Individual
Income
Tax

#5300U
EXAM MATERIAL
COURSE DESCRIPTION

This course provides a general overview of federal income tax laws for individuals. It explains who must file, which tax forms to use, when the return is due, and other general information. It will provide guidance on which filing status can be used, whether or not dependents can be claimed, and whether the income received is taxable. The course also explains the standard deduction, the kinds of expenses that can be deducted, and the various credits that are available to reduce the total tax due. No prerequisites. Course level: Basic. Course #5300U – 24 CPE hours.

LEARNING ASSIGNMENTS AND OBJECTIVES

As a result of studying each assignment, you should be able to meet the objectives listed below each individual assignment.

ASSIGNMENT 1:  SUBJECT

Introduction

Study the course materials from pages 1 to 10
Complete the review questions at the end of the Introduction
Answer the exam questions 1 to 3

Objectives:

• To recall various income tax rates to be used for 2016 tax returns
ASSIGNMENT 2:  SUBJECT
    Filing Information
    Filing Status
    Personal Exemptions and Dependents
    Estimated Tax

Study the course materials from pages 11 to 38
Complete the review questions at the end of each chapter
Answer the exam questions 4 to 9

Objectives:

• To recognize the length of the automatic extension provided by filing Form 4868
• To recognize the various filing statuses and who is eligible to use them
• To recall the various requirements for a qualifying child
• To identify the purpose of estimated taxes

ASSIGNMENT 3:  SUBJECT
    Wages, Salaries, and Other Earnings
    Tip Income
    Interest Income
    Dividends and Other Corporate Distributions
    Rental Income and Expenses
    Retirement Plans, Pensions, and Annuities
    Social Security and Equivalent Railroad Retirement Benefits
    Other Income

Study the course materials for pages 39 to 136
Complete the review questions at the end of each chapter
Answer the exam questions 10 to 31

Objectives:

• To recall what types of compensation are included as income for tax purposes
• To recognize what tips should be included in income for tax purposes
• To recall the proper tax treatment for various types of interest
• To identify the proper treatment of various types of dividends
• To recognize the proper treatment of rental property income and expenses for tax purposes
• To identify various requirements regarding retirement plan taxation
• To recognize key taxation thresholds related to social security income
• To identify the taxability of various types of other income
ASSIGNMENT 4: SUBJECT
Basis of Property
Sale of Property
Selling Your Home
Reporting Gains and Losses

Study the course materials from pages 137 to 186
Complete the review questions at the end of each chapter
Answer the exam questions 32 to 45

Objectives:
• To identify the factors to consider in calculating the basis of property
• To recognize the taxability of the sale of personal use property
• To identify the special tax rules related to selling your home
• To recall the capital gains rates for the current year

ASSIGNMENT 5: SUBJECT
Individual Retirement Arrangements (IRAs) and Moving Expenses
Alimony
Education-Related Adjustments

Study the course materials for pages 187 to 240
Complete the review questions at the end of each chapter
Answer the exam questions 46 to 60

Objectives:
• To recall the thresholds, requirements, and additional taxes related to individual retirement arrangements
• To recognize what moving expenses are and are not deductible
• To recognize what is and is not alimony
• To identify education-related adjustments that can be made to income
ASSIGNMENT 6: SUBJECT
Standard Deduction
Medical and Dental Expenses
Taxes
Interest Expense
Contributions
Nonbusiness Casualty and Theft Losses
Car Expenses and Other Employee Business Expenses
Tax Benefits for Work-Related Education
Miscellaneous Deductions
Limit on Itemized Deductions

Study the course materials for pages 241 to 422
Complete the review questions at the end of this chapter
Answer the exam questions 61 to 97

Objectives:

• To recall the standard deduction amounts for the current year
• To recognize the deductibility characteristics of medical and dental expenses
• To recognize what taxes you can deduct if you itemize deductions
• To recall what types of interest you can and cannot deduct
• To recall the types of charitable contributions you can deduct and the records you should keep
• To recall the tax treatment of personal casualty losses, theft losses, and losses on deposits
• To identify what business-related expenses related to travel, transportation, entertainment, and gifts are deductible
• To recognize what work-related education expenses are deductible
• To identify various miscellaneous itemized deductions that you may be able to claim on Schedule A to adjust taxable income
• To recognize the limits on itemized deductions for the different filing statuses
ASSIGNMENT 7: SUBJECT

How to Figure Your Tax
Tax on Unearned Income of Certain Children
Child and Dependent Care Credit
Credit for the Elderly or the Disabled
Child Tax Credit
Education Credits
Earned Income Credit
Premium Tax Credit
Other Credits

