**NSA Enrolled Agents Exam Review Course**

**Sample Examination**

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**Instructions:**

1. Using the blank answer sheet (page 22) attached, answer the 100 questions on this sample exam by inserting the correct letter answer in the blank provided. Allow exactly three hours for the exam.

2. Check your score by comparing your answers with the complete answer sheet on page 23. Count the number of correct answers, and determine your overall performance by the table on page 24.

3. To assess your performance in the five specified topic sections for Part 1, complete the “Performance by Topic Domain” sheet on page 24. The guide at the bottom of each section indicates your performance on that section.

4. Explanations for the answers to each question begin on page 25.

5. Good luck on the real exam!

1. Ms. Miller set up a computer system for Mr. Town’s business. In return, Mr. Town gave Ms. Miller a storage facility. Ms. Miller plans to use this facility for business purposes and plans to depreciate it. The fair market value of Ms. Miller’s services and the storage facility was $50,000. Mr. Town’s basis in the storage facility was $30,000. How should Ms. Miller treat the transaction and what is her depreciation basis for the property?

1. Ms. Miller should include the $50,000 in income and use $30,000 as the depreciable basis for the storage facility she received.
2. Mr. Town should include the $30,000 in his income and use the $50,000 as the depreciable basis for the storage facility.
3. Ms. Miller should include $30,000 in income and $50,000 as the depreciable basis for the storage facility.
4. Ms. Miller should include $50,000 in income and use $50,000 as the basis for the storage facility.

2. Charles died and left his daughter Sue a commercial rental property. He purchased the property for $150,000 and had taken $45,000 in depreciation. The fair market value (FMV) on his death was $200,000. Six months after his death, the property was re-titled into Sue’s name by the estate’s representative. There was no alternative valuation done on the transfer. The FMV on that day was $210,000. Sue’s basis in the property is:

1. $210,000
2. $200,000
3. $150,000
4. $125,000

3. Jessica sold all the stock she owned on October 4, 2015. Her books and records for 2015 indicate the following:

 ***Adjusted Selling***

***Stock Purchased Basis Price***

TBT, Inc. 10-04-2014 $1,000 $1,300

TTT, Inc. 10-03-2014 $2,200 $2,400

LAT, Inc. 4-04-2015 $6,400 $6,800

MMT, Inc. 6-11-2015 $3,000 $4,800

What is the amount of short-term gain (loss) and long-term gain (loss) that Jessica would include on her return for 2015?

 ***Short-Term Long-Term***

a. $2,700 $-0-

 b. $2,500 $200

 c. $2,200 $500

 d. $1,800 $900

4. Mason, a single taxpayer, has $15,000 of taxable income (putting him in the 15% marginal income tax bracket) that includes a $4,000 long-term capital gain. The long-term capital gain will be taxed at a rate of:

1. -0-%
2. 5%
3. 10%
4. 15%

5. Jeremy decided to itemize on his return. He has the following receipts:

State income tax $ 3,000

Federal income tax 12,000

County real estate tax 2,000

Fee for his car inspection that he uses only personally 50

Homeowner’s association fees on his personal home 500

Self-employment tax 1,000

Compute the amount of taxes deduction he can take on his Schedule A, Itemized Deductions.

1. $18,550
2. $6,000
3. $5,000
4. $5,550

6. Albina purchased 1,000 shares of Global Tech Growth mutual fund on February 15, 2014 for $15 per share. On January 31, 2015, she sold the 1,000 of Global Tech Growth mutual fund for $4.50 per share. Albina had no other capital transactions in 2015. Which of the following is correct?

1. Albina has a short-term capital loss of $10,500 on her 2015 tax return and she will be allowed to offset $10,500 of her earnings.
2. Albina has a short-term capital loss of $3,000 on her 2015 tax return and no carryover.
3. Albina has a short-term capital loss of $10,500 in 2015 and will deduct $3,000 on her tax return. She will carry forward a short-term loss of $7,500 to 2016.
4. Albina has a short-term capital loss of $10,500 in 2015 and will deduct $3,000 on her tax return. She will carry forward a long-term loss of $7,500 to 2016.

7. A tax practitioner may be called upon to render advice regarding which of the following matters?

1. retirement planning
2. the American Opportunity (Hope) Credit
3. child support tax issues
4. all of the above

8. Mr. Green must use a wheelchair. Upon advice from his doctor, he installed an elevator and widened the front entrance of his house, incurring $10,000 and $3,000 in respective costs. Mr. Green had purchased his house for $146,000. An appraisal showed the fair market value of Mr. Green’s house immediately after these modifications at $154,000. Also, Mr. Green decided to join a health club primarily to improve business contracts and for recreational purposes. He paid a $1,250 annual membership fee to make use of this facility.

Compute Mr. Green’s currently deductible medical expense before any AGI limit.

a. $41,250

b. $5,000

c. $13,000

d. $6,250

9. Lonnie and Judy Landers bought a home on July 1, 2015. Real estate taxes are assessed in their state on April 1, 2015 for property owned in 2014. The 2014 tax is due October 1, 2015. When the Landers bought the house, they agreed to pay all taxes due after the date of this purchase. Taxes of $1,200 for 2014 were due October 1, 2015, and the Landers paid this amount October 1, 2015. In 2015, the Landers received a property tax bill for $1,500 for 2015. Payment is due October 1, 2016. What amount can the Landers deduct on their 2015 return as real property tax?

1. $1,200
2. $600
3. $750
4. $-0-

10. George had the following income and expenses:

Interest income of $8,000

Gross wages of $100,000

Margin interest (expense) of $10,000

Mortgage interest of $6,000

Interest on a mobile home used as a second home of $3,000

Credit card interest of $2,000

How much interest can George deduct on Schedule A?

1. $21,000
2. $18,000
3. $17,000
4. $19,000

11. Which of the following payments can Demi deduct, at least in part, as interest expense?

1. points that the seller paid to a lender to arrange financing for Demi’s purchase of her main home
2. interest she paid on a loan used to purchase tax-exempt bonds
3. interest on income taxes paid to the IRS
4. FHA mortgage insurance premiums

12. Kiran bought stock in the Big Bang Corporation in 2010 for $2,000. In 2014, Kiran received a return of capital distribution of $100 as a partial return on her investment. In 2015, Kiran sold the stock for $3,000. Her basis in the stock for gain or loss purposes is:

1. $3,000
2. $2,100
3. $1,900
4. $2,000

13. Bob’s aunt Barbara gave him a house. At the time of the gift, the house had a fair market value of $36,000 and his aunt’s adjusted basis was $12,000. His aunt paid a gift tax on $6,000 on the house. What is Bob’s basis in the house for purposes of determining gain?

