

Full Length Practice Exam – Part 1

- 1. What is the first step an Enrolled Agent should take when setting up a new client engagement?**
 - a) File an extension for the client's tax return
 - b) Obtain a valid Preparer Tax Identification Number (PTIN)
 - c) Request a transcript from the IRS
 - d) Conduct a foreign-asset check
- 2. Which form is used to apply for or renew a PTIN?**
 - a) Form W-7
 - b) Form 2848
 - c) Form W-12
 - d) Form 8821
- 3. When reviewing a client's prior-year return, what should an Enrolled Agent verify to ensure accuracy?**
 - a) The client's Social Security number and filing status
 - b) The client's bank account details
 - c) The client's current year income
 - d) The client's state tax liability
- 4. Which filing status generally results in the lowest tax liability for a married couple filing jointly?**
 - a) Married Filing Separately
 - b) Married Filing Jointly
 - c) Head of Household
 - d) Single
- 5. What is the due date for filing an individual federal income tax return without an extension?**
 - a) March 15
 - b) April 15

- c) June 15
- d) October 15

6. **Which form is used to request an automatic six-month extension for an individual tax return?**

- a) Form 4868
- b) Form 7004
- c) Form 1040-X
- d) Form 8822

7. **What is the purpose of identity verification during tax preparation?**

- a) To ensure the client qualifies for the Earned Income Credit
- b) To prevent tax-related identity theft and fraudulent filings
- c) To verify the client's foreign income
- d) To confirm the client's bank routing number

8. **Under the Affordable Care Act (ACA), what form is used to report health insurance coverage?**

- a) Form 1095-A
- b) Form 1099-MISC
- c) Form 1040-ES
- d) Form W-2

9. **Which of the following is a requirement for a taxpayer to file a Report of Foreign Bank and Financial Accounts (FBAR)?**

- a) Foreign accounts with a balance exceeding \$10,000 at any time during the year
- b) Foreign accounts with a balance exceeding \$50,000 at year-end
- c) Foreign accounts with income exceeding \$5,000
- d) Foreign accounts held in a trust

10. **What is the penalty for failing to file an FBAR when required?**

- a) \$1,000 per account
- b) Up to \$10,000 per violation, or higher if willful
- c) 10% of the account balance

d) No penalty if filed late

11. What is the purpose of Form 2848?

- a) To apply for an ITIN
- b) To authorize a representative to act on behalf of the taxpayer
- c) To report health insurance coverage
- d) To request a tax transcript

12. Which of the following is a key component of a prior-year return review?

- a) Verifying the taxpayer's current employment
- b) Checking for carryovers, such as capital losses
- c) Confirming the taxpayer's credit card balance
- d) Reviewing the taxpayer's utility bills

13. What is the extended due date for an individual tax return filed with Form 4868?

- a) July 15
- b) September 15
- c) October 15
- d) December 15

14. Which of the following is a requirement for claiming Head of Household filing status?

- a) The taxpayer must be married
- b) The taxpayer must have a qualifying child or dependent
- c) The taxpayer must have no dependents
- d) The taxpayer must file jointly

15. What form is used to report a change of address to the IRS?

- a) Form 8822
- b) Form 4506
- c) Form 1040-X
- d) Form 8821

16. Which of the following is a consequence of not renewing a PTIN annually?

- a) Loss of Enrolled Agent status
- b) Inability to prepare tax returns for compensation
- c) A \$500 fine per return filed
- d) Suspension of IRS e-file privileges

17. Under the ACA, what is the purpose of Form 8962?

- a) To report health insurance exemptions
- b) To reconcile premium tax credits
- c) To report employer-provided insurance
- d) To claim the Child Tax Credit

18. What is the threshold for filing Form 8938 for a single taxpayer living in the U.S. in 2025?

- a) Foreign assets valued at \$50,000 at year-end or \$75,000 at any time
- b) Foreign assets valued at \$100,000 at year-end
- c) foreign assets valued at \$200,000 at any time
- d) foreign assets valued at \$10,000 at any time

19. Which document is required to verify a taxpayer's identity for e-filing?

- a) A utility bill
- b) A valid government-issued photo ID
- c) A bank statement
- d) A lease agreement

20. What is the penalty for failing to file Form 8938 when required?

- a) \$1,000
- b) \$10,000
- c) \$50,000
- d) \$100,000

21. Which form is used to request a copy of a taxpayer's prior-year return?

- a) Form 4506

b) Form 8821

c) Form 2848

d) Form 1040-X

22. What is the filing status for a widow(er) with a dependent child within two years of a spouse's death?

a) Single

b) Head of Household

c) Qualifying Widow(er)

d) Married Filing Separately

23. When is an automatic extension granted for taxpayers affected by a federally declared disaster?

a) Only for filing deadlines

b) Only for payment deadlines

c) For both filing and payment deadlines

d) Until the IRS grants relief

24. What is the purpose of an Individual Taxpayer Identification Number (ITIN)?

a) To file taxes without a Social Security number

b) To claim foreign tax credits

c) To report foreign bank accounts

d) To file as a nonresident alien

25. Which of the following is a requirement for Married Filing Jointly status?

a) Both spouses must be U.S. citizens

b) The couple must be legally married by December 31

c) The couple must have separate residences

d) One spouse must have no income

26. What is the purpose of Form 8821?

a) To authorize the IRS to disclose tax information

b) To file an amended return

- c) To report foreign income
- d) To request an extension

27. Which of the following is NOT a requirement for a valid PTIN?

- a) Annual renewal
- b) U.S. citizenship
- c) Payment of a fee
- d) Registration with the IRS

28. What is the deadline for filing an FBAR?

- a) April 15
- b) June 30
- c) October 15
- d) December 31

29. Which of the following is a component of due diligence for an Enrolled Agent?

- a) Verifying the client's identity and income documents
- b) Preparing returns without client input
- c) Filing returns without reviewing prior-year data
- d) Estimating income based on industry standards

30. What is the maximum penalty for willful failure to file an FBAR?

- a) \$10,000
- b) 50% of the account balance or \$100,000, whichever is greater
- c) \$50,000
- d) 10% of the account balance

31. Which form is used to report exemptions from ACA penalties?

- a) Form 8965
- b) Form 1095-B
- c) Form 1040
- d) Form 8889

32. What is the purpose of reviewing a taxpayer's prior-year return?

- a) To determine current-year income
- b) To identify carryovers and errors
- c) To verify current-year deductions
- d) To calculate estimated taxes

33. Which filing status requires maintaining a household for a qualifying person?

- a) Single
- b) Married Filing Jointly
- c) Head of Household
- d) Qualifying Widow(er)

34. What is the consequence of failing to verify a taxpayer's identity?

- a) A \$500 fine
- b) Potential rejection of the tax return
- c) Loss of PTIN
- d) No consequence

35. Which of the following is a foreign information return?

- a) Form 1040
- b) Form 8938
- c) Form 1099-DIV
- d) Form W-2

36. What is the extended due date for an FBAR filed with an automatic extension?

- a) June 30
- b) October 15
- c) December 31
- d) April 15 of the following year

37. Which of the following is required to file a tax return as Married Filing Separately?

- a) A separate residence from the spouse

- b) A legal separation agreement
- c) A signed waiver from the spouse
- d) No joint income

38. What is the purpose of Form 4506-T?

- a) To file an amended return
- b) To request a tax transcript
- c) To report foreign assets
- d) To claim a refund

39. Which of the following is a valid reason for requesting an extension?

- a) To avoid penalties
- b) To delay payment of taxes
- c) To allow additional time to file an accurate return
- d) To change filing status

40. What is the penalty for late payment of taxes without an extension?

- a) 0.5% per month, up to 25%
- b) 5% per month, up to 25%
- c) \$435 flat penalty
- d) 1% per month, up to 10%

41. Which of the following is a requirement for ACA compliance?

- a) Filing Form 1040-X
- b) Maintaining minimum essential coverage
- c) Paying estimated taxes quarterly
- d) Filing Form 8938

42. What is the purpose of Form 1095-B?

- a) To report health insurance coverage
- b) To claim the premium tax credit
- c) To report foreign income

d) To file an amended return

43. Which of the following is a consequence of failing to renew a PTIN?

- a) A \$1,000 fine
- b) Inability to prepare returns legally
- c) Loss of IRS e-file access
- d) Both b and c

44. What is the threshold for filing an FBAR for a married couple filing jointly?

- a) \$10,000 in foreign accounts at any time
- b) \$20,000 in foreign accounts at year-end
- c) \$50,000 in foreign accounts at any time
- d) \$10,000 in foreign income

45. Which form is used to authorize a third party to receive tax information?

- a) Form 2848
- b) Form 8821
- c) Form W-12
- d) Form 4506

46. What is the filing status for an unmarried taxpayer with no dependents?

- a) Head of Household
- b) Single
- c) Qualifying Widow(er)
- d) Married Filing Separately

47. What is the purpose of Form 1040-X?

- a) To report foreign assets
- b) To file an amended return
- c) To request an extension
- d) To claim a refund

48. Which of the following is a due diligence requirement for an Enrolled Agent?

- a) Estimating income without documentation
- b) Verifying all income and deductions
- c) Filing returns without client consent
- d) Ignoring prior-year returns

49. What is the extended due date of a tax return for a taxpayer living abroad?

- a) June 15
- b) October 15
- c) December 31
- d) April 15 of the following year

50. Which form is used to report the premium tax credit?

- a) Form 8962
- b) Form 1095-A
- c) Form 8889
- d) Form 8863

51. What is the purpose of a PTIN?

- a) To file foreign information returns
- b) To identify tax return preparers
- c) To claim tax credits
- d) To report income

52. Which of the following is a requirement for Qualifying Widow(er) status?

- a) A dependent child and spouse's death within two years
- b) No dependents
- c) A legal separation
- d) Foreign income

53. What is the penalty for failing to file Form 8962 when required?

- a) \$1,000

- b) Possible loss of premium tax credit
- c) \$10,000
- d) No penalty

54. Which of the following is a foreign asset reporting requirement?

- a) Form W-2
- b) Form 8938
- c) Form 1099-INT
- d) Form 1040

55. What is the purpose of Form 8822?

- a) To report a change of address
- b) To file an amended return
- c) To request a tax transcript
- d) To claim a deduction

56. Which of the following is a requirement for filing an FBAR?

- a) Foreign income exceeding \$10,000
- b) Foreign accounts exceeding \$10,000 at any time
- c) Foreign assets exceeding \$50,000 at year-end
- d) Foreign trusts with any balance

57. What is the purpose of Form 1095-C?

- a) To report employer-provided health insurance
- b) To claim education credits
- c) To report foreign income
- d) To file an extension

58. Which filing status allows a surviving spouse to use joint return tax rates?

- a) Single
- b) Head of Household
- c) Qualifying Widow(er)

d) Married Filing Separately

59. What is the consequence of filing a fraudulent tax return?

- a) A \$500 fine
- b) Up to 75% of the underpayment as a penalty
- c) Loss of PTIN
- d) Both b and c

60. Which form is used to apply for an ITIN?

- a) Form W-7
- b) Form 2848
- c) Form 8821
- d) Form 4506

61. What is the purpose of reviewing carryovers in a prior-year return?

- a) To calculate current-year income
- b) To identify deductions and credits available
- c) To verify bank account details
- d) To determine filing status

62. Which of the following is a requirement for ACA compliance?

- a) Filing Form 1040-X
- b) Maintaining minimum essential coverage or paying a penalty
- c) Filing quarterly estimated taxes
- d) Reporting foreign assets

63. What is the penalty for late filing of a tax return with a balance due?

- a) 0.5% per month, up to 25%
- b) 5% per month, up to 25%
- c) \$435 flat penalty
- d) 1% per month, up to 10%

64. Which form is used to report health insurance exemptions?

- a) Form 8965
- b) Form 1095-A
- c) Form 1040
- d) Form 8889

65. What is the purpose of Form 4506?

- a) To request a copy of a tax return
- b) To file an amended return
- c) To report foreign assets
- d) To claim a refund

66. Which of the following is a requirement for Head of Household status?

- a) Being married
- b) Having a qualifying child or dependent
- c) Having no dependents
- d) Filing jointly

67. What is the threshold for filing Form 8938 for a married couple living abroad?

- a) \$50,000 at year-end or \$75,000 at any time
- b) \$400,000 at year-end or \$600,000 at any time
- c) \$200,000 at year-end or \$300,000 at any time
- d) \$100,000 at any time

68. Which of the following is a due diligence requirement for an Enrolled Agent?

- a) Filing without client documentation
- b) Verifying all income and deductions
- c) Estimating income without verification
- d) Ignoring prior-year returns

69. What is the purpose of Form 1040-X?

- a) To report foreign income

- b) To file an amended return
- c) To request an extension
- d) To claim a refund

70. Which form is used to report employer-provided health insurance?

- a) Form 1095-C
- b) Form 8962
- c) Form 8889
- d) Form 8863

71. What is the filing status for a married taxpayer living apart from their spouse?

- a) Single
- b) Married Filing Separately
- c) Head of Household
- d) Qualifying Widow(er)

72. What is the purpose of Form 8821?

- a) To authorize tax information disclosure
- b) To file an amended return
- c) To report foreign income
- d) To claim a refund

73. Which of the following is a requirement for filing an FBAR?

- a) Foreign income exceeding \$10,000
- b) foreign accounts exceeding \$10,000 at any time
- c) foreign assets exceeding \$50,000
- d) foreign trusts with any balance

74. What is the penalty for failing to file Form 8962 when required?

- a) \$1,000
- b) Possible loss of premium tax credit
- c) \$10,000

d) No penalty

75. Which form is used to request a tax transcript?

a) Form 4506-T

b) Form 8821

c) Form 2848

d) Form 1040-X

76. What is the filing status for a taxpayer with a qualifying child and no spouse?

a) Single

b) Head of Household

c) Qualifying Widow(er)

d) Married Filing Separately

77. What is the purpose of Form 1095-A?

a) To report health insurance coverage from the Marketplace

b) To claim education credits

c) To report foreign income

d) To file an extension

78. Which of the following is a consequence of failing to verify a taxpayer's identity?

a) A \$500 fine

b) Potential rejection of the tax return

c) Loss of PTIN

d) No consequence

79. What is the purpose of Form W-7?

a) To apply for an ITIN

b) To file an amended return

c) To report foreign assets

d) To claim a refund

80. Which of the following is a requirement for ACA compliance?

- a) Filing Form 1040-X
- b) Maintaining minimum essential coverage or paying a penalty
- c) Filing quarterly estimated taxes
- d) Reporting foreign assets

81. What is the penalty for willful failure to file Form 8938?

- a) \$10,000
- b) Up to \$50,000 for continued failure
- c) \$100,000
- d) 10% of the asset value

82. Which form is used to report a change of address to the IRS?

- a) Form 8822
- b) Form 4506
- c) Form 1040-X
- d) Form 8821

83. Which form reports wages earned by an employee?

- a) Form 1099-DIV
- b) Form W-2
- c) Form 1099-INT
- d) Form 1099-MISC

84. How is rental income generally reported for an individual taxpayer?

- a) Schedule C
- b) Schedule E
- c) Schedule D
- d) Schedule B

85. What is the tax treatment of gambling winnings?

- a) Excluded from gross income

- b) Included as ordinary income
- c) Reported as capital gains
- d) Deductible as a business expense

86. How is the basis of a cryptocurrency acquired through purchase determined?

- a) Fair market value at the time of receipt
- b) Cost of acquisition plus transaction fees
- c) Fair market value at the time of sale
- d) Zero basis

87. What is the holding period for an asset to qualify for long-term capital gain treatment?

- a) More than 6 months
- b) More than 1 year
- c) More than 2 years
- d) More than 3 years

88. When is a like-kind exchange under Section 1031 applicable?

- a) For personal property exchanges
- b) For real property held for investment or business use
- c) For stock trades
- d) For cryptocurrency transactions

89. What form is used to report the sale of a capital asset?

- a) Form 8949
- b) Form 4797
- c) Form 6252
- d) Form 8824

90. How are dividends from a domestic corporation typically taxed?

- a) As ordinary income
- b) As qualified dividends at capital gains rates
- c) As tax-exempt income

d) As self-employment income

91. What is the tax treatment of alimony received under a divorce agreement executed after 2018?

- a) Included in gross income
- b) Excluded from gross income
- c) Deductible as an adjustment to income
- d) Reported as a capital gain

92. Which of the following is considered unearned income?

- a) Wages from a part-time job
- b) Interest from a savings account
- c) Income from a sole proprietorship
- d) Tips received as a server

93. What is the purpose of Schedule D?

- a) To report rental income
- b) To report capital gains and losses
- c) To report business income
- d) To report interest income

94. How is the basis of inherited property determined?

- a) The original purchase price
- b) Fair market value at the date of death
- c) The sale price
- d) Zero basis

95. Which form is used to report nonemployee compensation?

- a) Form W-2
- b) Form 1099-NEC
- c) Form 1099-DIV
- d) Form 1099-INT

96. What is the tax treatment of a Roth IRA distribution after age 59½?

- a) Fully taxable
- b) Tax-free if qualified
- c) Taxable as capital gains
- d) Subject to self-employment tax

97. Which of the following is a capital asset?

- a) Inventory held for sale
- b) A personal residence
- c) Business equipment
- d) Accounts receivable

98. What is the maximum long-term capital gains tax rate for 2025?

- a) 15%
- b) 20%
- c) 25%
- d) 37%

99. How is the basis of a gift determined?

- a) Fair market value at the time of the gift
- b) The donor's basis, adjusted for gift tax
- c) Zero basis
- d) The recipient's purchase price

100. Which form is used to report rental real estate income?

- a) Schedule C
- b) Schedule E
- c) Schedule D
- d) Schedule B

101. What is the tax treatment of unemployment compensation?

- a) Excluded from gross income

- b) Included in gross income
- c) Deductible as a business expense
- d) Reported as a capital gain

102. Which of the following is a type of unearned income?

- a) Wages
- b) Dividends
- c) Self-employment income
- d) Tips

103. What is the purpose of Form 4797?

- a) To report the sale of business property
- b) To report rental income
- c) To report dividends
- d) To report wages

104. How is the gain from the sale of a personal residence treated?

- a) Always fully taxable
- b) Excluded up to \$250,000 (\$500,000 for joint filers) if conditions are met
- c) Taxable as ordinary income
- d) Deductible as a loss

105. Which form is used to report interest income?

- a) Form 1099-INT
- b) Form W-2
- c) Form 1099-DIV
- d) Form 1099-MISC

106. What is the holding period for short-term capital gains?

- a) 6 months or less
- b) 1 year or less
- c) 2 years or less

d) 3 years or less

107. Which of the following is NOT a capital asset?

- a) Stocks
- b) Bonds
- c) Inventory
- d) A vacation home

108. What is the tax treatment of qualified dividends?

- a) Taxed as ordinary income
- b) Taxed at capital gains rates
- c) Tax-exempt
- d) Deductible

109. What is the purpose of Form 8949?

- a) To report capital gains and losses
- b) To report rental income
- c) To report business income
- d) To report interest income

110. How is the basis of property purchased determined?

- a) Fair market value at purchase
- b) Cost plus improvements minus depreciation
- c) Sale price
- d) Zero basis