Study the course materials from pages 423 to 504
Complete the review questions at the end of each chapter
Answer the exam questions 98 to 120

Objectives:

• To recognize various alternative minimum tax adjustments and preference items
• To recall the rules related to the tax on investment income of certain children
• To recall how to figure the child and dependent care credit
• To identify who qualifies to take the credit for the elderly or disabled
• To recall who qualifies for the child tax credit and the additional child tax credit
• To identify the requirements for and benefits of the American opportunity credit and the lifetime learning credit
• To recall the limit of investment income to qualify for the earned income credit
• To recognize who is eligible to claim the premium tax credit
• To identify various nonrefundable and refundable credits available for income tax purposes

ASSIGNMENT 8:

• Complete the Answer Sheet and Course Evaluation and submit to PES

NOTICE

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INDIVIDUAL INCOME TAX  
(COURSE #5300U) – EXAM OUTLINE

COURSE EXPIRATION DATE: Per AICPA and NASBA standards, this course must be completed within ONE YEAR from the date of purchase.

TEST FORMAT: The following final exam, consisting of 120 multiple choice questions, is based specifically on the material included in this course. The answer sheet must be completed and returned to PES for CPE certification. You will find the answer sheet at the back of this exam packet so that you may easily remove it and use it while taking your test.

LICENSE RENEWAL INFORMATION: The Individual Income Tax course (#5300U) qualifies for 24 CPE hours.

PROCESSING: Your exam will be graded promptly. You must score 70% or better to pass. If you mail or fax your exam, when you pass, your certificate of completion will be mailed. If you do not pass, we will give you a courtesy call to inform you of this, and another answer sheet will be sent to you free of charge. If you complete your exam online, your certificate will be available automatically in your account if you achieve a passing grade.

GRADING OPTIONS – Please choose only ONE of the following:

GRADING OPTIONS: Please choose only ONE of the following. There is no additional charge for any of these grading options. Make sure to fill out your answer sheet completely prior to submitting it.

• ONLINE GRADING – Visit our website at http://www.mypescpe.com. Login to your account (if you are a first-time user, you must set up a new user account). Click on “My CPE” in the left-hand navigation menu pane, then choose “My CPE in Progress,” and then click on “Exam Grading.” If your exam is not already located here, click on “Add Exam Ordered by Phone, Fax, Mail, or Another Person” and follow the instructions.

• MAIL – Your exam will be graded and your certificate of completion mailed to you the same day we receive it. Your certificate will be dated according to the postmark date; therefore, you do not need to overnight your exam. Please mail your answer sheet to:

Professional Education Services, LP  
4208 Douglas Blvd., Ste 50  
Granite Bay, CA 95746

• FAX – Your exam will be graded and you will be contacted either via phone or fax with your results within 4 business hours of receipt. A copy of your graded exam and certificate of completion will be mailed to you the same day we receive it. Your certificate will be dated according to the fax date. If you choose to fax your exam, please do not mail it. Your fax will serve as the original. Please refer to the attached answer sheet for further instructions on fax grading. Fax number (916) 791-4099.

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1500U Final Exam • 7
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The following questions are multiple choice. Please indicate your choice on the enclosed Answer Sheet.

1. If married filing jointly, the Additional Medicare Tax rate applies to wages, other employee compensation, and net self-employment earnings exceeding what amount:
   A. $100,000  
   B. $125,000  
   C. $200,000  
   D. $250,000

2. For 2016, what is the top estate tax rate:
   A. 10%  
   B. 25%  
   C. 40%  
   D. 50%

3. During 2016, what is the standard mileage rate for operating your car for moving expenses:
   A. 14.0 cents a mile  
   B. 17.0 cents a mile  
   C. 19.0 cents a mile  
   D. 54.0 cents a mile

4. Filing Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return, provides an automatic extension to file of how long:
   A. 3 months  
   B. 6 months  
   C. 9 months  
   D. 1 year

5. Generally, when is a taxpayer’s filing status as either married or unmarried determined:
   A. on the date the taxpayer files his or her return  
   B. on the first day of the tax year  
   C. on the last day of the tax year  
   D. on April 15th of the tax year

6. Which of the following is not one of the three types of relief from joint liability available for joint filers:
   A. innocent spouse relief  
   B. separation of liability  
   C. equitable relief  
   D. married filing separately relief

