person must meet to qualify as a *qualifying child.*

119) List and describe the four tests that a person must meet to qualify as a *qualifying relative.*

120) Determine the amount of the standard deduction for each of the following taxpayers for tax year 2017.

1. Leo and Mary who are under 65 and filing a joint return. They have no dependents.
2. Sergio who is single.
3. Peter who is over 65 and single.
4. Anna who is 38 and filing as head of household with a dependent child.
5. Frank who is 45 and blind and is filing as married filing separately.

121) What is the amount of the standard deduction for Evelyn who is a full-time student and claimed as a dependent by her parents? She earned $2,700 in wages in 2017.

122) What does the withholding amount on a taxable payment made to the taxpayer represent?

123) Using the appropriate tax tables or tax rate schedules, determine the amount of tax liability in each of the following instances. All answers should be rounded to the nearest dollar.

1. A single person with taxable income of $103,500.
2. A married couple filing jointly with taxable income of $37,700.
3. A head of household with taxable income of $87,925.
4. A person filing married filing separately with taxable income of $64,000.
5. A married couple filing jointly with taxable income of $144,600.

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124) Can the taxpayer avoid the failure to pay on time penalty by just filing an automatic extension to file his or her tax return?

125) The IRS can assess criminal penalties if fraud is found on a tax return. Name and describe at least two of those criminal penalties.

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1) The federal individual income tax returns are the 1040ES, 1040A and 1040.

Answer: FALSE
Explanation: The three forms are the 1040EZ, 1040A and 1040.
Difficulty: 1 Easy
Topic: Form 1040 and 1040A
Learning Objective: 02-01 Describe the expanded tax formula and the components of the major sections of Form 1040A and Form 1040.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

2) The tax code defines adjusted gross income (AGI) as gross income minus a list of permitted deductions.

Answer: TRUE
Difficulty: 1 Easy
Topic: Form 1040 and 1040A
Learning Objective: 02-01 Describe the expanded tax formula and the components of the major sections of Form 1040A and Form 1040.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

3) The amount of tax liability for a taxpayer depends on many factors, including the filing status of the taxpayer.

Answer: TRUE
Difficulty: 1 Easy
Topic: Filing Status
Learning Objective: 02-02 Determine the proper filing status.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

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4) A married couple can file a joint return only if both have earned income.

Answer: FALSE
Explanation: For tax purposes, it does not matter if only one spouse earns all of the income.
Difficulty: 1 Easy
Topic: Filing Status
Learning Objective: 02-02 Determine the proper filing status.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

5) A married couple in the process of obtaining a divorce cannot file a joint tax return.

Answer: FALSE
Explanation: If the taxpayers still are legally married on the last day of the tax year, a joint tax return can be filed.
Difficulty: 1 Easy
Topic: Filing Status
Learning Objective: 02-02 Determine the proper filing status.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

6) A married taxpayer filing separately must show the name, address, and social security number of the spouse on the tax return.

Answer: FALSE
Explanation: The address of the spouse is not required.
Difficulty: 1 Easy
Topic: Filing Status
Learning Objective: 02-02 Determine the proper filing status.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

7) To qualify for head of household status, a taxpayer must maintain a household that is the principal place of abode of a qualifying person for more than half the year.

Answer: TRUE
Difficulty: 1 Easy
Topic: Filing Status
Learning Objective: 02-02 Determine the proper filing status.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

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8) A taxpayer can qualify for head of household even though his or her parents are living in a separate household from that of the taxpayer (assume all other requirements are met).

Answer: TRUE
Difficulty: 1 Easy
Topic: Filing Status
Learning Objective: 02-02 Determine the proper filing status.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

9) If a taxpayer's spouse dies during the tax year, the taxpayer must file as a qualifying widow(er).

Answer: FALSE
Explanation: The year the spouse dies, the surviving taxpayer can file a joint return if the couple was married on the date of death and has not remarried as of December 31 of the tax year.
Difficulty: 1 Easy
Topic: Filing Status
Learning Objective: 02-02 Determine the proper filing status.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

10) The exemption amount is subject to annual adjustment for inflation.

Answer: TRUE
Difficulty: 1 Easy
Topic: Personal Exemptions
Learning Objective: 02-03 Calculate personal exemptions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

11) The personal exemption for 2017 is $4,050.

Answer: TRUE
Difficulty: 1 Easy
Topic: Personal Exemptions
Learning Objective: 02-03 Calculate personal exemptions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

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12) A taxpayer can be claimed as a dependent on another return and still he or she can claim a personal exemption on his or her tax return.

Answer: FALSE
Difficulty: 1 Easy
Topic: Dependency Exemptions
Learning Objective: 02-04 Calculate dependency exemptions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

13) To be claimed as a dependent, a person must be a qualifying child or a qualifying relative.

Answer: TRUE
Difficulty: 1 Easy
Topic: Dependency Exemptions
Learning Objective: 02-04 Calculate dependency exemptions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

14) A qualifying child does not have to meet the support test in order to be claimed as a dependent.

Answer: FALSE
Difficulty: 1 Easy
Topic: Dependency Exemptions
Learning Objective: 02-04 Calculate dependency exemptions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

15) A qualifying relative must be related to the taxpayer (as listed by the IRS), or be a member of the taxpayer's household for the entire year.

Answer: TRUE
Difficulty: 1 Easy
Topic: Dependency Exemptions
Learning Objective: 02-04 Calculate dependency exemptions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

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16) A taxpayer who either is 65 or older or blind can claim an additional standard deduction.

Answer: TRUE
Difficulty: 1 Easy
Topic: Standard Deduction
Learning Objective: 02-05 Determine the standard deductions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

17) The standard deduction in 2017 for a married couple, under 65 and not blind, is $12,700.

Answer: TRUE
Difficulty: 1 Easy
Topic: Standard Deduction
Learning Objective: 02-05 Determine the standard deductions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

18) In 2017, the additional standard deduction for a single taxpayer, who is 65 or older and not blind, is $1,200.

Answer: FALSE
Explanation: The additional standard deduction is $1,550.
Difficulty: 1 Easy
Topic: Standard Deduction
Learning Objective: 02-05 Determine the standard deductions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

19) Even if the total of the itemized deductions is lower than the standard deduction, a taxpayer should choose to itemize on his or her tax return.

Answer: FALSE
Difficulty: 1 Easy
Topic: Standard Deduction
Learning Objective: 02-05 Determine the standard deductions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

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20) The tax tables stop at taxable income of $115,000.