1. $16,000
2. $18,000
3. $36,000
4. $42,000

14. Bill gave his daughter, Jane, his personal residence with an adjusted basis to him of $52,000 and a fair market value of $50,000. Jane lived in the house for two years and then sold it for $48,000. Jane will

1. report no gain or loss
2. report a $2,000 loss
3. report a $4,000 loss
4. have her father report a $4,000 loss

15. Shannon and Dan Smith (wife and husband) purchased Section 1244 (small business) stock. Which of the following statements is correct?

1. If they incurred a loss on Section 1244 stock, they can deduct the loss as capital loss rather than as an ordinary loss.
2. If the stock becomes worthless, they can claim an ordinary loss limited to $50,000 individually or $100,000 together on a joint return, per year.
3. If the loss is $60,000 and Shannon does not have any other losses, Dan can only deduct $50,000 as ordinary loss on the joint return.
4. If they incurred a gain on Section 1244 stock, they should treat it as ordinary gain.

16. Mr. Rabbit purchased a home for $200,000. He incurred the following additional expenses:

* $200 fire insurance premiums
* $500 mortgage insurance premiums
* $400 recording fees
* $250 owner’s title insurance

Compute his basis in the property.

1. $201,350
2. $200,000
3. $200,650
4. $201,150

17. Mr. Monty owned an office building that he had purchased at a cost of $600,000 and which now had an adjusted basis of $400,000. During the year, he traded it to a person who was not related to him for an apartment house having a fair market value of $500,000. The apartment house has 50 units and rents to individuals. The office building has 25 units and rents to Mr. Monty’s business. What is Mr. Monty’s recognized gain or loss on this exchange?

1. $100,000 long-term capital gain
2. $100,000 long-term capital loss
3. $100,000 ordinary gain
4. $-0-

18. Generally, the taxpayer may deduct medical expenses on Schedule A for which of the following:

1. doctor-prescribed birth control pills
2. controlled substances like marijuana that are in violation of federal law
3. trips for general health improvement
4. marriage counseling

19. For 2015, Mr. and Mrs. Byrd, both 50 years of age, filed a joint return and made contributions to Individual Retirement Accounts (IRA). Mr. Byrd received wages of $3,000 and contributed $3,000 to his IRA. Mrs. Byrd received $1,000 interest and $1,000 was contributed to her spousal IRA. This was her first year in which she had an IRA. They did not withdraw excess contributions by the date their return was due. What is the amount of the Byrd’s excess contribution?

1. $-0-
2. $750
3. $800
4. $1,000

20. John is 19 years old and a full-time student. He works part time during school and full time during the summer. His earnings from work for the year are $3,150 and his savings account earned $175 interest income. John is claimed as a dependent on his parents’ return because they provide more than half of his support. John is:

1. not required to file a return
2. required to file a return, but will owe no tax
3. required to file a return, and will owe some tax
4. required to file a joint return with his parents

21. John divorced Lisa last year. During the current year, per the divorce decree, John’s payments were:

The entire mortgage payment on house (jointly owned) $10,800

Tuition for their child 6,000

Child support 4,500

Life insurance premiums on policy owned by Lisa 3,000

What is the amount John can deduct as alimony on his current-year tax return?

1. $3,000
2. $5,400
3. $8,400
4. $10,800

22. Which of the following deductions isnot subject to the 2% of adjusted income floor on miscellaneous itemized deductions?

1. tax return preparation fee
2. safety deposit box rental (for securities)
3. impairment-related work expenses
4. unreimbursed business travel costs of an employee

23. M exchanged real estate he held for investment that had an adjusted basis to him of $8,000 for other real estate to be held for investment and $1,000 in cash. The real estate received had a fair market value at the time of the exchange of $10,000. What is the amount of M’s basis in the real estate received?

1. $8,000
2. $9,000
3. $10,000
4. $11,000

24. Bernie is a self-employed accountant. He reported net income of $50,000 on his Schedule C. During the year Bernie paid the following: $5,200 in child support, $5,000 in alimony, $6,000 in medical insurance premiums for himself and his family, self-employment tax of $6,650, and $2,000 to his deductible IRA plan. What amounts are deductible in arriving at adjusted gross income?

1. $19,933
2. $40,267
3. $16,325
4. $25,265

25. Carla Childers spent $3,000 on childcare during the current tax year. Carla is in the 15% tax bracket, and has $16,000 of adjusted gross income. Carla’s employer reimbursed the $3,000 through its qualified child care plan. For the tax year, Carla should

 a. take a $3,000 exclusion for the qualified employer child care payments, with no credit

 b. take a dependent and child care credit on the $3,000, with no exclusion

 c. take both a $3,000 exclusion and a dependent care credit

 d. take an exclusion of $1,500 and a credit on $1,500 of the employer payments

26. Leigh is being permanently transferred from her office in New York to another office in New Jersey. Her office in New York is seven miles from her home. For Leigh to meet the distance test to qualify for moving expense deductions, how far must the office in New Jersey be from her current home?

1. 7 miles
2. 35 miles
3. 42 miles
4. 57 miles

27. During the year, Mr. Bradshaw sold property that had an adjusted basis to him of $19,000. The buyer assumed Mr. Bradshaw’s existing mortgage of $15,000 and agreed to pay an additional $10,000 consisting of a cash down payment of $5,000 and payments of $1,000 per year plus interest, per year for the next five years. Mr. Bradshaw paid selling expenses totaling $1,000. What is Mr. Bradshaw’s gross profit percentage?

1. 20%
2. 40%
3. 50%
4. 100%

28. In his only capital transaction thus far this year, Sid Luckman recognized a $6,000 short-term capital gain during the current year. To minimize his tax liability for the year, Sid would ideally

 a. recognize a $6,000 short-term capital loss and a $3,000 long-term loss

 b. recognize a $9,000 short-term capital loss

 c. recognize a $9,000 long-term capital loss

 d. all of the above will achieve the same tax effect

29. Taxpayer Beverly Long is unable to file her federal income tax return by April 15. She estimates the total tax liability to be $4,700. Beverly’s W-2 reports federal income tax withholding of $4,400 for the year. Assuming that Beverly correctly estimated the tax liability amount, what minimum amount should she have include with Form 4868 in order to avoid any estimated tax late payment penalty?

1. $300
2. $170
3. $-0-
4. none of the above

30. Mr. Brown is a college student working on a degree in accounting. He received the following:

a $4,000 scholarship used for tuition at State University

a $1,000 scholarship used for fees and books

an $8,000 fellowship used for his room and board

Compute the amount Mr. Brown must include in income.