111. Which form is used to report gambling winnings?

- a) Form W-2G
- b) Form 1099-MISC
- c) Form 1099-INT
- d) Form W-2

112. What is the tax treatment of Social Security benefits?

- a) Always tax-exempt
- b) Partially taxable based on income
- c) Fully taxable
- d) Deductible

113. Which of the following is a requirement for a Section 1031 like-kind exchange?

- a) The properties must be of different types
- b) The properties must be held for investment or business use
- c) The exchange must involve personal property
- d) The exchange must be completed within 30 days

114. What is the purpose of Form 6252?

- a) To report installment sale income
- b) To report rental income
- c) To report dividends
- d) To report wages

115. How are losses from gambling treated?

- a) Deductible only up to the amount of winnings
- b) Fully deductible
- c) Not deductible
- d) Taxable as income

116. Which of the following is considered earned income?

- a) Interest
- b) Dividends
- c) Wages
- d) Capital gains

117. What is the tax treatment of cryptocurrency received as payment?

- a) Taxed as ordinary income at fair market value

- b) Tax-exempt
- c) Taxed as capital gains
- d) Deductible

118. Which form is used to report the sale of real estate?

- a) Form 4797
- b) Form 8949
- c) Form 6252
- d) Form 8824

119. What is the maximum capital loss deduction for 2025?

- a) \$1,500
- b) \$3,000
- c) \$5,000
- d) No limit

120. Which of the following is a requirement for qualified dividends?

- a) Paid by a foreign corporation
- b) Held for more than 60 days
- c) Reported on Form 1099-MISC
- d) Taxed as ordinary income

121. What is the purpose of Schedule B?

- a) To report interest and dividend income
- b) To report rental income
- c) To report capital gains
- d) To report business income

122. How is the basis of property received as a gift determined?

- a) Fair market value at the time of the gift
- b) The donor's basis, adjusted for gift tax
- c) Zero basis

- d) The recipient's purchase price

123. Which form is used to report distributions from a retirement plan?

- a) Form 1099-R
- b) Form 1099-DIV
- c) Form W-2
- d) Form 1099-INT

124. What is the tax treatment of a capital loss carryover?

- a) Deductible in the current year only
- b) Carried forward to offset future capital gains
- c) Not deductible
- d) Taxable as income

125. Which of the following is a type of unearned income?

- a) Wages
- b) Capital gains
- c) Self-employment income
- d) Tips

126. What is the purpose of Form 8824?

- a) To report like-kind exchanges
- b) To report rental income
- c) To report dividends
- d) To report wages

127. How is the gain from the sale of collectibles taxed?

- a) At ordinary income rates
- b) At a maximum rate of 28%
- c) Tax-exempt
- d) Deductible

128. Which form is used to report partnership income?

- a) Form 1065
- b) Form 1040
- c) Form 1120
- d) Form 1041

129. What is the tax treatment of alimony paid under a pre-2019 divorce agreement?

- a) Not deductible
- b) Deductible as an adjustment to income
- c) Taxable to the payer
- d) Reported as a capital gain

130. Which of the following is a requirement for a like-kind exchange?

- a) The properties must be sold within 90 days
- b) The properties must be identified within 45 days
- c) The properties must be personal residences
- d) The properties must be of different types

131. What is the purpose of Form 1099-DIV?

- a) To report dividend income
- b) To report rental income
- c) To report capital gains
- d) To report wages

132. How are losses from the sale of a personal residence treated?

- a) Deductible up to \$3,000
- b) Not deductible
- c) Fully deductible
- d) Taxable as income

133. Which form is used to report the sale of business property?

- a) Form 4797

- b) Form 8949
- c) Form 6252
- d) Form 8824

134. What is the tax treatment of qualified Roth IRA distributions?

- a) Fully taxable
- b) Tax-free if qualified
- c) Taxable as ordinary income
- d) Subject to self-employment tax

135. Which of the following is a capital asset?

- a) Inventory
- b) A personal vehicle
- c) Business equipment
- d) Accounts receivable

136. What is the maximum short-term capital gains tax rate for 2025?

- a) 15%
- b) 20%
- c) 37%
- d) 28%

137. Which form is used to report nonemployee compensation?

- a) Form W-2
- b) Form 1099-NEC
- c) Form 1099-DIV
- d) Form 1099-INT

138. How is the basis of cryptocurrency mined determined?

- a) Zero basis
- b) Fair market value at the time of mining
- c) Cost of equipment

- d) Fair market value at the time of sale

139. What is the purpose of Form 1099-R?

- a) To report retirement plan distributions
- b) To report dividend income
- c) To report rental income
- d) To report wages

140. Which of the following is a requirement for a Section 1031 exchange?

- a) The properties must be sold within 30 days
- b) The exchange must be completed within 180 days
- c) The properties must be personal property
- d) The properties must be of different types

141. What is the tax treatment of gambling losses?

- a) Deductible only up to winnings
- b) Fully deductible
- c) Not deductible
- d) Taxable as income

142. Which form is used to report interest income?

- a) Form 1099-INT
- b) Form W-2
- c) Form 1099-DIV
- d) Form 1099-MISC

143. What is the purpose of Schedule E?

- a) To report rental income
- b) To report capital gains
- c) To report business income
- d) To report interest income

144. How is the basis of property acquired through a like-kind exchange determined?

- a) Fair market value of the new property
- b) Basis of the old property, adjusted for any boot
- c) Zero basis
- d) Fair market value of the old property

145. Which of the following is considered earned income?

- a) Interest
- b) Dividends
- c) Wages
- d) Capital gains

146. What is the purpose of Form 6252?

- a) To report installment sale income
- b) To report rental income
- c) To report dividends
- d) To report wages

147. How are qualified dividends taxed?

- a) As ordinary income
- b) At capital gains rates
- c) Tax-exempt
- d) Deductible

148. Which form is used to report the sale of a capital asset?

- a) Form 8949
- b) Form 4797
- c) Form 6252
- d) Form 8824

149. What is the maximum capital loss deduction for a married couple filing jointly in 2025?

- a) \$1,500
- b) \$3,000
- c) \$5,000
- d) No limit

150. Which of the following is a requirement for qualified dividends?

- a) Paid by a foreign corporation
- b) Held for more than 60 days
- c) Reported on Form 1099-MISC
- d) Taxed as ordinary income

151. What is the purpose of Form 1099-DIV?

- a) To report dividend income
- b) To report rental income
- c) To report capital gains
- d) To report wages

152. How are losses from the sale of a personal residence treated?

- a) Deductible up to \$3,000
- b) Not deductible
- c) Fully deductible
- d) Taxable as income

153. Which form is used to report the sale of business property?

- a) Form 4797
- b) Form 8949
- c) Form 6252
- d) Form 8824

154. What is the tax treatment of qualified Roth IRA distributions?

- a) Fully taxable
- b) Tax-free if qualified
- c) Taxable as ordinary income
- d) Subject to self-employment tax

155. Which of the following is a capital asset?

- a) Inventory
- b) A personal vehicle
- c) Business equipment
- d) Accounts receivable

156. What is the maximum short-term capital gains tax rate for 2025?

- a) 15%
- b) 20%
- c) 37%
- d) 28%

157. Which form is used to report nonemployee compensation?

- a) Form W-2
- b) Form 1099-NEC
- c) Form 1099-DIV
- d) Form 1099-INT

158. How is the basis of cryptocurrency mined determined?

- a) Zero basis
- b) Fair market value at the time of mining
- c) Cost of equipment
- d) Fair market value at the time of sale

159. What is the purpose of Form 1099-R?

- a) To report retirement plan distributions
- b) To report dividend income
- c) To report rental income
- d) To report wages

160. Which of the following is a requirement for a Section 1031 exchange?

- a) The properties must be sold within 30 days
- b) The exchange must be completed within 180 days
- c) The properties must be personal property
- d) The properties must be of different types

161. What is the tax treatment of gambling losses?

- a) Deductible only up to winnings
- b) Fully deductible
- c) Not deductible
- d) Taxable as income

162. Which form is used to report interest income?

- a) Form 1099-INT
- b) Form W-2
- c) Form 1099-DIV
- d) Form 1099-MISC

163. What is the purpose of Schedule E?

- a) To report rental income
- b) To report capital gains
- c) To report business income
- d) To report interest income

164. How is the basis of property acquired through a like-kind exchange determined?

- a) Fair market value of the new property

- b) Basis of the old property, adjusted for any boot
- c) Zero basis
- d) Fair market value of the old property

165. Which of the following is considered earned income?

- a) Interest
- b) Dividends
- c) Wages
- d) Capital gains

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- b) To report rental income
- c) To report dividends
- d) To report wages

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- c) Tax-exempt
- d) Deductible

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- b) Form 4797
- c) Form 6252
- d) Form 8824

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- b) \$3,000

c) \$5,000

d) No limit

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b) Held for more than 60 days

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- b) Fully deductible
- c) Not deductible
- d) Taxable as income

182. Which form is used to report interest income?

- a) Form 1099-INT
- b) Form W-2
- c) Form 1099-DIV
- d) Form 1099-MISC

183. Which of the following is an above-the-line deduction?

- a) Charitable contributions
- b) Student loan interest
- c) Medical expenses
- d) State income taxes

184. What is the standard deduction for a single filer in 2025?

- a) \$13,850
- b) \$14,600
- c) \$20,800
- d) \$29,200

185. Which credit is refundable for eligible taxpayers with qualifying children?

- a) Child Tax Credit
- b) Lifetime Learning Credit
- c) Retirement Savings Contributions Credit

d) Foreign Tax Credit

186. What is the maximum Qualified Business Income (QBI) deduction percentage?

- a) 10%
- b) 20%
- c) 25%
- d) 50%

187. Which expense qualifies for the American Opportunity Tax Credit?

- a) Room and board
- b) Qualified tuition and fees
- c) Transportation costs
- d) Personal living expenses

188. When does a taxpayer benefit from itemizing deductions?

- a) When itemized deductions exceed the standard deduction
- b) When the taxpayer's income is below the standard deduction
- c) When the taxpayer claims the Child Tax Credit
- d) When the taxpayer files as Head of Household

189. What is the phase-out threshold for the QBI deduction for a single filer in 2025?

- a) \$191,950
- b) \$232,100
- c) \$250,000
- d) \$500,000

190. Which of the following is not deductible as an itemized deduction?

- a) Mortgage interest
- b) State sales taxes
- c) Personal property taxes
- d) Student loan interest

191. What is the maximum amount of the Earned Income Credit for a taxpayer with three qualifying children in 2025?

- a) \$3,995
- b) \$6,935
- c) \$7,830
- d) \$10,000

192. Which form is used to claim education credits?

- a) Form 8863
- b) Form 8812
- c) Form 8880
- d) Form 5695

193. What is the maximum standard deduction for a married couple filing jointly in 2025?

- a) \$14,600
- b) \$20,800
- c) \$29,200
- d) \$32,400

194. Which of the following qualifies as an adjustment to income?

- a) Charitable contributions
- b) Self-employed health insurance premiums
- c) State income taxes
- d) Medical expenses

195. What is the maximum amount of the Child Tax Credit per qualifying child in 2025?

- a) \$1,000
- b) \$2,000
- c) \$3,000
- d) \$4,000

196. Which deduction is limited to \$10,000 for state and local taxes (SALT) in 2025?

- a) Above-the-line deductions
- b) Itemized deductions
- c) Business deductions
- d) Education deductions

197. What is the purpose of Form 8812?

- a) To claim the Earned Income Credit
- b) To claim the Additional Child Tax Credit
- c) To report rental income
- d) To claim the Lifetime Learning Credit

198. Which of the following is a requirement for the American Opportunity Tax Credit?

- a) Enrollment in a graduate program
- b) First four years of post-secondary education
- c) No income limit
- d) Non-degree programs

199. What is the maximum contribution limit for a Health Savings Account (HSA) for an individual in 2025?

- a) \$3,850
- b) \$4,150
- c) \$7,500
- d) \$8,300

200. Which of the following is deductible as an itemized deduction?

- a) Student loan interest
- b) Charitable contributions
- c) Self-employment taxes
- d) Educator expenses

201. What is the income limit for the full Earned Income Credit for a single filer with no children in 2025?

- a) \$18,340
- b) \$22,720
- c) \$25,000
- d) \$30,000

202. Which form is used to report the Retirement Savings Contributions Credit?

- a) Form 8880
- b) Form 8863
- c) Form 8812
- d) Form 5695

203. What is the maximum deduction for educator expenses in 2025?

- a) \$250
- b) \$300
- c) \$500
- d) \$1,000

204. Which credit is non-refundable and limited to tax liability?

- a) Child Tax Credit
- b) Earned Income Credit
- c) Lifetime Learning Credit
- d) Additional Child Tax Credit

205. What is the purpose of Schedule A?

- a) To report capital gains
- b) To report itemized deductions
- c) To report rental income
- d) To report business income

206. Which of the following is a requirement for the QBI deduction?

- a) Income from a specified service trade or business with no phase-out
- b) Taxable income below the phase-out threshold for full deduction
- c) Filing as Married Filing Separately
- d) No business income

207. What is the maximum mortgage interest deduction for loans taken after December 15, 2017?

- a) Interest on up to \$500,000 of debt
- b) Interest on up to \$750,000 of debt
- c) Interest on up to \$1,000,000 of debt
- d) No limit

208. Which of the following is a refundable credit?

- a) Foreign Tax Credit
- b) Child and Dependent Care Credit
- c) Earned Income Credit
- d) Retirement Savings Contributions Credit

209. What is the phase-out threshold for the Child Tax Credit for a single filer in 2025?

- a) \$75,000
- b) \$200,000
- c) \$400,000
- d) \$500,000

210. Which of the following is deductible as an above-the-line deduction?

- a) Medical expenses
- b) IRA contributions
- c) Charitable contributions
- d) State sales taxes

211. What is the maximum Lifetime Learning Credit per taxpayer in 2025?

- a) \$1,000
- b) \$2,000
- c) \$2,500
- d) \$4,000

212. Which form is used to report HSA contributions?

- a) Form 8889
- b) Form 8863
- c) Form 8812
- d) Form 5695

213. What is the threshold for deducting medical expenses as an itemized deduction in 2025?

- a) 7.5% of AGI
- b) 10% of AGI
- c) 15% of AGI
- d) No threshold

214. Which of the following is a requirement for the Earned Income Credit?

- a) No earned income
- b) A valid Social Security number for the taxpayer
- c) Filing as Married Filing Separately
- d) Income above \$100,000

215. What is the maximum deduction for charitable contributions for cash donations in 2025?

- a) 30% of AGI
- b) 50% of AGI
- c) 60% of AGI
- d) No limit

216. Which credit is available for taxpayers paying for dependent care to work?

- a) Child Tax Credit
- b) Child and Dependent Care Credit
- c) Earned Income Credit
- d) Lifetime Learning Credit

217. What is the standard deduction for a taxpayer filing as Head of Household in 2025?

- a) \$14,600
- b) \$20,800
- c) \$29,200
- d) \$32,400

218. Which of the following is not an above-the-line deduction?

- a) Self-employment tax deduction
- b) Mortgage interest
- c) Student loan interest
- d) HSA contributions

219. What is the maximum amount of the Additional Child Tax Credit for 2025?

- a) \$1,000
- b) \$1,400
- c) \$1,700
- d) \$2,000

220. Which form is used to report itemized deductions?

- a) Schedule A
- b) Schedule B
- c) Schedule C
- d) Schedule D

221. What is the income limit for the full Retirement Savings Contributions Credit for a single filer in 2025?

- a) \$25,000
- b) \$38,250
- c) \$50,000
- d) \$75,000

222. Which of the following is a requirement for the Lifetime Learning Credit?

- a) Enrollment in the first four years of college
- b) Qualified education expenses for any level of education
- c) Filing as Married Filing Separately
- d) No income limit

223. What is the maximum deduction for self-employed health insurance premiums?

- a) \$5,000
- b) \$10,000
- c) 100% of premiums paid, subject to income limits
- d) No limit

224. Which credit is limited to 20% of qualified education expenses?

- a) American Opportunity Tax Credit
- b) Lifetime Learning Credit
- c) Child Tax Credit
- d) Earned Income Credit

225. What is the maximum HSA contribution for a family in 2025?

- a) \$4,150
- b) \$7,500
- c) \$8,300
- d) \$10,000

226. Which of the following is deductible as an itemized deduction?

- a) Educator expenses
- b) State income taxes
- c) Self-employed health insurance
- d) Student loan interest

227. What is the phase-out threshold for the Earned Income Credit for a married couple filing jointly with two children in 2025?

- a) \$22,720
- b) \$29,200
- c) \$59,478
- d) \$75,000

228. Which form is used to claim the Child and Dependent Care Credit?

- a) Form 2441
- b) Form 8863
- c) Form 8812
- d) Form 8880

229. What is the maximum deduction for property taxes as part of the SALT deduction in 2025?

- a) \$5,000
- b) \$10,000
- c) \$15,000
- d) No limit

230. Which credit is available for contributions to a traditional or Roth IRA?

- a) Child Tax Credit
- b) Retirement Savings Contributions Credit
- c) Lifetime Learning Credit
- d) Foreign Tax Credit

231. What is the threshold for deducting casualty losses in 2025?

- a) 5% of AGI
- b) 10% of AGI
- c) \$100 per event plus 10% of AGI
- d) No threshold

232. Which of the following is a requirement for the Child and Dependent Care Credit?

- a) Filing as Single
- b) Expenses incurred to enable the taxpayer to work
- c) No income limit
- d) Dependent over age 13

233. What is the maximum deduction for student loan interest in 2025?

- a) \$1,500
- b) \$2,500
- c) \$3,000
- d) \$5,000

234. Which form is used to report the QBI deduction?

- a) Form 8995
- b) Form 8863
- c) Form 8812
- d) Form 8880

235. What is the maximum credit for the American Opportunity Tax Credit per student in 2025?

- a) \$1,000
- b) \$2,000
- c) \$2,500
- d) \$4,000

236. Which of the following is not deductible as an itemized deduction?

- a) Mortgage interest
- b) Charitable contributions
- c) Educator expenses
- d) State sales taxes

237. What is the income limit for the full Child Tax Credit for a married couple filing jointly in 2025?

- a) \$200,000
- b) \$400,000
- c) \$500,000
- d) No limit

238. Which of the following is an above-the-line deduction?

- a) Medical expenses
- b) Alimony paid under a pre-2019 agreement
- c) State income taxes
- d) Charitable contributions

239. What is the purpose of Form 8880?

- a) To claim the Retirement Savings Contributions Credit
- b) To report HSA contributions
- c) To claim education credits
- d) To report rental income

240. Which credit is available for taxpayers with low to moderate income?

- a) Child Tax Credit
- b) Earned Income Credit
- c) Foreign Tax Credit
- d) Lifetime Learning Credit

241. What is the maximum deduction for cash charitable contributions for taxpayers who itemize in 2025?

- a) 30% of AGI
- b) 50% of AGI
- c) 60% of AGI
- d) No limit

242. Which of the following is a requirement for the HSA contribution deduction?

- a) Enrollment in a low-deductible health plan
- b) Enrollment in a high-deductible health plan
- c) No income limit
- d) Filing as Married Filing Separately

243. What is the maximum amount of the Earned Income Credit for a single filer with one child in 2025?

- a) \$3,995
- b) \$5,280
- c) \$6,935
- d) \$7,830

244. Which form is used to report medical expense deductions?

- a) Schedule A
- b) Schedule B
- c) Schedule C
- d) Schedule D

245. What is the maximum credit for the Child and Dependent Care Credit in 2025?

- a) \$1,050 for one dependent, \$2,100 for two or more
- b) \$3,000 for one dependent, \$6,000 for two or more
- c) \$4,000 for one dependent, \$8,000 for two or more
- d) No limit

246. Which of the following is a requirement for the QBI deduction?

- a) Income from a specified service trade or business with no phase-out
- b) Taxable income below the phase-out threshold for full deduction
- c) Filing as Married Filing Separately
- d) No business income

247. What is the standard deduction for a taxpayer over age 65 filing as Single in 2025?

- a) \$14,600
- b) \$16,550
- c) \$20,800
- d) \$29,200

248. Which credit is limited to 25% of the first \$10,000 of qualified education expenses?

- a) American Opportunity Tax Credit
- b) Lifetime Learning Credit
- c) Child Tax Credit
- d) Earned Income Credit

249. What is the maximum deduction for alimony paid under a pre-2019 divorce agreement?

- a) \$10,000
- b) \$15,000
- c) No limit
- d) Not deductible

250. Which form is used to report the Earned Income Credit?

- a) Schedule EIC
- b) Form 8863
- c) Form 8812
- d) Form 8880

251. What is the maximum deduction for casualty losses in a federally declared disaster area in 2025?

- a) \$100 per event
- b) 10% of AGI
- c) \$100 per event plus 10% of AGI
- d) No limit

252. Which of the following is a requirement for the Child Tax Credit?

- a) The child must be over 17
- b) The child must be a dependent under age 17
- c) No income limit
- d) Filing as Married Filing Separately

253. What is the maximum HSA contribution for an individual over age 55 in 2025?

- a) \$4,150
- b) \$5,150
- c) \$8,300
- d) \$9,300

254. Which of the following is deductible as an itemized deduction?

- a) Self-employed health insurance
- b) Property taxes
- c) Educator expenses
- d) Student loan interest

255. What is the phase-out threshold for the Retirement Savings Contributions Credit for a married couple filing jointly in 2025?

