1. Franklin, a self-employed consultant, pays for his health insurance out of his own pocket. He is not eligible to be covered under any other insurance plan. His total premiums paid for 2014 were $4,500. His net profit from his business, as reported on Schedule SE, was $68,000. He had no other earned income. How much can Franklin deduct as an adjustment to income on his tax return?

$0

$2,250

$3,750

$4,500

1. Sofia filed her 2014 return on February 19, 2015. Under ordinary circumstances, what is the last day she can file an amended 2014 return?

April 15, 2015.

April 15, 2016.

February 19, 2017.

April 15, 2018.

1. Which of the following forms does a taxpayer use to report the number of allowances that determine the withholding amount?

Form W-2

Form W-3

Form W-4

Form W-5

1. Which of the following clients is insolvent?

Portia, who owns assets with a fair market value of $4,000 and has total liabilities of $5,000.

Juan, who owns assets with a fair market value of $10,000, has liabilities of $10,000, and retired last year.

Graham, who owns no assets, is unemployed, and has no liabilities.

Heather, who owns assets with a fair market value of $7,500 and has no liabilities.

1. Which of the following is an INCORRECT statement about the child and dependent care credit?

For a married couple to claim the credit, each must work, be looking for work, be enrolled as a full-time student, or the spouse must be physically or mentally incapable of self-care.

Taxpayers may claim the credit for the care of certain disabled adult children who live in the house.

Taxpayers may claim the credit for care of a disabled spouse.

The credit phases out when a taxpayer's AGI crosses a certain threshold.

1. Which property is eligible for the §179 expense deduction?

An inherited vehicle, used 90% for business, the FMV of which at the time of death was $10,500.

Kitchen appliances purchased new and used 100% in the taxpayer's rental property.

Business-use personal property purchased at FMV by a taxpayer from his brother.

A copy machine used 80% for business, located in the taxpayer's home business.

1. What is the MACRS deduction in the year of disposition for MACRS property being depreciated under the half-year convention?

Full depreciation for the last year.

One-half of the depreciation that would be allowed if the property was not disposed.

One-half of the depreciation that would be allowed if the property was not disposed must be recaptured.

There is no MACRS deduction in the year of disposition.

1. Depreciation is the system of recovering the cost of business-use property with a useful life of more than:

1 year.

3 years.

5 years.

7 years.

1. Depreciation for the current year is reported on:

Form 4562.

Form 4797.

Form 6198.

Form 8960.

1. Chris purchased a new machine for use in his business. He incurred the following costs with the purchase: $2,000 cash paid, $10,000 financed, $500 delivery charge, $200 installation charge. What is Chris's basis in the machine?

$2,000

$2,700

12,000

$12,700

1. Which of the following is NOT a recovery period under MACRS?

7 years.

10 years.

12 years.

15 years.

1. Which of the following is NOT a convention under MACRS?

Half year.

Straight line.

Mid quarter.

Mid month.

1. When depreciable property is taken out of service before it is fully depreciated, the owner cannot continue to deduct depreciation on the property. All of the following events take a machine out of service EXCEPT:

The sale or exchange of the machine.

Abandonment of the machine.

Lack of a market for the product the machine is used to make.

The machine is destroyed in a fire.

1. How does depreciation impact basis?

Depreciation decreases basis.

Depreciation increases basis.

Basis is not impacted by depreciation.

None of the above.

1. Which of the following military expenses is NOT deductible?

Insignia of rank.

Travel expenses when working as a courier.

Haircut when required by military regulations.

Reserve component uniforms, if the taxpayer can wear the uniforms only while performing duties as a reservist.

1. Active duty military pay is:

Subject to federal income tax unless earned in a designated combat zone.

Not subject to federal income tax under any circumstance.

Not subject to federal income tax if earned outside the continental U.S.

Subject to federal income tax, but not FICA withholding.

1. Which of the following is an INACCURATE statement regarding the filing of a joint tax return for service members?

The surviving spouse of a member of the military who died during the year is allowed to file a joint return for the year as a surviving spouse.

The spouse of a member of the military who is in missing status may file a joint return with the taxpayer.

The spouse of a member of the military may never sign for the taxpayer on a joint return.