1. $8,000
2. $5,000
3. $13,000
4. $9,000

31. Which of the following expenses is not allowed as a deduction *for* adjusted gross income?

1. advertising expense related to a rental duplex held for income-producing purposes
2. subscription to an investment newsletter related to stocks and bonds held for income-producing purposes
3. consulting fees related to oil royalty income
4. all of the above are deductions for adjusted gross income

32. Which of the following involuntary conversions would not qualify for the special deferral rules under Sec. 1033?

1. a building rented to business clients is replaced by a building rented as dwelling units
2. a central heating unit is replaced by a heat pump
3. a delivery van is replaced with a computer system
4. all of the transactions are qualified replacements

33. A practitioner who discovers a material error on the prior year return of a taxpayer should:

1. refuse to prepare the current year return until the taxpayer amends the incorrect prior year return
2. promptly notify the taxpayer of the error
3. promptly notify the Internal Revenue Service of the error
4. the practitioner need do none of the above

34. Michael had to pay $4,000 alternative minimum tax last year. This year his regular income tax is $60,000 and alternative minimum tax on his income is $57,000, so he will pay only regular income tax. How much credit for prior year minimum tax can he take this year?

1. $-0-
2. $4,000
3. $2,000
4. $3,000

35. Mr. Bagley, a self-employed musician, timely filed his 2015 income tax return which showed an AGI of $180,000 and a total tax of $45,000. He expects his 2016 total tax to be $70,000. What is his required payment through withholding and estimated tax for 2016?

1. $63,000
2. $49,500
3. $45,000
4. $-0-

36. Mr. Brown, a calendar-year taxpayer, filed his 2014 federal income tax return on April 15, 2015. He was unable to pay the tax due at that time, but eventually paid the total amount due on September 3, 2016. During October 2016, Mr. Brown discovered he had made a mistake and overstated his 2014 income tax liability. He has until what date to file a claim for refund?

1. April 15, 2018
2. September 3, 2018
3. April 15, 2017
4. September 3, 2019

37. Rev. Elvin Snider is the ordained minister at Crossroads United Methodist Church. His salary on his Form W-2 is $20,000. He also receives a $12,000 housing allowance. His housing costs for the year are $14,000. What is Rev. Snider’s income for federal income tax purposes?

1. $34,000
2. $32,000
3. $20,000
4. none of the above

38. Jack and Jill are married and agree to split the gifts that they made during 2015. Jack gives his nephew James $30,000, and Jill gives her niece Janice $25,000. Which statement is true regarding Jack and Jill’s gifts?

1. Jack and Jill can combine their gifts of $55,000 on one gift tax return and take a $14,000 annual exclusion for each recipient.
2. Jack and Jill must file separate gift tax returns and each take a $14,000 annual exclusion for their own personal gift.
3. Jack and Jill must each file a gift tax return and report one-half of each gift on each return before applying the $14,000 annual exclusions.
4. None of the above.

39. Rev. Mark, an ordained minister, received $8,400 designated as a housing allowance. Rev. Mark used the full amount to pay his mortgage principal of $1,000, mortgage interest of $6,300, and property taxes of $1,200. Rev. Mark itemized his deductions and deducted the home mortgage interest and property taxes. What is the amount Rev. Mark may exclude from income?

1. $-0-
2. $900
3. $7,300
4. $8,400

40. Winston turned 70½ on June 1, 2015. By what date must he receive his minimum distribution?

1. April 15, 2015
2. December 31, 2015
3. June 30, 2015
4. none of the above

41. For the current year, Mr. and Mrs. Randall filed a joint return. During the year, they provided more than 50% support for the following individuals:

* The Randalls’ single son, age 18, was a full-time student for five months. He lived with them all year and he earned $4,500 which was spent on his support.
* The Randalls’ single daughter, age 25 and a full-time student for 12 months, lived with them all year. She earned $2,400 which was spent on her support.
* The Randalls’ granddaughter, age 3, who lived with them from June to December.
* Mrs. Randall’s mother, age 68, who in Canada part of the year and with the Randalls for the remainder of the year, received Social Security benefits of $2,800.
* Mrs. Randall’s cousin, age 16, lived with them all year and earned $1,200 which was spent on her support.

How many total exemptions may Mr. and Mrs. Randall claim on their current year tax return?

1. 4
2. 5
3. 6
4. 7

42. Baker purchased an annuity for $30,000 that will pay him $2,500 per year for the remainder of his

 life (estimated to be 20 years per mortality tables). The portion of each annual payment taxable to

 Baker is:

1. $-0-
2. $1,000
3. $1,200
4. $2,000

43. If your marriage is annulled, you must file amended returns, claiming single or head of household filing status, for

1. the year of the annulment
2. the year of the annulment and the preceding tax year
3. all open tax years affected by the annulment
4. no amended returns are required

44. Debby broke her leg this past year and was unable to work for three months. During this time she received $2,500 in sick pay from her employer. She also received $1,000 from her personally purchased accident policy. How much of these benefits is taxable income to Debby?

1. $-0-
2. $2,500
3. $1,000
4. $3,500

45. In which of the following situations will the divorced custodial parent be entitled to the dependency exemption for the child?

1. The noncustodial parent provides $1,500 of support for the child and the custodial parent provides $1,200.
2. The custodial and noncustodial parents both provide $1,500 of support for the child.
3. The custodial parent provides $1,500 of support for the child and the noncustodial parent provides $1,200.
4. All of the above.

46. Gordon, age 70, is retired and works part-time as a security guard earning $8,000. He received $5,000 interest from a saving account and $2,500 interest from tax-exempt municipal bonds. His Social Security benefits were $12,000 and his taxable pension was $6,000. To determine if any of his Social Security is taxable, Gordon should compare how much of his income to the $25,000 base amount?

**a.** $27,500

**b.** $21,500

1. $19,000
2. $25,000

47. All of the following are requirements to claim head of household filing status except:

1. you are unmarried or considered unmarried on the last day of the year

b. a qualifying individual must be your dependent unless he or she is your unmarried child

c. your parent must live in your home at least six months

1. you paid more than half of the cost of keeping up your house for the entire year

48. Amanda, who is single, received $110,000 in salary and realized a $30,000 loss from her rental real estate activities in which she actively participates. She acquired the property on November 30, 2014. She contributed $2,000 to an IRA (assumed deductible). What is the amount that Amanda may claim as loss from her real estate activity?

1. $20,000
2. $21,000
3. $25,000
4. $30,000

49. Sandy received the following income in the current year:

Wages (Box 1 of W-2), $50,000

Money won at weekly poker games, $1,000

Christmas ham (fair market value), $22

Dependent care benefits (Box 10 of W-2), $2,000 (spent $3,000 for childcare)

Group term life insurance ($40,000 death benefit), $50

How much gross income must be reported by Sandy for the tax year?

