Name:________________________ Class:________________ Date:__________

Chapter 1 - The Individual Income Tax Return

1. Which of the following is not a goal of the tax law?
   a. Encouraging certain social goals such as contributions to charity.
   b. Encouraging certain economic goals such as a thriving business community.
   c. Encouraging smaller families.
   d. Raising revenue to operate the government.
   e. None of the above are goals of the tax law.

ANSWER: c

2. Which one of the following provisions was passed by Congress to meet a social goal of the tax law?
   a. The deduction for job hunting expenses.
   b. The charitable deduction.
   c. The moving expense deduction for adjusted gross income.
   d. The deduction for soil and water conservation costs available to farmers.
   e. None of the above.

ANSWER: b

3. List two general objectives of the tax code.

ANSWER: The tax code promotes social goals, economic goals, and raising revenue.

4. Mark a "Yes" to each of the following if it is an objective of the tax code. Otherwise mark with a "No."
a. To provide a car to each American.
b. To promote giving to charities.
c. To encourage taxpayers to send their children to college.
d. To raise money to operate the government.
e. To promote the use of solar energy.

ANSWER: a. No
b. Yes
c. Yes
d. Yes
e. Yes

5. The US federal tax law's sole purpose is to raise revenue.
   a. True
   b. False

ANSWER: False

6. Which of the following is not a goal of the tax law?
   a. Ensuring that all persons pay the same amount of tax.
   b. Economic goals such as reduction in unemployment.
   c. Social goals such as lowering the cost of adoption.
   d. Raise adequate revenue to operate the government.

ANSWER: a

7. A corporation is a reporting entity but *not* a tax-paying entity.
   a. True
   b. False

ANSWER: False

8. Partnership capital gains and losses are allocated separately to each of the partners.
   a. True
   b. False

ANSWER: True

9. Wesley has a fairly simple tax situation with moderate wage income and a modest amount of interest income. Wesley wishes to use the easiest possible tax form. He may file:
   a. Form 1040EZ
   b. Form 1040A
   c. Form 1040
   d. Form 1065
   e. None of the above

ANSWER: c

10. Which of the following forms may be filed by individual taxpayers?
   a. Form 1040
   b. Form 1041
   c. Form 1065
   d. Form 1120
   e. None of the above

ANSWER: a

11. Partnerships:
   a. Are not taxable entities.
   b. Are taxed in the same manner as individuals.
   c. File tax returns on Form 1120.
   d. File tax returns on Form 1041.

ANSWER: a

12. Which of the following is correct?
   a. An individual is a reporting entity but not a taxable entity.
   b. A partnership is a taxable entity and a reporting entity.
   c. A corporation is a reporting entity but not a taxable entity.
   d. A partnership is a reporting entity but not a taxable entity.

ANSWER: d

13. Schedule 1 of Form 1040 is used to report:
   a. Salary income.
   b. Joint return status.
   c. Withholding on wages.
   d. Self-employment income.

ANSWER: d

14. Partnership income is reported on:
    a. Form 1040PTR.
    b. Form 1120S.
    c. Form 1040X.
    d. Form 1065.

ANSWER: d

15. Depending on the amounts of income and other tax information, some individuals may report their income on:
    a. Form 1040A.
    b. Form 1065.
    c. Form 1120.
    d. Form 1041.
    e. None of these.

ANSWER: e

16. Mark each of the following as a taxable entity, a reporting entity, or both:
a. Individuals
b. Corporations
c. Partnerships

ANSWER: a. Taxable and reporting entity
b. Taxable and reporting entity
c. Reporting entity

17. List if a form is used for an individual, a corporation, or a partnership tax return.
a. Form 1065
b. Schedule A, Itemized Deductions
c. Form 1040
d. Form 1120
e. Schedule B, Interest and Dividends

ANSWER: a. Partnership
b. Individual
c. Individual
d. Corporation
e. Individual

18. Distinguish between reporting entities and taxable entities and give examples of each.

ANSWER: A partnership is an example of a reporting entity. It pays no tax but must report partnership income or loss and the allocation of income or loss to partners. Individuals, corporations, estates, and certain trusts are examples of taxable entities whose income is subject to federal income taxation.