- a) \$38,250
- b) \$76,500
- c) \$100,000
- d) \$150,000

256. Which form is used to report charitable contributions?

- a) Schedule A
- b) Schedule B
- c) Schedule C
- d) Schedule D

257. What is the maximum credit for the Lifetime Learning Credit in 2025?

- a) \$1,000
- b) \$2,000
- c) \$2,500
- d) \$4,000

258. Which of the following is a requirement for the Earned Income Credit?

- a) Filing as Married Filing Separately
- b) A valid Social Security number for the taxpayer
- c) Income above \$100,000
- d) No earned income

259. What is the maximum deduction for mortgage interest on a second home in 2025?

- a) Interest on up to \$500,000 of debt
- b) Interest on up to \$750,000 of debt
- c) Interest on up to \$1,000,000 of debt
- d) No limit

260. Which credit is available for taxpayers with foreign income?

- a) Child Tax Credit
- b) Foreign Tax Credit
- c) Earned Income Credit
- d) Child and Dependent Care Credit

261. What is the purpose of Form 5695?

- a) To claim energy credits

- b) To report HSA contributions
- c) To claim education credits
- d) To report rental income

262. Which of the following is a requirement for the American Opportunity Tax Credit?

- a) Enrollment in a graduate program
- b) Pursuit of a degree or recognized credential
- c) No income limit
- d) Non-degree programs

263. What is the maximum deduction for state and local taxes (SALT) for a married couple filing jointly in 2025?

- a) \$5,000
- b) \$10,000
- c) \$15,000
- d) No limit

264. Which form is used to report the Additional Child Tax Credit?

- a) Form 8812
- b) Form 8863
- c) Form 8880
- d) Form 5695

265. What is the maximum amount of the Child and Dependent Care Credit for one dependent in 2025?

- a) \$1,050
- b) \$3,000
- c) \$4,000
- d) \$8,000

266. Which of the following is an above-the-line deduction?

- a) Charitable contributions
- b) Educator expenses

- c) Medical expenses
- d) State income taxes

267. What is the income limit for the full Earned Income Credit for a married couple filing jointly with three children in 2025?

- a) \$29,200
- b) \$59,478
- c) \$63,698
- d) \$75,000

268. Which credit is limited to 40% of the first \$6,000 of qualified expenses for one dependent?

- a) Child Tax Credit
- b) Child and Dependent Care Credit
- c) Earned Income Credit
- d) Lifetime Learning Credit

269. What is the maximum deduction for student loan interest for a single filer with AGI below the phase-out in 2025?

- a) \$1,500
- b) \$2,500
- c) \$3,000
- d) \$5,000

270. Which form is used to report the QBI deduction for complex calculations?

- a) Form 8995
- b) Form 8995-A
- c) Form 8863
- d) Form 8812

271. What is the maximum credit for the American Opportunity Tax Credit in 2025?

- a) \$1,000
- b) \$2,000

- c) \$2,500
- d) \$4,000

272. Which of the following is not deductible as an itemized deduction?

- a) Mortgage interest
- b) Charitable contributions
- c) Self-employed health insurance
- d) State sales taxes

273. What is the phase-out threshold for the Child Tax Credit for a married couple filing jointly in 2025?

- a) \$200,000
- b) \$400,000
- c) \$500,000
- d) No limit

274. Which of the following is an above-the-line deduction?

- a) Medical expenses
- b) Self-employment tax deduction
- c) State income taxes
- d) Charitable contributions

275. What is the purpose of Form 8889?

- a) To report HSA contributions and distributions
- b) To claim education credits
- c) To report rental income
- d) To claim the Retirement Savings Contributions Credit

276. Which credit is available for low-income taxpayers contributing to a retirement plan?

- a) Child Tax Credit
- b) Retirement Savings Contributions Credit
- c) Foreign Tax Credit

d) Child and Dependent Care Credit

277. What is the maximum deduction for cash charitable contributions for taxpayers who itemize in 2025?

a) 30% of AGI

b) 50% of AGI

c) 60% of AGI

d) No limit

278. Which of the following is a requirement for the HSA contribution deduction?

a) Enrollment in a low-deductible health plan

b) Enrollment in a high-deductible health plan

c) No income limit

d) Filing as Married Filing Separately

279. What is the maximum amount of the Earned Income Credit for a single filer with two children in 2025?

a) \$3,995

b) \$5,280

c) \$6,935

d) \$7,830

280. Which form is used to report medical expense deductions?

a) Schedule A

b) Schedule B

c) Schedule C

d) Schedule D

281. What is the maximum credit for the Child and Dependent Care Credit for two or more dependents in 2025?

a) \$1,050

b) \$3,000

c) \$6,000

d) \$8,000

282. Which of the following is a requirement for the QBI deduction?

- a) Income from a specified service trade or business with no phase-out
- b) Taxable income below the phase-out threshold for full deduction
- c) Filing as Married Filing Separately
- d) No business income

283. What is the Alternative Minimum Tax (AMT) designed to ensure?

- a) Taxpayers pay no federal income tax
- b) High-income taxpayers pay a minimum amount of tax
- c) All taxpayers qualify for credits
- d) Low-income taxpayers receive refunds

284. Which form is used to calculate self-employment tax?

- a) Schedule C
- b) Schedule SE
- c) Schedule D
- d) Schedule E

285. What is the Net Investment Income Tax (NIIT) rate?

- a) 2.8%
- b) 3.8%
- c) 4.8%
- d) 5.8%

286. What is the safe harbor rule for estimated tax payments to avoid penalties?

- a) 90% of current-year tax or 100% of prior-year tax
- b) 100% of current-year tax or 90% of prior-year tax
- c) 80% of current-year tax
- d) 110% of prior-year tax

287. Which penalty applies for failure to file a tax return by the due date?

- a) 0.5% per month, up to 25%
- b) 5% per month, up to 25%
- c) 10% per month, up to 50%
- d) \$435 flat penalty

288. How is the AMT exemption amount determined for a single filer in 2025?

- a) Fixed at \$75,900
- b) Adjusted based on income level
- c) Equal to the standard deduction
- d) Based on the number of dependents

289. What is the purpose of Form 1040-ES?

- a) To file an amended return
- b) To calculate estimated tax payments
- c) To report foreign income
- d) To claim a refund

290. Which income source is subject to the NIIT?

- a) Wages from employment
- b) Capital gains from investments
- c) Social Security benefits
- d) Child support payments

291. What is the maximum self-employment tax rate for 2025?

- a) 12.4%
- b) 15.3%
- c) 20%
- d) 25%

292. When are estimated tax payments due for the first quarter of the tax year?

- a) March 15

- b) April 15
- c) June 15
- d) September 15

293. What is the AMT exemption amount for a single filer in 2025?

- a) \$75,900
- b) \$85,700
- c) \$100,000
- d) \$125,000

294. Which form is used to calculate the Net Investment Income Tax?

- a) Form 8960
- b) Form 8812
- c) Form 8863
- d) Form 8880

295. What is the penalty for failure to pay taxes by the due date?

- a) 0.5% per month, up to 25%
- b) 5% per month, up to 25%
- c) \$435 flat penalty
- d) 1% per month, up to 10%

296. Which of the following is subject to self-employment tax?

- a) Wages from employment
- b) Net earnings from a sole proprietorship
- c) Interest income
- d) Dividend income

297. What is the income threshold for the NIIT for a single filer in 2025?

- a) \$125,000
- b) \$200,000
- c) \$250,000

d) \$400,000

298. Which form is used to report AMT liability?

- a) Form 6251
- b) Form 8960
- c) Form 1040-ES
- d) Form 8812

299. What is the safe harbor percentage for high-income taxpayers (AGI over \$150,000) for estimated tax payments in 2025?

- a) 90% of current-year tax
- b) 100% of prior-year tax
- c) 110% of prior-year tax
- d) 120% of prior-year tax

300. Which of the following is a requirement for avoiding the underpayment penalty?

- a) Paying at least 50% of the current-year tax
- b) Meeting the safe harbor for estimated tax payments
- c) Filing an extension every year
- d) Claiming the maximum standard deduction

301. What is the purpose of Form 2210?

- a) To calculate underpayment penalties
- b) To report foreign income
- c) To claim education credits
- d) To file an amended return

302. Which income is not subject to the NIIT?

- a) Capital gains
- b) Dividends
- c) Wages
- d) Interest

303. What is the maximum Social Security portion of the self-employment tax for 2025?

- a) 2.9%
- b) 6.2%
- c) 12.4%
- d) 15.3%

304. When are estimated tax payments due for the second quarter of the tax year?

- a) April 15
- b) June 15
- c) September 15
- d) January 15

305. What is the AMT tax rate for individuals in 2025?

- a) 15% and 20%
- b) 26% and 28%
- c) 30% and 35%
- d) 37%

306. Which of the following is a deduction allowed under AMT rules?

- a) State income taxes
- b) Medical expenses above 7.5% of AGI
- c) Personal exemptions
- d) Miscellaneous itemized deductions

307. What is the income threshold for the NIIT for a married couple filing jointly in 2025?

- a) \$200,000
- b) \$250,000
- c) \$400,000
- d) \$500,000

308. Which form is used to report withholding from wages?

- a) Form W-2

- b) Form 1099-INT
- c) Form 1099-DIV
- d) Form 1099-MISC

309. What is the penalty for failure to make estimated tax payments when required?

- a) 0.5% per month, up to 25%
- b) Based on the IRS underpayment interest rate
- c) \$435 flat penalty
- d) 5% per month, up to 25%

310. Which of the following is subject to the AMT?

- a) Standard deduction
- b) Incentive stock option exercises
- c) Child Tax Credit
- d) Earned Income Credit

311. What is the purpose of Form 8959?

- a) To report Additional Medicare Tax
- b) To report Net Investment Income Tax
- c) To calculate self-employment tax
- d) To claim education credits

312. What is the Additional Medicare Tax rate for high-income taxpayers in 2025?

- a) 0.9%
- b) 1.45%
- c) 2.9%
- d) 3.8%

313. Which of the following is a safe harbor for avoiding the failure-to-file penalty?

- a) Filing by April 15
- b) Filing an extension by April 15
- c) Paying 50% of the tax due

d) No safe harbor exists

314. What is the wage base limit for the Social Security portion of self-employment tax in 2025?

- a) \$142,800
- b) \$168,600
- c) \$200,000
- d) No limit

315. Which form is used to report estimated tax payments?

- a) Form 1040-ES
- b) Form 2210
- c) Form 6251
- d) Form 8960

316. What is the penalty for filing a frivolous tax return?

- a) \$500
- b) \$5,000
- c) \$10,000
- d) \$25,000

317. Which of the following is subject to the NIIT?

- a) Wages
- b) Interest income
- c) Child support
- d) Social Security benefits

318. What is the purpose of Form 6251?

- a) To calculate AMT liability
- b) To report self-employment tax
- c) To claim education credits
- d) To report foreign income

319. What is the safe harbor percentage for estimated tax payments for taxpayers with AGI under \$150,000 in 2025?

- a) 90% of current-year tax or 100% of prior-year tax
- b) 100% of current-year tax or 90% of prior-year tax
- c) 80% of current-year tax
- d) 110% of prior-year tax

320. Which of the following is a deduction disallowed under AMT rules?

- a) Mortgage interest
- b) State income taxes
- c) Charitable contributions
- d) Medical expenses

321. What is the income threshold for the Additional Medicare Tax for a single filer in 2025?

- a) \$125,000
- b) \$200,000
- c) \$250,000
- d) \$400,000

322. Which form is used to report the Additional Child Tax Credit?

- a) Form 8812
- b) Form 8863
- c) Form 8880
- d) Form 5695

323. What is the penalty for failure to pay estimated taxes for a taxpayer with no tax liability in the prior year?

- a) 0.5% per month, up to 25%
- b) No penalty
- c) \$435 flat penalty
- d) 5% per month, up to 25%

324. Which of the following is subject to self-employment tax?

- a) Interest income
- b) Net earnings from a sole proprietorship
- c) Capital gains
- d) Dividends

325. What is the AMT exemption phase-out threshold for a single filer in 2025?

- a) \$200,000
- b) \$609,350
- c) \$800,000
- d) \$1,000,000

326. Which form is used to report Net Investment Income Tax?

- a) Form 8960
- b) Form 6251
- c) Form 1040-ES
- d) Form 2210

327. What is the maximum Medicare portion of the self-employment tax for 2025?

- a) 2.9%
- b) 6.2%
- c) 12.4%
- d) 15.3%

328. When are estimated tax payments due for the third quarter of the tax year?

- a) April 15
- b) June 15
- c) September 15
- d) January 15

329. Which of the following is a requirement for the AMT?

- a) Filing as Married Filing Separately

- b) Calculating AMT income with specific adjustments
- c) No income limit
- d) Claiming the standard deduction

330. What is the penalty for failure to file a tax return with no tax due?

- a) \$435 flat penalty
- b) 0.5% per month, up to 25%
- c) No penalty
- d) 5% per month, up to 25%

331. Which income is subject to the Additional Medicare Tax?

- a) Capital gains
- b) Wages above the threshold
- c) Dividends
- d) Interest

332. What is the purpose of Form 8959?

- a) To report Additional Medicare Tax
- b) To report Net Investment Income Tax
- c) To calculate self-employment tax
- d) To claim education credits

333. Which of the following is a safe harbor for avoiding the failure-to-pay penalty?

- a) Paying 50% of the tax due
- b) Paying 90% of the current-year tax or 100% of the prior-year tax
- c) Filing an extension
- d) No safe harbor exists

334. What is the wage base limit for the Social Security portion of self-employment tax in 2025?

- a) \$142,800
- b) \$168,600

- c) \$200,000
- d) No limit

335. Which form is used to report estimated tax payments?

- a) Form 1040-ES
- b) Form 2210
- c) Form 6251
- d) Form 8960

336. What is the penalty for filing a frivolous tax return?

- a) \$500
- b) \$5,000
- c) \$10,000
- d) \$25,000

337. Which of the following is subject to the NIIT?

- a) Wages
- b) Interest income
- c) Child support
- d) Social Security benefits

338. What is the purpose of Form 6251?

- a) To calculate AMT liability
- b) To report self-employment tax
- c) To claim education credits
- d) To report foreign income

339. What is the safe harbor percentage for estimated tax payments for taxpayers with AGI under \$150,000 in 2025?

- a) 90% of current-year tax or 100% of prior-year tax
- b) 100% of current-year tax or 90% of prior-year tax
- c) 80% of current-year tax

d) 110% of prior-year tax

340. Which of the following is a deduction disallowed under AMT rules?

- a) Mortgage interest
- b) State income taxes
- c) Charitable contributions
- d) Medical expenses

341. What is the income threshold for the Additional Medicare Tax for a married couple filing jointly in 2025?

- a) \$200,000
- b) \$250,000
- c) \$400,000
- d) \$500,000

342. Which form is used to report the Additional Child Tax Credit?

- a) Form 8812
- b) Form 8863
- c) Form 8880
- d) Form 5695

343. What is the penalty for failure to pay estimated taxes for a taxpayer with no tax liability in the prior year?

- a) 0.5% per month, up to 25%
- b) No penalty
- c) \$435 flat penalty
- d) 5% per month, up to 25%

344. Which of the following is subject to self-employment tax?

- a) Interest income
- b) Net earnings from a sole proprietorship
- c) Capital gains
- d) Dividends

345. What is the AMT exemption phase-out threshold for a married couple filing jointly in 2025?

- a) \$200,000
- b) \$609,350
- c) \$800,000
- d) \$1,191,700

346. Which form is used to report Net Investment Income Tax?

- a) Form 8960
- b) Form 6251
- c) Form 1040-ES
- d) Form 2210

347. What is the maximum Medicare portion of the self-employment tax for 2025?

- a) 2.9%
- b) 6.2%
- c) 12.4%
- d) 15.3%

348. When are estimated tax payments due for the fourth quarter of the tax year?

- a) April 15
- b) June 15
- c) September 15
- d) January 15

349. Which of the following is a requirement for the AMT?

- a) Filing as Married Filing Separately
- b) Calculating AMT income with specific adjustments
- c) No income limit
- d) Claiming the standard deduction

350. What is the penalty for failure to file a tax return with no tax due?

- a) \$435 flat penalty
- b) 0.5% per month, up to 25%
- c) No penalty
- d) 5% per month, up to 25%

351. Which income is subject to the Additional Medicare Tax?

- a) Capital gains
- b) Wages above the threshold
- c) Dividends
- d) Interest

352. What is the purpose of Form 8959?

- a) To report Additional Medicare Tax
- b) To report Net Investment Income Tax
- c) To calculate self-employment tax
- d) To claim education credits

353. Which of the following is a safe harbor for avoiding the failure-to-pay penalty?

- a) Paying 50% of the tax due
- b) Paying 90% of the current-year tax or 100% of the prior-year tax
- c) Filing an extension
- d) No safe harbor exists