1. $50,022
2. $53,000
3. $51,000
4. $53,072

50. Mr. and Mrs. Apple received the following income during the year:

* $200 in interest credited to their bank account but not withdrawn or used by them during the year.
* $2,000 in interest received as a beneficiary in a trust established by Mr. Apple’s father and included on Schedule K-1 from the trust.
* $100 in interest on a bond issued by the State of Georgia.
* $1,000 bond interest, City of Atlanta municipal bond.

How much taxable interest income must Mr. and Mrs. Apple report on their tax return?

1. $3,300
2. $-0-
3. $2,200
4. $1,300

51. All of the following are considered “constructive receipt” of income except:

1. Lori was informed her check for services rendered was available but she did not pick it up.
2. Pierre earned income that was received by his agent but was not received by Pierre.
3. Jacque bought a nine-month certificate of deposit in November, 2014. It earned $200 interest in 2014. She can withdraw the principal and interest in 2014 if she pays a penalty of one month’s interest ($100).
4. A payment on a sale of real property placed in escrow pending settlement at which time title would convey.

52. Lace gave the following gifts during the year:

Cash to her sister $ 9,000

Stocks to her brother 16,000

Cash to United Way 16,000

A car to her cousin 20,000

Based on this information, what is the amount of taxable gifts given?

1. $-0-
2. $4,000
3. $8,000
4. $11,000

53. On December 31, 2015 Jack received a capital gain distribution of $750 from his mutual fund. He owned his mutual fund shares since June 30, 2015. How should Jack report the capital gain distribution on his 2015 tax return?

1. $750 short-term capital gain
2. $750 long-term capital gain
3. $-0-
4. $750 ordinary dividend

54. During the year 2015, Ted drives his car 5,000 miles to visit clients, 10,000 miles to get to his office, and 500 miles to attend business-related seminars. He also spent $300 for airfare to another business seminar and $200 for parking at his office. What is his deductible transportation expense, assuming a 2015 tax year?

1. $300
2. $3,462
3. $2,425
4. $8,128

55. Vera and Jack (wife and husband) contributed $15,000 in cash to their synagogue during the year. They also donated $3,000 to a private foundation which is a non-profit cemetery organization. They knew a 30% limit applies to contributions to such foundations. Their adjusted gross income for the year was $30,000. Vera and Jack’s deductible contribution for the year and any carryover is:

1. $18,000 with $0 carryover to next year
2. $15,000 with $2,100 carryover to next year
3. $7,500 with $2,100 carryover to next year
4. $15,000 with $3,000 carryover to next year

56. Karen Smith bought Coca-Cola stock for $475 on March 31, 2015. On November 15, 2015 Karen received a non-taxable distribution of $155 on the 50 shares of stock she owned. She sold the stock for $300 on December 22, 2015. What is her gain or loss on the sale?

1. $175 gain
2. $175 loss
3. $20 gain
4. $20 loss

57. Loretta died on January 20, 2015. The assets included in her estate were valued as follows:

 ***1-20-15 7-20-15 10-20-15***

House $ 900,000 $ 800,000 $ 700,000

Stocks 1,850,000 1,600,000 2,000,000

The executor sold the house on October 20, 2015 for $700,000. The alternative valuation date was properly elected. What is the value of Loretta’s estate?

1. $2,750,000
2. $2,700,000
3. $2,400,000
4. $2,300,000

58. Zach and Myra have four children ranging in age from 2 to 10. Zach has wages of $80,000 and Myra $25,000. Two of the children went to Child Nursery School, Inc. at a total cost of $8,000. The two older children attended a qualified after school program that costs $2,500. What amount of childcare expenses can be used to determine the credit on their return?

1. $10,500
2. $2,500
3. $4,800
4. $6,000

59. Mr. and Mrs. Sutton are both over 65 and file a joint return. During the year, they received $5,000 from Social Security and their adjusted gross income was $12,000. How much can they claim as a credit for the elderly?

1. $-0-
2. $225
3. $375
4. $975

60. In 2015, the U.S. President declared a federal disaster due to the flooding in Minnesota. Lisa lives in that area and lost her home in the flood. What choice does she have regarding when she can claim the loss on her tax return?

1. it must be claimed in 2014 if the return has not been filed by the date of the loss
2. it must be claimed in 2015 if the loss is greater than the modified adjusted gross income
3. it may be claimed in 2016 if an election is filed with the 2015 return
4. it may be claimed in 2014 or 2015

61. Which of the following amounts may be claimed as a credit on the estate tax return?

1. charitable contributions
2. generation-skipping transfer tax
3. unified transfer credit
4. earned income credit

62. Which of the following deductions is subject to the limitation on total itemized deductions when adjusted gross income exceeds certain limits?

1. real estate taxes on personal residence
2. investment interest
3. miscellaneous itemized deductions
4. none of the above

63. Which of the following assets is a capital asset?

1. movie screenplay held by the author
2. grocery items held for resale by a grocer
3. 30 acres of land held as an investment
4. manufacturing plant building

64. Tom suffered the following non-business casualties. In February, his home was vandalized. His loss after insurance reimbursement for the vandalism was $2,400. In September, his car was damaged in an accident. His loss after insurance reimbursement for the car accident was $900. Tom’s adjusted gross income for the year was $20,000. Based on this information, determine the amount of non-business casualty loss deduction.

1. $-0-
2. $1,100
3. $800
4. $1,300

65. In May, Automatic, Inc. sold land with a basis to Automatic of $10,000 to Jack, its 60% shareholder, for $8,000. In July, Jack sold the land to an unrelated party for $11,000. What is the amount of Jack’s recognized gain?

1. $-0-
2. $1,000
3. $2,000
4. $3,000

66. E-Z Corporation, which has a dividend reinvestment plan, paid dividends of $20 per share during the current year. Carlos, who owned 100 shares of E-Z Corporation prior to the distribution, participated in the plan by using all the dividends to purchase 20 additional shares of stock. He purchased the stock for $100 per share when the fair market value was $125 per share. How much dividend income must Carlos report on his current year income tax return?

1. $2,500
2. $2,000
3. $500
4. $-0-

67. Which of the following is not rental income in the year received?

a. security deposit, equal to one month’s rent, to be refunded at the end of the lease if the building passes inspection

1. payment to cancel the remaining lease
2. repairs paid by the tenant in lieu of rent

d. January 2016 rent received December 2015

68. Jerry has two dependent children, Greg and Mandy. Jerry spent $12,000 for Jerry to take a non-degree real estate licensing course. Mandy, a freshman at an accredited college, with no prior post-secondary education, had tuition expenses of $4,000. Jerry meets all the income and filing status requirements for the education credits. There is no tax-free assistance to pay these expenses. Jerry’s tax liability before credits equals $12,000. What is the maximum credit that Jerry may claim on his tax return?