The spouse of a member of the military who is in a combat zone may sign for the taxpayer on a joint return when they have a power of attorney (POA

1. Armed forces reservists can deduct some travel expenses related to their service as an adjustment to income if they travel more than how many miles away from home?

25 miles.

50 miles.

75 miles.

100 miles.

1. Generally, which of the following is excludible military pay?

Active-duty pay earned in a non-combat zone.

Active-duty pay earned in a combat zone.

Enlistment pay.

Reenlistment pay.

1. Excludible reimbursed moving expenses are reported on Form W-2, box 12, and identified with which code letter?

Code M.

Code P.

Code Q.

Code Z

1. If a service member dies, all of the following allowances are available to surviving family members EXCEPT:

Burial services for the deceased service member.

Interment and a burial marker at any cemetery.

Death gratuity payments for eligible survivors.

Travel of dependents to the service member's burial site.

1. Which of the following is taxable military income?

Combat zone pay.

Basic pay.

Uniform allowance.

Overseas housing allowance.

1. Which of the following are NOT deductible under the AMT system?

Medical expenses.

Mortgage interest.

Taxes.

Charitable contributions.

1. Medical expenses in excess of what percent of AGI are deductible for AMT purposes?

7.50%

10%

12.50%

20%

1. For 2014, a taxpayer filing single may have to pay the alternative minimum tax if their taxable income is more than:

$51,900

$52,800

$53,600

$117,300

1. The AMT consists of which of the following two tax brackets?

5% and 10%.

2.5% and 7.5%.

25% and 33%.

26% and 28%.

1. Calculation of the AMT for a taxpayer who itemized deductions begins with:

Adjusted gross income minus itemized deductions.

Taxable income.

Adjusted gross income.

Gross income.

1. Which of the following is NOT a common trigger of AMT?

The taxpayer claims a large number of exemptions on his tax return.

The taxpayer itemizes deductions and claims large deductions for miscellaneous deductions subject to the 2%-of-AGI limitation.

The taxpayer itemizes deductions and claims large deductions for taxes.

Six-figure AGI with no expenses

1. Which of the following itemized deductions is allowed for AMT purposes?

Interest on a home equity loan used to pay extraordinary medical expenses.

State income taxes.

Employee business expenses.

Gambling losses.

1. AMT is paid:

In addition to regular income tax to the IRS.

Instead of regular income tax to the IRS.

Separately to the U.S. Department of Treasury.

None of the above.

1. Calculation of the AMT for a taxpayer who did NOT itemize deductions begins with:

Form 1040, line 47.

Form 1040, line 43.

Form 1040, line 38.

Form 1040, line 22.

1. Kim works as a sales representative and travels frequently. Her unreimbursed travel expenses for the year include $3,500 for airfare, $2,000 for lodging, $200 for dry cleaning, $250 for taxi fare, and $200 for museum entrance fees. What are her deductible travel expenses?

$6,150

$5,950

$5,750

$5,550

1. In which situation may John, an architect, deduct his job search expenses?

John has been working part-time as an architect and now wants a full-time job in the same field.

John was working as an architect but believed he could earn more money as an investment banker. In December, he began working for a bank.

John earned his architecture degree while he was in the Army and has never actually worked as an architect.

John took a five-year break from architecture work to stay home with his young children. He has decided to go back to work.

1. Joan, a social worker, would like to deduct expenses incurred looking for a new job. She can do this as long as:

She looks for a job within her current field of employment.

She looks for a job in a new field of employment.

There has been a lengthy break between being employed and looking for a job.

She has recently graduated from college with a degree in a different field.

1. Employers who reimburse expenses report the amount on:

Form 1099.

Form 1098.

Form W-4.

Form W-2.

1. A client whose W-2 has an amount in box 12 that is coded L:

Must have a Schedule C prepared.

Has been fully reimbursed for ALL employee business expenses.

Does not qualify for EIC.

Has received a substantiated business expense reimbursement

1. Arizona. He earns $30,000 in Branson and $15,000 in Flagstaff. Which state is most likely Steve's tax home?

Steve can choose his tax home, since he spends six months of the year in both places.

Steve has no tax home, since he spends six months of the year in both places.