7. Generally, how much can you deduct for each exemption you claim in 2016:
   A. $2,025  
   B. $2,100  
   C. $4,050  
   D. $8,100

8. In order to be a qualifying relative, the person’s gross income for the year 2016 generally must be less than:
   A. $2,000  
   B. $2,025  
   C. $4,050  
   D. $4,500

9. What is the method used to pay tax on income that is not subject to withholding called:
   A. excise tax  
   B. estimated tax  
   C. direct tax  
   D. capital gains tax
10. For 2016, the social security tax on employees is what percentage of wages up to the $118,500 threshold:

A. 6.2%
B. 7.65%
C. 12.4%
D. 15.3%

11. Which of the following is not a de minimis employee benefit that an employer would typically ignore when reporting employee fringe benefit compensation:

A. a $250 holiday gift certificate
B. food discounts at a company cafeteria
C. a Christmas turkey given to each employee
D. the pro-rata cost of a company picnic

12. Which of the following transportation fringe benefits can be excluded from income:

A. transit passes of unlimited amounts
B. qualified parking up to $255 per month
C. qualified bicycle commuting cash reimbursement up to $130 per month
D. all commuter highway vehicle expense reimbursements

13. Which of the following is fully exempt from tax:

A. amounts received as workers’ compensation for an occupational sickness paid under a workers’ compensation act
B. payments received as sick pay under the Railroad Unemployment Insurance Act
C. payments received as continuation of pay for up to 45 days under the Federal Employees’ Compensation Act (FECA) while a claim is being decided
D. retirement plan benefits you receive based on your age, length of service, or prior contributions to the plan

14. Which of the following is correct regarding tip income:

A. tip income is not subject to federal income tax
B. only cash tips received are considered income
C. most noncash tips received are not considered income
D. tips received under a tip-splitting arrangement are considered income

15. Generally, the amounts you receive from money market funds should be reported as which of the following:

A. dividends
B. interest
C. capital gains
D. operating income

16. Which of the following is correct regarding interest on U.S. savings bonds:

A. interest on U.S. savings bonds is not taxable
B. interest on U.S. savings bonds is taxable when received, regardless of the accounting method used by the taxpayer
C. interest on U.S. savings bonds is taxable each year as it accrues, regardless of the accounting method used by the taxpayer
D. interest on U.S. savings bonds is taxable each year as it accrues for an accrual method taxpayer but not for a cash method taxpayer

17. Unless a corporation informs you otherwise, you can assume that any dividend you receive on common or preferred stock is which of the following:

A. a capital gains dividend
B. a qualified dividend
C. an ordinary dividend
D. a liquidating distribution
18. If the regular tax rate that would apply to dividends is lower than 25%, what tax rate are qualified dividends subject to:
   A. 0%
   B. 8%
   C. 10%
   D. 15%

19. How should advance rent be recorded:
   A. in the period it covers if you use the accrual method
   B. in the period it covers if you use the cash method
   C. in the year it was received regardless of the period covered only if you use the cash method
   D. in the year it was received regardless of the period covered or the method used

20. Expenses you can deduct from your rental income include all of the following except:
   A. taxes
   B. charges for putting in streets
   C. utilities
   D. commissions for the collection of rents

21. When figuring the number of days of personal use for rental property, the owner must count each day that any of the following occur except:
   A. when a family member uses the property
   B. when the use of this unit is traded for the use of another property elsewhere
   C. when working substantially full time repairing and maintaining the property
   D. when the property is rented at less than the fair market price

22. Married taxpayers, other than real estate professionals, filing jointly who actively participate in a passive rental activity may be able to deduct losses from the activity against non-passive income up to what amount:
   A. $10,000 per year
   B. $25,000 per year
   C. $50,000 per year
   D. $100,000 per year

23. What is the maximum amount a 52-year-old employee can contribute to a 401k in 2016:
   A. $5,500
   B. $6,500
   C. $18,000
   D. $24,000

24. Which of the following is a taxpayer’s annuity starting date:
   A. the first day of the first period for which the taxpayer received a payment
   B. the date the plan’s obligations became fixed
   C. the later of A and B above
   D. the earlier of A and B above

25. For a rollover distribution of a qualified retirement plan to be considered eligible, it generally must be completed by the ______ day following the day on which you receive the distribution from your employer’s plan.
   A. 30th
   B. 60th
   C. 90th
   D. 120th
26. If actual distributions from a qualified retirement plan received in any year are less than the minimum required distribution for that year, a tax is assessed on the part of the required minimum distribution not distributed equal to what percentage:

A. 6%
B. 10%
C. 15%
D. 50%

27. If you are married filing jointly, what is your social security benefits base amount:

A. $0
B. $25,000
C. $32,000
D. $41,000

28. What is the maximum percentage of your social security benefits that may be taxable:

A. 25%
B. 50%
C. 85%
D. 100%

29. Generally, if a debt you owe is canceled or forgiven, you must include the canceled amount in your income except:

A. when it is non-business debt
B. when it is business debt
C. when it is indebtedness attached to property you hold
D. when it is a gift or bequest

30. Which of the following refunds or recoveries do not have to be included in your taxable income:

A. federal income tax refund
B. state income tax refund
C. interest income on recoveries
D. all of the above

31. Which of the following is generally not included in income on Form 1040:

A. winnings from lotteries and raffles
B. property received as a gift
C. jury duty pay
D. cash awards received from an employer for suggestions

32. When calculating the basis of property, which of the following is an increase to basis:

A. postponed gain from the sale of a home
B. alternative motor vehicle credit
C. assessment for local improvements
D. residential energy credit

33. If you receive property in a nontaxable exchange, generally what is its basis:

A. its cost
B. its fair market value at the time of the exchange
C. the same as the basis of the property you transferred
D. its adjusted basis

34. When a federal estate tax return does not have to be filed, what is the cost basis for inherited property:

A. the appraised value at the date of death for state inheritance or transmission taxes
B. the FMV on an alternate valuation date
C. the decedent’s original basis
D. the decedent’s adjusted basis

35. When property is converted from personal use to business use, what is the basis for depreciation:

A. the fair market value of the property on the date of the change
B. your adjusted basis on the date of the change
C. the lesser of A or B above
D. the greater of A or B above
36. In order for a trade to be nontaxable, it must meet six conditions. Which of the following is not one of these conditions:
   A. the property must be business or investment property
   B. the property must be held primarily for sale
   C. the property must be identified within 45 days after the date the property was given up in the trade
   D. there must be a trade of like property

37. No gain or loss is recognized on the transfer of property from an individual to a spouse or former spouse (if incident to divorce), unless which of the following is true:
   A. the spouse is a nonresident alien
   B. the spouse is over age 70½
   C. the spouse earns over $100,000 in the taxable year
   D. the spouse has been married to the transferor less than 3 years

38. To qualify as a long-term capital gain or loss, how long must the holding period for sold investment property be:
   A. more than 30 days
   B. more than 180 days
   C. one year or less
   D. more than one year

39. A wash sale occurs when a taxpayer sells or trades stock or securities at a loss and within how many days before or after that sale the taxpayer buys substantially identical stocks or securities:
   A. 10 days
   B. 15 days
   C. 30 days
   D. 45 days

40. If you have a gain from the sale of your main home, you may be able to exclude up to how much from your income if you file a joint return:
   A. $125,000
   B. $250,000
   C. $500,000
   D. $1,000,000

41. When calculating the amount realized on the sale of a home, you can subtract all of the following from the selling price except:
   A. commissions
   B. advertising fees
   C. loan charges paid by the seller
   D. the cost of the land

42. If you do not meet the ownership and use tests, you can still exclude a portion of the gain if you sold the home due to any of the following except:
   A. a change in the place of employment
   B. the birth of one or more children
   C. health
   D. unforeseen circumstances, to the extent provided in the regulations

43. What is the tax rate applied to long-term gains from collectibles:
   A. 15%
   B. 20%
   C. 25%
   D. 28%

44. How long must a capital asset be held for a capital gain or loss to be considered long term:
   A. 30 days
   B. 180 days
   C. more than 1 year
   D. more than 2 years
45. What is the lowest possible capital gains rate for 2016:
   A. 0%
   B. 10%
   C. 15%
   D. 28%

46. What is the maximum amount that can be contributed to a traditional IRA for 2016 for an individual over age 50 who earned $50,000 and was not covered by an employer retirement plan:
   A. $2,000
   B. $3,000
   C. $5,500
   D. $6,500

47. In order for a single filing taxpayer covered by an employer retirement plan to take a full IRA deduction, the taxpayer’s modified AGI must be which of the following:
   A. $61,000 or less
   B. $71,000 or less
   C. $98,000 or less
   D. there is no limit

48. When must a tax-free IRA rollover contribution generally be made:
   A. by the 30th day after you receive the distribution from your traditional IRA
   B. by the 60th day after you receive the distribution from your traditional IRA
   C. by the 90th day after you receive the distribution from your traditional IRA
   D. by the end of the calendar year