19. Which of the following is not considered one of the five basic taxable or reporting entities?
    a. Partnership
    b. Corporation
    c. Portfolio
    d. Individual
    e. Trust

ANSWER: c

20. Married taxpayers may double their standard deduction amount by filing separate returns.
    a. True
    b. False

ANSWER: False

21. An item is *not* included in gross income unless the tax law specifies that the item is subject to taxation.
    a. True
    b. False

ANSWER: False

22. For taxpayers who do not itemize deductions, the standard deduction amount is subtracted from the taxpayer's adjusted gross income.
    a. True
    b. False

ANSWER: True

23. Eugene and Velma are married. For 2018, Eugene earned $25,000 and Velma earned $30,000. They have decided to file separate returns. They have no deductions for adjusted gross income. Eugene's itemized deductions are $14,200 so he is going to itemize. Velma's itemized deductions are $4,000. Assuming Eugene and Velma do not live in a community property state, what is Velma's taxable income?
    a. $18,000
    b. $14,000
    c. $21,950
    d. $26,000
    e. None of the above

ANSWER: d

24. An individual is a head of household. What is her standard deduction?
    a. $12,000
    b. $9,350
    c. $18,000
    d. None of the above

ANSWER: c

25. Eugene and Velma are married. For 2018, Eugene earned $25,000 and Velma earned $30,000. They have decided to file separate returns. They have no deductions for adjusted gross income. Eugene's itemized deductions are $14,200 and Velma's are $4,000. Assuming Eugene and Velma do not live in a community property state and Eugene deducts the greater of the standard deduction or itemized deductions, what is Eugene's taxable income?
    a. $10,800
    b. $18,000
    c. $1,000
    d. $21,000
    e. None of the above

ANSWER: a

26. Oscar and Mary have no dependents and file a joint income tax return for 2018. They have adjusted gross income (all wages) of $140,000 and itemized deductions of $30,000. What is the amount of taxable income that Oscar and Mary must report on their 2018 income tax return?

a. $116,000

b. $93,600

c. $102,000

d. $110,000

e. $140,000

ANSWER: d

27. Barry is age 45 and a single taxpayer. In 2018, he has gross income of $17,000 and itemized deductions of $6,500. If Barry claims no dependents on his 2018 income tax return, calculate the following amounts:

a. His personal exemption amount
b. Barry's taxable income

ANSWER: a. **$0.** No personal exemptions in 2018
b. **$5,000**= $17,000 − $12,000 standard deduction

28. What is the formula for computing taxable income, as summarized in the text?

ANSWER:

Gross income
− Deductions for adjusted gross income
Adjusted gross income
− Greater of itemized deductions or standard deduction
− Qualified business income deduction
Taxable income

29. Mary is age 33 and a single taxpayer with adjusted gross income for 2018 of $29,400. Mary maintains a home for three dependent children and has itemized deductions of $3,000. Calculate the following amounts for Mary's 2018 income tax return:

a. Mary's standard or itemized deduction amount
b. Mary's taxable income

ANSWER:
a. **$18,000**
b. **$11,400**= $29,400 − $18,000

30. Kenzie is a research scientist in Tallahassee, Florida. Her husband Gary stays home to take care of their two young children. Kenzie's total wages for 2018 were $60,500 from which $5,900 of federal income tax was withheld. Calculate the income tax due or income tax refund on Kenzie and Gary's 2018 individual income tax return. Use the tax formula for individuals and show your work.

ANSWER:

Gross income	$60,500
Deductions for adjusted gross income	0
Adjusted gross income	60,500
Standard deduction	(24,000)
Taxable income	$36,500
Gross tax liability (from tax table)	$4,002

Tax withheld	(5,900)
Refund due	$(1,898)

31. Betty, age 39, and Steve, age 50, are married with two dependent children. They file a joint return for 2018. Their income from salaries totals $165,000; they receive $1,000 in taxable interest and $2,000 in royalties. Their deductions for adjusted gross income amount to $3,100; they have itemized deductions totaling $41,000. Calculate the following amounts:

a. Gross income
b. Adjusted gross income
c. Itemized deduction or standard deduction amount
d. Deduction for exemptions
e. Taxable income
f. Regular income tax liability from rate schedules

ANSWER:
a. **$168,000** = $165,000 + $1,000 + $2,000
b. **$164,900** = $168,000 − $3,100
c. **$41,000**
d. **$0**
e. **$123,900 =** $164,900 − $41,000
f. **$19,137** = $8,907 + (($123,900 − $77,400) × 22%)

32. Melissa is a 35-year-old single taxpayer with adjusted gross income of $49,600. She uses the standard deduction and has no dependents.

a. Calculate Melissa's 2018 taxable income. Please show your work.
b. When you calculate Melissa's tax liability, are you required to use the tax tables or the tax rate schedules, or does it matter?
c. What is Melissa's tax liability?