354. What is the wage base limit for the Social Security portion of self-employment tax in 2025?

- a) \$142,800
- b) \$168,600
- c) \$200,000
- d) No limit

355. Which form is used to report estimated tax payments?

- a) Form 1040-ES
- b) Form 2210
- c) Form 6251
- d) Form 8960

356. What is the penalty for filing a frivolous tax return?

- a) \$500
- b) \$5,000
- c) \$10,000
- d) \$25,000

357. Which of the following is subject to the NIIT?

- a) Wages
- b) Interest income
- c) Child support
- d) Social Security benefits

358. What is the purpose of Form 6251?

- a) To calculate AMT liability
- b) To report self-employment tax
- c) To claim education credits
- d) To report foreign income

359. What is the safe harbor percentage for estimated tax payments for taxpayers with AGI under \$150,000 in 2025?

- a) 90% of current-year tax or 100% of prior-year tax
- b) 100% of current-year tax or 90% of prior-year tax
- c) 80% of current-year tax
- d) 110% of prior-year tax

360. Which of the following is a deduction disallowed under AMT rules?

- a) Mortgage interest
- b) State income taxes
- c) Charitable contributions
- d) Medical expenses

361. What is the income threshold for the Additional Medicare Tax for a married couple filing jointly in 2025?

- a) \$200,000
- b) \$250,000
- c) \$400,000
- d) \$500,000

362. Which form is used to report the Additional Child Tax Credit?

- a) Form 8812
- b) Form 8863
- c) Form 8880
- d) Form 5695

363. What is the penalty for failure to pay estimated taxes for a taxpayer with no tax liability in the prior year?

- a) 0.5% per month, up to 25%
- b) No penalty
- c) \$435 flat penalty
- d) 5% per month, up to 25%

364. Which of the following is subject to self-employment tax?

- a) Interest income
- b) Net earnings from a sole proprietorship
- c) Capital gains
- d) Dividends

365. What is the AMT exemption phase-out threshold for a married couple filing jointly in 2025?

- a) \$200,000
- b) \$609,350
- c) \$800,000
- d) \$1,191,700

366. Which form is used to report Net Investment Income Tax?

- a) Form 8960
- b) Form 6251
- c) Form 1040-ES
- d) Form 2210

367. What is the maximum Medicare portion of the self-employment tax for 2025?

- a) 2.9%
- b) 6.2%
- c) 12.4%
- d) 15.3%

368. When are estimated tax payments due for the fourth quarter of the tax year?

- a) April 15
- b) June 15
- c) September 15
- d) January 15

369. Which of the following is a requirement for the AMT?

- a) Filing as Married Filing Separately
- b) Calculating AMT income with specific adjustments
- c) No income limit
- d) Claiming the standard deduction

370. What is the penalty for failure to file a tax return with no tax due?

- a) \$435 flat penalty
- b) 0.5% per month, up to 25%
- c) No penalty
- d) 5% per month, up to 25%

371. What is the primary purpose of tax planning for an individual taxpayer?

- a) To minimize tax liability legally
- b) To maximize taxable income
- c) To avoid filing a tax return
- d) To increase tax penalties

372. Which filing status generally provides the lowest tax rates for an unmarried taxpayer supporting a qualifying child?

- a) Single
- b) Married Filing Separately
- c) Head of Household
- d) Married Filing Jointly

373. What is a key factor in advising a taxpayer on whether to itemize deductions?

- a) Comparing itemized deductions to the standard deduction
- b) The taxpayer's filing status alone
- c) The number of dependents claimed
- d) The taxpayer's state of residence

374. Which of the following is a tax planning strategy for high-income taxpayers?

- a) Bunching charitable contributions in a single year
- b) Deferring all income indefinitely
- c) Claiming the standard deduction every year
- d) Avoiding retirement plan contributions

375. What should a taxpayer consider when deciding to contribute to a traditional IRA?

- a) The tax-free growth of earnings
- b) The deductibility of contributions based on income and plan participation
- c) The ability to withdraw funds without penalty at any age
- d) No income limits for contributions

376. Which form is used to request an extension of time to file an individual tax return?

- a) Form 4868
- b) Form 1040-ES
- c) Form 8822
- d) Form 4506

377. What is the deadline for filing a federal income tax return with an extension in 2025?

- a) April 15
- b) June 15
- c) October 15
- d) December 31

378. Which of the following is a tax-advantaged retirement account for self-employed individuals?

- a) Roth IRA
- b) SEP-IRA
- c) 529 Plan
- d) HSA

379. When advising a taxpayer on estimated tax payments, what is a key consideration?

- a) Paying at least 50% of the prior-year tax
- b) Meeting the safe harbor rule to avoid penalties
- c) Filing an extension for each quarter
- d) Ignoring prior-year tax liability

380. What is the benefit of contributing to a Health Savings Account (HSA)?

- a) Tax-free withdrawals for any purpose
- b) Deductible contributions and tax-free withdrawals for qualified medical expenses
- c) No income limits for contributions
- d) Required minimum distributions after age 73

381. Which of the following is a tax planning strategy for a taxpayer expecting a large capital gain?

- a) Selling all assets in the same year
- b) Offsetting gains with capital losses
- c) Avoiding the sale of assets
- d) Claiming the standard deduction

382. What is the purpose of Form 8822?

- a) To request a refund
- b) To report a change of address
- c) To file an amended return
- d) To calculate estimated taxes

383. Which filing status is available to a surviving spouse with a dependent child?

- a) Single
- b) Qualifying Surviving Spouse
- c) Head of Household
- d) Married Filing Separately

384. What is a potential consequence of failing to make required estimated tax payments?

- a) Loss of all deductions
- b) Underpayment penalty
- c) Automatic audit
- d) Loss of filing status

385. Which of the following is a factor in determining whether a taxpayer qualifies for Head of Household status?

- a) Marital status alone
- b) Maintaining a home for a qualifying person
- c) Income level
- d) Number of exemptions claimed

386. What is the benefit of bunching deductions for tax planning?

- a) Increasing taxable income
- b) Maximizing itemized deductions in a single year to exceed the standard deduction
- c) Avoiding the need to file a return
- d) Reducing the need for estimated tax payments

387. Which of the following is a requirement for contributing to a Roth IRA?

- a) No income limits
- b) Earned income and income within phase-out limits
- c) Participation in an employer-sponsored plan
- d) Age under 59½

388. What is the purpose of Form 4506?

- a) To request a copy of a previously filed tax return
- b) To file an amended return
- c) To report a change of address
- d) To calculate estimated taxes

389. Which tax planning strategy can reduce taxable income for self-employed individuals?

- a) Claiming the standard deduction
- b) Contributing to a SEP-IRA
- c) Avoiding business expense deductions
- d) Filing as Married Filing Separately

390. What is the maximum contribution limit for a traditional or Roth IRA in 2025 for an individual under age 50?

- a) \$6,500
- b) \$7,500
- c) \$8,000
- d) \$10,000

391. Which of the following is a tax planning consideration for a taxpayer with high medical expenses?

- a) Claiming the standard deduction
- b) Itemizing deductions if medical expenses exceed 7.5% of AGI
- c) Avoiding HSA contributions
- d) Deferring medical expenses to a future year

392. What is the penalty for withdrawing funds from a traditional IRA before age 59½?

- a) 5% penalty
- b) 10% penalty
- c) 15% penalty
- d) No penalty

393. Which form is used to file an amended individual tax return?

- a) Form 1040
- b) Form 1040-X
- c) Form 4868
- d) Form 8822

394. What is a key consideration when advising a taxpayer on charitable contributions?

- a) Contributions are deductible only if the standard deduction is claimed
- b) Cash contributions are limited to 60% of AGI for itemizers
- c) Contributions are not deductible for non-itemizers
- d) There are no limits on charitable contributions

395. Which of the following is a tax planning strategy for a taxpayer with a large capital loss?

- a) Carrying forward excess losses to offset future gains
- b) Deducting all losses in the current year
- c) Avoiding the sale of assets
- d) Claiming the standard deduction

396. What is the deadline for making contributions to a traditional IRA for the 2024 tax year?

- a) December 31, 2024
- b) April 15, 2025
- c) June 15, 2025
- d) October 15, 2025

397. Which of the following is a benefit of filing as Married Filing Jointly?

- a) Higher standard deduction than filing separately
- b) Ability to claim fewer credits
- c) Higher tax rates than other statuses
- d) No phase-out limits for deductions

398. What is the purpose of Form 1040-X?

- a) To request an extension
- b) To file an amended return
- c) To report estimated taxes
- d) To claim a refund

399. Which of the following is a tax planning strategy for a taxpayer with children?

- a) Avoiding the Child Tax Credit
- b) Claiming the Child Tax Credit and Additional Child Tax Credit
- c) Filing as Single regardless of status
- d) Deferring all income to a future year

400. What is the income phase-out range for Roth IRA contributions for a single filer in 2025?

- a) \$125,000–\$140,000
- b) \$146,000–\$161,000
- c) \$200,000–\$250,000
- d) No phase-out

401. Which of the following is a consideration when advising a taxpayer on HSA contributions?

- a) Contributions are deductible only if itemizing
- b) Contributions require a high-deductible health plan
- c) There are no income limits for contributions
- d) Withdrawals are always tax-free

402. What is the benefit of tax-loss harvesting?

- a) Increasing taxable income
- b) Offsetting capital gains with capital losses
- c) Avoiding estimated tax payments
- d) Eliminating the need to file a return

403. Which filing status is available to an unmarried taxpayer who maintains a home for a qualifying relative?

- a) Single
- b) Head of Household
- c) Married Filing Separately
- d) Qualifying Surviving Spouse

404. What is the purpose of Form 4868?

- a) To file an amended return
- b) To request an extension of time to file
- c) To report a change of address
- d) To calculate estimated taxes

405. Which of the following is a tax planning strategy for a taxpayer with self-employment income?

- a) Avoiding business expense deductions
- b) Deducting qualified business expenses to reduce taxable income
- c) Filing as Married Filing Separately
- d) Claiming no deductions

406. What is the maximum contribution limit for a SEP-IRA in 2025?

- a) \$7,500
- b) \$15,000
- c) \$69,000 or 25% of compensation
- d) No limit

407. Which of the following is a requirement for claiming the Earned Income Credit?

- a) Filing as Married Filing Separately
- b) Having a valid Social Security number
- c) Having income above \$100,000
- d) No earned income

408. What is the benefit of contributing to a 529 plan?

- a) Tax-deductible contributions at the federal level
- b) Tax-free withdrawals for qualified education expenses
- c) No contribution limits
- d) Tax-free withdrawals for any purpose

409. Which of the following is a tax planning consideration for a taxpayer with a high AGI?

- a) Avoiding itemized deductions
- b) Timing income and deductions to manage phase-outs
- c) Filing as Single regardless of status
- d) Claiming no credits

410. What is the penalty for withdrawing funds from an HSA for non-qualified expenses before age 65?

- a) 10% penalty
- b) 20% penalty
- c) 25% penalty
- d) No penalty

411. Which of the following is a tax planning strategy for a taxpayer expecting a large bonus?

- a) Deferring the bonus to a future year
- b) Claiming the standard deduction
- c) Avoiding retirement contributions
- d) Filing as Married Filing Separately

412. What is the purpose of Form 1040-ES?

- a) To file an amended return
- b) To calculate estimated tax payments
- c) To report a change of address
- d) To request a refund

413. Which of the following is a benefit of filing as Qualifying Surviving Spouse?

- a) Same tax rates and standard deduction as Married Filing Jointly
- b) Higher tax rates than other statuses
- c) No phase-out limits for credits
- d) Ability to claim fewer deductions

414. What is the deadline for filing an amended return (Form 1040-X) for the 2022 tax year?

- a) April 15, 2025
- b) April 15, 2026
- c) October 15, 2025
- d) No deadline

415. Which of the following is a tax planning strategy for a taxpayer with rental income?

- a) Avoiding deductions for rental expenses
- b) Deducting depreciation and other rental expenses
- c) Filing as Single regardless of status
- d) Deferring all rental income

416. What is the maximum contribution limit for an HSA for a family in 2025?

- a) \$4,150
- b) \$8,300
- c) \$10,000
- d) \$15,000

417. Which of the following is a requirement for claiming the Child Tax Credit?

- a) The child must be under age 17 and a dependent
- b) The child must be over age 17
- c) No income limit
- d) Filing as Married Filing Separately

418. What is the benefit of contributing to a traditional 401(k)?

- a) Tax-free contributions
- b) Tax-deferred growth and deductible contributions
- c) Tax-free withdrawals at any age
- d) No contribution limits

419. Which of the following is a tax planning consideration for a taxpayer with a side business?

- a) Avoiding the QBI deduction
- b) Claiming the QBI deduction if eligible
- c) Filing as Single regardless of status
- d) Deferring all business income

420. What is the income phase-out range for the Child Tax Credit for a single filer in 2025?

- a) \$75,000–\$100,000
- b) \$200,000–\$240,000
- c) \$400,000–\$440,000
- d) No phase-out

421. Which form is used to report income from a sole proprietorship?

- a) Schedule C
- b) Schedule E
- c) Schedule D
- d) Schedule F

422. What is the purpose of Form 2555?

- a) To report foreign earned income exclusion
- b) To report rental income
- c) To claim education credits
- d) To calculate self-employment tax

423. Which of the following is a requirement for the foreign earned income exclusion?

- a) U.S. residency for the entire year
- b) Meeting the bona fide residence or physical presence test
- c) Income below \$50,000
- d) Filing as Married Filing Separately

424. What is the maximum foreign earned income exclusion amount for 2025?

- a) \$80,000
- b) \$126,500
- c) \$150,000
- d) \$200,000

425. Which form is used to report rental income and expenses?

- a) Schedule C

- b) Schedule D
- c) Schedule E
- d) Schedule F

426. What is the purpose of Form 1041?

- a) To report income for an estate or trust
- b) To report individual income
- c) To claim education credits
- d) To file an amended return

427. Which of the following is a requirement for filing a Schedule C?

- a) Income from a partnership
- b) Income from a sole proprietorship or single-member LLC
- c) Income from rental property
- d) Income from farming

428. What is the depreciation period for residential rental property placed in service in 2025?

- a) 7 years
- b) 27.5 years
- c) 39 years
- d) 40 years

429. Which form is used to report farm income and expenses?

- a) Schedule C
- b) Schedule D
- c) Schedule E
- d) Schedule F

430. What is the purpose of Form 706?

- a) To report estate tax for a deceased individual
- b) To report individual income tax

- c) To claim education credits
- d) To report rental income

431. Which of the following is a requirement for the foreign housing exclusion?

- a) Income below \$50,000
- b) Qualifying for the foreign earned income exclusion
- c) U.S. residency for the entire year
- d) Filing as Single

432. What is the maximum estate tax exemption amount for 2025?

- a) \$5,000,000
- b) \$12,920,000
- c) \$13,610,000
- d) \$15,000,000

433. Which form is used to report the sale of a capital asset?

- a) Schedule C
- b) Schedule D
- c) Schedule E
- d) Schedule F

434. What is the purpose of Form 3520?

- a) To report transactions with foreign trusts
- b) To report rental income
- c) To claim education credits
- d) To calculate self-employment tax

435. Which of the following is a requirement for filing a Schedule F?

- a) Income from a sole proprietorship
- b) Income from farming activities
- c) Income from rental property
- d) Income from a partnership

436. What is the purpose of Form 709?

- a) To report gift tax
- b) To report individual income tax
- c) To claim education credits
- d) To file an amended return

437. Which of the following is a deductible expense on Schedule E?

- a) Wages paid to employees
- b) Depreciation on rental property
- c) Cost of goods sold
- d) Business travel expenses

438. What is the annual gift tax exclusion amount per recipient in 2025?

- a) \$15,000
- b) \$18,000
- c) \$20,000
- d) \$25,000

439. Which form is used to report income from a partnership?

- a) Schedule C
- b) Schedule E
- c) Schedule D
- d) Schedule F

440. What is the purpose of Form 8938?

- a) To report specified foreign financial assets
- b) To report rental income
- c) To claim education credits
- d) To calculate self-employment tax

441. Which of the following is a requirement for the foreign tax credit?

- a) Income from U.S. sources only

- b) Taxes paid to a foreign government on foreign income
- c) Filing as Married Filing Separately
- d) No income limit

442. What is the depreciation period for nonresidential rental property placed in service in 2025?

- a) 7 years
- b) 27.5 years
- c) 39 years
- d) 40 years

443. Which form is used to report income from an S corporation?

- a) Schedule C
- b) Schedule E
- c) Schedule D
- d) Schedule F

444. What is the purpose of Form 8854?

- a) To report expatriation from U.S. citizenship
- b) To report rental income
- c) To claim education credits
- d) To calculate self-employment tax

445. Which of the following is a deductible expense on Schedule F?

- a) Depreciation on farm equipment
- b) Personal living expenses
- c) Charitable contributions
- d) Medical expenses

446. What is the lifetime gift tax exemption amount for 2025?

- a) \$5,000,000
- b) \$12,920,000

- c) \$13,610,000
- d) \$15,000,000

447. Which form is used to report the foreign tax credit?

- a) Form 1116
- b) Form 2555
- c) Form 8938
- d) Form 3520

448. What is the purpose of Form 1040-NR?

- a) To report income for nonresident aliens
- b) To report rental income
- c) To claim education credits
- d) To calculate self-employment tax

449. Which of the following is a requirement for filing a Schedule E?

- a) Income from a sole proprietorship
- b) Income from rental property or partnerships
- c) Income from farming
- d) Income from capital gains

450. What is the purpose of Form 1045?

- a) To apply for a quick refund due to net operating loss
- b) To report rental income
- c) To claim education credits
- d) To file an amended return

451. Which of the following is a deductible expense on Schedule C?

- a) Personal living expenses
- b) Business-related advertising costs
- c) Charitable contributions
- d) Medical expenses

452. What is the maximum foreign housing exclusion amount for 2025?

- a) \$10,000
- b) \$17,740
- c) \$25,000
- d) Varies by location

453. Which form is used to report a net operating loss?

- a) Form 1045
- b) Form 1040-X
- c) Form 4868
- d) Form 8822

454. What is the purpose of Form 5471?

- a) To report information on foreign corporations
- b) To report rental income
- c) To claim education credits
- d) To calculate self-employment tax

455. Which of the following is a requirement for filing a Form 1041?

- a) Income from a sole proprietorship
- b) Income from an estate or trust
- c) Income from farming
- d) Income from capital gains

456. What is the estate tax rate for amounts above the exemption in 2025?

- a) 20%
- b) 30%
- c) 40%
- d) 50%

457. Which form is used to report the sale of a principal residence?

- a) Schedule C

- b) Schedule D
- c) Schedule E
- d) Schedule F

458. What is the purpose of Form 926?

- a) To report transfers of property to a foreign corporation
- b) To report rental income
- c) To claim education credits
- d) To calculate self-employment tax

459. Which of the following is a requirement for the exclusion of gain on the sale of a principal residence?

- a) Ownership and use for 2 of the last 5 years
- b) Ownership for 5 years
- c) Use for 3 of the last 5 years
- d) No income limit

460. What is the maximum exclusion of gain on the sale of a principal residence for a married couple filing jointly in 2025?