Answer: FALSE
Explanation: The tables stop at taxable income of less than $100,000.
Difficulty: 1 Easy
Topic: Tax Due to IRS
Learning Objective: 02-06 Compute the amount of tax due to the Internal Revenue Service (IRS).
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

21) Most taxpayers make payments to the IRS through income tax withholdings and quarterly estimated tax payments.

Answer: TRUE
Difficulty: 1 Easy
Topic: Tax Due to IRS
Learning Objective: 02-06 Compute the amount of tax due to the Internal Revenue Service (IRS).
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

22) A taxpayer may request an automatic seven-month extension of time to file his or her tax return.

Answer: FALSE
Explanation: The extension is for six months.
Difficulty: 1 Easy
Topic: Tax Due to IRS
Learning Objective: 02-06 Compute the amount of tax due to the Internal Revenue Service (IRS).
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

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23) An extension to file a tax return is an extension of time to file and an extension of time to pay.

Answer: FALSE
Explanation: Extending the time to file the return does not extend the time to pay the applicable tax.
Difficulty: 1 Easy
Topic: Tax Due to IRS; Interest and Penalties
Learning Objective: 02-06 Compute the amount of tax due to the Internal Revenue Service (IRS).; 02-07 Determine what interest and penalties the IRS can assess and in what instances certain penalties are applicable.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

24) The maximum penalty for failure to file a tax return that is not due to fraud is 25%.

Answer: TRUE
Difficulty: 1 Easy
Topic: Interest and Penalties
Learning Objective: 02-07 Determine what interest and penalties the IRS can assess and in what instances certain penalties are applicable.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

25) The IRS can impose a 75% penalty on any portion of understatement of tax that is attributable to negligence.

Answer: FALSE
Explanation: The penalty attributable to negligence is 20%.
Difficulty: 1 Easy
Topic: Interest and Penalties
Learning Objective: 02-07 Determine what interest and penalties the IRS can assess and in what instances certain penalties are applicable.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

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26) Taxable income (TI) is computed after subtracting from adjusted gross income (AGI), the standard deduction or itemized deductions and personal and dependency exemptions.

Answer: TRUE
Difficulty: 1 Easy
Topic: Form 1040 and 1040A
Learning Objective: 02-01 Describe the expanded tax formula and the components of the major sections of Form 1040A and Form 1040.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

27) When a taxpayer's AGI exceeds certain levels, certain tax benefits are reduced or eliminated.

Answer: TRUE
Difficulty: 1 Easy
Topic: Form 1040 and 1040A
Learning Objective: 02-01 Describe the expanded tax formula and the components of the major sections of Form 1040A and Form 1040.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

28) Marital status of a taxpayer is determined on the last day of the tax year.

Answer: TRUE
Difficulty: 1 Easy
Topic: Filing Status
Learning Objective: 02-02 Determine the proper filing status.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

29) A couple who is legally married on the last day of the tax year cannot file married filing separately.

Answer: FALSE
Difficulty: 1 Easy
Topic: Filing Status
Learning Objective: 02-02 Determine the proper filing status.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

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30) Even though the taxpayer is claimed as a dependent on another tax return, he or she can still receive an exemption amount for himself or herself when filing his or her tax return.

Answer: FALSE
Difficulty: 2 Medium
Topic: Personal Exemptions
Learning Objective: 02-03 Calculate personal exemptions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

31) In a multiple support agreement, the taxpayer who will receive the exemption must file all the Forms 2120 with his or her tax return.

Answer: TRUE
Difficulty: 2 Medium
Topic: Dependency Exemptions
Learning Objective: 02-04 Calculate dependency exemptions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

32) The taxpayer's brother must live with the taxpayer for the entire year to meet the relationship or member of household test under qualifying relatives.

Answer: FALSE
Difficulty: 2 Medium
Topic: Dependency Exemptions
Learning Objective: 02-04 Calculate dependency exemptions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

33) If a married couple files separate returns and one of them itemizes, the other spouse must also itemize.

Answer: TRUE
Difficulty: 1 Easy
Topic: Standard Deduction
Learning Objective: 02-05 Determine the standard deductions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

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34) A taxpayer who has income that is not subject to withholding is never required to make estimated payments during the year.

Answer: FALSE
Difficulty: 1 Easy
Topic: Tax Due to IRS
Learning Objective: 02-06 Compute the amount of tax due to the Internal Revenue Service (IRS).
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

35) If the taxpayer still owes tax after April 15, the IRS assesses interest based on the remaining amount owed.

Answer: TRUE
Difficulty: 1 Easy
Topic: Interest and Penalties
Learning Objective: 02-07 Determine what interest and penalties the IRS can assess and in what instances certain penalties are applicable.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

36) Many deductions and credits are determined with reference to adjusted gross income (AGI).

Answer: TRUE
Difficulty: 1 Easy
Topic: Form 1040 and 1040A
Learning Objective: 02-01 Describe the expanded tax formula and the components of the major sections of Form 1040A and Form 1040.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

37) A taxpayer must be married to claim Head of Household status.

Answer: FALSE
Difficulty: 1 Easy
Topic: Filing Status
Learning Objective: 02-02 Determine the proper filing status.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

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38) Personal exemptions are for the taxpayer and spouse.

Answer: TRUE
Difficulty: 1 Easy
Topic: Personal Exemptions
Learning Objective: 02-03 Calculate personal exemptions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

39) The amount of the standard deduction increases for people who are age 62 and have retired.

Answer: FALSE
Difficulty: 1 Easy
Topic: Standard Deduction
Learning Objective: 02-05 Determine the standard deductions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

40) The accuracy-related penalty applies when negligence or any substantial understatement occurs.

Answer: TRUE
Difficulty: 2 Medium
Topic: Interest and Penalties
Learning Objective: 02-07 Determine what interest and penalties the IRS can assess and in what instances certain penalties are applicable.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

41) A single taxpayer is 43 years old and has wages only of $16,000. Which is the simplest form this person can file?
A) 1040A.
B) 1040EZ.
C) 1040.
D) 1040ES.

Answer: B
Difficulty: 1 Easy
Topic: Form 1040 and 1040A
Learning Objective: 02-01 Describe the expanded tax formula and the components of the major sections of Form 1040A and Form 1040.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

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42) A 36-year-old taxpayer with a dependent child and claiming head of household status has received $29,000 in alimony payments and earned wages of $44,000. Which is the simplest form this person can file?
A) 1040A.
B) 1040EZ.
C) 1040.
D) 1040ES.