Arizona, because he was born in Arizona.

Missouri, because he has more income from Missouri.

1. A taxpayer who claims the standard meal allowance must use it to claim all meals for each:

Trip.

Tax year.

Employer.

Business activity.

1. The Tax Code requires substantiation of all of the following—the amount of the expense, the time, place or description, and business purpose/business relationship—EXCEPT when:

Expenses are clearly ordinary and necessary.

The employer provides an advance to the employee.

The standard meal rate is used for travel meals and travel meals are the only expense.

The reimbursement is from a nonaccountable plan.

1. Individuals subject to the U.S. Department of Transportation's "hours of service" limits are provided with what extra tax benefit?

Relaxed reporting requirements.

A standard per diem for lodging.

Increased deduction percentage for meals.

The use of the standard rate for small localities.

1. Forms 2106 and 2106-EZ are used to report employee business expenses. Form 2106 is required when:

The standard mileage rate is used.

Employer reimbursement is reported on Form W-2, box 12, with Code L.

Employee expenses exceed $2,500.

None of the above.

1. Three of the four choices below explain how to access the Form 2106 input pane in BlockWorks. Which choice is NOT correct?

Clicking the link at line 21 on the Schedule A data input pane.

Checking the box at the top of the Schedule A data input pane.

Entering 2106 in the the workflow pane search bar.

Checking the 2106 box on the Adj & Ded tab at Add Forms and Schedules.

1. Working in BlockWorks, under which circumstances would you ask the taxpayer about the cost or other adjusted basis for their business-use vehicle?

When the taxpayer chooses the actual expense method.

When the taxpayer chooses the standard mileage rate.

When the current year is the year the vehicle is placed into service.

In all cases.

1. Using shell return 741-83-0306, prepare Karla Silver's Form 2106 in BlockWorks. What are her total unreimbursed business expenses?

She had the following unreimbursed employee business expenses:

Parking and tolls $115

Travel away from tax home for three trips to attend professional meetings:

Airfare $726

Taxis $82

Lodging $510

Laundry $85

Meals $365

Other employee expenses:

Professional dues $275

Professional journals $140

Vehicle Expenses (use standard mileage rate):

1. No other vehicle is available for personal use. Her car is available for personal use during off-duty hours. She does have written evidence to support the business use claimed. The 2010 Acura was purchased for $12,500 and put into service on 01/01/2014. She drove a total of 10,000 miles, of which 6,200 miles were for business. She had no commuting miles. The car was not acquired through trade-in and not converted to nonbusiness use. It was owned and used for business for 12 months in 2014.

$1,096

$4,523

$5,588

$13,035

1. Force print the Form 6251 for the shell return 741-83-0306. Karla Silver owes the alternative minimum tax if, on Form 6251, there is:

A positive amount on line 28.

Zero on line 35.

A positive amount on line 35.

A negative amount on line 35.

1. Using shell return 741-83-0306, calculate the moving expenses for Karla Silver. Her move is due to her new position as a member of the armed forces with PSC orders. The distance from her old residence to her new workplace is 75 miles. The mileage from her old residence to her old workplace is 10 miles. She paid a moving company $5,300 to move her car and all her household goods and personal effects into storage. None of these expenses were reimbursed.

$0

$5,300

$5,318

$5,348

1. In BlockWorks, if AMT is not triggered, how do you force print an information copy of Form 6251, Alternative Minimum Tax - Individuals? (You may use your shell return for Karla Silver, 741-83-0306, to help you.)

This step cannot be done in BlockWorks.

Check the 6251 box under the Misc. tab at Add Forms and Schedules.

Check the form on the preview delivery screen.

Check the box at the top of the Schedule 6251 data input pane.

1. "Disabled employee" is one of the check boxes on the 2106 data input pane, line 10. How does checking this box change the return? (Use your shell return for 741- 83-0306 to investigate.)

It reports Form 2106 on Schedule A, line 28.

It reports employee business expenses and a medical deduction.

It carries the employee business expenses to the adjustments section of Form 1040.

It permits 100% of meals and entertainment to be deductible.

1. In BlockWorks, when one vehicle is used for more than one business purpose, the FIRST step is to:

Go to the Asset Manager.