ANSWER: a. **$37,600** = $49,600 − $12,000
b. Taxpayers with income less than $100,000 must use the tax tables.
c. **$4,325**

33. Steven, age 35 and single, is a commodities broker. His salary for 2018 is $111,500 and he has taxable interest income of $40,000. He has no deductions for adjusted gross income. His itemized deductions are $31,000. Steven does not have any dependents.

a. What is the amount of his adjusted gross income?
b. What are his allowable itemized deductions?
c. What is his deduction for personal exemptions?
d. What is his taxable income?
e. What is his regular tax liability from the tax rate schedules?

ANSWER: a. **$151,500 =** $111,500 + $40,000
b. **$31,000**
c. **$0**
d. **$120,500**= $151,500 − $31,000
e. **$23,209.50**[tax rate schedule: $14,089.50 + [($120,500 − $82,500) × 24%]

34. Nathan is 24 years old, single, and works as an accountant in a salmon cannery in Alaska. His total wages for 2018 were $32,000. Federal income tax of $4,500 was withheld from his wages. His only other income was $260 of interest and

he had no deductible expenses.

Calculate the income tax due or income tax refund on Nathan's 2018 individual income tax return. Use the tax formula for individuals and show your work.

ANSWER:

Gross income	$32,260
Deductions for adjusted gross income	0
Adjusted gross income	32,260
Standard deduction	(12,000)
Taxable income	$20,260
Gross tax liability (from tax table)	$2,243
Tax withheld	(4,500)
Refund due	$(2,257)

35. In 2018, Len has a salary of $40,700 from his job. He also has interest income of $400. Len is single and has no dependents. During the year, Len sold stock held as an investment for a $10,000 loss. Calculate the following amounts for Len:

a. Adjusted gross income
b. Standard deduction
c. Taxable income
d. Tax liability
e. Explain the tax treatment of the loss from the stock sale

ANSWER:
a. **$38,100** = $40,700 + $400 − $3,000
b. **$12,000**
c. **$26,100** = $38,100 − $12,000
d. **$2,945** (tax table)
e. Up to **$3,000** of net capital loss per year can be deducted from ordinary income; the unused portion of $7,000 is carried forward.

36. Roger, age 39, and Lucy, age 37, are married taxpayers who file a joint income tax return for 2018. They have gross income of $26,100. Their deductions for adjusted gross income are $550 and they have itemized deductions of $5,400. If Roger and Lucy have no dependents for 2018, calculate the following amounts:

a. Their adjusted gross income
b. The greater of the amount of their standard deduction or their itemized deductions
c. Their taxable income

ANSWER:
a. **$25,550** = $26,100 − $550
b. **$24,000**
c. **$1,550** = $25,550 − $24,000

37. Hansel and Gretel are married taxpayers who file a joint income tax return for 2018. They have no dependents. On their 2018 income tax return, they have adjusted gross income of $62,000 and total itemized deductions of $4,000. What is their taxable income?

ANSWER: **$38,000** = $62,000 − $24,000

38. Rod, age 50, and Ann, age 49, are married taxpayers who file a joint return for 2018. They have gross income of $150,700. Their deductions for adjusted gross income are $5,100 and they have itemized deductions of $18,000, consisting of $10,000 in state income taxes and $8,000 in mortgage interest expense. If they have no dependents for 2018, calculate the following amounts:

a. Their adjusted gross income
b. The greater of the amount of their standard deduction or their itemized deductions
c. Their taxable income

ANSWER: a. **$145,600** = $150,700 − $5,100
b. **$24,000**
c. **$121,600** = $145,600 − $24,000

39. Theodore, age 74, and Maureen, age 59, are married taxpayers with two dependents. Their adjusted gross income for the 2018 tax year is $43,600, and they have itemized deductions of $7,800. Determine the following for Theodore and Maureen's 2018 income tax return:

a. The greater of the amount of their standard deduction or their itemized deductions
b. Their taxable income

ANSWER:
a. **$25,300** = $24,000 + $1,300
b. **$18,300** = $43,600 − $25,300

40. George, age 67, and Linda, age 60, are married taxpayers with three dependent children. Their adjusted gross income for the 2018 tax year is $142,000. They have itemized deductions of $24,000. Determine the following for their joint tax return for 2018:

a. Exemption deduction amount
b. The greater of the amount of their standard deduction or their itemized deductions
c. Taxable income

ANSWER:
a. **$0**
b. **$25,300** ($24,000 + $1,300)
c. **$116,700** = $142,000 − $25,300