Answer: C
Explanation: Alimony is reported on Form 1040.
Difficulty: 1 Easy
Topic: Form 1040 and 1040A
Learning Objective: 02-01 Describe the expanded tax formula and the components of the major sections of Form 1040A and Form 1040.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

43) A taxpayer is married with a qualifying child (dependent), but she has been living separate from her spouse for the last five months of the year. However, she paid for more than half of the cost of keeping up the household. Her spouse does not want to file jointly. What filing status must she use when filing her tax return? She wants to obtain the maximum legal benefit.
A) Single.
B) Married Filing Separately.
C) Qualifying Widow(er).
D) Head of Household.

Answer: B
Explanation: The taxpayer must have lived apart from her spouse for at least the last six months of the year to qualify for the Head of Household status.
Difficulty: 1 Easy
Topic: Filing Status
Learning Objective: 02-02 Determine the proper filing status.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

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44) The taxpayer's spouse died at the beginning of 2016. He has no qualifying child. Which status should the taxpayer select when filing his tax return for 2017?
A) Single.
B) Married Filing Separately.
C) Married Filing Jointly.
D) Qualifying Widow(er).

Answer: A
Explanation: The surviving spouse usually can file a joint return in the year the spouse dies and qualifying widow(er) for the two years following the death of the spouse but only if there is a qualifying child.
Difficulty: 1 Easy
Topic: Filing Status
Learning Objective: 02-02 Determine the proper filing status.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

45) A legally divorced taxpayer maintains a household for himself and maintains a separate household that is the principal place of abode of his dependent widowed mother. What filing status should he use when filing his tax return?
A) Married Filing Separately.
B) Single.
C) Qualifying widow(er).
D) Head of Household.

Answer: D
Explanation: The taxpayer's parents can live in a separate household.
Difficulty: 1 Easy
Topic: Filing Status
Learning Objective: 02-02 Determine the proper filing status.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

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46) For tax purposes, marital status is determined as of the _____ day of the year.
A) first
B) third
C) last
D) None of these

Answer: C
Difficulty: 1 Easy
Topic: Filing Status
Learning Objective: 02-02 Determine the proper filing status.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

47) What was the amount of the personal exemption for 2017?
A) $3,900.
B) $4,000.
C) $4,100.
D) $4,050.

Answer: D
Difficulty: 1 Easy
Topic: Personal Exemptions
Learning Objective: 02-03 Calculate personal exemptions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

48) Elisa is 21 years of age and a full-time student living with her parents. She had wages of $680 ($75 of income tax withholding) for 2017. Can Elisa claim her exemption on her return even though her parents will claim her as a dependent on their tax return?
A) Elisa and her parents can both claim the exemption.
B) No one can claim the exemption for Elisa.
C) Yes, Elisa can claim the exemption.
D) No, Elisa cannot claim the exemption.

Answer: D
Explanation: Elisa cannot claim the exemption for herself because she is a dependent of her parents.
Difficulty: 2 Medium
Topic: Personal Exemptions
Learning Objective: 02-03 Calculate personal exemptions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

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49) A taxpayer can deduct a(an) _____ amount from AGI for each dependent.
A) Deduction
B) Exemption
C) Itemized
D) Adjustment

Answer: B
Difficulty: 1 Easy
Topic: Dependency Exemptions
Learning Objective: 02-04 Calculate dependency exemptions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

50) Mirtha is 21 years of age and a full-time student living by herself. She had wages of $25,000 for 2017 and provided more than half of her own support. Can Mirtha claim the exemption for herself on her tax return?
A) Mirtha's parents can claim the exemption.
B) Both, Mirtha and her parents can claim the exemption.
C) Yes, Mirtha can claim the exemption.
D) No one can claim the exemption for Mirtha.

Answer: C
Explanation: Mirtha can claim the exemption because she provided more than half of her support.
Difficulty: 2 Medium
Topic: Personal Exemptions
Learning Objective: 02-03 Calculate personal exemptions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

51) To be a qualifying child, the taxpayer must meet three general tests and five specific tests. Which one is *not* part of the five specific tests?
A) Gross income test.
B) Relationship test.
C) Residency test.
D) Special test for qualifying child of more than one taxpayer.

Answer: A
Difficulty: 1 Easy
Topic: Dependency Exemptions
Learning Objective: 02-04 Calculate dependency exemptions.
EA: Yes
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Gradable: automatic

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52) To be a qualifying child, the taxpayer must meet three general tests and five specific tests. What are the three general tests?
A) Relationship test, residency test and gross income test.
B) Support test, age test and relationship test.
C) Dependent taxpayer test, relationship test and citizen or resident test.
D) Dependent taxpayer test, joint return test and citizen or resident test.

Answer: D
Difficulty: 1 Easy
Topic: Dependency Exemptions
Learning Objective: 02-04 Calculate dependency exemptions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

53) To be a qualifying relative, the taxpayer must meet three general tests and four specific tests. Which one is *not* part of the four specific tests?
A) Relationship test or member of household test.
B) Age test.
C) Support test.
D) Gross income test.

Answer: B
Difficulty: 1 Easy
Topic: Dependency Exemptions
Learning Objective: 02-04 Calculate dependency exemptions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

54) For a qualifying relative to be claimed as a dependent, this person must either be related to the taxpayer, or be a member of the taxpayer's household for the entire year. Select the relative who must be part of the taxpayer's household for the entire year.
A) Mother.
B) Sister.
C) Cousin.
D) Son-in-law.

Answer: C
Explanation: Cousins are not listed as relatives for this IRS section.
Difficulty: 2 Medium
Topic: Dependency Exemptions
Learning Objective: 02-04 Calculate dependency exemptions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

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55) The taxpayer must provide over _____ of the qualifying relative's support to be able to claim a dependency exemption.
A) 49%
B) 50%
C) 51%
D) 75%

Answer: B
Difficulty: 1 Easy
Topic: Dependency Exemptions
Learning Objective: 02-04 Calculate dependency exemptions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

56) Which of the following items would not be considered as *support* for a dependency exemption?
A) medical insurance premiums.
B) food.
C) clothing.
D) life insurance premiums.