49. When must a taxpayer start receiving distributions from his or her traditional IRA:
   A. the year the taxpayer reaches age 59½
   B. the year the taxpayer reaches age 70
   C. the year the taxpayer reaches age 70½
   D. by April 1 of the year following the year in which the taxpayer reaches age 70½

50. Generally, if you are under age 59½, you must pay an additional tax on the distribution of any assets from your traditional IRA of how much:
   A. 6% of the early distribution
   B. 10% of the early distribution
   C. $25
   D. $50

51. Which of the following is correct regarding contributions to a Roth IRA:
   A. they are reported on your income tax return
   B. they can only be made until you reach the age of 70½
   C. they are limited based on your modified AGI
   D. they are deductible

52. In order to contribute to a Roth IRA for your spouse, all of the following must be satisfied except:
   A. the contribution must satisfy the Kay Bailey Hutchison Spousal IRA limit
   B. you must file a joint return
   C. your modified adjusted gross income must be less than $194,000
   D. your spouse must be under age 59½

53. Which of the following is correct regarding contributions to a Roth IRA:
   A. contributions to Roth IRAs are unlimited
   B. contribution limits to Roth IRAs are reduced based on a taxpayer’s modified AGI
   C. contributions to Roth IRAs must be made before the end of the tax year
   D. taxpayers cannot transfer funds from a traditional IRA to a Roth IRA

54. How much is the excise tax that applies to any excess contribution to a Roth IRA:
   A. 1%
   B. 6%
   C. 10%
   D. 50%
55. In order to meet the distance test for deducting moving expenses, your new main job location must be at least how much farther from your former home than your old main job location was from your former home:
   A. 25 miles
   B. 50 miles
   C. 100 mile
   D. 200 miles

56. You can deduct which of the following as moving expenses:
   A. mortgage penalties
   B. pre-move househunting expenses
   C. loss on the sale of your home
   D. cost of shipping your car

57. When can a payment not be considered an alimony payment:
   A. if the payment is made by check
   B. if the payment is treated as child support
   C. if the payer and the recipient file separate returns
   D. if the payment is required by a divorce instrument

58. Which of the following qualifies as alimony:
   A. transfers of services or property
   B. execution of a debt instrument by the payer
   C. cash payments, including checks and money orders
   D. the use of the payer’s property

59. The student loan interest deduction can reduce the amount of your income subject to tax in 2016 by up to how much:
   A. $2,500
   B. $4,000
   C. $5,000
   D. $8,000

60. Which of the following is true regarding the tuition and fees deduction:
   A. qualified expenses include student health fees
   B. qualified expenses include room and board
   C. in order to be eligible, the student must be carrying 12 or more units at an eligible educational institution
   D. the maximum deduction allowed is dependent on the taxpayer’s modified adjusted gross income

61. What is the 2016 standard deduction for head of household:
   A. $4,650
   B. $6,300
   C. $9,300
   D. $12,600

62. What does the standard deduction amount depend on:
   A. your filing status
   B. whether you are 65 or older or blind
   C. whether another taxpayer can claim an exemption for you
   D. all of the above

63. What medical expenses can be included in the medical expense deduction:
   A. only medical expenses that were paid in the current tax year
   B. only medical expenses for services provided in the current tax year, regardless of when paid
   C. only medical expenses for services provided and paid for in the current tax year
   D. medical expenses paid with a credit card, only if the credit card charges have been paid off in the current tax year
64. Generally, medical and dental expenses that can be listed on Schedule A (Form 1040) include which of the following:
   A. diagnostic devices
   B. contributions to Archer MSAs
   C. funeral, burial, or cremation services
   D. herbal supplements

65. Which of the following cannot be included in your medical expenses on Schedule A (Form 1040):
   A. medical insurance premiums for hospitalization
   B. medical insurance premiums for long-term care
   C. medical expenses reimbursed by a health reimbursement arrangement
   D. medical expense premiums paid for Medicare Part D

66. Generally, which of the following fees and charges can you deduct:
   A. fees and charges that are for your trade or business
   B. license fees for personal use
   C. charges for water bills
   D. fines and penalties paid to the government

67. Which of the following real estate taxes and charges are not deductible:
   A. state and local real estate taxes
   B. foreign real estate taxes
   C. tenant’s share of real estate taxes paid by a cooperative housing corporation
   D. homeowners’ association charges

68. Whether you can deduct all of your home mortgage interest depends on all of the following except:
   A. the date you took out the mortgage
   B. the amount of the mortgage
   C. the interest rate on the mortgage
   D. your use of its proceeds