41. What is the difference between the standard deduction and itemized deductions?

ANSWER: The standard deduction is a flat amount, varying based on a taxpayer's filing status (single, married, head of household, etc.), age, and vision, which is deducted from adjusted gross income (AGI) along with and qualified business income deductions to arrive at taxable income.
Itemized deductions are expenses paid by a taxpayer including medical expenses (over the 7.5 percent of AGI limit), various taxes (up to $10,000), home mortgage interest and investment interest, charitable contributions, certain personal casualty losses and miscellaneous deductions (not subject to the 2 percent of AGI limit). If the total itemized deductions are larger than the taxpayer's standard deduction, the taxpayer should complete Schedule A, listing all itemized deductions, and use this amount instead of the standard deduction. By itemizing deductions when they are larger than the standard deduction, taxpayers may reduce their taxable income and pay less tax.

42. For each of the following situations, indicate whether the taxpayer(s) is(are) required to file a tax return for 2018. Explain your answer.

a. Debra, age 68, and Jerry, age 70, are married and file a joint return. They received $24,500 in interest income from a savings account.
b. Margie is a single taxpayer with wages in 2018 of $8,400 and interest income of $200.
c. Janie, age 30, and Scott, age 28, are married and file a joint tax return. They had $17,000 in earnings from wages.
d. Kim, age 20, is a single college student who is claimed as a dependent by her parents. She

earned $2,000 from a part-time job and has $450 in interest income.

e. Stefanie, a 25-year-old single taxpayer, has wages of $1,500, from which $80 of federal income tax was withheld.

ANSWER:
a. No. The standard deduction of $24,000 plus 2 additional standard deductions of $1,300 each add up to $26,600, more than the income of $24,500.
b. No. Income of $8,600 is less than the $12,000 standard deduction.
c. No. The income of $17,000 is less than the $24,000 standard deduction.
d. Yes. Gross income is more than the larger of $1,050 or $2,350 (earned income of $2,000 plus $350).
e. No. Stefanie is not required to file a tax return, but she must file if she wishes to receive a refund of the income tax withheld.

43. A taxpayer with self-employment income of $600 must file a tax return.
   a. True
   b. False

ANSWER: True

44. A dependent child with earned income in excess of the available standard deduction amount must file a tax return.
   a. True
   b. False

ANSWER: True

45. A single taxpayer, who is not a dependent on another’s return, not blind and under age 65, with income of $11,750 must file a tax return.
   a. True
   b. False

ANSWER: False

46. If a taxpayer is due a refund, it will be mailed to the taxpayer regardless of whether he or she files a tax return.
   a. True
   b. False

ANSWER: False

47. Taxpayers with self-employment income of $400 or more must file a tax return.
   a. True
   b. False

ANSWER: True

48. Which of the following taxpayers does *not* have to file a tax return for 2018?
   a. A single taxpayer who is under age 65, with income of $13,500.
   b. Married taxpayers (ages 45 and 50 years), filing jointly, with income of $26,000.
   c. A student, age 22, with unearned income of $2,500 who is claimed as a dependent by her parents.
   d. A qualifying widow (age 67) with a dependent child and income of $18,800.
   e. All of the above.

ANSWER: d

49. In which of the following situations is the taxpayer *not* required to file a 2018 income tax return?
    a. When an individual has a current year income tax refund and would like to obtain it.
    b. When the taxpayer is a single 67-year-old with wages of $9,800.
    c. When the taxpayer is a 35-year-old head of household with wages of $18,800.
    d. When the taxpayer is a 69-year-old widow (spouse died 3 years ago) with wages of $16,500 and no dependents.
    e. When the taxpayers are a married couple with both spouses under 65 years old with wages of $26,000.

ANSWER: b

50. All of the following factors are important in determining whether an individual is required to file an income tax return, *except*:
    a. The taxpayer's filing status.
    b. The taxpayer's gross income.
    c. The taxpayer's total itemized deductions.
    d. The availability of the additional standard deduction for taxpayers who are elderly.
    e. None of the above.

ANSWER: c

51. Monica is a maid in a San Francisco hotel. Monica received $500 in unreported tips during 2018 and owes Social Security and Medicare taxes on these tips. Her total income for the year, including tips, is $4,500. Is Monica required to file an income tax return for 2018?
Why?

ANSWER: Yes. Monica must file a return and pay Social Security and Medicare taxes on the unreported tips.