Answer: D
Explanation: Life insurance premiums are not considered support under this IRS section.
Difficulty: 1 Easy
Topic: Dependency Exemptions
Learning Objective: 02-04 Calculate dependency exemptions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

57) Robert, Fred and Lucas are supporting their mother who lives in a separate apartment. Their contributions towards her support are 10%, 40% and 50%, respectively. In a multiple support agreement, who would be entitled to claim the mother as a dependent?
A) Robert.
B) Fred or Lucas.
C) Robert, Fred or Lucas.
D) None of these.

Answer: B
Explanation: Robert is not contributing more than 10% of his mother's support.
Difficulty: 2 Medium
Topic: Dependency Exemptions
Learning Objective: 02-04 Calculate dependency exemptions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

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58) The basic standard deduction in 2017 for a *single* taxpayer, under 65 and not blind, is:
A) $6,350.
B) $4,050.
C) $9,300.
D) $6,300.

Answer: A
Difficulty: 1 Easy
Topic: Standard Deduction
Learning Objective: 02-05 Determine the standard deductions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

59) The basic standard deduction in 2017 for a taxpayer, under 65 and not blind, filing *married filing jointly* is:
A) $12,400.
B) $12,600.
C) $12,700.
D) $9,350.

Answer: C
Difficulty: 1 Easy
Topic: Standard Deduction
Learning Objective: 02-05 Determine the standard deductions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

60) The basic standard deduction in 2017 for a taxpayer, 67 and not blind, filing *head of household* is:
A) $9,300.
B) $10,900.
C) $10,850.
D) $9,350.

Answer: B
Explanation: Standard deduction of $9,350 plus the additional amount of $1,550.
Difficulty: 1 Easy
Topic: Standard Deduction
Learning Objective: 02-05 Determine the standard deductions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

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61) When a taxpayer can be claimed as a dependent on the tax return of another individual, the basic standard deduction for the taxpayer is limited to the greater of (a) _____, or (b) the taxpayer's earned income plus $350, but not more than the amount of the basic standard deduction.
A) $1,000
B) $950
C) $1,050
D) $350

Answer: C
Difficulty: 1 Easy
Topic: Standard Deduction
Learning Objective: 02-05 Determine the standard deductions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

62) Luisa's parents can claim her as a dependent on their tax return. In 2017, her only source of income was a part-time job as a medical clerk where she earned $2,600 during the year. What is Luisa's standard deduction?
A) $2,600.
B) $4,050.
C) $1,050.
D) $2,950.

Answer: D
Explanation: Earned income of $2,600 plus $350.
Difficulty: 2 Medium
Topic: Standard Deduction
Learning Objective: 02-05 Determine the standard deductions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

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63) Ed's parents can claim him as a dependent on their tax return. In 2017, his only source of income was $1,050 of interest income received from Global Bank. What is Ed's standard deduction?
A) $1,050.
B) $1,000.
C) $4,050.
D) $350.

Answer: A
Explanation: Ed has zero earned income.
Difficulty: 2 Medium
Topic: Standard Deduction
Learning Objective: 02-05 Determine the standard deductions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

64) What is the amount of the social security wage limitation for 2017?
A) $118,500.
B) $110,100.
C) $127,200.
D) $117,000.

Answer: C
Difficulty: 1 Easy
Topic: Tax Due to IRS
Learning Objective: 02-06 Compute the amount of tax due to the Internal Revenue Service (IRS).
EA: Yes
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Gradable: automatic

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65) What is the amount of the tax liability for a married couple filing jointly, having taxable income of $153,500? All answers should be rounded to the nearest dollar.

Use the appropriate Tax Tables or Tax Rate Schedules.
A) $38,375.
B) $29,753.
C) $30,233.
D) $29,865.

Answer: D
Explanation: ($153,500 - $153,100) × 28% plus $29,752.50.
Difficulty: 3 Hard
Topic: Tax Due to IRS
Learning Objective: 02-06 Compute the amount of tax due to the Internal Revenue Service (IRS).
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

66) What is the amount of the tax liability for a single person having taxable income of $59,200? All answers should be rounded to the nearest dollar.

Use the appropriate Tax Tables or Tax Rate Schedules.
A) $10,656.
B) $9,350.
C) $10,545.
D) $14,800.

Answer: C
Explanation: Look up $59,200 under the tax tables for a single person.
Difficulty: 3 Hard
Topic: Tax Due to IRS
Learning Objective: 02-06 Compute the amount of tax due to the Internal Revenue Service (IRS).
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

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67) What is the amount of the tax liability for a head of household person having taxable income of $87,573? All answers should be rounded to the nearest dollar.

Use the appropriate Tax Tables or Tax Rate Schedules.
A) $16,146.
B) $16,134.
C) $17,963.
D) $17,633.

Answer: A
Explanation: Look up $87,573 under the tax tables for a head of household person.
Difficulty: 3 Hard
Topic: Tax Due to IRS
Learning Objective: 02-06 Compute the amount of tax due to the Internal Revenue Service (IRS).
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

68) What is the amount of the tax liability for a qualifying widow(er) with a dependent child and having taxable income of $18,355? All answers should be rounded to the nearest dollar.

Use the appropriate Tax Tables or Tax Rate Schedules.
A) $1,836.
B) $2,331.
C) $1,838.
D) $2,753.

Answer: C
Explanation: Look up $18,355 under the tax tables for married filing jointly (this column also is used for qualifying widow(er)).
Difficulty: 3 Hard
Topic: Tax Due to IRS
Learning Objective: 02-06 Compute the amount of tax due to the Internal Revenue Service (IRS).
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

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69) What is the amount of the tax liability for a qualifying widow(er) with a dependent child and having taxable income of $121,600? All answers should be rounded to the nearest dollar.
A) $25,234.
B) $21,878.
C) $30,400.
D) $27,665.

Answer: B
Explanation: ($121,600 - $75,900) × 25% plus $10,452.50.
Difficulty: 3 Hard
Topic: Tax Due to IRS
Learning Objective: 02-06 Compute the amount of tax due to the Internal Revenue Service (IRS).
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

70) Failure to make required estimated payments will subject the taxpayer to a potential underpayment penalty plus interest. However, if the difference between the tax shown on the return and the amount of tax withheld for wages is less than _____, the taxpayer will not be assessed a penalty.
A) $1,250
B) $500
C) $850
D) $1,000

Answer: D
Difficulty: 1 Easy
Topic: Interest and Penalties
Learning Objective: 02-07 Determine what interest and penalties the IRS can assess and in what instances certain penalties are applicable.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

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71) The interest charged by the IRS for the first three months of 2017 was:
A) 3%.
B) 5%.
C) 4%.
D) 6%.