69. Generally, which of the following can be deducted as home mortgage interest:
   A. rental payments made prior to final settlement on the purchase
   B. late payment charge on mortgage payment
   C. payments on nonredeemable ground rents
   D. interest portion of mortgage assistance payments

70. Which of the following is true regarding points paid on loans secured by a second home:
   A. they are not deductible
   B. they are fully deductible in the year paid
   C. they can only be deducted over the life of the loan
   D. they are only 50% deductible in the year paid

71. Which of the following interest expenses are deductible:
   A. personal interest
   B. investment interest
   C. annual fees for credit cards
   D. loan fees

72. To be able to deduct out-of-pocket expenses you pay when providing services to a qualified charitable organization, those expenses must be which of the following:
   A. unreimbursed
   B. directly connected with the services
   C. not personal, living, or family expenses
   D. all of the above

73. Which of the following is not deductible as a charitable contribution:
   A. the value of services given to a qualified organization
   B. any unreimbursed out-of-pocket car expenses for gas and oil
   C. parking fees and tolls
   D. travel expenses necessarily incurred while away from home specifically performing services for a charitable organization
74. If you donate a qualified vehicle with a fair market value less than your cost or other basis to a qualified organization and you claim a deduction of more than $500, how much can you deduct:

A. the gross proceeds from the sale of the vehicle by the organization
B. the vehicle’s fair market value on the date of the contribution
C. the lesser of A or B above
D. the greater of A or B above

75. Which of the following is correct regarding your charitable deduction if you contribute property with a fair market value that is less than your basis in it:

A. it is limited to the property’s fair market value
B. it is equal to your basis in the property
C. it is unlimited
D. it is limited to the difference between the fair market value and the basis in the property

76. Excess charitable contributions that cannot be deducted in the current year because the amount exceeds the taxpayer’s AGI limit can be deducted in each of the next ____ years until it is all used up.

A. 2
B. 3
C. 4
D. 5

77. When can you claim a deduction for a cash contribution of more than $250:

A. if you have a canceled check
B. if you obtain a written acknowledgment from a qualified charitable organization or certain payroll deduction records
C. if you have the check notarized
D. if you have a copy of the qualified organization’s bank statement showing deposit of the funds

78. For a casualty loss to occur, the decrease in value of an asset must be the result of an event described as any of the following except:

A. sudden
B. unexpected
C. unusual
D. avoidable

79. If you incur a loss on a deposit with a bank, you can select from any of the following ways to deduct the loss except:

A. as a casualty loss
B. as an ordinary loss
C. as a nonbusiness bad debt
D. as a reduction of capital gain income

80. Which of the following is correct regarding the deduction limits for a casualty loss:

A. the deduction is only limited by the $100 rule
B. the $100 rule should be applied only once, even if many pieces of property are affected
C. the $100 rule should be applied only once, even if there is more than one event in a tax year
D. if property is used for both personal and business use, the casualty loss deduction should be figured on the total loss

81. For purposes of determining your travel away from home, what is considered your tax home:

A. where you maintain your family home
B. where you spend the most nights
C. the location that provides the greatest amount of deductible expense
D. the entire city or general area in which your business or work is located
82. Which of the following is correct regarding the deductibility of business-related meals:
   A. you can deduct the full cost of all business-related meals
   B. expenses for meals will be disallowed if they are more than a fixed dollar amount
   C. generally you can deduct only 50% of unreimbursed costs of your meals
   D. you must use the standard meal allowance if lower than the actual cost of your meal

83. You can deduct your travel expenses when you attend a convention that is for which of the following purposes:
   A. investment purposes
   B. political purposes
   C. social purposes
   D. advancing your trade or business

84. What is the maximum amount you can deduct for business gifts you give directly or indirectly to any one person during your tax year:
   A. $25
   B. $100
   C. $250
   D. $500

85. Which of the following are deductible transportation expenses:
   A. commuting expenses
   B. parking fees when visiting a customer
   C. cost of using your car in a nonprofit car pool
   D. advertising displays on your personal vehicle

86. What is the 2016 standard mileage rate for business use:
   A. 19.0 cents
   B. 52.0 cents
   C. 54.0 cents
   D. 58.5 cents

87. Documentary evidence is not required to support your travel expenses, other than lodging, if they are less than what amount:
   A. $200
   B. $150
   C. $100
   D. $75