52. John, 45 years old and unmarried, contributed $1,000 monthly in 2018 to the support of his parents' household. The parents lived alone and their income for 2018 consisted of $500 from dividends and interest. What is John's filing status and how many dependents should he claim on his 2018 tax return?
    a. Single and no dependents
    b. Head of household and no dependents
    c. Single and 2 dependents
    d. Head of household and 2 dependents
    e. None of the above

ANSWER: d

53. During 2018, Murray, who is 60 years old and unmarried, provided all of the support of his elderly mother. His mother was a resident of a home for the aged for the entire year and had no income. What is Murray's filing status for 2018, and how many dependents should he report on his tax return?
    a. Head of household and 1 dependent
    b. Single and 2 dependents
    c. Head of household and 2 dependents
    d. Single and 1 dependent
    e. None of the above

ANSWER: a

Chapter 1 - The Individual Income Tax Return

54. Jeri is single and supports her 45-year-old son who has income of $350 from working in a pumpkin patch during October and lives in his own apartment.

a. Can she claim him as a dependent?
b. Can she claim head of household filing status? Why or why not?

ANSWER: a. Yes, her son qualifies as a dependent.
b. No. Her son must live in the same household with Jeri in order for Jeri to be able to file as head of household.

55. If your spouse dies during the tax year and you do not remarry, you must file as single for the year of death.
a. True
b. False

ANSWER: False

56. Taxpayers who do not qualify for married, head of household, or qualifying widow or widower filing status must file as single.
a. True
b. False

ANSWER: True

57. If an unmarried taxpayer paid more than half the cost of keeping a home which is the principal place of residence of a nephew, who is not her dependent, she may use the head of household filing status.
a. True
b. False

ANSWER: False

58. The maximum official individual income tax rate for 2018 is 39.6 percent, not including the Medicare surtax on net investment income.
a. True
b. False

ANSWER: False

59. All taxpayers may use the tax rate schedule to determine their tax liability.
a. True
b. False

ANSWER: False

60. The head of household tax rates are higher than the rates for a single taxpayer.
a. True
b. False

ANSWER: False

61. Most states are community property states.
a. True
b. False

ANSWER: False

Chapter 1 - The Individual Income Tax Return

62. If taxpayers are married and living together at the end of the year, they must file a joint tax return.
    a. True
    b. False

ANSWER: False

63. A taxpayer who maintains a household with an unmarried child may qualify to file as head of household even if the child is not the taxpayer's dependent.
    a. True
    b. False

ANSWER: False

64. A married person with a dependent child may choose to file as head of household if it reduces his or her tax liability.
    a. True
    b. False

ANSWER: False

65. A taxpayer who is living alone, is legally separated from his or her spouse under a separate maintenance decree at year-end, and has no dependents should file as single.
    a. True
    b. False

ANSWER: True

66. John, age 25, is a full-time student at a state university. John lives with his unmarried sister, Ann, who provides over half of his support. His only income is $4,200 of wages from a part-time job at the college book store. What is Ann's filing status for 2018?
    a. Single
    b. Head of household
    c. Married, filing separately
    d. Qualifying widow(er)
    e. None of the above

ANSWER: a

67. Robert is a single taxpayer who has AGI of $145,000 in 2018; his taxable income is $122,000. What is his federal tax liability for 2018?
    a. $18,719.00
    b. $9,480.00
    c. $23,569.50
    d. $29,089.50
    e. $29,280.00

ANSWER: c

68. William is a divorced taxpayer who provides a home for his dependent child, Edward. What filing status should William indicate on his tax return?
    a. Head of household

b. Married, filing separately
c. Single
d. Qualifying widow(er)
e. None of the above

ANSWER: a

69. Irma, widowed in 2017, pays all costs related to the home in which she and her unmarried son live. Her son does not qualify as her dependent. What is her filing status for 2018?

a. Single
b. Married, filing separate
c. Head of household
d. Qualifying widow(er)
e. None of the above

ANSWER: a

70. Alan, whose wife died in 2016, filed a joint tax return for 2016. He did not remarry and continues to maintain his home in which his four dependent children live. In the preparation of his tax return for 2018, Alan should file as:

a. Single
b. Qualifying widow(er)
c. Head of household
d. Married, filing separately
e. None of the above

ANSWER: b

71. During 2018, Howard maintained his home in which he and his 16-year-old son resided. The son qualifies as his dependent. Howard's wife died in 2017. What is his filing status for 2018?

a. Single
b. Head of household
c. Married, filing separately
d. Qualifying widow(er)
e. None of the above

ANSWER: d

72. An unmarried taxpayer who maintains a household for a dependent child and whose spouse died four years ago should file as:

a. Single
b. Head of household
c. Qualifying widow(er)
d. Married, filing separately
e. None of the above

ANSWER: b

73. Norman and Linda are married taxpayers with taxable income of $126,000 in 2018.

a. When you calculate their tax liability are you required to use the tax tables or the tax rate schedules, or does it matter?

b. What is their tax liability?