Answer: C
Difficulty: 1 Easy
Topic: Interest and Penalties
Learning Objective: 02-07 Determine what interest and penalties the IRS can assess and in what instances certain penalties are applicable.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

72) John forgot to file his tax return by April 15. He did not file an extension. John finally filed his tax return on June 30 and had a remaining tax liability of $1,500. What is John's failure to file penalty? Assume he made all his payments on time.
A) $375.
B) $225.
C) $233.
D) $300.

Answer: B
Explanation: ($1,500 × 5%) multiplied by 3 months.
Difficulty: 2 Medium
Topic: Interest and Penalties
Learning Objective: 02-07 Determine what interest and penalties the IRS can assess and in what instances certain penalties are applicable.
EA: Yes
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Gradable: automatic

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73) The failure to file penalty is _____ of the tax shown on the return for each month (or fraction of a month) the tax return is not filed, up to a maximum of 25%.
A) 0.25%
B) 0.5%
C) 5.0%
D) 5.5%

Answer: C
Difficulty: 1 Easy
Topic: Interest and Penalties
Learning Objective: 02-07 Determine what interest and penalties the IRS can assess and in what instances certain penalties are applicable.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

74) The IRS can impose a _____ penalty on any portion of understatement of tax that is attributable to fraud.
A) 25%
B) 75%
C) 50%
D) 5%

Answer: B
Difficulty: 1 Easy
Topic: Interest and Penalties
Learning Objective: 02-07 Determine what interest and penalties the IRS can assess and in what instances certain penalties are applicable.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

75) Criminal penalties only apply to:
A) Careless disregard for tax authority.
B) Willful failure to file a return.
C) Tax evasion.
D) Willful failure to file a return and tax evasion.

Answer: D
Difficulty: 1 Easy
Topic: Interest and Penalties
Learning Objective: 02-07 Determine what interest and penalties the IRS can assess and in what instances certain penalties are applicable.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

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76) A single taxpayer is 35 years old and has only wages of $16,000. Which is the simplest form this person can file?
A) 1040A.
B) 1040EZ.
C) 1040ES.
D) 1040.

Answer: B
Difficulty: 1 Easy
Topic: Form 1040 and 1040A
Learning Objective: 02-01 Describe the expanded tax formula and the components of the major sections of Form 1040A and Form 1040.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

77) The early withdrawal penalty is a *for AGI deduction.* Which form can the taxpayer use to claim this benefit?
A) 1040EZ.
B) 1040A.
C) 1040.
D) 1040A or 1040.

Answer: C
Difficulty: 1 Easy
Topic: Form 1040 and 1040A
Learning Objective: 02-01 Describe the expanded tax formula and the components of the major sections of Form 1040A and Form 1040.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

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78) A 37- year-old taxpayer with a dependent child and claiming head of household status has received $21,000 in child support payments and earned wages of $46,000. Which is the simplest form this person can file?
A) 1040A.
B) 1040.
C) 1040ES.
D) 1040EZ.

Answer: A
Difficulty: 1 Easy
Topic: Form 1040 and 1040A
Learning Objective: 02-01 Describe the expanded tax formula and the components of the major sections of Form 1040A and Form 1040.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

79) The taxpayer's spouse died at the beginning of 2017. He has no qualifying child. Which status should the taxpayer select when filing his tax return?
A) Single.
B) Qualifying Widow(er).
C) Married Filing Separately.
D) Married Filing Jointly.

Answer: D
Difficulty: 1 Easy
Topic: Filing Status
Learning Objective: 02-02 Determine the proper filing status.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

80) Which condition listed below is not required for a taxpayer to qualify as a qualifying widow(er) with dependent child?
A) The household was the principal place of abode for the entire year of both the taxpayer and his or her child.
B) Taxpayer must remarry before the end of the tax year in question.
C) Taxpayer paid more than half the cost of keeping up a household.
D) Taxpayer was eligible to file a joint return in the year the spouse died.

Answer: B
Difficulty: 1 Easy
Topic: Filing Status
Learning Objective: 02-02 Determine the proper filing status.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

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81) What is the amount of the personal and dependency exemption for 2017?
A) $6,350.
B) $4,050.
C) $4,000.
D) $4,100.

Answer: B
Difficulty: 1 Easy
Topic: Personal Exemptions; Dependency Exemptions
Learning Objective: 02-03 Calculate personal exemptions.; 02-04 Calculate dependency exemptions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

82) George is 21 years of age and a full-time student living with his parents. He had wages of $1,375 ($140 of income tax withholding) for 2017. Can George claim his exemption on his return even though his parents will claim him as a dependent on their tax return?
A) No, George cannot claim the exemption.
B) George and his parents can both claim the exemption.
C) No one can claim the exemption for George.
D) Yes, George can claim the exemption.

Answer: A
Difficulty: 2 Medium
Topic: Personal Exemptions
Learning Objective: 02-03 Calculate personal exemptions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

83) To be a qualifying relative, the taxpayer must meet three general tests and four specific tests. Which one is *not* part of the three general tests?
A) Citizen or resident test.
B) Dependent taxpayer test.
C) Support test.
D) Joint return test.

Answer: C
Difficulty: 1 Easy
Topic: Dependency Exemptions
Learning Objective: 02-04 Calculate dependency exemptions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

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84) Jane, Joseph and John are supporting their father who lives in a separate apartment. Their contribution towards his support is 10%, 35% and 55%, respectively. In a multiple support agreement, who would be entitled to claim the father as a dependent?
A) Jane.
B) Joseph or John.
C) Jane, Joseph or John.
D) None of these.

Answer: B
Difficulty: 2 Medium
Topic: Dependency Exemptions
Learning Objective: 02-04 Calculate dependency exemptions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

85) Which of the following items would not be considered as *support* for a dependency exemption?
A) shelter.
B) life insurance premiums.
C) medical and dental care.
D) food.

Answer: B
Difficulty: 1 Easy
Topic: Dependency Exemptions
Learning Objective: 02-04 Calculate dependency exemptions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

86) Which amount represents the standard deduction for a taxpayer who is single and 68 years of age?
A) $6,350.
B) $7,550.
C) $7,850.
D) $7,900.

Answer: D
Difficulty: 1 Easy
Topic: Standard Deduction
Learning Objective: 02-05 Determine the standard deductions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

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87) The additional standard deduction amount for a taxpayer who is 65, single and blind is:
A) $3,100.
B) $2,500.
C) $2,800.
D) $3,000.