1. $2,500 Lifetime Learning Credit
2. $3,000 American Opportunity Credit
3. $2,500 American Opportunity Credit and $2,000 Lifetime Learning Credit
4. $2,500 American Opportunity Credit and $1,800 Lifetime Learning Credit

69. Kathy rented out her summer home for 80 days plus used it personally for 20 days. For the year, she paid $1,000 for repairs and $2,000 for utilities. Rental income received was $8,000. What is Kathy’s net rental income?

a. $-0-

b. $5,000

c. $5,600

d. $8,000

70. A married couple would qualify for the $500,000 exclusion of gain on the sale of a residence if:

1. both spouses meet the ownership and usage tests
2. both spouses meet the ownership test, but only one spouse meets the usage test
3. both spouses meet the usage test, but only one spouse meets the ownership test
4. either a. or c.

71. Janice volunteered at her local art museum where she conducted art-education seminars. She was required to wear a blazer that the museum provided, but she paid the dry cleaning costs of $200 for the year. The blazer was not suitable for everyday use. Her travel to and from the museum was 1,000 miles for the year. She estimates the value of the time she contributed during the year at $2,000 ($20/hr. x 100 hours). Her Schedule A deduction for charitable contributions is which of the following?

1. $2,340
2. $2,140
3. $140
4. $340

72. To meet your employer’s reimbursement or allowance arrangement accountable plan, which of the following are the requirements of his accountable plan?

1. your expenses must have a business connection
2. you must adequately account to your employer for expenses within a reasonable period of time
3. you must return any excess reimbursement or allowance within a reasonable period of time
4. all of the above

73. Which of the following items is not tax deductible as an education-related expense?

1. certain transportation and travel costs
2. the dollar value of vacation time or annual leave you take to attend a class
3. tuition, books, supplies, lab fees, and similar items
4. costs of research and typing when writing a paper as part of an educational program

74. In 2010 Laura loaned Pat $2,000. At that time, Pat signed an enforceable note agreeing to repay the $2,000. The loan was not made in the course of Laura’s business. The loan had not been repaid in 2015 when Pat died insolvent. For 2015, Laura should report the nonpayment of the loan as a(n):

1. short-term capital loss
2. long-term capital loss
3. ordinary loss
4. miscellaneous itemized deduction

75. Mr. and Mrs. Storm’s adjusted gross income is $75,000. They incurred and paid the following:

Investment fees and expenses $ 750

Tax return preparation fee 250

Union dues 1,500

Gambling loss-no gambling income………... 3,000

Employment agency fees looking

 for new job in same profession 2,500

IRA trustee’s fees 100

Assuming they itemize, how much can Mr. and Mrs. Storm deduct as miscellaneous itemized deductions?

1. $6,600
2. $4,100
3. $3,600
4. $3,500

76. Delta Dawn, a single taxpayer age 68, earned $300,000 taxable interest income and $200,000 taxable

 dividend income during the current year. She has no deductions for adjusted gross income. Her

 personal exemption deduction on Form 1040 for the current year will be

 a. $0

 b. $1,000

 c. $3,900

 d. $5,400

77. Joe and Jean purchased their primary residence in 1985 for $100,000. While they lived there, they made renovations at a cost of $125,000. They lived there until July 1, 2013. On June 15, 2015 the residence was sold for $800,000. From July 1, 2013 until June 15, 2015, the home was unoccupied. Joe and Jean file a joint return, and they have never excluded a gain from the sale of another home. What is their maximum taxable gain?

1. $575,000
2. $-0-
3. $75,000
4. $200,000

78. Mr. D sold his home for $250,000 using the installment method. His adjusted basis in his home at the date of sale was $175,000. He also incurred selling expenses of $25,000. What is Mr. D’s gross profit percentage under the installment method?

1. 10%
2. 20%
3. 30%
4. 40%

79. In claiming the earned income credit, a qualifying child could be any of the following except:

a. a 20-year-old unemployed child

b. your child that is less than 19 years old

c. your 22-year-old grandson that is a full-time student

d. your 40-year-old permanently-disabled stepson

80. Hollie filed as head of household and would like to take the child tax credit for Amanda. Which of the following statements is incorrect regarding the child tax credit?

1. Amanda must be under 16 at the end of the tax year.
2. Hollie must claim Amanda as a dependent.
3. All or part of the child tax credit may be refundable.
4. If Hollie’s adjusted gross income is above $75,000, her credit will be reduced or eliminated.

81. Martha Stewart incurred qualifying energy expenditures of $650 in 2014 and $440 in 2015. Her maximum energy credit for 2015 is

a. $-0-

b. $650

c. $440

d. $1,090

82. Alternative minimum tax for individuals requires certain adjustments and preferences. Which of the following is a preference or adjustment item for non-corporate taxpayers?

1. personal exemptions
2. incentive stock option exercise
3. tax-exempt interest on certain private activity bonds
4. all of the above

83. Ace Freely, age 12, earned $900 from a paper route and $2,400 interest during 2015. The portion of his income that will be taxed at his parents’ marginal tax rate in 2015 is:

1. $300
2. $700
3. $1,300
4. $2,000

84. Morris, a single taxpayer, is not covered by a qualified plan at his place of employment. He wishes to establish an IRA and contribute $5,500 for 2015. An IRA may be invested in all of the following accounts except:

1. bank CD
2. mutual fund
3. annuity
4. artwork

85. Peter and Jill are married and file a joint return. In 2015, Jill was an office manager for a large firm and earned $98,000; Peter owns a graphic design business that showed a net profit of $500. In 2015 Jill was covered by an employer’s plan; Peter was not. Their modified adjusted gross income was $188,000. What is the maximum deductible amount that Peter can contribute to a traditional IRA?

1. $-0-
2. $1,000
3. $2,750
4. $5,500

86. Which of the following is correct regarding contributions to a Roth IRA?

1. Contributions may be made regardless of age provided other requirements are met.
2. Contributions may be deducted if you are within certain income limits.
3. Contributions may be deducted if you are not covered under a retirement plan.
4. Contributions may not be deducted, but earnings are taxable when distributed.