ANSWER: a. Taxpayers with incomes of $100,000 or more must use the tax rate schedules.
b. Tax liability: $19,599 = $8,907 + [($126,000 - $77,400) × 22%]

74. Curt and Linda were married on December 31 of the prior year. What are their options for filing status for their prior year taxes?

ANSWER: They may file either as married filing joint or married filing separately. Even though they were married on the last day of the year, they must file as if they were married for the full year.

75. Madeline is single and supports her 85-year-old parents who live in a senior home paid for by Madeline and have no income. What is Madeline's filing status and why?

ANSWER: Head of household. Madeline is single and Madeline's parents meet the tests to qualify as her dependents. Parents are the only exception to the requirement that dependents must live in the same household as the taxpayer to qualify the taxpayer for head of household status.

76. List each alternative filing status available to unmarried individual taxpayers.

ANSWER: Single.
Head of household.
Qualifying widow(er).

77. Determine from the tax table or the tax rate schedule, whichever is appropriate, the amount of the income tax for each of the following taxpayers for 2018.

Taxpayer(s)	Filing Status	Taxable Income	Income Tax
Macintosh	Single	$35,680	
Hindmarsh	MFS	$62,100	
Kinney	MFJ	$142,000	
Rosenthal	H of H	$91,350	
Wilk	Single	$21,130	

ANSWER: Macintosh, **$4,091** (tax table)
Hindmarsh, **$9,607** (tax table)
Kinney, **$23,119 [**tax rate schedule: $8,907 + [($142,000 − $77,400) × 22%]
Rosenthal, **$14,828** (tax table)
Wilk, **$2,345** (tax table)

Match the letter of the filing status to the taxpayers below. Items may be used more than once.

a. Single
b. Married filing a joint return
c. Married filing separate returns
d. Head of household
e. Qualifying widow(er)
f. Married filing joint or married filing separate

78. The taxpayer's husband died last year. Her 13-year-old dependent daughter lives with her.

ANSWER: e

79. The unmarried taxpayer supports his dependent mother, who lives next door in a separate apartment.

ANSWER: d

80. The taxpayer is married, but her husband disappeared with a girlfriend while on vacation in March of the current year. The taxpayer has no dependents.
ANSWER: c

81. The taxpayer is unmarried and is living with his girlfriend.
ANSWER: a

82. After living together for 6 months, the couple married on December 31.
ANSWER: f

83. The taxpayer who is unmarried legally adopted a child who lives with her.
ANSWER: d

84. An individual, age 22, enrolled on a full-time basis at a trade school, is considered a student for purposes of determining whether a dependency exemption is permitted.
   a. True
   b. False
ANSWER: True

85. A dependent that dies during the tax year may still qualify as a dependent.
   a. True
   b. False
ANSWER: True

86. For 2018, personal and dependency exemption deductions are $4,150 each.
   a. True
   b. False
ANSWER: False

87. Scholarships received by a student may be excluded for purposes of the support test for determining the availability of the dependency exemption.
   a. True
   b. False
ANSWER: True

88. The two types of dependents are qualifying child or qualifying dependent.
   a. True
   b. False
ANSWER: True

89. An 18-year-old full-time student child who is claimed on the parents' tax return as a dependent is eligible for the child tax credit.
   a. True
   b. False
ANSWER: False

90. During the current tax year, Anita was entirely supported by her three sons, Dudley, Carlton, and Isidore, who provided support for her in the following percentages:

Dudley	8 percent
Carlton	45 percent
Isidore	47 percent

Which of the children may be allowed to claim his mother as a dependent, assuming a multiple support agreement exists?

a. Dudley

b. Dudley or Carlton

c. Carlton or Isidore

d. Dudley, Carlton, or Isidore

e. None of the above

ANSWER: c

91. Ronald is 92 years old and in poor health. Clever investing earlier in his life has left him with a sizeable income. He is able to support his son Ed. Ed is 67 years old and a bit "confused," so he lives in a nursing home. Ed's income is less than $2,000. How many dependents should Ronald claim on his tax return?

a. 1

b. 2

c. 3

d. 4

e. None of the above

ANSWER: a

92. Which of the following is a true statement with respect to the gross income test for the qualifying relative dependency exemption?

a. The relative must receive less than $4,150 of gross income in order to qualify.

b. The gross income test does not have to be met provided the relative is under age 19 at the end of the tax year.

c. The gross income test does not have to be met provided the relative is under age 24 at the end of the tax year.

d. The gross income test does not have to be met provided the relative is a student.

e. All of the above.