Answer: A
Difficulty: 1 Easy
Topic: Standard Deduction
Learning Objective: 02-05 Determine the standard deductions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

88) Robin's parents can claim him as a dependent on their tax return. In 2017, his only source of income was a part-time job as a supermarket clerk where he earned $3,200 during the year. What is Robin's standard deduction?
A) $1,050.
B) $3,550.
C) $3,200.
D) $6,350.

Answer: B
Difficulty: 1 Easy
Topic: Standard Deduction
Learning Objective: 02-05 Determine the standard deductions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

89) The basic standard deduction in 2017 for a taxpayer, 69 and not blind, filing *head of household* is:
A) $6,350.
B) $9,350.
C) $10,850.
D) $10,900.

Answer: D
Difficulty: 1 Easy
Topic: Standard Deduction
Learning Objective: 02-05 Determine the standard deductions.
EA: Yes
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Gradable: automatic

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90) What is the amount of the tax liability for a head of household person having taxable income of $122,500? All answers should be rounded to the nearest dollar.
A) $30,625.
B) $27,796.
C) $34,300.
D) $24,878.

Answer: D
Explanation: ($122,500 - $50,800) × 25% plus $6,952.50.
Difficulty: 3 Hard
Topic: Tax Due to IRS
Learning Objective: 02-06 Compute the amount of tax due to the Internal Revenue Service (IRS).
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

91) What is the amount of the tax liability for a single person having taxable income of $55,300? All answers should be rounded to the nearest dollar.

Use the appropriate Tax Tables or Tax Rate Schedules.
A) $9,570.
B) $9,754.
C) $8,295.
D) $9,681.

Answer: A
Explanation: Look up $55,300 under the tax tables for a single person.
Difficulty: 3 Hard
Topic: Tax Due to IRS
Learning Objective: 02-06 Compute the amount of tax due to the Internal Revenue Service (IRS).
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

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92) What is the amount of the tax liability for a married couple filing jointly having taxable income of $96,843? All answers should be rounded to the nearest dollar.

Use the appropriate Tax Tables or Tax Rate Schedules.
A) $14,526.
B) $13,604.
C) $15,684.
D) $15,923.

Answer: C
Explanation: Look up $96,843 under the tax tables for a married couple.
Difficulty: 3 Hard
Topic: Tax Due to IRS
Learning Objective: 02-06 Compute the amount of tax due to the Internal Revenue Service (IRS).
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

93) What is the amount of the tax liability for a married person filing a separate return and having taxable income of $115,715? All answers should be rounded to the nearest dollar.
A) $26,435.
B) $25,842.
C) $32,400.
D) $25,950.

Answer: B
Explanation: ($115,715 - $76,550) × 28% plus $14,876.25.
Difficulty: 3 Hard
Topic: Tax Due to IRS
Learning Objective: 02-06 Compute the amount of tax due to the Internal Revenue Service (IRS).
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

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94) The IRS can impose a _____ penalty on any portion of understatement of tax that is attributable to fraud.
A) 20%
B) 25%
C) 75%
D) 5%

Answer: C
Difficulty: 1 Easy
Topic: Interest and Penalties
Learning Objective: 02-07 Determine what interest and penalties the IRS can assess and in what instances certain penalties are applicable.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

95) Peter forgot to file his tax return by April 15. He did not file an extension. Peter finally filed his tax return on July 31 and had a remaining tax liability of $3,500. What is Peter's failure to file penalty? Assume he made all his payments on time.
A) $875.
B) $525.
C) $350.
D) $700.

Answer: D
Difficulty: 2 Medium
Topic: Interest and Penalties
Learning Objective: 02-07 Determine what interest and penalties the IRS can assess and in what instances certain penalties are applicable.
EA: Yes
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Gradable: automatic

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96) A head of household taxpayer with a dependent child had wages of $47,200. Which is the simplest form this person can file?
A) 1040EZ.
B) 1040ES.
C) 1040A.
D) 1040.

Answer: C
Difficulty: 1 Easy
Topic: Form 1040 and 1040A
Learning Objective: 02-01 Describe the expanded tax formula and the components of the major sections of Form 1040A and Form 1040.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

97) The taxpayer's spouse died at the beginning of 2017. She has a qualifying child. Which status should the taxpayer select when filing her tax return for 2017?
A) Single.
B) Married Filing Jointly.
C) Head of Household.
D) Qualifying Widow(er).

Answer: B
Difficulty: 1 Easy
Topic: Filing Status
Learning Objective: 02-02 Determine the proper filing status.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

98) On December 31, 2017, a taxpayer received the notification that he was legally divorced. However, he lived with his spouse for 8 months during 2017. He has no dependent children. What status should he select when filing his tax return for 2017?
A) Married Filing Separately.
B) Head of Household.
C) Married Filing Jointly.
D) Single.

Answer: D
Difficulty: 2 Medium
Topic: Filing Status
Learning Objective: 02-02 Determine the proper filing status.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

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99) What is the total amount of personal exemptions a taxpayer and spouse can claim for 2017?
A) $8,100.
B) $9,300.
C) $4,050.
D) $12,600.

Answer: A
Difficulty: 1 Easy
Topic: Personal Exemptions
Learning Objective: 02-03 Calculate personal exemptions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

100) Severin, who is 20 years old and a full- time student, is claimed by his parent as a dependent. However, in 2017, he earned $5,350. What is the amount of the personal exemption that he can claim on his tax return?
A) $4,050.
B) $1,050.
C) $0.
D) $5,400.

Answer: C
Difficulty: 2 Medium
Topic: Personal Exemptions
Learning Objective: 02-03 Calculate personal exemptions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

101) To be a qualifying child, the taxpayer must meet three general tests and five specific tests. Which one is *not* part of the three general tests?
A) Joint return test.
B) Citizen or resident test.
C) Dependent taxpayer test.
D) Support test.

Answer: D
Difficulty: 1 Easy
Topic: Dependency Exemptions
Learning Objective: 02-04 Calculate dependency exemptions.
EA: Yes
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Gradable: automatic

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102) To be a qualifying relative, the taxpayer must meet three general tests and four specific tests. Which one is part of the four specific tests?
A) Gross income test.
B) Age test.
C) Citizen or resident test.
D) Residency test.