- a) \$250,000
- b) \$500,000
- c) \$750,000
- d) \$1,000,000

461. Which form is used to report income from royalties?

- a) Schedule C
- b) Schedule E
- c) Schedule D
- d) Schedule F

462. What is the purpose of Form 8865?

- a) To report information on foreign partnerships
- b) To report rental income

- c) To claim education credits
- d) To calculate self-employment tax

463. Which of the following is a deductible expense on Schedule F?

- a) Personal living expenses
- b) Cost of seeds and plants
- c) Charitable contributions
- d) medical expenses

464. What is the filing threshold for a single taxpayer under age 65 in 2025?

- a) \$12,000
- b) \$14,600
- c) \$20,000
- d) \$25,000

465. Which form is used to report the foreign earned income exclusion and housing exclusion?

- a) Form 2555
- b) Form 1116
- c) Form 8938
- d) Form 3520

466. What is the purpose of Form 1040-SS?

- a) To report income for residents of U.S. territories
- b) To report rental income
- c) To claim education credits
- d) To file an amended return

467. Which of the following is a requirement for filing a Schedule D?

- a) Income from a sole proprietorship
- b) Capital gains or losses from asset sales
- c) Income from rental property

d) Income from farming

468. What is the purpose of Form 8283?

- a) To report noncash charitable contributions
- b) To report rental income
- c) To claim education credits
- d) To calculate self-employment tax

469. Which of the following is a requirement for filing a Form 706?

- a) Estate value above the exemption amount
- b) Income from a sole proprietorship
- c) Income from rental property
- d) Income from farming

470. What is the maximum foreign tax credit allowed without filing Form 1116?

- a) \$300 for single filers, \$600 for married filing jointly
- b) \$600 for single filers, \$1,200 for married filing jointly
- c) \$1,000 for all filers
- d) No limit

Answers and Explanations

Answers and Explanations - Part 1

1. b) Obtain a valid Preparer Tax Identification Number (PTIN) – The first step in setting up a client engagement is ensuring the Enrolled Agent has a valid PTIN, as required by the IRS for all paid tax preparers. This ensures compliance with IRS regulations and allows the EA to legally prepare returns.
2. c) Form W-12 – Form W-12 is used to apply for or renew a PTIN. Form W-7 is for ITIN applications, Form 2848 is for power of attorney, and Form 8821 is for tax information authorization.
3. a) The client's Social Security number and filing status – Verifying the client's SSN and filing status ensures the prior-year return is accurate and matches IRS records, preventing processing delays or errors.
4. b) Married Filing Jointly – This filing status typically results in a lower tax liability for married couples due to wider tax brackets and eligibility for certain credits and deductions unavailable to other statuses.
5. b) April 15 – The due date for individual federal income tax returns is April 15 of the following year, unless extended or falling on a weekend or holiday.
6. a) Form 4868 – Form 4868 is used to request an automatic six-month extension for filing an individual tax return, extending the deadline to October 15.
7. b) To prevent tax-related identity theft and fraudulent filings – Identity verification ensures the taxpayer is legitimate, protecting against fraud and ensuring accurate return processing.
8. a) Form 1095-A – Form 1095-A is used to report health insurance coverage obtained through the ACA Marketplace, necessary for reconciling premium tax credits.
9. a) Foreign accounts with a balance exceeding \$10,000 at any time during the year – An FBAR is required if the aggregate value of foreign financial accounts exceeds \$10,000 at any point during the calendar year.
10. b) Up to \$10,000 per violation, or higher if willful – The penalty for non-willful FBAR violations is up to \$10,000, with higher penalties for willful violations, potentially reaching 50% of the account balance.
11. b) To authorize a representative to act on behalf of the taxpayer – Form 2848 grants power of attorney to an Enrolled Agent or other representative to act on behalf of the taxpayer before the IRS.
12. b) Checking for carryovers, such as capital losses – Reviewing prior-year returns helps identify carryovers like capital losses or credits that may affect the current year's tax liability.

13. c) October 15 – Form 4868 extends the individual tax return filing deadline to October 15, providing an additional six months.
14. b) The taxpayer must have a qualifying child or dependent – Head of Household status requires maintaining a household for a qualifying child or dependent and meeting other IRS criteria.
15. a) Form 8822 – Form 8822 is used to notify the IRS of a change in the taxpayer's address to ensure proper communication and processing.
16. b) Inability to prepare tax returns for compensation – A valid PTIN is required to legally prepare tax returns for compensation; failure to renew prevents legal preparation.
17. b) To reconcile premium tax credits – Form 8962 is used to reconcile advance premium tax credits received for ACA Marketplace insurance with the actual credit allowed.
18. a) Foreign assets valued at \$50,000 at year-end or \$75,000 at any time – Single taxpayers living in the U.S. must file Form 8938 if foreign financial assets exceed \$50,000 at year-end or \$75,000 at any time during the year.
19. b) A valid government-issued photo ID – A government-issued photo ID, such as a driver's license or passport, is required to verify a taxpayer's identity for e-filing.
20. b) \$10,000 – The penalty for failing to file Form 8938 is \$10,000, with additional penalties for continued failure after IRS notification.
21. a) Form 4506 – Form 4506 is used to request a copy of a previously filed tax return from the IRS.
22. c) Qualifying Widow(er) – A widow(er) with a dependent child within two years of a spouse's death can file as Qualifying Widow(er), using joint return tax rates.
23. c) For both filing and payment deadlines – Disaster-area relief often includes extensions for both filing and payment deadlines for taxpayers in federally declared disaster areas.
24. a) To file taxes without a Social Security number – An ITIN allows individuals without an SSN to file federal tax returns.
25. b) The couple must be legally married by December 31 – Married Filing Jointly requires the couple to be legally married by the end of the tax year.
26. a) To authorize the IRS to disclose tax information – Form 8821 allows a third party to receive and inspect confidential tax information without acting as a representative.
27. b) U.S. citizenship – A PTIN does not require U.S. citizenship; it is available to any qualified individual who registers and pays the fee.
28. b) June 30 – The FBAR filing deadline is June 30, with an automatic extension to October 15.

29. a) Verifying the client's identity and income documents – Due diligence requires verifying identity and income to ensure accurate and compliant tax preparation.

30. b) 50% of the account balance or \$100,000, whichever is greater – Willful failure to file an FBAR can result in a penalty of the greater of \$100,000 or 50% of the account balance.

31. a) Form 8965 – Form 8965 is used to report exemptions from the ACA's individual mandate penalty.

32. b) To identify carryovers and errors – Reviewing prior-year returns ensures carryovers like losses or credits are applied correctly and errors are corrected.

33. c) Head of Household – This status requires maintaining a household for a qualifying child or dependent, providing tax benefits over Single status.

34. b) Potential rejection of the tax return – Failure to verify identity may lead to the IRS rejecting the return to prevent fraud.

35. b) Form 8938 – Form 8938 is a foreign information return used to report specified foreign financial assets.

36. b) October 15 – The FBAR filing deadline is automatically extended to October 15 if not filed by June 30.

37. b) Married Filing Separately – A married taxpayer living apart may file as Married Filing Separately, though Head of Household may apply if they have a qualifying child.

38. b) To request a tax transcript – Form 4506-T is used to request a tax transcript, such as a record of account or wage and income information.

39. c) To allow additional time to file an accurate return – An extension via Form 4868 provides additional time to gather information and file accurately.

40. a) 0.5% per month, up to 25% – The late payment penalty is 0.5% of the unpaid tax per month, up to a maximum of 25%.

41. b) Maintaining minimum essential coverage – ACA compliance requires maintaining minimum essential coverage or paying a penalty, unless exempt.

42. a) To report health insurance coverage – Form 1095-B reports health insurance coverage provided by insurers other than the ACA Marketplace.

43. d) Both b and c – Failing to renew a PTIN prevents legal tax preparation and may result in loss of e-file access.

44. a) \$10,000 in foreign accounts at any time – The FBAR threshold for a married couple filing jointly is the same as for individuals: \$10,000 in foreign accounts at any time.

45. b) Form 8821 – Form 8821 authorizes a third party to receive tax information, while Form 2848 authorizes representation.

46. b) Single – An unmarried taxpayer with no dependents files as Single.

47. b) To file an amended return – Form 1040-X is used to amend a previously filed individual tax return.

48. b) Verifying all income and deductions – Due diligence requires verifying all income and deductions to ensure accuracy and compliance.

49. a) June 15 – Taxpayers living abroad receive an automatic extension to June 15 for filing their tax returns.

50. a) Form 8962 – Form 8962 is used to reconcile premium tax credits for ACA Marketplace insurance.

51. b) To identify tax return preparers – A PTIN is required for anyone preparing tax returns for compensation, identifying them to the IRS.

52. a) A dependent child and spouse's death within two years – Qualifying Widow(er) status requires a dependent child and a spouse's death within two years.

53. b) Possible loss of premium tax credit – Failing to file Form 8962 may result in the loss or adjustment of premium tax credits.

54. b) Form 8938 – Form 8938 is used to report specified foreign financial assets meeting certain thresholds.

55. a) Form 8822 – Form 8822 is used to report a change of address to the IRS.

56. b) Foreign accounts exceeding \$10,000 at any time – An FBAR is required if foreign accounts exceed \$10,000 in aggregate at any time during the year.

57. a) To report employer-provided health insurance – Form 1095-C reports employer-provided health insurance coverage.

58. c) Qualifying Widow(er) – This status allows a surviving spouse to use joint return tax rates for two years after a spouse's death if they have a dependent child.

59. d) Both b and c – Filing a fraudulent return may result in a penalty of up to 75% of the underpayment and potential loss of PTIN.

60. a) Form W-7 – Form W-7 is used to apply for an Individual Taxpayer Identification Number (ITIN).

61. b) To identify deductions and credits available – Reviewing carryovers ensures deductions and credits, such as capital losses, are applied correctly.

62. b) Maintaining minimum essential coverage or paying a penalty – ACA compliance requires coverage or an exemption to avoid penalties.

63. b) 5% per month, up to 25% – The penalty for late filing with a balance due is 5% per month, up to 25% of the unpaid tax.

64. a) Form 8965 – Form 8965 is used to report exemptions from the ACA's individual mandate penalty.

65. a) Form 4506 – Form 4506 is used to request a copy of a previously filed tax return.

66. b) Having a qualifying child or dependent – Head of Household status requires maintaining a household for a qualifying child or dependent.

67. b) \$400,000 at year-end or \$600,000 at any time – Married couples living abroad must file Form 8938 if foreign assets exceed \$400,000 at year-end or \$600,000 at any time.

68. b) Verifying all income and deductions – Due diligence requires verifying all income and deductions to ensure accuracy and compliance.

69. b) To file an amended return – Form 1040-X is used to correct errors or make changes to a previously filed return.

70. a) Form 1095-C – Form 1095-C reports employer-provided health insurance coverage.

71. b) Married Filing Separately – A married taxpayer living apart may file as Married Filing Separately, or Head of Household if they have a qualifying child.

72. a) To authorize tax information disclosure – Form 8821 allows a third party to receive confidential tax information.

73. b) Foreign accounts exceeding \$10,000 at any time – An FBAR is required if the total value of foreign accounts exceeds \$10,000 at any time.

74. b) Possible loss of premium tax credit – Failure to file Form 8962 may result in the loss or adjustment of premium tax credits.

75. a) Form 4506-T – Form 4506-T is used to request a tax transcript, such as a wage and income transcript.

76. b) Head of Household – A taxpayer with a qualifying child and no spouse may file as Head of Household, which offers tax benefits.

77. a) To report health insurance coverage from the Marketplace – Form 1095-A reports coverage obtained through the ACA Marketplace.

78. b) Potential rejection of the tax return – Failure to verify identity may lead to the IRS rejecting the return to prevent fraud.

79. a) Form W-7 – Form W-7 is used to apply for an ITIN for taxpayers without an SSN.

80. b) Maintaining minimum essential coverage or paying a penalty – ACA compliance requires coverage or an exemption to avoid penalties.

81. b) Up to \$50,000 for continued failure – The penalty for willful failure to file Form 8938 starts at \$10,000 and can increase to \$50,000 for continued failure.

82. a) Form 8822 – Form 8822 is used to notify the IRS of a change in address.

83. b) Form W-2 – Form W-2 reports wages, salaries, and tips earned by an employee, issued by the employer to the employee and the IRS.

84. b) Schedule E – Rental income is reported on Schedule E, which covers supplemental income from rental properties, royalties, and pass-through entities.

85. b) Included as ordinary income – Gambling winnings are fully taxable and reported as ordinary income on Form 1040, with losses deductible only up to the amount of winnings.

86. b) Cost of acquisition plus transaction fees – The basis of cryptocurrency is the purchase price plus any associated transaction fees, used to calculate gain or loss upon disposition.

87. b) More than 1 year – Assets held for more than one year qualify for long-term capital gain treatment, which typically has lower tax rates than short-term gains.

88. b) For real property held for investment or business use – Section 1031 allows tax-deferred like-kind exchanges for real property used in a trade or business or held for investment.

89. a) Form 8949 – Form 8949 is used to report sales and dispositions of capital assets, with totals transferred to Schedule D.

90. b) As qualified dividends at capital gains rates – Qualified dividends from domestic corporations are taxed at preferential capital gains rates, provided holding period requirements are met.

91. b) Excluded from gross income – Alimony received under agreements executed after 2018 is not included in gross income, and payers cannot deduct it.

92. b) Interest from a savings account – Unearned income includes interest, dividends, and capital gains, unlike earned income from wages or business activities.

93. b) To report capital gains and losses – Schedule D is used to report capital gains and losses, summarizing transactions from Form 8949.

94. b) Fair market value at the date of death – The basis of inherited property is generally the fair market value at the date of the decedent's death.

95. b) Form 1099-NEC – Form 1099-NEC is used to report nonemployee compensation, such as payments to independent contractors.

96. b) Tax-free if qualified – Qualified Roth IRA distributions after age 59½ are tax-free if the account has been held for at least five years.

97. b) A personal residence – A personal residence is a capital asset, unlike inventory, business equipment, or accounts receivable, which are not.

98. b) 20% – The maximum long-term capital gains tax rate for 2025 is 20% for high-income taxpayers.

99. b) The donor's basis, adjusted for gift tax – The basis of a gift is generally the donor's basis, adjusted for any gift tax paid on appreciation.

100. b) Schedule E – Schedule E is used to report rental real estate income, as well as income from royalties and pass-through entities.

101. b) Included in gross income – Unemployment compensation is fully taxable and included in gross income on Form 1040.

102. b) Dividends – Dividends are considered unearned income, unlike wages, self-employment income, and tips, which are earned income.

103. a) To report the sale of business property – Form 4797 is used to report gains or losses from the sale of business property.

104. b) Excluded up to \$250,000 (\$500,000 for joint filers) if conditions are met – Gains from the sale of a personal residence may be excluded up to \$250,000 (\$500,000 for joint filers) if the taxpayer meets ownership and use tests.

105. a) Form 1099-INT – Form 1099-INT is used to report interest income received during the tax year.

106. b) 1 year or less – Short-term capital gains apply to assets held for one year or less, taxed at ordinary income rates.

107. c) Inventory – Inventory is not a capital asset; it is held for sale in the ordinary course of business, unlike stocks, bonds, or vacation homes.

108. b) At capital gains rates – Qualified dividends are taxed at long-term capital gains rates, typically lower than ordinary income rates.

109. a) To report capital gains and losses – Form 8949 is used to report individual capital gain and loss transactions, summarized on Schedule D.

110. b) Cost plus improvements minus depreciation – The basis of purchased property is the cost plus any improvements, reduced by any depreciation claimed.

111. a) Form W-2G – Form W-2G is used to report gambling winnings.
112. b) Partially taxable based on income – Social Security benefits may be partially taxable depending on the taxpayer's income level.
113. b) The properties must be held for investment or business use – Section 1031 exchanges require properties to be held for investment or business purposes, not personal use.
114. a) To report installment sale income – Form 6252 is used to report income from installment sales, where payments are received over multiple years.
115. a) Deductible only up to the amount of winnings – Gambling losses are deductible as itemized deductions only up to the amount of gambling winnings reported.
116. c) Wages – Wages are considered earned income, unlike interest, dividends, and capital gains, which are unearned income.
117. a) Taxed as ordinary income at fair market value – Cryptocurrency received as payment is taxed as ordinary income based on its fair market value at the time of receipt.
118. b) Form 8949 – Form 8949 is used to report the sale of real estate, with totals transferred to Schedule D.
119. b) \$3,000 – The maximum capital loss deduction for 2025 is \$3,000 for individuals and married couples filing jointly, with excess losses carried forward.
120. b) Held for more than 60 days – Qualified dividends require the underlying stock to be held for more than 60 days during a 121-day period around the ex-dividend date.
121. a) To report interest and dividend income – Schedule B is used to report interest and dividend income received during the tax year.
122. b) The donor's basis, adjusted for gift tax – The basis of gifted property is generally the donor's basis, adjusted for any gift tax paid on appreciation.
123. a) Form 1099-R – Form 1099-R is used to report distributions from retirement plans, such as IRAs or 401(k)s.
124. b) Carried forward to offset future capital gains – Capital losses exceeding the annual deduction limit can be carried forward to offset future capital gains.
125. b) Capital gains – Capital gains are considered unearned income, unlike wages, self-employment income, and tips.
126. a) To report like-kind exchanges – Form 8824 is used to report like-kind exchanges under Section 1031.

127. b) At a maximum rate of 28% – Gains from the sale of collectibles, such as art or antiques, are taxed at a maximum rate of 28%.

128. a) Form 1065 – Form 1065 is used to report partnership income, with Schedule K-1 reporting each partner's share.

129. b) Deductible as an adjustment to income – Alimony paid under pre-2019 divorce agreements is deductible as an above-the-line deduction.

130. b) The properties must be identified within 45 days – For a Section 1031 exchange, replacement properties must be identified within 45 days of the transfer.

131. a) To report dividend income – Form 1099-DIV is used to report dividend income received during the tax year.

132. b) Not deductible – Losses from the sale of a personal residence are not deductible.

133. a) Form 4797 – Form 4797 is used to report the sale of business property, such as equipment or real estate used in a trade or business.

134. b) Tax-free if qualified – Qualified Roth IRA distributions are tax-free if the account is held for at least five years and the taxpayer is over 59½.

135. b) A personal vehicle – A personal vehicle is a capital asset, unlike inventory, business equipment, or accounts receivable.

136. c) 37% – Short-term capital gains are taxed at ordinary income rates, with a maximum rate of 37% for 2025.

137. b) Form 1099-NEC – Form 1099-NEC is used to report nonemployee compensation, such as payments to independent contractors.

138. b) Fair market value at the time of mining – The basis of mined cryptocurrency is its fair market value at the time of mining, which is also taxed as ordinary income.

139. a) To report retirement plan distributions – Form 1099-R is used to report distributions from retirement plans.

140. b) The exchange must be completed within 180 days – A Section 1031 exchange must be completed within 180 days of the transfer of the relinquished property.

141. a) Deductible only up to winnings – Gambling losses are deductible as itemized deductions only up to the amount of gambling winnings.