88. To be an accountable plan, an employer's reimbursement or allowance arrangement must meet three rules. Each of the following is one of these rules except:
   A. the expenses must have a business connection
   B. the expenses must be less than or equal to the company's per diem allowance
   C. the employee must adequately account to the employer for these expenses in a reasonable period of time
   D. the employee must return any excess reimbursement or allowance within a reasonable period of time

89. If your employer has an accountable plan, how will excess reimbursements that you fail to return after a business trip be treated:
   A. as paid under the accountable plan regardless of any excess funds retained
   B. as additional unreported employee compensation for travel inconveniences
   C. as paid under a non-accountable plan
   D. as an untaxed fringe benefit

90. To take a deduction for work-related education expenses, you must meet certain criteria, including each of the following except:
   A. itemize your deductions on Schedule A (Form 1040) if you are an employee
   B. have an AGI greater than $10,000
   C. file Schedule C (Form 1040) or Schedule F (Form 1040) if self-employed
   D. have expenses that meet the qualifying work-related education requirement
91. Which of the following cannot be qualifying work-related education for purposes of deducting it as a business expense:

A. education that is required by your employer to keep your present salary
B. education that maintains or improves skills needed in your present work
C. education that is needed to meet the minimum educational requirements of your present trade
D. education expenses that may lead to a degree

92. Which of the following would generally qualify as a deductible work-related educational expenditure:

A. purchasing a review course to prepare for the bar examination
B. fees paid by a teacher to become qualified as a school administrator
C. educational fees paid to learn a new trade or business
D. any of the above

93. Which of the following is not a requirement for deducting unreimbursed employee expenses:

A. the expenses must be paid or incurred during your tax year
B. the expenses must be for carrying on your trade or business of being an employee
C. the expenses must be greater than $100
D. the expenses must be ordinary and necessary

94. A taxpayer can claim the home office deduction for the business use of a part of his or her home only if that part of the home is used how:

A. regularly and exclusively
B. ordinarily and necessarily
C. reasonably and simply
D. temporarily and inexpensively

95. Which of the following miscellaneous itemized deductions is subject to the 2% limit:

A. tax preparation fees
B. amortization premium on taxable bonds
C. casualty and theft losses from income-producing property
D. federal estate tax on income in respect of a decedent

96. You can generally deduct legal expenses that are incurred for which of the following purposes:

A. to produce or collect taxable income
B. to determine, collect or refund any tax
C. to collect taxable alimony
D. all of the above

97. What is the adjusted gross income limit where itemized deductions are phased out for single taxpayers for 2016:

A. $155,650
B. $259,400
C. $285,350
D. $311,300

98. The alternative minimum tax adjustments and tax preference items include which of the following:

A. interest income from savings accounts
B. receipt of a gift or bequest
C. disability payments received from social security
D. changes to accelerated depreciation of certain property
99. If the parents are married but file separate returns, which parent’s return should be used for reporting tax on unearned income of certain children:

A. the parent with the lesser taxable income  
B. the parent with the greater taxable income  
C. the parent with the greater deductions  
D. the parent with the lesser deductions

100. In order to elect to include your child’s interest and dividend income on your tax return rather than filing a separate return for your child, among other conditions, your child’s gross income must be less than how much:

A. $1,050  
B. $2,100  
C. $4,000  
D. $10,500

101. Which of the following is true regarding making the Form 8814 election:

A. you can make the election if you file Form 1040, 1040A, or 1040-EZ  
B. if you make the election for one child, you must make it for all children you claim as a dependent  
C. a separate Form 8814 must be completed for each child for whom you make the election  
D. the federal income tax on your child’s income cannot be more than it would have been had you not made the election

102. For purposes of the child and dependent care credit, which of the following is a qualifying person:

A. a qualifying child who is your dependent and age 15 when the care was provided  
B. a spouse who was physically unable to care for himself or herself, even if they did not live with you during the year  
C. a person who was mentally unable to care for himself or herself, lived with you for more than half the year, and was your dependent  
D. a qualifying child who is your dependent and a full-time student when the care was provided

103. Earned income required to claim the child and dependent care credit includes which of the following:

A. tip income  
B. workers’ compensation  
C. pensions  
D. social security benefits

104. In figuring the child and dependent care credit for 2016, which of the following can be included in figuring total work-related expenses:

A. prepaid expenses only in the year the care is received  
B. 2015 expenses that you paid in 2016  
C. the nontaxable amount of reimbursed expenses received from state social services agencies  
D. the same medical expenses used to calculate your medical expense deduction