Answer: A
Difficulty: 1 Easy
Topic: Dependency Exemptions
Learning Objective: 02-04 Calculate dependency exemptions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

103) A qualifying relative must earn less than _____ for the year 2017.
A) $1,050
B) $6,350
C) $9,350
D) $4,050

Answer: D
Difficulty: 1 Easy
Topic: Dependency Exemptions
Learning Objective: 02-04 Calculate dependency exemptions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

104) The basic standard deduction in 2017 for a *single* taxpayer who is 67 years old and not blind is:
A) $7,850.
B) $6,350.
C) $7,900.
D) $1,550.

Answer: C
Difficulty: 1 Easy
Topic: Standard Deduction
Learning Objective: 02-05 Determine the standard deductions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

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105) The basic standard deduction in 2017 for a *Head of Household* taxpayer who is 41 years old and not blind is:
A) $6,350.
B) $7,900.
C) $12,700.
D) $9,350.

Answer: D
Difficulty: 1 Easy
Topic: Standard Deduction
Learning Objective: 02-05 Determine the standard deductions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

106) What is the limit on the social security amount for 2017?
A) $127,200.
B) $117,000.
C) $113,700.
D) $118,500.

Answer: A
Difficulty: 1 Easy
Topic: Tax Due to IRS
Learning Objective: 02-06 Compute the amount of tax due to the Internal Revenue Service (IRS).
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

107) The tax liability for a married couple with taxable income of $141,325 is:
A) $35,331.
B) $26,809.
C) $20,276.
D) $21,199.

Answer: B
Explanation: ($141,325 - $75,900) × 25% plus $10,452.50.
Difficulty: 3 Hard
Topic: Tax Due to IRS
Learning Objective: 02-06 Compute the amount of tax due to the Internal Revenue Service (IRS).
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

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108) The tax liability for a single taxpayer with taxable income of $67,350 is:

Use the appropriate Tax Tables or Tax Rate Schedules.
A) $12,700.
B) $10,103.
C) $12,638.
D) $12,583.

Answer: D
Explanation: Look up $67,350 under the tax tables for a single person.
Difficulty: 3 Hard
Topic: Tax Due to IRS
Learning Objective: 02-06 Compute the amount of tax due to the Internal Revenue Service (IRS).
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

109) The tax liability for a head of household taxpayer with taxable income of $124,225 is:
A) $25,701.
B) $31,056.
C) $18,634.
D) $25,309.

Answer: D
Explanation: ($124,225 - $50,800) × 25% plus $6,952.50.
Difficulty: 3 Hard
Topic: Tax Due to IRS
Learning Objective: 02-06 Compute the amount of tax due to the Internal Revenue Service (IRS).
EA: Yes
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Gradable: automatic

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110) The IRS can impose a _____ penalty on the tax due on a return where there is negligence.
A) 5%
B) 75%
C) 20%
D) 25%

Answer: C
Difficulty: 1 Easy
Topic: Interest and Penalties
Learning Objective: 02-07 Determine what interest and penalties the IRS can assess and in what instances certain penalties are applicable.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: automatic

111) Why is the concept of "Adjusted Gross Income (AGI)" important?

Answer: The concept of "Adjusted Gross Income (AGI)" is important because many deductions and credits reported on the tax return are computed based on the amount shown as AGI. Furthermore, when a taxpayer's AGI exceeds certain levels, certain tax benefits are reduced or eliminated.
Difficulty: 1 Easy
Topic: Form 1040 and 1040A
Learning Objective: 02-01 Describe the expanded tax formula and the components of the major sections of Form 1040A and Form 1040.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: manual

112) What is the simplest tax return form a taxpayer should file if he or she has only $41,000 in wages and is claiming head of household with a dependent child?

Answer: The simplest tax return form he or she should file is the 1040A. A form 1040EZ can only be filed if the taxpayer is single or married filing jointly.
Difficulty: 1 Easy
Topic: Form 1040 and 1040A
Learning Objective: 02-01 Describe the expanded tax formula and the components of the major sections of Form 1040A and Form 1040.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: manual

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113) David and Martha were divorced on December 31, 2017. Can they file their 2017 income tax return using married filing jointly? Why or Why not? What other filing status choices do they have, if any?

Answer: No, David and Martha must file as single because they were divorced on December 31. According to the IRS, marital status is determined as of the last day of the tax year. They might be able to file as head of household if certain qualifications are met, including maintaining a household that is the principal place of abode of a qualifying person for more than half the year.
Difficulty: 2 Medium
Topic: Filing Status
Learning Objective: 02-02 Determine the proper filing status.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: manual

114) What qualifications are necessary to file as *qualifying widow(er)*?

Answer: The qualifications necessary to file as qualifying widow(er) are:

1. Taxpayer was eligible to file a joint return in the year the spouse died.
2. Taxpayer did not remarry before the end of the tax year in question.
3. Taxpayer paid more than half the cost of keeping up a household.
4. The household was the principal place of abode for the entire year (except for temporary absences) of both the taxpayer and a child, stepchild, or adopted child who can be claimed as a dependent by the taxpayer.
Difficulty: 1 Easy
Topic: Filing Status
Learning Objective: 02-02 Determine the proper filing status.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: manual

115) How many personal exemptions can the taxpayer claim? What is the amount of the personal exemption for 2017?

Answer: The taxpayer can only claim a personal exemption for himself or herself and his or her spouse (if married). The amount for 2017 is $4,050 for each personal exemption.
Difficulty: 1 Easy
Topic: Personal Exemptions
Learning Objective: 02-03 Calculate personal exemptions.
EA: Yes
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Gradable: manual

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116) Can Albert, who is a full-time student and earns $1,575 working as a clerk, claim an exemption for himself on his tax return? Assume his parents are claiming him as a dependent.

Answer: No. If a taxpayer is claimed as a dependent on another return, no personal exemption is allowed on the return of the taxpayer.
Difficulty: 1 Easy
Topic: Personal Exemptions
Learning Objective: 02-03 Calculate personal exemptions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: manual

117) A taxpayer can claim a dependency exemption if the person is a *qualifying child or a qualifying relative* and the person meets three tests. List the three tests this person must meet.

Answer: The three tests that this person must meet to be claimed as a dependent are:

1. Dependent taxpayer test.
2. Joint return test.
3. Citizen or resident test.

Difficulty: 1 Easy
Topic: Dependency Exemptions
Learning Objective: 02-04 Calculate dependency exemptions.
EA: Yes
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Gradable: manual

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118) List and describe the five tests that a person must meet to qualify as a *qualifying child.*

Answer: To be a *qualifying child*, the person must meet five tests:

1. Relationship test.
2. Age test.
3. Residency test.
4. Support test.
5. Special test for *qualifying child* of more than one taxpayer.