142. a) Form 1099-INT – Form 1099-INT is used to report interest income received during the tax year.

143. a) To report rental income – Schedule E is used to report rental income from real estate, royalties, and pass-through entities.

144. b) Basis of the old property, adjusted for any boot – The basis of property acquired in a like-kind exchange is the basis of the relinquished property, adjusted for any boot received or paid.

145. c) Wages – Wages are considered earned income, unlike interest, dividends, and capital gains.

146. a) To report installment sale income – Form 6252 is used to report income from installment sales over multiple years.

147. b) At capital gains rates – Qualified dividends are taxed at long-term capital gains rates, typically lower than ordinary income rates.

148. a) Form 8949 – Form 8949 is used to report the sale of capital assets, with totals transferred to Schedule D.

149. b) \$3,000 – The maximum capital loss deduction for a married couple filing jointly in 2025 is \$3,000, with excess losses carried forward.

150. b) Held for more than 60 days – Qualified dividends require the stock to be held for more than 60 days during a 121-day period around the ex-dividend date.

151. a) To report dividend income – Form 1099-DIV is used to report dividend income received during the tax year.

152. b) Not deductible – Losses from the sale of a personal residence are not deductible.

153. a) Form 4797 – Form 4797 is used to report the sale of business property, such as equipment or real estate used in a trade or business.

154. b) Tax-free if qualified – Qualified Roth IRA distributions are tax-free if the account is held for at least five years and the taxpayer is over 59½.

155. b) A personal vehicle – A personal vehicle is a capital asset, unlike inventory, business equipment, or accounts receivable.

156. c) 37% – Short-term capital gains are taxed at ordinary income rates, with a maximum rate of 37% for 2025.

157. b) Form 1099-NEC – Form 1099-NEC is used to report nonemployee compensation, such as payments to independent contractors.

158. b) Fair market value at the time of mining – The basis of mined cryptocurrency is its fair market value at the time of mining, which is also taxed as ordinary income.

159. a) To report retirement plan distributions – Form 1099-R is used to report distributions from retirement plans.

160. b) The exchange must be completed within 180 days – A Section 1031 exchange must be completed within 180 days of the transfer of the relinquished property.

161. a) Deductible only up to winnings – Gambling losses are deductible as itemized deductions only up to the amount of gambling winnings.

162. a) Form 1099-INT – Form 1099-INT is used to report interest income received during the tax year.

163. a) To report rental income – Schedule E is used to report rental income from real estate, royalties, and pass-through entities.

164. b) Basis of the old property, adjusted for any boot – The basis of property acquired in a like-kind exchange is the basis of the relinquished property, adjusted for any boot received or paid.

165. c) Wages – Wages are considered earned income, unlike interest, dividends, and capital gains.

166. a) To report installment sale income – Form 6252 is used to report income from installment sales over multiple years.

167. b) At capital gains rates – Qualified dividends are taxed at long-term capital gains rates, typically lower than ordinary income rates.

168. a) Form 8949 – Form 8949 is used to report the sale of capital assets, with totals transferred to Schedule D.

169. b) \$3,000 – The maximum capital loss deduction for a married couple filing jointly in 2025 is \$3,000, with excess losses carried forward.

170. b) Held for more than 60 days – Qualified dividends require the stock to be held for more than 60 days during a 121-day period around the ex-dividend date.

171. a) To report dividend income – Form 1099-DIV is used to report dividend income received during the tax year.

172. b) Not deductible – Losses from the sale of a personal residence are not deductible.

173. a) Form 4797 – Form 4797 is used to report the sale of business property, such as equipment or real estate used in a trade or business.

174. b) Tax-free if qualified – Qualified Roth IRA distributions are tax-free if the account is held for at least five years and the taxpayer is over 59½.

175. b) A personal vehicle – A personal vehicle is a capital asset, unlike inventory, business equipment, or accounts receivable.

176. c) 37% – Short-term capital gains are taxed at ordinary income rates, with a maximum rate of 37% for 2025.

177. b) Form 1099-NEC – Form 1099-NEC is used to report nonemployee compensation, such as payments to independent contractors.

178. b) Fair market value at the time of mining – The basis of mined cryptocurrency is its fair market value at the time of mining, which is also taxed as ordinary income.

179. a) To report retirement plan distributions – Form 1099-R is used to report distributions from retirement plans.

180. b) The exchange must be completed within 180 days – A Section 1031 exchange must be completed within 180 days of the transfer of the relinquished property.

181. a) Deductible only up to winnings – Gambling losses are deductible as itemized deductions only up to the amount of gambling winnings.

182. a) Form 1099-INT – Form 1099-INT is used to report interest income received during the tax year.

183. b) Student loan interest – Student loan interest is an above-the-line deduction, reducing adjusted gross income before itemized or standard deductions are applied. Charitable contributions, medical expenses, and state income taxes are itemized deductions.

184. b) \$14,600 – The standard deduction for a single filer in 2025 is \$14,600, adjusted annually for inflation.

185. a) Child Tax Credit – The Child Tax Credit is partially refundable through the Additional Child Tax Credit for taxpayers with qualifying children, unlike the other listed credits.

186. b) 20% – The QBI deduction allows eligible taxpayers to deduct up to 20% of qualified business income, subject to income and other limitations.

187. b) Qualified tuition and fees – The American Opportunity Tax Credit covers qualified tuition and fees for the first four years of post-secondary education.

188. a) When itemized deductions exceed the standard deduction – Itemizing is beneficial when total itemized deductions (e.g., mortgage interest, medical expenses) exceed the standard deduction amount.

189. b) \$232,100 – The QBI deduction phase-out begins at \$232,100 for single filers in 2025, with complete phase-out at higher income levels for certain businesses.

190. d) Student loan interest – Student loan interest is an above-the-line deduction, not an itemized deduction, unlike mortgage interest, state sales taxes, and personal property taxes.

191. c) \$7,830 – The maximum Earned Income Credit for a taxpayer with three qualifying children in 2025 is \$7,830, adjusted annually.

192. a) Form 8863 – Form 8863 is used to claim the American Opportunity and Lifetime Learning Credits for qualified education expenses.

193. c) \$29,200 – The standard deduction for a married couple filing jointly in 2025 is \$29,200, adjusted annually for inflation.

194. b) Self-employed health insurance premiums – These premiums are an above-the-line deduction, unlike charitable contributions, state income taxes, and medical expenses, which are itemized deductions.

195. b) \$2,000 – The maximum Child Tax Credit per qualifying child in 2025 is \$2,000, subject to phase-out limits.

196. b) Itemized deductions – The SALT deduction, which includes state and local taxes, is limited to \$10,000 for itemized deductions in 2025.

197. b) To claim the Additional Child Tax Credit – Form 8812 is used to claim the refundable portion of the Child Tax Credit.

198. b) First four years of post-secondary education – The American Opportunity Tax Credit is available for the first four years of post-secondary education for degree programs.

199. b) \$4,150 – The maximum HSA contribution for an individual in 2025 is \$4,150, adjusted annually for inflation.

200. b) Charitable contributions – Charitable contributions are deductible as itemized deductions, unlike student loan interest, self-employment taxes, and educator expenses, which are above-the-line deductions.

201. b) \$22,720 – The income limit for the full Earned Income Credit for a single filer with no children in 2025 is \$22,720.

202. a) Form 8880 – Form 8880 is used to claim the Retirement Savings Contributions Credit for contributions to IRAs or other retirement plans.

203. b) \$300 – The maximum deduction for educator expenses in 2025 is \$300 for eligible educators.

204. c) Lifetime Learning Credit – This credit is non-refundable and limited to the taxpayer's tax liability, unlike the refundable Earned Income Credit and Additional Child Tax Credit.

205. b) To report itemized deductions – Schedule A is used to report itemized deductions, such as medical expenses, taxes, and charitable contributions.

206. b) Taxable income below the phase-out threshold for full deduction – The QBI deduction is fully available if taxable income is below the phase-out threshold (\$232,100 for single filers in 2025).

207. b) Interest on up to \$750,000 of debt – For loans taken after December 15, 2017, mortgage interest is deductible on up to \$750,000 of qualified residence debt.

208. c) Earned Income Credit – This credit is refundable, meaning taxpayers can receive a refund even if it exceeds their tax liability.

209. b) \$200,000 – The phase-out threshold for the Child Tax Credit for a single filer in 2025 begins at \$200,000.

210. b) IRA contributions – IRA contributions are an above-the-line deduction, unlike medical expenses, charitable contributions, and state sales taxes, which are itemized deductions.

211. b) \$2,000 – The maximum Lifetime Learning Credit per taxpayer in 2025 is \$2,000, based on 20% of up to \$10,000 in qualified expenses.

212. a) Form 8889 – Form 8889 is used to report HSA contributions, distributions, and deductions.

213. a) 7.5% of AGI – Medical expenses are deductible as itemized deductions to the extent they exceed 7.5% of AGI in 2025.

214. b) A valid Social Security number for the taxpayer – The Earned Income Credit requires a valid SSN for the taxpayer and any qualifying children.

215. c) 60% of AGI – The maximum deduction for cash charitable contributions for taxpayers who itemize in 2025 is 60% of AGI.

216. b) Child and Dependent Care Credit – This credit is available for expenses paid for the care of dependents to enable the taxpayer to work.

217. b) \$20,800 – The standard deduction for a taxpayer filing as Head of Household in 2025 is \$20,800.

218. b) Mortgage interest – Mortgage interest is an itemized deduction, not an above-the-line deduction, unlike the other options.

219. b) \$1,400 – The maximum refundable portion of the Child Tax Credit (Additional Child Tax Credit) in 2025 is \$1,400 per qualifying child.

220. a) Toutefois: a) Schedule A – Schedule A is used to report itemized deductions, including taxes, mortgage interest, and charitable contributions.

221. b) \$38,250 – The income limit for the full Retirement Savings Contributions Credit for a single filer in 2025 is \$38,250.

222. b) Qualified education expenses for any level of education – The Lifetime Learning Credit applies to qualified education expenses for any level of education, including non-degree programs.

223. c) 100% of premiums paid, subject to income limits – Self-employed health insurance premiums are deductible up to 100% of the cost, limited by net business income.

224. b) Lifetime Learning Credit – This credit is limited to 20% of up to \$10,000 in qualified education expenses.

225. c) \$8,300 – The maximum HSA contribution for a family in 2025 is \$8,300, adjusted annually for inflation.

226. b) State income taxes – State income taxes are deductible as itemized deductions, unlike the other options, which are above-the-line deductions.

227. c) \$59,478 – The phase-out threshold for the Earned Income Credit for a married couple filing jointly with two children in 2025 is \$59,478.

228. a) Form 2441 – Form 2441 is used to claim the Child and Dependent Care Credit.

229. b) \$10,000 – The SALT deduction, including property taxes, is limited to \$10,000 for all taxpayers in 2025.

230. b) Retirement Savings Contributions Credit – This credit is available for contributions to traditional or Roth IRAs by low- to moderate-income taxpayers.

231. c) \$100 per event plus 10% of AGI – Casualty losses in 2025 are deductible only for federally declared disasters, exceeding \$100 per event plus 10% of AGI.

232. b) Expenses incurred to enable the taxpayer to work – The Child and Dependent Care Credit requires expenses to be work-related for qualifying dependents.

233. b) \$2,500 – The maximum deduction for student loan interest in 2025 is \$2,500, subject to income phase-outs.

234. a) Form 8995 – Form 8995 is used to report the QBI deduction for simpler calculations.

235. c) \$2,500 – The maximum American Opportunity Tax Credit per student in 2025 is \$2,500, with up to \$1,000 refundable.

236. c) Educator expenses – Educator expenses are an above-the-line deduction, not an itemized deduction, unlike the other options.

237. b) \$400,000 – The phase-out threshold for the Child Tax Credit for a married couple filing jointly in 2025 begins at \$400,000.

238. b) Alimony paid under a pre-2019 agreement – Alimony paid under pre-2019 divorce agreements is an above-the-line deduction.

239. a) To claim the Retirement Savings Contributions Credit – Form 8880 is used to claim this credit for retirement plan contributions.

240. b) Earned Income Credit – This credit is designed for low- to moderate-income taxpayers with earned income.

241. c) 60% of AGI – The maximum deduction for cash charitable contributions for taxpayers who itemize in 2025 is 60% of AGI.

242. b) Enrollment in a high-deductible health plan – HSA contributions require enrollment in a high-deductible health plan.

243. c) \$6,935 – The maximum Earned Income Credit for a single filer with one child in 2025 is \$6,935.

244. a) Schedule A – Schedule A is used to report medical expense deductions as part of itemized deductions.

245. a) \$1,050 for one dependent, \$2,100 for two or more – The Child and Dependent Care Credit is limited to 35% of \$3,000 for one dependent or \$6,000 for two or more, resulting in maximum credits of \$1,050 and \$2,100, respectively.

246. b) Taxable income below the phase-out threshold for full deduction – The QBI deduction is fully available if taxable income is below the phase-out threshold (\$232,100 for single filers in 2025).

247. b) \$16,550 – The standard deduction for a taxpayer over age 65 filing as Single in 2025 is \$14,600 plus an additional \$1,950 for age.

248. b) Lifetime Learning Credit – This credit is limited to 20% of the first \$10,000 of qualified education expenses, up to \$2,000.

249. c) No limit – Alimony paid under a pre-2019 divorce agreement is deductible as an above-the-line deduction with no specific cap, subject to income limits.

250. a) Schedule EIC – Schedule EIC is used to report the Earned Income Credit.

251. c) \$100 per event plus 10% of AGI – Casualty losses in 2025 are deductible only for federally declared disasters, exceeding \$100 per event plus 10% of AGI.

252. b) The child must be a dependent under age 17 – The Child Tax Credit requires the child to be under age 17 and a dependent.

253. b) \$5,150 – The maximum HSA contribution for an individual over age 55 in 2025 is \$4,150 plus a \$1,000 catch-up contribution.

254. b) Property taxes – Property taxes are deductible as itemized deductions, unlike the other options, which are above-the-line deductions.

255. b) \$76,500 – The phase-out threshold for the Retirement Savings Contributions Credit for a married couple filing jointly in 2025 is \$76,500.

256. a) Schedule A – Schedule A is used to report charitable contributions as part of itemized deductions.

257. b) \$2,000 – The maximum Lifetime Learning Credit in 2025 is \$2,000 per taxpayer, based on 20% of up to \$10,000 in qualified expenses.

258. b) A valid Social Security number for the taxpayer – The Earned Income Credit requires a valid SSN for the taxpayer and qualifying children.

259. b) Interest on up to \$750,000 of debt – Mortgage interest on a second home is deductible on up to \$750,000 of debt for loans taken after December 15, 2017.

260. b) Foreign Tax Credit – This credit is available for taxpayers with foreign income to offset U.S. tax liability on that income.

261. a) To claim energy credits – Form 5695 is used to claim residential energy credits.

262. b) Pursuit of a degree or recognized credential – The American Opportunity Tax Credit requires the student to be pursuing a degree or recognized credential.

263. b) \$10,000 – The SALT deduction, including state and local taxes, is limited to \$10,000 for all taxpayers in 2025.

264. a) Form 8812 – Form 8812 is used to claim the Additional Child Tax Credit, the refundable portion of the Child Tax Credit.

265. a) \$1,050 – The maximum Child and Dependent Care Credit for one dependent in 2025 is \$1,050, based on 35% of up to \$3,000 in qualified expenses.

266. b) Educator expenses – Educator expenses are an above-the-line deduction, unlike the other options, which are itemized deductions.

267. c) \$63,698 – The phase-out threshold for the Earned Income Credit for a married couple filing jointly with three children in 2025 is \$63,698.

268. b) Child and Dependent Care Credit – This credit is limited to 35% of up to \$6,000 in qualified expenses for two or more dependents, with a maximum of \$2,100.

269. b) \$2,500 – The maximum deduction for student loan interest for a single filer with AGI below the phase-out in 2025 is \$2,500.

270. b) Form 8995-A – Form 8995-A is used to report the QBI deduction for complex calculations, while Form 8995 is for simpler cases.

271. c) \$2,500 – The maximum American Opportunity Tax Credit in 2025 is \$2,500 per student, with up to \$1,000 refundable.

272. c) Self-employed health insurance – This is an above-the-line deduction, not an itemized deduction, unlike the other options.

273. b) \$400,000 – The phase-out threshold for the Child Tax Credit for a married couple filing jointly in 2025 begins at \$400,000.

274. b) Self-employment tax deduction – This is an above-the-line deduction, unlike medical expenses, state income taxes, and charitable contributions, which are itemized deductions.

275. a) To report HSA contributions and distributions – Form 8889 is used to report HSA contributions, distributions, and deductions.

276. b) Retirement Savings Contributions Credit – This credit is available for low-income taxpayers contributing to retirement plans like IRAs.

277. c) 60% of AGI – The maximum deduction for cash charitable contributions for taxpayers who itemize in 2025 is 60% of AGI.

278. b) Enrollment in a high-deductible health plan – HSA contributions require enrollment in a high-deductible health plan.

279. c) \$6,935 – The maximum Earned Income Credit for a single filer with two children in 2025 is \$6,935.

280. a) Schedule A – Schedule A is used to report medical expense deductions as part of itemized deductions.

281. c) \$6,000 – The maximum Child and Dependent Care Credit for two or more dependents in 2025 is \$2,100, based on 35% of up to \$6,000 in qualified expenses.

282. b) Taxable income below the phase-out threshold for full deduction – The QBI deduction is fully available if taxable income is below the phase-out threshold (\$232,100 for single filers in 2025).

283. b) High-income taxpayers pay a minimum amount of tax – The AMT ensures that high-income taxpayers with significant deductions pay at least a minimum tax amount.

284. b) Schedule SE – Schedule SE is used to calculate self-employment tax on net earnings from self-employment.

285. b) 3.8% – The Net Investment Income Tax is 3.8% on certain investment income for taxpayers with modified AGI above specified thresholds.

286. a) 90% of current-year tax or 100% of prior-year tax – The safe harbor rule allows taxpayers to avoid penalties by paying at least 90% of the current-year tax or 100% of the prior-year tax (110% for high-income taxpayers).

287. b) 5% per month, up to 25% – The failure-to-file penalty is 5% of the unpaid tax per month, capped at 25% of the total tax due.

288. b) Adjusted based on income level – The AMT exemption for 2025 (\$85,700 for single filers) phases out based on income, reducing as AMT income exceeds certain thresholds.

289. b) To calculate estimated tax payments – Form 1040-ES is used to calculate and pay quarterly estimated taxes for individuals with income not subject to withholding.

290. b) Capital gains from investments – The NIIT applies to investment income, such as capital gains, dividends, and interest, for high-income taxpayers.

291. b) 15.3% – The self-employment tax rate is 15.3%, consisting of 12.4% for Social Security and 2.9% for Medicare, with potential additional Medicare surtax.

292. b) April 15 – The first quarter estimated tax payment is due on April 15 of the tax year.

293. b) \$85,700 – The AMT exemption amount for a single filer in 2025 is \$85,700, adjusted annually for inflation.

294. a) Form 8960 – Form 8960 is used to calculate the Net Investment Income Tax for high-income taxpayers.