87. Al Wade is a single person ($16,000 income) who does not have qualified health insurance coverage in 2015, and he does not qualify for any exceptions. His shared responsibility payment (SRP) for 2015 is

1. $0
2. $114
3. $325
4. $162.50

88. A single taxpayer will be subject to an additional Medicare Tax in 2015 of

 a. 0.9% of wages exceeding $200,000

 b. 0.9% of wages exceeding $250,000

 c. 9.0% of all wages exceeding $50,000

 d. 9.0% of total wages received during the year

89. Tom and Mary Allen, filing a joint return, have modified adjusted income of $270,000 and net

 investment income of $30,000. Their “net investment income tax” for the year is

 a. $0

 b. $380

 c. $760

 d. $1,140

90. In January 2015, Bob gave an interest-free loan of $14,500 to his son so that he could buy a boat. Bob forgave the entire debt in December 2015. In addition, Bob gave other gifts to his son during 2015 totaling $85,000. Bob’s taxable gifts for the year to his son total:

1. $73,000
2. $74,500
3. $85,500
4. $98,500

91. During calendar year 2015, Mary gave several gifts to relatives. Which of the following gifts must be reported on an annual gift tax return?

1. $25,000 to her mother to help pay for medical expenses

2. A $20,000 federal tax-exempt municipal bond to her sister

3. 100 shares of stock to her daughter (Mary’s basis in the stock was $10,000 and the fair market value at the date of the gift was $20,000)

4. $20,000 to a qualified university for her son’s dormitory fees

1. 2 and 4 only
2. 2, 3, and 4 only
3. 3 only
4. 1, 2, 3, and 4

92. Sally Maze earned $100,000 from each of two employers during 2015. She is entitled to a credit on

 her tax return for excess social security taxes withheld based on what portion of the $200,000 total?

 a. $0

 b. $13,700

 c. $84,500

 d. $100,000

 93. The federal estate tax return is due

 a. 1 ½ months following the end of the quarter of death

 b. 6 months after the date of death

 c. 9 months after the date of death

 d. April 15th of the year following the year of death

94. The “portability election” for the unused unified credit of a married person

 a. requires that the deceased and surviving spouse elect gift-splitting for all gifts

 b. insures that any unused credit of the first spouse to die is available to the surviving spouse

 c. both a and b

 d. neither a or b

95. Given the following information, determine the value of Sam’s gross estate. Sam is single.

 ***FMV at Date of Death***

Cash $ 15,000

Life insurance on Sam’s life (payable to his estate) 200,000

Jointly-owned property (percentage includible – 100%) 100,000

1. $315,000
2. $115,000
3. $265,000
4. $65,000

96. Which of the following statements is not true in regards to multiple support agreements for a dependency exemption?

 a. the dependent in question must not provide over 50% of his or her own support

 b. the person claiming the exemption must have provided at least 15% of the total support

 c. only one qualifying individual can claim the exemption in question

 d. all of the above are true

97. An 86-year old single taxpayer desires to leave certain real estate ($100,000 cost, $900,000 fair market value) to his daughter. The taxpayer’s remaining property is worth $2,000,000, and he has not made any lifetime gifts. From solely a transfer tax standpoint, which of the following strategies should he follow?

 a. gift the property immediately to his daughter

 b. bequeath the property at his death to his daughter

 c. place the property in a Qualified Terminal Interest Property Trust for his daughter

 d. any of the above

98. When Lisa’s husband died in 2009, he set up a qualified terminable interest property (QTIP) trust, naming Lisa as the beneficiary for her life. Lisa died in 2015. Given the following information, determine the value of Lisa’s gross estate.

 ***FMV on Date of Death***

Lisa’s revocable grantor trust $ 750,000

QTIP trust 1,000,000

1. $-0-
2. $750,000
3. $1,000,000
4. $1,750,000

99. A validly-filed extension to file Form 1040 extends the filing period for

 a. two months

 b. four months

 c. six months

 d. one year

100. Tina’s husband Dan died on January 3, 2015. Tina remarried on December 23, 2015, and elected to

 file a 2015 joint return with her new husband Allen. Dan’s filing status for his final 2015 return is

 a. single

 b. married – filing separately

 c. married – filing jointly

 d. head of household

**Blank Answer Sheet**

**Sample Enrolled Agents Exam**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Question** | **Answer** | **Question** | **Answer** | **Question** | **Answer** | **Question** | **Answer** |
| **1** |  | **26** |  | **51** |  | **76** |  |
| **2** |  | **27** |  | **52** |  | **77** |  |
| **3** |  | **28** |  | **53** |  | **78** |  |
| **4** |  | **29** |  | **54** |  | **79** |  |
| **5** |  | **30** |  | **55** |  | **80** |  |
| **6** |  | **31** |  | **56** |  | **81** |  |
| **7** |  | **32** |  | **57** |  | **82** |  |
| **8** |  | **33** |  | **58** |  | **83** |  |
| **9** |  | **34** |  | **59** |  | **84** |  |
| **10** |  | **35** |  | **60** |  | **85** |  |
| **11** |  | **36** |  | **61** |  | **86** |  |
| **12** |  | **37** |  | **62** |  | **86** |  |
| **13** |  | **38** |  | **63** |  | **88** |  |
| **14** |  | **39** |  | **64** |  | **89** |  |
| **15** |  | **40** |  | **65** |  | **90** |  |
| **16** |  | **41** |  | **66** |  | **91** |  |
| **17** |  | **42** |  | **67** |  | **92** |  |
| **18** |  | **43** |  | **68** |  | **93** |  |
| **19** |  | **44** |  | **69** |  | **94** |  |
| **20** |  | **45** |  | **70** |  | **95** |  |
| **21** |  | **46** |  | **71** |  | **96** |  |
| **22** |  | **47** |  | **72** |  | **97** |  |
| **23** |  | **48** |  | **73** |  | **98** |  |
| **24** |  | **49** |  | **74** |  | **99** |  |
| **25** |  | **50** |  | **75** |  | **100** |  |

**Answer Key**

**Sample Enrolled Agents Exam**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Question** | **Answer** | **Question** | **Answer** | **Question** | **Answer** | **Question** | **Answer** |
| **1** | d | **26** | d | **51** | d | **76** | a |
| **2** | b | **27** | c | **52** | c | **77** | c |
| **3** | b | **28** | d | **53** | b | **78** | b |
| **4** | a | **29** | c | **54** | b | **79** | a |
| **5** | c | **30** | a | **55** | d | **80** | a |
| **6** | c | **31** | b | **56** | d | **81** | a |
| **7** | d | **32** | c | **57** | c | **82** | d |
| **8** | b | **33** | b | **58** | d | **83** | a |
| **9** | d | **34** | d | **59** | b | **84** | d |
| **10** | c | **35** | b | **60** | d | **85** | c |
| **11** | a | **36** | b | **61** | c | **86** | a |
| **12** | c | **37** | c | **62** | a | **87** | b |
| **13** | a | **38** | c | **63** | c | **88** | a |
| **14** | a | **39** | d | **64** | b | **89** | c |
| **15** | b | **40** | d | **65** | b | **90** | c |
| **16** | c | **41** | d | **66** | a | **91** | d |
| **17** | d | **42** | b | **67** | a | **92** | c |
| **18** | a | **43** | c | **68** | c | **93** | c |
| **19** | d | **44** | b | **69** | c | **94** | b |
| **20** | a | **45** | d | **70** | d | **95** | a |
| **21** | c | **46** | a | **71** | d | **96** | b |
| **22** | c | **47** | c | **72** | d | **97** | b |
| **23** | a | **48** | a | **73** | b | **98** | d |
| **24** | c | **49** | c | **74** | a | **99** | c |
| **25** | b | **50** | c | **75** | c | **100** | b |