The relationship test is met if the dependent is one of the following: child or descendant of child; stepchild; eligible foster child; or brother, sister, half-brother, half-sister, stepbrother, or stepsister, or a descendant of them.
The age test is met if, at the end of the year, the child is under the age of 19, under the age of 24 and a full- time student, or totally and permanently disabled regardless of age. After 2008, the child must be younger than the person claiming the dependency.
The residency test is met if the child lived with the taxpayer for more than half of the year.
The support test is met if the child did not provide more than half of his or her support.
The special test for *qualifying child* of more than one taxpayer applies if the child meets the other four tests and can be the qualifying child for more than one taxpayer. In this case, only one individual can claim the exemption.
Difficulty: 2 Medium
Topic: Dependency Exemptions
Learning Objective: 02-04 Calculate dependency exemptions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: manual

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119) List and describe the four tests that a person must meet to qualify as a *qualifying relative.*

Answer: To be a *qualifying relative*, the person must meet four tests:

1. Not a qualifying child test.
2. Relationship or member of household test.
3. Gross income test.
4. Support test.

The *not a qualifying child* test refers to a child who is the taxpayer's *qualifying child or the qualifying child of another person,* who cannot be claimed as a *qualifying relative* by the taxpayer.
The relationship or member of household test is met if the person is related to the taxpayer (child or descendant; stepchild; eligible foster child; brother, sister, half-brother, half-sister, stepbrother, stepsister or descendant; father, mother; brother or sister of parents, son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law) or a member of the taxpayer's household for the entire year.
The gross income test is met if this person does not have income equal to or greater than the amount of the exemption ($4,050 for 2017).
The support test is met if the taxpayer provides over 50 percent of this person's support.
Difficulty: 2 Medium
Topic: Dependency Exemptions
Learning Objective: 02-04 Calculate dependency exemptions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: manual

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120) Determine the amount of the standard deduction for each of the following taxpayers for tax year 2017.

1. Leo and Mary who are under 65 and filing a joint return. They have no dependents.
2. Sergio who is single.
3. Peter who is over 65 and single.
4. Anna who is 38 and filing as head of household with a dependent child.
5. Frank who is 45 and blind and is filing as married filing separately.

Answer:
1. $12,700.
2. $6,350.
3. $7,900 ($6,350 plus the additional amount of $1,550).
4. $9,350.
5. $7,600 ($6,350 plus the additional amount of $1,250).

Difficulty: 2 Medium
Topic: Standard Deduction
Learning Objective: 02-05 Determine the standard deductions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: manual

121) What is the amount of the standard deduction for Evelyn who is a full-time student and claimed as a dependent by her parents? She earned $2,700 in wages in 2017.

Answer: Evelyn's standard deduction is $3,050. When a taxpayer can be claimed as a dependent on another return, the basic standard deduction for the taxpayer is limited to the greater of (a) $1,050, or (b) the taxpayer's earned income plus $350, but not more than the amount of the basic standard deduction.
Difficulty: 2 Medium
Topic: Standard Deduction
Learning Objective: 02-05 Determine the standard deductions.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: manual

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122) What does the withholding amount on a taxable payment made to the taxpayer represent?

Answer: The withheld amount represents an estimate of the amount of income tax that would be due for the year on the taxable payment. The IRS credits withholdings to the account of the appropriate taxpayer. Withholdings serve to reduce the amount otherwise due the IRS on the due date of the return.
Difficulty: 1 Easy
Topic: Tax Due to IRS
Learning Objective: 02-06 Compute the amount of tax due to the Internal Revenue Service (IRS).
EA: Yes
Accessibility: Keyboard Navigation
Gradable: manual

123) Using the appropriate tax tables or tax rate schedules, determine the amount of tax liability in each of the following instances. All answers should be rounded to the nearest dollar.

1. A single person with taxable income of $103,500.
2. A married couple filing jointly with taxable income of $37,700.
3. A head of household with taxable income of $87,925.
4. A person filing married filing separately with taxable income of $64,000.
5. A married couple filing jointly with taxable income of $144,600.

Answer:
1. $21,962. ($103,500 - 91,900) × 28% plus $18,713.75.
2. $4,726. Look up $37,700 under the tax tables for married filing jointly.
3. $16,234. Look up $87,925 under the tax tables for head of household.
4. $11,745. Look up $64,000 under the tax tables for married filing separately.
5. $27,628. ($144,600 - $75,900) × 25% plus $10,452.50.

Difficulty: 3 Hard
Topic: Tax Due to IRS
Learning Objective: 02-06 Compute the amount of tax due to the Internal Revenue Service (IRS).
EA: Yes
Accessibility: Keyboard Navigation
Gradable: manual

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124) Can the taxpayer avoid the failure to pay on time penalty by just filing an automatic extension to file his or her tax return?

Answer: A taxpayer can file an automatic six-month extension of time to file his or her tax return, but this extension will not extend the time to pay the applicable tax. If the taxpayer filing an extension determines that he or she owes additional tax, the payment must accompany the extension request (Form 4868).
Difficulty: 2 Medium
Topic: Tax Due to IRS; Interest and Penalties
Learning Objective: 02-06 Compute the amount of tax due to the Internal Revenue Service (IRS).; 02-07 Determine what interest and penalties the IRS can assess and in what instances certain penalties are applicable.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: manual

125) The IRS can assess criminal penalties if fraud is found on a tax return. Name and describe at least two of those criminal penalties.

Answer:
1. *Any person who willfully attempts to evade or defeat any tax.* The charge is a felony punishable by fines of not more than $100,000 or imprisonment of not more than five years or both.
2. *Any person who fails to collect, account for, and pay over any tax.* The charge is a felony punishable by fines of not more than $10,000 or imprisonment of not more than five years or both.
3. *Any person who willfully fails to pay estimated tax or other tax or file a return.* The charge is a misdemeanor punishable by fines of not more than $25,000 or imprisonment of not more than one year or both.
Difficulty: 2 Medium
Topic: Interest and Penalties
Learning Objective: 02-07 Determine what interest and penalties the IRS can assess and in what instances certain penalties are applicable.
EA: Yes
Accessibility: Keyboard Navigation
Gradable: manual

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