295. a) 0.5% per month, up to 25% – The failure-to-pay penalty is 0.5% of the unpaid tax per month, up to a maximum of 25%.

296. b) Net earnings from a sole proprietorship – Net earnings from self-employment are subject to self-employment tax, unlike wages, interest, or dividends.

297. b) \$200,000 – The NIIT applies to single filers with modified AGI above \$200,000 in 2025.

298. a) Form 6251 – Form 6251 is used to calculate the Alternative Minimum Tax liability.

299. c) 110% of prior-year tax – High-income taxpayers (AGI over \$150,000) must pay 110% of the prior-year tax or 90% of the current-year tax to meet the safe harbor.

300. b) Meeting the safe harbor for estimated tax payments – Paying 90% of the current-year tax or 100% (or 110% for high-income taxpayers) of the prior-year tax avoids the underpayment penalty.

301. a) To calculate underpayment penalties – Form 2210 is used to calculate penalties for underpayment of estimated taxes.

302. c) Wages – Wages are not subject to the NIIT, which applies to investment income like capital gains, dividends, and interest.

303. c) 12.4% – The Social Security portion of the self-employment tax is 12.4%, applied up to the wage base limit.

304. b) June 15 – The second quarter estimated tax payment is due on June 15 of the tax year.

305. b) 26% and 28% – The AMT tax rates for individuals in 2025 are 26% on the first \$206,100 of AMT income and 28% on amounts above that.

306. b) Medical expenses above 7.5% of AGI – Medical expenses above 7.5% of AGI are allowed under AMT rules, unlike state income taxes, personal exemptions, and miscellaneous itemized deductions.

307. b) \$250,000 – The NIIT applies to married couples filing jointly with modified AGI above \$250,000 in 2025.

308. a) Form W-2 – Form W-2 reports withholding from wages paid to employees.

309. b) Based on the IRS underpayment interest rate – The penalty for failure to make estimated tax payments is based on the IRS underpayment interest rate, applied to the underpayment amount.

310. b) Incentive stock option exercises – The exercise of incentive stock options can trigger AMT liability due to the difference between the exercise price and fair market value.

311. a) To report Additional Medicare Tax – Form 8959 is used to report the Additional Medicare Tax for high-income taxpayers.

312. a) 0.9% – The Additional Medicare Tax rate is 0.9% on wages and self-employment income above the threshold.

313. b) Filing an extension by April 15 – Filing Form 4868 by April 15 extends the filing deadline and helps avoid the failure-to-file penalty.

314. b) \$168,600 – The wage base limit for the Social Security portion of self-employment tax in 2025 is \$168,600.

315. a) Form 1040-ES – Form 1040-ES is used to calculate and report estimated tax payments.

316. b) \$5,000 – The penalty for filing a frivolous tax return is \$5,000.

317. b) Interest income – Interest income is subject to the NIIT for high-income taxpayers, unlike wages, child support, or Social Security benefits.

318. a) To calculate AMT liability – Form 6251 is used to calculate the Alternative Minimum Tax liability.

319. a) 90% of current-year tax or 100% of prior-year tax – The safe harbor for taxpayers with AGI under \$150,000 is paying 90% of the current-year tax or 100% of the prior-year tax.

320. b) State income taxes – State income taxes are disallowed as a deduction under AMT rules, unlike mortgage interest, charitable contributions, and medical expenses.

321. b) \$200,000 – The Additional Medicare Tax applies to single filers with wages or self-employment income above \$200,000 in 2025.

322. a) Form 8812 – Form 8812 is used to report the Additional Child Tax Credit, the refundable portion of the Child Tax Credit.

323. b) No penalty – Taxpayers with no tax liability in the prior year are not subject to an underpayment penalty for estimated taxes.

324. b) Net earnings from a sole proprietorship – Net earnings from self-employment are subject to self-employment tax.

325. b) \$609,350 – The AMT exemption phase-out threshold for a single filer in 2025 begins at \$609,350.

326. a) Form 8960 – Form 8960 is used to report the Net Investment Income Tax.

327. a) 2.9% – The Medicare portion of the self-employment tax is 2.9%, with no wage base limit.

328. c) September 15 – The third quarter estimated tax payment is due on September 15 of the tax year.

329. b) Calculating AMT income with specific adjustments – The AMT requires calculating AMT income with adjustments like adding back certain deductions.

330. c) No penalty – There is no penalty for failure to file a tax return if no tax is due.

331. b) Wages above the threshold – Wages above the threshold (\$200,000 for single filers) are subject to the Additional Medicare Tax.

332. a) To report Additional Medicare Tax – Form 8959 is used to report the Additional Medicare Tax for high-income taxpayers.

333. b) Paying 90% of the current-year tax or 100% of the prior-year tax – This safe harbor avoids the failure-to-pay penalty for estimated taxes.

334. b) \$168,600 – The wage base limit for the Social Security portion of self-employment tax in 2025 is \$168,600.

335. a) Form 1040-ES – Form 1040-ES is used to calculate and report estimated tax payments.

336. b) \$5,000 – The penalty for filing a frivolous tax return is \$5,000.

337. b) Interest income – Interest income is subject to the NIIT for high-income taxpayers.

338. a) To calculate AMT liability – Form 6251 is used to calculate the Alternative Minimum Tax liability.

339. a) 90% of current-year tax or 100% of prior-year tax – The safe harbor for taxpayers with AGI under \$150,000 is paying 90% of the current-year tax or 100% of the prior-year tax.

340. b) State income taxes – State income taxes are disallowed under AMT rules.

341. b) \$250,000 – The Additional Medicare Tax applies to married couples filing jointly with wages or self-employment income above \$250,000 in 2025.

342. a) Form 8812 – Form 8812 is used to report the Additional Child Tax Credit.

343. b) No penalty – Taxpayers with no tax liability in the prior year are not subject to an underpayment penalty for estimated taxes.

344. b) Net earnings from a sole proprietorship – Net earnings from self-employment are subject to self-employment tax.

345. d) \$1,191,700 – The AMT exemption phase-out threshold for a married couple filing jointly in 2025 begins at \$1,191,700.

346. a) Form 8960 – Form 8960 is used to report the Net Investment Income Tax.

347. a) 2.9% – The Medicare portion of the self-employment tax is 2.9%, with no wage base limit.

348. d) January 15 – The fourth quarter estimated tax payment is due on January 15 of the following year.

349. b) Calculating AMT income with specific adjustments – The AMT requires calculating AMT income with specific adjustments.

350. c) No penalty – There is no penalty for failure to file a tax return if no tax is due.

351. b) Wages above the threshold – Wages above the threshold are subject to the Additional Medicare Tax.

352. a) To report Additional Medicare Tax – Form 8959 is used to report the Additional Medicare Tax.

353. b) Paying 90% of the current-year tax or 100% of the prior-year tax – This safe harbor avoids the failure-to-pay penalty for estimated taxes.

354. b) \$168,600 – The wage base limit for the Social Security portion of self-employment tax in 2025 is \$168,600. -

355. a) Form 1040-ES – Form 1040-ES is used to calculate and report estimated tax payments.

356. b) \$5,000 – The penalty for filing a frivolous tax return is \$5,000.

357. b) Interest income – Interest income is subject to the NIIT for high-income taxpayers.

358. a) To calculate AMT liability – Form 6251 is used to calculate the Alternative Minimum Tax liability.

359. a) 90% of current-year tax or 100% of prior-year tax – The safe harbor for taxpayers with AGI under \$150,000 is paying 90% of the current-year tax or 100% of the prior-year tax.

360. b) State income taxes – State income taxes are disallowed under AMT rules.

361. b) \$250,000 – The Additional Medicare Tax applies to married couples filing jointly with wages or self-employment income above \$250,000 in 2025.

362. a) Form 8812 – Form 8812 is used to report the Additional Child Tax Credit.

363. b) No penalty – Taxpayers with no tax liability in the prior year are not subject to an underpayment penalty for estimated taxes.

364. b) Net earnings from a sole proprietorship – Net earnings from self-employment are subject to self-employment tax.

365. d) \$1,191,700 – The AMT exemption phase-out threshold for a married couple filing jointly in 2025 begins at \$1,191,700.

366. a) Form 8960 – Form 8960 is used to report the Net Investment Income Tax.

367. a) 2.9% – The Medicare portion of the self-employment tax is 2.9%, with no wage base limit.

368. d) January 15 – The fourth quarter estimated tax payment is due on January 15 of the following year.

369. b) Calculating AMT income with specific adjustments – The AMT requires calculating AMT income with specific adjustments.

370. c) No penalty – There is no penalty for failure to file a tax return if no tax is due.

371. a) To minimize tax liability legally – Tax planning aims to reduce a taxpayer's tax liability through legal strategies, such as deductions, credits, and timing of income.

372. c) Head of Household – This filing status provides lower tax rates and a higher standard deduction than Single or Married Filing Separately for unmarried taxpayers supporting a qualifying child.

373. a) Comparing itemized deductions to the standard deduction – The decision to itemize depends on whether total itemized deductions exceed the standard deduction amount.

374. a) Bunching charitable contributions in a single year – High-income taxpayers may bunch deductions to exceed the standard deduction and maximize tax savings in a single year.

375. b) The deductibility of contributions based on income and plan participation – Traditional IRA contributions are deductible based on income, filing status, and participation in an employer-sponsored plan.

376. a) Form 4868 – Form 4868 is used to request an automatic extension of time to file an individual tax return.

377. c) October 15 – With an extension, the deadline for filing a federal income tax return in 2025 is October 15.

378. b) SEP-IRA – A SEP-IRA is a tax-advantaged retirement account for self-employed individuals, allowing higher contribution limits than a traditional IRA.

379. b) Meeting the safe harbor rule to avoid penalties – Taxpayers must pay 90% of the current-year tax or 100% (110% for high-income taxpayers) of the prior-year tax to avoid underpayment penalties.

380. b) Deductible contributions and tax-free withdrawals for qualified medical expenses – HSA contributions are deductible, and withdrawals for qualified medical expenses are tax-free.

381. b) Offsetting gains with capital losses – Tax-loss harvesting involves selling assets at a loss to offset capital gains and reduce taxable income.

382. b) To report a change of address – Form 8822 is used to notify the IRS of a change in the taxpayer's address.

383. b) Qualifying Surviving Spouse – This filing status is available to a surviving spouse with a dependent child, offering the same tax rates and standard deduction as Married Filing Jointly.

384. b) Underpayment penalty – Failing to make required estimated tax payments may result in an underpayment penalty based on the IRS interest rate.

385. b) Maintaining a home for a qualifying person – Head of Household status requires the taxpayer to maintain a home for a qualifying child or relative.

386. b) Maximizing itemized deductions in a single year to exceed the standard deduction – Bunching deductions allows taxpayers to itemize in one year and take the standard deduction in others.

387. b) Earned income and income within phase-out limits – Roth IRA contributions require earned income and are subject to income phase-out limits.

388. a) To request a copy of a previously filed tax return – Form 4506 is used to request a copy of a previously filed tax return from the IRS.

389. b) Contributing to a SEP-IRA – Contributions to a SEP-IRA reduce taxable income for self-employed individuals, with higher limits than traditional IRAs.

390. b) \$7,500 – The maximum contribution limit for a traditional or Roth IRA in 2025 for individuals under age 50 is \$7,500.

391. b) Itemizing deductions if medical expenses exceed 7.5% of AGI – Taxpayers with high medical expenses should itemize if expenses exceed 7.5% of AGI to maximize deductions.

392. b) 10% penalty – Withdrawals from a traditional IRA before age 59½ are subject to a 10% penalty, unless an exception applies.

393. b) Form 1040-X – Form 1040-X is used to file an amended individual tax return to correct errors or claim additional deductions.

394. b) Cash contributions are limited to 60% of AGI for itemizers – Cash charitable contributions are deductible up to 60% of AGI for taxpayers who itemize.

395. a) Carrying forward excess losses to offset future gains – Capital losses exceeding \$3,000 annually can be carried forward to offset future capital gains.

396. b) April 15, 2025 – Contributions to a traditional IRA for the 2024 tax year can be made until April 15, 2025.

397. a) Higher standard deduction than filing separately – Married Filing Jointly offers a higher standard deduction and lower tax rates than Married Filing Separately.

398. b) To file an amended return – Form 1040-X is used to file an amended individual tax return.

399. b) Claiming the Child Tax Credit and Additional Child Tax Credit – These credits reduce tax liability and may provide a refund for taxpayers with children.

400. b) \$146,000–\$161,000 – The income phase-out range for Roth IRA contributions for a single filer in 2025 is \$146,000–\$161,000.

401. b) Contributions require a high-deductible health plan – HSA contributions are allowed only for taxpayers enrolled in a high-deductible health plan.

402. b) Offsetting capital gains with capital losses – Tax-loss harvesting reduces taxable income by offsetting capital gains with losses.

403. b) Head of Household – This filing status is available to an unmarried taxpayer who maintains a home for a qualifying relative.

404. b) To request an extension of time to file – Form 4868 is used to request an automatic extension to file an individual tax return.

405. b) Deducting qualified business expenses to reduce taxable income – Deducting business expenses reduces taxable income for self-employed individuals.

406. c) \$69,000 or 25% of compensation – The maximum SEP-IRA contribution in 2025 is the lesser of \$69,000 or 25% of compensation.

407. b) Having a valid Social Security number – The Earned Income Credit requires a valid SSN for the taxpayer and any qualifying children.

408. b) Tax-free withdrawals for qualified education expenses – 529 plan withdrawals are tax-free when used for qualified education expenses, though contributions are not federally deductible.

409. b) Timing income and deductions to manage phase-outs – High-AGI taxpayers should time income and deductions to minimize the impact of phase-outs for credits and deductions.

410. b) 20% penalty – Withdrawals from an HSA for non-qualified expenses before age 65 are subject to a 20% penalty.

411. a) Deferring the bonus to a future year – Deferring a large bonus can reduce taxable income in a high-income year, potentially avoiding phase-outs or higher tax rates.

412. b) To calculate estimated tax payments – Form 1040-ES is used to calculate and pay quarterly estimated taxes.

413. a) Same tax rates and standard deduction as Married Filing Jointly – Qualifying Surviving Spouse status provides the same tax benefits as Married Filing Jointly.

414. b) April 15, 2026 – An amended return for the 2022 tax year must generally be filed within three years from the original filing deadline, or April 15, 2026.

415. b) Deducting depreciation and other rental expenses – Deducting rental expenses, including depreciation, reduces taxable rental income.

416. b) \$8,300 – The maximum HSA contribution for a family in 2025 is \$8,300.

417. a) The child must be under age 17 and a dependent – The Child Tax Credit requires the child to be under age 17 and claimed as a dependent.

418. b) Tax-deferred growth and deductible contributions – Traditional 401(k) contributions are deductible, and earnings grow tax-deferred until withdrawal.

419. b) Claiming the QBI deduction if eligible – The Qualified Business Income deduction can reduce taxable income for taxpayers with a side business.

420. b) \$200,000–\$240,000 – The income phase-out range for the Child Tax Credit for a single filer in 2025 is \$200,000–\$240,000.

421. a) Schedule C – Schedule C is used to report income and expenses from a sole proprietorship.

422. a) To report foreign earned income exclusion – Form 2555 is used to claim the foreign earned income exclusion and housing exclusion.

423. b) Meeting the bona fide residence or physical presence test – Taxpayers must meet either the bona fide residence test or the physical presence test to qualify for the foreign earned income exclusion.

424. b) \$126,500 – The maximum foreign earned income exclusion amount for 2025 is \$126,500, adjusted annually for inflation.

425. c) Schedule E – Schedule E is used to report rental income and expenses, as well as income from partnerships and S corporations.

426. a) To report income for an estate or trust – Form 1041 is used to report income, deductions, and taxes for estates and trusts.

427. b) Income from a sole proprietorship or single-member LLC – Schedule C is filed for income from a sole proprietorship or single-member LLC.

428. b) 27.5 years – The depreciation period for residential rental property placed in service in 2025 is 27.5 years under MACRS.

429. d) Schedule F – Schedule F is used to report farm income and expenses.

430. a) To report estate tax for a deceased individual – Form 706 is used to report estate tax for estates exceeding the exemption amount.

431. b) Qualifying for the foreign earned income exclusion – The foreign housing exclusion is available only to taxpayers who qualify for the foreign earned income exclusion.

432. c) \$13,610,000 – The maximum estate tax exemption amount for 2025 is \$13,610,000, adjusted annually for inflation.

433. b) Schedule D – Schedule D is used to report the sale of capital assets, such as stocks or real estate.

434. a) To report transactions with foreign trusts – Form 3520 is used to report transactions with foreign trusts and receipt of certain foreign gifts.

435. b) Income from farming activities – Schedule F is filed for income and expenses from farming activities.

436. a) To report gift tax – Form 709 is used to report taxable gifts and calculate gift tax liability.

437. b) Depreciation on rental property – Depreciation is a deductible expense on Schedule E for rental property.

438. b) \$18,000 – The annual gift tax exclusion amount per recipient in 2025 is \$18,000.

439. b) Schedule E – Schedule E is used to report income from partnerships, as well as rental income and S corporation income.

440. a) To report specified foreign financial assets – Form 8938 is used to report specified foreign financial assets under FATCA requirements.

441. b) Taxes paid to a foreign government on foreign income – The foreign tax credit requires taxes to be paid to a foreign government on foreign-sourced income.

442. c) 39 years – The depreciation period for nonresidential rental property placed in service in 2025 is 39 years under MACRS.

443. b) Schedule E – Schedule E is used to report income from an S corporation.

444. a) To report expatriation from U.S. citizenship – Form 8854 is used to report expatriation and certify compliance with tax obligations.

445. a) Depreciation on farm equipment – Depreciation on farm equipment is a deductible expense on Schedule F.

446. c) \$13,610,000 – The lifetime gift tax exemption amount for 2025 is \$13,610,000, unified with the estate tax exemption.

447. a) Form 1116 – Form 1116 is used to calculate and claim the foreign tax credit.

448. a) To report income for nonresident aliens – Form 1040-NR is used to report income for nonresident aliens with U.S.-sourced income.

449. b) Income from rental property or partnerships – Schedule E is filed for income from rental property, partnerships, or S corporations.

450. a) To apply for a quick refund due to net operating loss – Form 1045 is used to apply for a quick refund based on a net operating loss carryback.

451. b) Business-related advertising costs – Advertising costs are deductible business expenses on Schedule C.

452. d) Varies by location – The foreign housing exclusion amount for 2025 varies by location, based on IRS-published limits.

453. a) Form 1045 – Form 1045 is used to report a net operating loss and apply for a quick refund.

454. a) To report information on foreign corporations – Form 5471 is used to report ownership and transactions with certain foreign corporations.

455. b) Income from an estate or trust – Form 1041 is required for estates or trusts with income above the filing threshold.

456. c) 40% – The estate tax rate for amounts above the exemption in 2025 is 40%.

457. b) Schedule D – Schedule D is used to report the sale of a principal residence if taxable gain exists.

458. a) To report transfers of property to a foreign corporation – Form 926 is used to report certain transfers of property to a foreign corporation.

459. a) Ownership and use for 2 of the last 5 years – The exclusion of gain on the sale of a principal residence requires ownership and use as a primary residence for at least 2 of the last 5 years.