105. What is the dollar limit on the amount of your work-related expenses you can use to figure the child and dependent care credit for 3 qualifying persons:

A. $3,000  
B. $6,000  
C. $9,000  
D. $10,000
106. If your AGI is $42,000, then your child and dependent care credit is calculated using what percentage of your work-related expenses (after applying earned income and dollar limits):

A. 20%
B. 21%
C. 22%
D. 24%

107. All of the following are correct regarding claiming the child and dependent care credit except:

A. you must complete Form 2441 and attach it to your return
B. you cannot claim the credit on Form 1040EZ
C. the amount of the credit is limited to the amount of your tax
D. the tax credit is refundable

108. In determining whether you are a qualified individual for the credit for the elderly or the disabled, when are you considered 65:

A. when you turn 65½
B. on January 1 during the year in which you turn 65
C. on the day before your 65th birthday
D. on the day of your 65th birthday

109. Which of the following is correct in order to file the child tax credit:

A. you cannot file “married filing separately”
B. you must have more than one qualifying child
C. you cannot also claim the additional child tax credit
D. you must file either Form 1040 or 1040A

110. How does the additional child tax credit differ from the child tax credit:

A. the additional child tax credit does not require the filer to owe any tax to claim the credit
B. the additional child tax credit requires the presence of a qualifying child in the family
C. the additional child tax credit is limited to one qualifying child
D. the additional child tax credit does not require the filer to file Form 8812

111. Which of the following is correct regarding the American opportunity credit:

A. it is limited to the amount of tax you must pay on your taxable income
B. it generally can be up to $2,500 per eligible student
C. it is available for an unlimited number of years
D. it is only available for those with a MAGI less than $40,000

112. To be eligible for the lifetime learning credit, a student must meet which of the following requirements:

A. be enrolled in one or more courses at an eligible educational institution
B. have incurred greater than $10,000 in qualified education expenses
C. have completed at least two years of postsecondary education
D. have no felony convictions

113. Which of the following is correct regarding claiming an education credit:

A. you can claim qualified education expenses paid by a dependent for whom you claim an exemption because they are considered as paid by you
B. you can use the same expenses to claim more than one education credit
C. the education credits you can claim are never limited by your tax liability
D. if you qualify for different education credits, you must select the credit that provides the lowest tax liability
114. In which of the following situations can you not take the lifetime learning credit:
   A. you are claimed as a dependent on another person’s tax return
   B. your filing status is married filing separately
   C. you file married filing jointly and your MAGI is $131,000 or more
   D. any of the above

115. Qualified education expenses should not be reduced for which of the following:
   A. tax-free parts of scholarships
   B. loans
   C. Pell grants
   D. the tax-free part of employer-provided educational assistance

116. To qualify for the earned income credit, your investment income must be how much:
   A. less than $100
   B. less than $1,000
   C. $3,400 or less
   D. zero

117. Which of the following credits is for certain people who enroll, or whose family member enrolls, in a qualified health plan offered through a Marketplace:
   A. Earned Income Tax Credit
   B. Savers Credit
   C. Premium Tax Credit (PTC)
   D. Small Business Health Care Tax Credit

118. Qualifying adoption expenses for calculating the adoption credit include which of the following:
   A. expenses for carrying out any surrogate parenting arrangement
   B. traveling expenses while away from home
   C. cost for the adoption of a spouse’s child
   D. funds received under any federal, state, or local program

119. Who is the mortgage interest credit intended to help:
   A. upper income taxpayers who own a home
   B. unemployed individuals who cannot make their mortgage payments
   C. lower-income individuals own a home
   D. first-time home buyers

120. For purposes of the retirement savings contributions credit, a school does not include which of the following:
   A. technical schools
   B. trade schools
   C. correspondence schools
   D. mechanical schools

Congratulations – you’ve completed the exam!
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IMPORTANT NOTE: For certification, this answer sheet must be completed and submitted to PES for grading within ONE YEAR from the date of purchase. Please use BLACK INK and PRINT for quicker processing – thank you.

Full Name (as it appears on your license) ____________________________________________________________

Address (□ Home □ Work ) ____________________________________________________________________________

City ___________________________________________ State __________________________ Zip __________

Daytime Phone (________) ___________________________________________ E-mail _____________________________

License Number __________________________ State ________ Exp Date: _____/____ Are you a: □ CPA □ CFP □ EA (check all that apply)

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If course was ordered by another party, please indicate their name here: ____________________________________________

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|   | A | B | C | D |   | A | B | C | D |   | A | B | C | D |   | A | B | C | D |

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