ANSWER: a

93. Albert and Louise, ages 66 and 64, respectively, filed a joint return for 2018. They provided all of the support for their blind 19-year-old son, who had no gross income. They also provided the total support of Louise's father, who is a citizen and life-long resident of Peru. What is the amount of the credit for other dependents that Albert and Louise can claim?

a. $0

b. $500

c. $1,000

d. $2,000

e. None of the above

ANSWER: b

94. Which of the following relatives will *not* satisfy the relationship test for the dependency?

a. Sister
b. Adopted child
c. Aunt
d. Parent
e. All of the above satisfy the test

ANSWER: e

95. Which of the following is *not* a test that must be met for a child to be considered a dependent?

a. Age test
b. Domicile test
c. Citizenship test
d. Relationship test
e. Blood test

ANSWER: e

96. Mr. and Mrs. Vonce, both age 62, file a joint return for 2018. They provided all the support for their daughter who is 19 years old, legally blind, and who earns no income. Their son, age 21 and a full-time student at a university, had $4,200 of income and provided 70 percent of his own support during 2018. What is the other dependent credit Mr. and Mrs. Vonce may claim on their 2018 tax return?

a. $0
b. $500
c. $1,000
d. $2,000
e. None of the above

ANSWER: b

97. Jessica, a 17-year-old guitarist in a successful band, earns $100,000 a year and is completely self-supporting although she lives with her parents. Can her parents claim her as a dependent? Why or why not?

ANSWER: Because Jessica is self-supporting, her parents may not claim her as a dependent. The self-support test is applied to both children and relatives who otherwise qualify, so Jessica is disqualified.

98. Karl's father, Vronsky, is a 60-year-old Russian citizen who lived in Russia for the full year. Karl supported Vronsky while he looked for work. Vronsky had no income. Can Karl claim Vronsky as a dependent?

ANSWER: No. Vronsky cannot be claimed as a dependent because he is not a US citizen, or resident of United States, Mexico, or Canada.

99. Most taxpayers may deduct the standard deduction amount or the amount of their itemized deductions, whichever is higher.

a. True
b. False

ANSWER: True

100. Taxpayers who are blind get the benefit of:

a. An extra exemption.
b. An additional amount added to their standard deduction.

c. Two standard deductions.

d. None of the above.

ANSWER: b

101. Martin, a 50-year-old single taxpayer, paid the full cost of maintaining his dependent mother in a home for the aged for the entire year. What is the amount of Martin's standard deduction for 2018?

a. $12,000

b. $18,000

c. $19,600

d. $24,000

e. None of the above

ANSWER: b

102. Jill is a 16-year-old child who is claimed as a dependent by her parents. Jill's only income is $1,400 from her bank savings account. What is the amount of Jill's standard deduction for 2018?

a. $1,200

b. $1,050

c. $4,000

d. $6,300

e. None of the above

ANSWER: b

103. Your standard deduction will be $12,000 in 2018 if you are:

a. Single and 67 years old.

b. Single and 45 years old.

c. Single, 27 years old, and blind.

d. A nonresident alien.

e. A married individual filing a separate return and your spouse itemizes his deductions.

ANSWER: b

104. Brian is 60 years old, single, and legally blind. Brian supports his father, who is 88 years old and blind, by paying the rent and other costs of his father's residence. What is the total standard deduction amount that Brian should claim on his 2018 tax return?

a. $18,000

b. $24,000

c. $19,600

d. $13,600

e. None of the above

ANSWER: c

105. Calculate the amount of the standard deduction the taxpayers should claim on their 2018 income tax returns.

a. Kelly and Glenn are married with one dependent child. They file a joint return, are in good health, and both of them are under 65 years of age. They also support her aging father.
b. Fran is 24 years old, in good health, and single.

c. George and Georgina are married and file a joint return. George is 64 years old and Georgina is 63 years old.
d. Norm is 62 years old, single, and blind.
e. Kimberly qualifies for head of household filing status, is 42 years old, and is in good health.
f. Lizzie is 11 years old and her only income is $3,200 of interest on a savings account. She is claimed as a dependent on her parents' tax return.

ANSWER: a. **$24,000**
b. **$12,000**
c. **$24,000**
d. **$13,600.** An additional $1,600 is allowed due to blindness
e. **$18,000**
f. **$1,050.** She is claimed as a dependent on her parents' tax return

106. How should a taxpayer decide whether to take the standard deduction or claim itemized deductions?

ANSWER: A taxpayer should claim the larger of the standard deduction or the total allowed itemized deductions since the amount reduces the taxpayer's income subject to tax.