Access auto expenses from the link on the 2016 screen.

Complete the schedules related to the vehicle use in their entirety BEFORE entering vehicle information.

Enter total mileage and business-use mileage for each activity.

1. In BlockWorks, what is the Hot Key for a detailed statement of business expenses on the 2106 data input pane for "Business expenses not included above"? With your cursor in the data entry field, click on the \_\_\_\_\_key.

F1

F2

F5

F6

1. What is the tax consequence when an employer pays for $100,000 in group term life insurance for an employee?

The employee cannot claim the Earned Income Credit.

The premiums for coverage in excess of $50,000 are taxable to the employee.

The employee cannot claim the Saver's Credit.

All of the premiums are taxable to the employee.

1. On a joint return, the names entered on the Form 1040X should be listed:

Exactly as they were on the original return.

Husband first, wife second.

In order, according to their social security numbers.

It does not matter.

1. Foster owns a computer store. Which of the following items should he include in his year-end inventory?

Two cases of paper for use in the store office.

CDs sold and paid for by a customer but not picked up.

Software shipped to a customer COD.

Computer program Foster designed and uses at home.

1. Which one of the following types of income IS included in federal gross income?

Federal income tax refund.

Checking account interest.

Personal injury compensation.

Qualified disaster relief payments.

1. How does depreciation impact basis?

Depreciation decreases basis.

Depreciation increases basis.

Basis is not impacted by depreciation.

None of the above.

1. When depreciable property is taken out of service before it is fully depreciated, the owner cannot continue to deduct depreciation on the property. All of the following events take a machine out of service EXCEPT:

The sale or exchange of the machine.

Abandonment of the machine.

Lack of a market for the product the machine is used to make.

The machine is destroyed in a fire.

1. How is depreciation calculated for MACRS property being depreciated under the mid-quarter convention?

Multiply the property's depreciable basis by the respective percentage for the quarter in which the property is placed in service or disposed of.

Calculate the depreciation for the entire year, then multiply it by 25%.

Calculate the depreciation for the entire year, then divide it by 25%.

Multiply the property's depreciable basis by the applicable MACRS Percentage Tables amount, and then multiply this fact by month placed into service divided by 12.

1. What is the MACRS deduction in the year of disposition for MACRS property being depreciated under the half-year convention?

Full depreciation for the last year.

One-half of the depreciation that would be allowed if the property was not disposed.

One-half of the depreciation that would be allowed if the property was not disposed must be recaptured.

There is no MACRS deduction in the year of disposition.

1. Depreciation is the system of recovering the cost of business-use property with a useful life of more than:

1 year.

3 years.

5 years.

7 years.

1. For 2014, the §179 limit is:

$25,000

$100,000

$250,000

$500,000

1. Depreciation for the current year is reported on:

Form 4562.

Form 4797.

Form 6198.

Form 8960.

1. In regard to combat zone pay, military members may:

Elect to include it as earned income when calculating the Earned Income Credit.

Exclude it from taxable income if they remain in a combat zone for at least one month.

Exclude it from income for purposes of the Additional Child Tax Credit.

Carry over excluded income to be treated as earned income for up to two years.

1. Armed forces reservists can deduct some travel expenses related to their service as an adjustment to income if they travel more than how many miles away from home?

25 miles.

50 miles.

75 miles.

100 miles.

1. Combat zone pay is reported on Form W-2, box 12, and is identified with which code letter?

Code C.

Code P.

Code Q.

Code Z.

1. What is military differential pay?

Pay for members of the U.S. uniformed services who work in high cost of living areas.

Pay for members of the U.S. uniformed services who have dependents.

A bonus, designed to encourage soldiers who have completed at least 17 months of continuous active duty to stay in the service.

Pay treated as wages that civilian employers provide to their employees while they are on active duty in the U.S. uniformed services.

1. Military members serving in a combat zone have an automatic extension of 180 days to deal with tax matters. In addition, they may add:

The number of days they spent in the combat zone.

The number of days that were left to take action with the IRS when the combat zone service began.

One month for every year they have been enlisted.

One week for every year they have been enlisted.

1. Which of the following itemized deductions is allowed for AMT purposes?

Interest on a home equity loan used to pay extraordinary medical expenses.