**Estimated Grading Curve:**

**High Pass – 85% (85 of 100 correct)**

**Pass – 74% (74 of 100 correct)**

**Low Pass – 62% (62 of 100 correct)**

**High Fail – 52% (51 of 100 correct)**

**Fail – 45% (45 or lower of 100 correct)**

***Performance by Topic Domain (see next page)***

**Performance by Topic Domain - Sample Enrolled Agents Exam**

**(Check if question # answered correctly, then input total # correct in shaded box for each section)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Section 1** | **Section 2** | **Section 3** | **Section 4** | **Section 5** |
| **Preliminary Work & Taxpayer Data** | **Income and****Assets** | **Deductions and Credits** | **Taxation and Advice** | **Specialized Returns for Individuals** |
| **Question** | **√** | **Question** | **√** | **Question** | **√** | **Question** | **√** | **Question** | **√** |
| **18** |  | **1** |  | **5** |  | **4** |  | **38** |  |
| **20** |  | **2** |  | **8** |  | **7** |  | **52** |  |
| **29** |  | **3** |  | **9** |  | **19** |  | **57** |  |
| **35** |  | **6** |  | **10** |  | **25** |  | **61** |  |
| **37** |  | **12** |  | **11** |  | **28** |  | **82** |  |
| **41** |  | **13** |  | **22** |  | **32** |  | **90** |  |
| **43** |  | **14** |  | **54** |  | **33** |  | **91** |  |
| **45** |  | **15** |  | **55** |  | **34** |  | **93** |  |
| **47** |  | **16** |  | **58** |  | **36** |  | **94** |  |
| **53** |  | **17** |  | **59** |  | **39** |  | **95** |  |
| **76** |  | **21** |  | **60** |  | **40** |  | **97** |  |
| **83** |  | **23** |  | **64** |  | **42** |  | **98** |  |
| **87** |  | **24** |  | **68** |  | **62** |  |  |  |
| **92** |  | **26** |  | **71** |  | **63** |  |  |  |
| **96** |  | **27** |  | **72** |  | **65** |  |  |  |
| **99** |  | **30** |  | **73** |  | **70** |  |  |  |
| **100** |  | **31** |  | **75** |  | **79** |  |  |  |
|  |  | **44** |  | **80** |  | **84** |  |  |  |
|  |  | **46** |  | **81** |  | **86** |  |  |  |
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| ***Summary #1*** |  | ***Summary #2*** |  | ***Summary #1*** |  | ***Summary #1*** |  | ***Summary #1*** |  |
| ***All Questions*** | ***17*** | ***All Questions*** | ***31*** | ***All Questions*** | ***19*** | ***All Questions*** | ***21*** | ***All Questions*** | ***12*** |
| ***# Correct*** |  | ***# Correct*** |  | ***# Correct*** |  | ***# Correct*** |  | ***# Correct*** |  |
|  |  |  |  |  |  |  |  |  |  |
| **HP\*** | 14 | **HP\*** | 26 | **HP\*** | 15 | **HP\*** | 17 | **HP\*** | 10 |
| **P\*** | 12 | **P\*** | 22 | **P\*** | 13 | **P\*** | 15 | **P\*** | 8 |
| **LP\*** | 10 | **LP\*** | 18 | **LP\*** | 12 | **LP\*** | 13 | **LP\*** | 7 |
| **HF\*** | 8 | **HF\*** | 15 | **HF\*** | 9 | **HF\*** | 11 | **HF\*** | 6 |
| **F\*** | 6 | **F\*** | 12 | **F\*** | 7 | **F\*** | 9 | **F\*** | 4 |

\* HP = high pass (great work!), P = pass (good job), LP = low pass (on the border line – review material briefly), HF = high fail (close, but need to review more closely), F = fail (more intense studying recommended to insure success)