107. An individual taxpayer with a net capital loss may deduct up to $3,000 per year against ordinary income.

a. True
b. False

ANSWER: True

108. Clay purchased Elm Corporation stock 20 years ago for $10,000. In the current year, he sells the stock for $29,000. What is Clay's gain or loss?

a. $19,000 long-term
b. $19,000 short-term
c. $19,000 ordinary
d. $3,000, with the excess carried forward
e. No gain or loss is recognized on this transaction

ANSWER: a

109. Alexis has a long-term capital loss of $13,000 on the sale of stock in the current year. She has no other capital gains or losses for the year. Her taxable income without this transaction is $60,000. What is her current year taxable income considering this capital loss?

a. $44,000
b. $54,000
c. $57,000
d. $70,000
e. Some other amount

ANSWER: c

110. Which of the following is *not* a capital asset?

a. Inventory
b. Stocks
c. A personal automobile
d. Gold

e. Land

ANSWER: a

111. Bob owns a rental property that he bought several years ago for $250,000. He has taken depreciation on the house of $35,000 since buying it. He sells it in 2018 for $290,000. His selling expenses are $12,000 for the year. What is Bob's realized gain on the sale?

a. $18,000

b. $53,000

c. $63,000

d. $77,000

e. None of the above

ANSWER: c

112. Mike purchased stock in MDH Corporation 5 years ago for $15,500. This year he sold it for $12,650 and then paid a $250 sales commission to his broker. He had no other capital gains or losses during the year.
a. What is Mike's amount realized?
b. What is Mike's adjusted basis?
c. What is Mike's realized gain or loss?
d. What is Mike's recognized gain or loss?
e. How much of the gain or loss can Mike report in his tax return?

ANSWER: a. Amount realized: **$12,400** = $12,650 − $250
b. Adjusted basis: **$15,500**
c. Realized loss: $12,650 − $250 − $15,500 = **$3,100**
d. Recognized loss: $12,650 − $250 − $15,500 = **$3,100**
e. **$3,000.** Up to $3,000 of capital loss can be written off each year

113. Fran bought stock in the FCM Corporation 4 years ago at a price of $18,000. She sold it this year for $22,225 and paid her broker $225 from the proceeds of the sale.
a. What is Fran's amount realized?
b. What is Fran's adjusted basis?
c. What is Fran's realized gain or loss?
d. What is Fran's recognized gain or loss?
e. How much of the gain or loss should be included in her tax return?

ANSWER: a. Amount realized: **$22,000 =** $22,225 − $225
b. Adjusted basis: **$18,000**
c. Realized gain: $22,225 − $225 − $18,000 = **$4,000**
d. Recognized gain: $22,225 − $225 − $18,000 = **$4,000**
e. **$4,000**. There is no limit on the amount of capital gain to be included in tax returns

114. Taxpayers can download tax forms from the IRS Internet site.

a. True

b. False

ANSWER: True

115. The IRS:

a. requires official tax forms be obtained at the local IRS office.

b. links to the H & R Block Web site.

c. provides information on how to choose a stock.

d. has an app for mobile phones.

ANSWER: d

116. Internet users can sign on to http://www.irs.gov/ and:

a. Download tax forms and publications.

b. Find links to other useful IRS pages.

c. Use a search function to find forms and publications.

d. All of the above.

ANSWER: d

117. Mark a “Yes” to each of the following that can be found on the IRS Web site. If not, mark with a “No.”
a. A list of IRS forms.
b. A search function.
c. Advice on how to avoid paying taxes.
d. Ways to contact the IRS.

ANSWER: a. Yes
b. Yes
c. No
d. Yes

118. Electronic filing (e-filing):

a. Reduces the chances that the IRS will make mistakes when inputting tax return information.

b. Generally results in a slower refund.

c. Can be done only by telephone.

d. Requires the services of a professional.

ANSWER: a

119. Electronically filed tax returns:

a. May not be transmitted from a taxpayer’s home computer.

b. Constitute more than 90 percent of the returns filed with the IRS.

c. Have error rates similar to paper returns.

d. Offer faster refunds than paper returns.

ANSWER: d

120. State two reasons why a person would want to e-file their return instead of mailing it.

ANSWER: A return that is e-filed has a smaller error rate than paper-filed returns. (Less than 1 percent versus more than 20 percent). E-filing also offers a faster refund because the IRS is able to process the return more quickly.