State income taxes.

Employee business expenses.

Gambling losses.

1. What significance does $82,100 have in 2014 regarding the alternative minimum tax? It is:

The exemption amount for a return filed as MFJ or QW.

The 28% bracket for a single taxpayer.

The beginning of the exemption phaseout range for a return filed as MFS.

The AMT exemption for a child subject to the kiddie tax.

1. Which form is used to compute the AMT?

Form 1040.

Form 2210.

Form 6251.

Form 8875.

1. Which of the following is NOT a common trigger of AMT?

The taxpayer claims a large number of exemptions on his tax return.

The taxpayer itemizes deductions and claims large deductions for miscellaneous deductions subject to the 2%-of-AGI limitation.

The taxpayer itemizes deductions and claims large deductions for taxes.

Six-figure AGI with no expenses.

1. Which of the following statements best defines the alternative minimum tax (AMT)?

A flat tax imposed on taxpayers who do not owe a regular income tax.

A separate tax that works within the regular income tax system.

An excise tax that works separately from the regular income tax system.

None of the above.

1. The Tax Code requires substantiation of all of the following—the amount of the expense, the time, place or description, and business purpose/business relationship—EXCEPT when:

Expenses are clearly ordinary and necessary.

The employer provides an advance to the employee.

The standard meal rate is used for travel meals and travel meals are the only expense.

The reimbursement is from a nonaccountable plan.

1. Individuals subject to the U.S. Department of Transportation's "hours of service" limits are provided with what extra tax benefit?

Relaxed reporting requirements.

A standard per diem for lodging.

Increased deduction percentage for meals.

The use of the standard rate for small localities.

1. The cost of a ticket to a sports event to benefit a charitable organization is not limited to the face value of the ticket if three conditions are met. Which of the following is NOT one of these three condtions?

The event's main purpose is to benefit a qualified charitable organization.

The entire net proceeds go to the charity.

The donor is not related to the recipient organization.

The event uses volunteers to perform substantially all the event's work.

1. Kim works as a sales representative and travels frequently. Her unreimbursed travel expenses for the year include $3,500 for airfare, $2,000 for lodging, $200 for dry cleaning, $250 for taxi fare, and $200 for museum entrance fees. What are her deductible travel expenses?

$6,150

$5,950

$5,750

$5,550

1. Joan, a social worker, would like to deduct expenses incurred looking for a new job. She can do this as long as:

She looks for a job within her current field of employment.

She looks for a job in a new field of employment.

There has been a lengthy break between being employed and looking for a job.

She has recently graduated from college with a degree in a different field.

1. Which of the following is NOT a factor used to determine the tax home of a taxpayer with more than one place of employment?

The total time ordinarily spent performing duties in each area.

The total number of nights spent in each area.

The degree of business activity in each area.

The amount of income earned in each area.

1. No other vehicle is available for personal use. Her car is available for personal use during off-duty hours. She does have written evidence to support the business use claimed. The 2010 Acura was purchased for $12,500 and put into service on 01/01/2014. She drove a total of 10,000 miles, of which 6,200 miles were for business. She had no commuting miles. The car was not acquired through trade-in and not converted to nonbusiness use. It was owned and used for business for 12 months in 2014.

$0

$183

$365

$450

1. In BlockWorks, when one vehicle is used for more than one business purpose, the FIRST step is to:

Go to the Asset Manager.

Access auto expenses from the link on the 2016 screen.

Complete the schedules related to the vehicle use in their entirety BEFORE entering vehicle information.

Enter total mileage and business-use mileage for each activity.

1. Which combination of unreimbursed employee business expenses (all qualified expenses) do NOT require Form 2106?

Airline tickets, meals, lodging.

Trade journals, education expenses, vehicle claimed at standard mileage rate.

Small tools, job physical, entertainment after business meeting.

Safety glasses, seminar fee provided by a business organization, professional dues.

1. Working in BlockWorks, under which circumstances would you ask the taxpayer about the cost or other adjusted basis for their business-use vehicle?

When the taxpayer chooses the actual expense method.

When the taxpayer chooses the standard mileage rate.

When the current year is the year the vehicle is placed into service.

In all cases.