**Answers & Explanations – Sample Enrolled Agents Exam**

|  |  |  |
| --- | --- | --- |
| Question | Answer | Explanation |
| 1 | d | FMV of property is reported as income and becomes the basis of the property |
| 2 | b | FMV of property on date of death is basis, unless alternative valuation elected |
| 3 | b | All of the transactions are short-term, except for the TTT stock |
| 4 | a | If taxpayer is otherwise in 10% or 15% bracket, tax rate on capital gain is 0% |
| 5 | c | State income tax and real estate tax; one-half of S/E tax is deduction *for* AGI |
| 6 | c | Loss is short-term, maximum offset against ordinary income is $3,000 |
| 7 | d | A practitioner may be asked to render advice on all of these tax planning issues |
| 8 | b | The $13,000 qualifying cost is reduced by the $8,000 increase in value of the home |
| 9 | d | The payment for 2014 tax is for period prior to ownership; 2015 tax not due yet |
| 10 | c | Margin interest deduction limited to $8,000 investment income (interest) |
| 11 | a | Points on a personal residence purchase are deductible, even if paid by the seller |
| 12 | c | Cost basis of $2,000 is reduced by the $100 return of capital distribution |
| 13 | a | Donor’s basis of $12,000 in increased by 24/36 of $6,000 gift tax paid |
| 14 | a | *Tricky* – Jane used the home as a *personal residence*; $2,000 loss NOT deductible |
| 15 | b | Limit for ordinary loss is $100,000 on joint return, regardless of ownership |
| 16 | c | Basis includes cost, recording fees, and title insurance |
| 17 | d | Exchanges of business property for rental property qualify as like-kind exchanges |
| 18 | a | Cost of prescription birth-control pills are deductible |
| 19  | d | Mrs. Byrd had no *earned* income, and was not permitted to make a contribution |
| 20 | a | John’s unearned income did not exceed $1,050 (standard deduction is $3,450) |
| 21 | c | One-half of mortgage payment and the life insurance premiums are alimony |
| 22 | c | Impairment related expenses are miscellaneous, but not subject to the 2% floor |
| 23 | a | Method 1($8,000 + $1,000 - $1,000); Method 2 ($10,000 - $2,000 deferred gain) |
| 24 | c | Deductible are alimony, medical insurance, IRA, and ½ of self-employment tax |
| 25  | b | The credit rate will be 32%, which exceeds her tax savings with exclusion (15%) |
| 26 | d | To qualify, the commute to work from the present home must increase 50 miles |
| 27 | c | Gross profit (GP) percentage = $5,000 GP/$10,000 total contract price (received) |
| 28  | d | All of the losses would offset the $6,000 gain, then $3,000 deduction against AGI |
| 29 | c | The $4,400 withholding exceeds 90% of actual current $4,700 liability ($4,230) |
| 30 | a | Payments for room and board do not qualify for exclusion |
| 31 | b | Deductions related to income-producing activities other than rent/royalty *from AGI* |
| 32 | c | Owner/user properties must meet a functional use test (perform the same function) |
| 33 | b | Circular 230 requires notifying the taxpayer promptly, but *not* the IRS |
| 34 | d | Use of AMT carryover limited to excess of regular tax over tentative minimum tax |
| 35 | b | Must pay in lesser of 90% of current tax or 110% of prior year tax (AGI >150,000) |
| 36 | b | Later of 3 yrs. after due date or 2 yrs. after payment (the latter in this case) |
| 37 | c | Housing allowance is excludable for an ordained minister |
| 38 | c | With gift split, each gift is split by the spouses, and each has a $14,000 exclusion |
| 39  | d | Housing allowance is fully excludable, even though some items were deducted |
| 40 | d | Distribution required by 4/15 of the year *following* the year of turning age 70½  |
| 41 | d | All qualify (son full-time student, daughter < $4,000 gross income) |
| 42 | b | Exclusion percentage is 60% [$30,000 / ($2,500 x 20)]; 40% of $2,500 is taxable |
| 43  | c | Annulment assumes marriage never happened; all open years corrected |
| 44 | b | Benefits from employer-purchased policies taxable; employee purchased are not |
| 45 | d | Amounts paid irrelevant; custody parent gets the exemption unless waived |
| 46 | a | Provisional income = $8,000 + $5,000 + $2,500 + ($12,000 SS x ½) + $6,000 |
| 47 | c | Parents need not live with the taxpayer to qualify the taxpayer for HH status |
| 48 | a | IRA *not* subtracted in determining modified AGI; use $110,000 ($5,000 net red.) |
| 49 | c | Ham is de minimis, dependent care <$5,000, group-term insurance cov. < $50,000 |
| 50 | c | Last two items are state and local interest, which is excludable |
| 51 | d | No constructive receipt possible on escrow amount; others can be received |
| 52 | c | Gifts to brother ($16,000 - $14,000 excl.) & cousin ($20,000 - $14,000 excl.) |
| 53 | b | All capital gains of mutual funds are reported as long-term capital gains |
| 54 | b | Deductible are mileage (5,500 x $.575) and airfare ($300); parking not deductible  |
| 55 | d | Maximum deduction limited to 50% of AGI; $15,000 to public deducted first |
| 56 | d | $300 selling price - $320 basis ($475 - $155 return of capital) |
| 57  | c | Use FMVs on 7/20/2015 AVD; note that sale was *after* the AVD and is irrelevant |
| 58 | d | Maximum qualifying costs for two younger qualifying children is $6,000 |
| 59  | b | Credit is [$7,500 initial amt. - $5,000 SS – (1/2 x $2,000 excess AGI)] x .15 |
| 60 | d | Federally-declared disaster area loss eligible for current year or prior year reporting |
| 61 | c | The unified transfer credit may offset any gift tax or estate tax liability |
| 62 | a | Investment interest and miscellaneous already subject to limits; taxes are not |
| 63 | c | Capital assets are purely personal properties and investment properties, such as land |
| 64 | b | Deduction = ($2,400 - $100 floor) + ($900 - $100 floor) – ($20,000 x 10% floor) |
| 65 | b | Jack’s $3,000 gain is offset by the $2,000 related party loss disallowed to corp.) |
| 66 | a | With DRIPs, $125 FMV per share of stock is used for gain |
| 67 | a | Potential obligation to repay deposit negates any constructive receipt |
| 68 | c | $2,000 LLC for Greg ($10,000 max. x 20%) + $2,500 max. AOE credit for Mandy |
| 69  | c | $8,000 gross rents - $800 repairs (80/100) - $1,600 utilities (80/100) |
| 70 | d | Both spouses must meet the usage test, but only one needs to meet ownership test |
| 71 | d | Deductible are $200 dry cleaning and $140 travel ($1,000 x $.14) |
| 72 | d | All three items are required for an accountable plan |
| 73 | b | Opportunity cost of lost income not deductible, since it was never taxed |
| 74 | a | Nonbusiness bad debts are always reported as short-term capital losses |
| 75 | c | All deductible ($5,100) but gambling losses; must reduce by 2% of $75,000 AGI  |
| 76  | a | With $500,000 adjusted gross income, the exemption deduction is fully phased out |
| 77 | c | Joe and Jean may exclude $500,000, since they meet both tests  |
| 78 | b | GP% = $50,000 gross profit / $250,000 total contract price |
| 79 | a | Child must be less than 19 years old, unless a full-time student |
| 80 | a | The qualifying child must be under *17* years of age, not 16 |
| 81  | a | Since at least $500 was spent in prior year, none qualify in the current year |
| 82 | d | All of the items are AMT preferences or adjustments for individuals |
| 83 | a | Unearned income (interest, in this case) exceeding $2,100 taxed at parents’ rate |
| 84 | d | Collectibles, with the exception of certain gold coins, do not qualify for contribution |
| 85 | c | Ded for non-covered spouse is $5,500 – {$5,500 x [(188,000 - $183,000)/$10,000]} |
| 86 | a | No age limit on contributions; contributions not deductible, payments never taxable |
| 87 | c | The minimum payment of $325 for a single person is greater than 1% of income |
| 88  | a | Thresholds are $200,000 for single taxpayers and $250,000 for married filing jointly |
| 89  | c | Tax is 3.8% of lesser of NII ($30,000) or modified AGI > $250,000 ($20,000) |
| 90 | c | Total gifts of $99,500 reduced by one $14,000 annual exclusion per donee |
| 91  | d | *Tricky!* Since a return is required, all gifts must be *reported* |
| 92  | c | Since each employer must withhold on $118,500, the excess is $200,000 - $118,500 |
| 93 | c | The federal estate tax return is always due 9 months after the date of death |
| 94  | b | Election insures usage of any unused credit of first spouse by the surviving spouse |
| 95 | a | All items are includable (life insurance includable because it is payable to the estate) |
| 96  | b | The minimum level of support required is 10%, not 15% |
| 97  | b | Bequeathing the property provides a stepped-up income tax basis of $900,000 |
| 98 | d | Revocable trust included, QTIP trust included as marital deduction was by H estate |
| 99 | c | The automatic extension period for individuals is six months |
| 100 | b | Married – filing separately is the only possible filing status |