460. b) \$500,000 – The maximum exclusion of gain on the sale of a principal residence for a married couple filing jointly in 2025 is \$500,000.

461. b) Schedule E – Income from royalties is reported on Schedule E.

462. a) To report information on foreign partnerships – Form 8865 is used to report ownership and transactions with foreign partnerships.

463. b) Cost of seeds and plants – The cost of seeds and plants is a deductible expense on Schedule F for farming activities.

464. b) \$14,600 – The filing threshold for a single taxpayer under age 65 in 2025 is \$14,600, equal to the standard deduction.

465. a) Form 2555 – Form 2555 is used to report the foreign earned income exclusion and housing exclusion.

466. a) To report income for residents of U.S. territories – Form 1040-SS is used by residents of U.S. territories to report self-employment and other income.

467. b) Capital gains or losses from asset sales – Schedule D is filed for capital gains or losses from the sale of assets.

468. a) To report noncash charitable contributions – Form 8283 is used to report noncash charitable contributions exceeding \$500.

469. a) Estate value above the exemption amount – Form 706 is required for estates with a value above the estate tax exemption amount (\$13,610,000 in 2025).

470. a) \$300 for single filers, \$600 for married filing jointly – The foreign tax credit can be claimed without Form 1116 if the credit is \$300 or less for single filers or \$600 or less for married filing jointly.

Full Length Practice Exam – Part 2

1. **Which form is used to report income for a sole proprietorship?**
 - a) Form 1065
 - b) Form 1120
 - c) Schedule C
 - d) Form 1041
2. **What is the default tax classification for a single-member LLC?**
 - a) Partnership
 - b) Corporation
 - c) Disregarded entity
 - d) S corporation
3. **Which entity type requires filing Form 2553 to elect S corporation status?**
 - a) Sole proprietorship
 - b) Partnership
 - c) C corporation
 - d) Eligible corporation or LLC
4. **What is the deadline for filing Form 1065 for a partnership?**
 - a) March 15
 - b) April 15
 - c) June 15
 - d) October 15
5. **Which accounting method is generally required for C corporations with average annual gross receipts over \$26 million?**
 - a) Cash method
 - b) Accrual method
 - c) Hybrid method
 - d) Completed contract method
6. **What is the maximum federal corporate income tax rate for C corporations in 2025?**
 - a) 15%
 - b) 21%
 - c) 28%
 - d) 35%
7. **Which form is used to report a partnership's income, deductions, and credits?**
 - a) Form 1120
 - b) Form 1065
 - c) Form 1040
 - d) Form 1120S

8. What is the purpose of Schedule K-1 for a partnership?

- a) To report the partner's share of income and deductions
- b) To file an extension for the partnership
- c) To report employee wages
- d) To calculate self-employment tax

9. Which of the following is a requirement for S corporation eligibility?

- a) Unlimited number of shareholders
- b) Only U.S. citizens or residents as shareholders
- c) Foreign corporations as shareholders
- d) Multiple classes of stock

10. What is the penalty for failing to file Form 1065 on time?

- a) \$220 per partner per month, up to 12 months
- b) 5% of the unpaid tax per month
- c) \$435 flat penalty
- d) 0.5% of gross receipts

11. Which business entity is subject to double taxation?

- a) S corporation
- b) Partnership
- c) C corporation
- d) Sole proprietorship

12. What is the purpose of Form 8832?

- a) To elect S corporation status
- b) To change an entity's tax classification
- c) To report partnership income
- d) To file an extension

13. Which form is used to report income for an S corporation?

- a) Form 1120
- b) Form 1120S
- c) Form 1065
- d) Form 1041

14. What is a key advantage of a limited liability company (LLC)?

- a) Unlimited liability for owners
- b) Pass-through taxation by default
- c) Mandatory double taxation
- d) Requirement to issue stock

15. Which of the following is a requirement for a partnership to use the cash method of accounting?

- a) Average annual gross receipts under \$26 million
- b) Over \$26 million in gross receipts
- c) Publicly traded status
- d) Inventory-based business

16. What is the deadline for filing Form 1120 for a C corporation?

- a) March 15
- b) April 15
- c) June 15
- d) October 15

17. Which form is used to request an extension for filing Form 1065?

- a) Form 7004
- b) Form 4868
- c) Form 8868
- d) Form 8822

18. What is the tax treatment of distributions from an S corporation?

- a) Taxed as ordinary income
- b) Generally tax-free if from previously taxed income
- c) Subject to double taxation
- d) Deductible by the corporation

19. Which of the following is a characteristic of a general partnership?

- a) Limited liability for all partners
- b) Unlimited liability for general partners
- c) Mandatory filing of Form 1120
- d) Single taxation at the entity level

20. What is the purpose of Form 4562?

- a) To report depreciation and amortization
- b) To report partnership income
- c) To elect S corporation status
- d) To file an extension

21. Which entity type does NOT require a separate tax return?

- a) Partnership
- b) C corporation
- c) Single-member LLC (disregarded entity)
- d) S corporation

22. What is the purpose of Form 7004?

- a) To report business income
- b) To request an extension for business tax returns
- c) To elect S corporation status
- d) To report depreciation

23. Which of the following is a benefit of electing S corporation status?

- a) Double taxation
- b) Pass-through taxation
- c) Unlimited shareholders
- d) Multiple classes of stock

24. What is the self-employment tax rate for a sole proprietor in 2025?

- a) 12.4%
- b) 15.3%
- c) 20%
- d) 25%

25. Which form is used to report self-employment tax for a sole proprietorship?

- a) Schedule C
- b) Schedule SE
- c) Form 1040-ES
- d) Form 1065

26. What is the deadline for filing Form 1120S for an S corporation?

- a) March 15
- b) April 15
- c) June 15
- d) October 15

27. Which of the following is a requirement for a C corporation to use the cash method of accounting?

- a) Average annual gross receipts under \$26 million
- b) Publicly traded status
- c) Inventory-based business
- d) Over \$26 million in gross receipts

28. What is the tax treatment of fringe benefits provided by a C corporation to its employees?

- a) Always deductible by the corporation
- b) Taxable to the employee unless excluded
- c) Tax-exempt for both corporation and employee
- d) Subject to self-employment tax

29. Which form is used to report the sale of business property?

- a) Form 8949
- b) Form 4797
- c) Form 6252
- d) Form 8824

30. What is the purpose of Form 8829?

- a) To report home office deductions
- b) To report partnership income
- c) To elect S corporation status
- d) To file an extension

31. Which entity type allows for the greatest flexibility in allocating income and losses among owners?

- a) C corporation
- b) S corporation
- c) Partnership
- d) Sole proprietorship

32. What is the penalty for failing to file Form 1120S on time?

- a) \$220 per shareholder per month, up to 12 months
- b) 5% of the unpaid tax per month
- c) \$435 flat penalty
- d) 0.5% of gross receipts

33. Which of the following is a characteristic of a limited partnership?

- a) All partners have unlimited liability
- b) Limited partners have limited liability
- c) Mandatory filing of Form 1120
- d) Single taxation at the entity level

34. What is the purpose of Form 1065, Schedule M-1?

- a) To reconcile book income to taxable income
- b) To report partner distributions
- c) To calculate self-employment tax
- d) To report depreciation

35. Which of the following is a requirement for an LLC to elect C corporation status?

- a) Filing Form 8832
- b) Having more than 100 shareholders
- c) Multiple classes of stock
- d) Foreign ownership

36. What is the tax treatment of a sole proprietor's business losses?

- a) Deductible only against business income
- b) Deductible against all income, subject to limits
- c) Not deductible
- d) Carried back only

37. Which form is used to report estimated tax payments for a corporation?

- a) Form 1040-ES
- b) Form 1120-W
- c) Form 1065
- d) Form 7004

38. What is the maximum Section 179 deduction for 2025?

- a) \$500,000
- b) \$1,220,000
- c) \$2,000,000
- d) \$3,000,000

39. Which of the following is a requirement for a partnership to file Form 1065?

- a) At least two partners
- b) Gross receipts over \$26 million
- c) Publicly traded status
- d) Foreign ownership

40. What is the purpose of Form 1125-A?

- a) To report cost of goods sold
- b) To report depreciation
- c) To elect S corporation status
- d) To file an extension

41. Which entity type is NOT subject to self-employment tax on its income?

- a) Sole proprietorship
- b) Partnership
- c) S corporation (for shareholder distributions)
- d) Single-member LLC

42. What is the deadline for filing Form 7004 for a C corporation?

- a) March 15
- b) April 15
- c) June 15
- d) October 15

43. Which of the following is a tax advantage of a C corporation?

- a) Pass-through taxation

- b) Ability to deduct shareholder dividends
- c) Retention of earnings at a flat tax rate
- d) Unlimited shareholders

44. What is the purpose of Form 8824?

- a) To report like-kind exchanges
- b) To report partnership income
- c) To report depreciation
- d) To file an extension

45. Which of the following is a requirement for a valid S corporation election?

- a) Filing Form 2553 by the 15th day of the third month of the tax year
- b) Having more than 100 shareholders
- c) Multiple classes of stock
- d) Foreign shareholders

46. What is the tax treatment of a partnership's guaranteed payments?

- a) Deductible by the partnership and taxable to the recipient
- b) Not deductible by the partnership
- c) Tax-exempt to the recipient
- d) Subject to double taxation

47. Which form is used to report compensation paid to an independent contractor?

- a) Form W-2
- b) Form 1099-NEC
- c) Form 1099-DIV
- d) Form 1099-INT

48. What is the purpose of Form 1065, Schedule M-3?

- a) To report detailed book-to-tax adjustments for large partnerships
- b) To report partner distributions
- c) To calculate self-employment tax
- d) To report depreciation

49. Which of the following is a characteristic of an S corporation?

- a) Double taxation
- b) Pass-through taxation
- c) Unlimited shareholders
- d) Multiple classes of stock

50. What is the penalty for failing to issue Form 1099-NEC when required?

- a) \$50 per form
- b) \$290 per form, up to \$1,191,500

- c) \$500 per form
- d) No penalty

51. Which accounting method recognizes revenue when earned and expenses when incurred?

- a) Cash method
- b) Accrual method
- c) Hybrid method
- d) Completed contract method

52. What is the purpose of Form 1120, Schedule G?

- a) To report cost of goods sold
- b) To report information on certain shareholders
- c) To report depreciation
- d) To file an extension

53. Which of the following is a requirement for a partnership to use the accrual method?

- a) Average annual gross receipts under \$26 million
- b) Inventory-based business
- c) Publicly traded status
- d) No inventory

54. What is the tax treatment of a C corporation's charitable contributions?

- a) Deductible up to 10% of taxable income
- b) Fully deductible with no limit
- c) Not deductible
- d) Taxable to the corporation

55. Which form is used to report a C corporation's dividends paid to shareholders?

- a) Form 1099-DIV
- b) Form 1099-NEC
- c) Form W-2
- d) Form 1099-INT

56. What is the purpose of Form 3115?

- a) To report depreciation
- b) To request a change in accounting method
- c) To elect S corporation status
- d) To file an extension

57. Which of the following is a requirement for a sole proprietorship?

- a) Multiple owners
- b) Filing Form 1065

- c) Single owner
- d) Corporate structure

58. What is the tax treatment of an S corporation's fringe benefits for shareholder-employees?

- a) Deductible by the corporation and tax-free to the recipient
- b) Deductible by the corporation and taxable to the recipient
- c) Not deductible by the corporation
- d) Subject to double taxation

59. Which form is used to report the sale of partnership interests?

- a) Form 8949
- b) Form 4797
- c) Form 6252
- d) Form 8824

60. What is the deadline for issuing Schedule K-1 to partners?

- a) March 15
- b) April 15
- c) June 15
- d) October 15

61. Which of the following is a characteristic of a C corporation?

- a) Pass-through taxation
- b) Unlimited liability for shareholders
- c) Separate legal entity
- d) Limited to 100 shareholders

62. What is the purpose of Form 1065, Schedule L?

- a) To report the partnership's balance sheet
- b) To report partner distributions
- c) To calculate self-employment tax
- d) To report depreciation

63. Which of the following is a tax advantage of a partnership?

- a) Double taxation
- b) Pass-through taxation
- c) Limited liability for all partners
- d) Mandatory corporate tax rate

64. What is the maximum deduction for business meals in 2025?

- a) 25%
- b) 50%

- c) 80%
- d) 100%

65. Which form is used to report a partnership's foreign transactions?

- a) Form 5471
- b) Form 8865
- c) Form 8938
- d) Form 3520

66. What is the tax treatment of a sole proprietor's health insurance premiums?

- a) Deductible as a business expense on Schedule C
- b) Deductible as an adjustment to income
- c) Not deductible
- d) Taxable to the proprietor

67. Which of the following is a requirement for a valid partnership agreement?

- a) Filing with the IRS
- b) Written agreement between partners
- c) Publicly traded status
- d) Corporate structure

68. What is the purpose of Form 1120, Schedule M-1?

- a) To reconcile book income to taxable income
- b) To report shareholder distributions
- c) To calculate self-employment tax
- d) To report depreciation

69. Which entity type is subject to the accumulated earnings tax?

- a) S corporation
- b) Partnership
- c) C corporation
- d) Sole proprietorship

70. What is the penalty for failing to file Form 1120 on time?

- a) \$220 per month
- b) 5% of the unpaid tax per month, up to 25%
- c) \$435 flat penalty
- d) 0.5% of gross receipts

71. Which of the following is a requirement for an S corporation to maintain its status?

- a) Filing Form 1065 annually
- b) Having only one class of stock
- c) Unlimited shareholders
- d) Foreign ownership

72. What is the purpose of Form 1065, Schedule M-2?

- a) To report changes in partners' capital accounts
- b) To report depreciation
- c) To calculate self-employment tax
- d) To report cost of goods sold

73. Which of the following is a tax advantage of a sole proprietorship?

- a) Double taxation
- b) Simplicity of filing on Schedule C
- c) Limited liability
- d) Multiple classes of stock

74. What is the tax treatment of a partnership's ordinary business income?

- a) Taxed at the entity level
- b) Passed through to partners
- c) Deductible by the partnership
- d) Subject to double taxation

75. Which form is used to report a C corporation's foreign bank accounts?

- a) Form 8938
- b) Form FBAR (FinCEN Form 114)
- c) Form 5471
- d) Form 8865

76. What is the purpose of Form 1040, Schedule C-EZ?

- a) To report complex business income
- b) To report simple sole proprietorship income
- c) To report partnership income
- d) To elect S corporation status

77. Which of the following is a requirement for a C corporation to file Form 1120?

- a) Gross receipts under \$26 million
- b) Separate legal entity status
- c) Pass-through taxation
- d) Limited to 100 shareholders

78. What is the tax treatment of a C corporation's dividends received deduction?

- a) 100% deduction
- b) 50% or 65% deduction, depending on ownership
- c) Not deductible
- d) Taxable to the corporation

79. Which form is used to report a partnership's election to adjust the basis of assets?

- a) Form 754

- b) Form 1065
- c) Form 1120S
- d) Form 3115

80. What is the deadline for filing Form 2553 to elect S corporation status for the current tax year?

- a) March 15
- b) 15th day of the third month of the tax year
- c) June 15
- d) October 15

81. Which of the following is a characteristic of a limited liability company (LLC)?

- a) Mandatory double taxation
- b) Flexibility in tax classification
- c) Unlimited shareholders
- d) Mandatory corporate tax rate

82. What is the purpose of Form 1065, Schedule D?

- a) To report capital gains and losses
- b) To report depreciation
- c) To report partner distributions
- d) To calculate self-employment tax

83. Which of the following is a tax advantage of an S corporation?

- a) Double taxation
- b) Pass-through taxation
- c) Unlimited shareholders
- d) Multiple classes of stock

84. What is the tax treatment of a sole proprietor's business expenses?

- a) Deductible on Schedule C
- b) Not deductible
- c) Taxable to the proprietor
- d) Deductible only against business income

85. Which form is used to report a C corporation's foreign transactions?

- a) Form 5471
- b) Form 8865
- c) Form 8938
- d) Form 3520

86. What is the purpose of Form 1120, Schedule UTP?

- a) To report uncertain tax positions
- b) To report depreciation

- c) To report shareholder distributions
- d) To file an extension

87. Which of the following is a requirement for a partnership to file Form 8865?

- a) Domestic partnership status
- b) Foreign partnership with U.S. partners
- c) Gross receipts under \$26 million
- d) No inventory

88. What is the tax treatment of an S corporation's losses?

- a) Deductible only at the entity level
- b) Passed through to shareholders, subject to basis limits
- c) Not deductible
- d) Taxable to the corporation

89. Which form is used to report a sole proprietor's estimated tax payments?

- a) Form 1040-ES
- b) Form 1120-W
- c) Form 1065
- d) Form 7004

90. What is the maximum depreciation deduction for a passenger vehicle in 2025 (first year, placed in service)?

- a) \$3,200
- b) \$11,200
- c) \$19,200
- d) \$25,000

91. Which of the following is a characteristic of a C corporation?

- a) Pass-through taxation
- b) Unlimited liability for shareholders
- c) Separate legal entity
- d) Limited to 100 shareholders

92. What is the purpose of Form 1065, Schedule K?

- a) To summarize partners' distributive shares
- b) To report depreciation
- c) To calculate self-employment tax
- d) To report cost of goods sold

93. Which of the following is a requirement for a sole proprietorship to use the cash method?

- a) Gross receipts over \$26 million
- b) Inventory-based business

- c) No inventory or gross receipts under \$26 million
- d) Publicly traded status

94. What is the tax treatment of a partnership's charitable contributions?

- a) Deductible at the entity level
- b) Passed through to partners
- c) Not deductible
- d) Taxable to the partnership

95. Which form is used to report a C corporation's estimated tax payments?

- a) Form 1040-ES
- b) Form 1120-W
- c) Form 1065
- d) Form 7004

96. What is the purpose of Form 1120, Schedule D?

- a) To report capital gains and losses
- b) To report depreciation
- c) To report shareholder distributions
- d) To file an extension

97. Which of the following is a requirement for an S corporation to file Form 1120S?

- a) Gross receipts over \$26 million
- b) Valid S election in place
- c) Multiple classes of stock
- d) Foreign shareholders

98. What is the tax treatment of a C corporation's net operating loss (NOL)?

- a) Carried back 2 years and forward 20 years
- b) Carried forward indefinitely, limited to 80% of taxable income
- c) Not deductible
- d) Fully deductible in the current year

99. Which form is used to report a partnership's cost of goods sold?

- a) Form 1125-A
- b) Form 4562
- c) Form 8824
- d) Form 3115

100. What is the deadline for issuing Form 1099-NEC to independent contractors?

- a) January 31
- b) March 15
- c) April 15
- d) June 15

101. **Which of the following is a tax advantage of a partnership?**

- a) Double taxation
- b) Pass-through taxation
- c) Limited liability for all partners
- d) Mandatory corporate tax rate

102. **What is the purpose of Form 1065, Schedule M-3?**

- a) To report detailed book-to-tax adjustments for large partnerships
- b) To report partner distributions
- c) To calculate self-employment tax
- d) To report depreciation

103. **Which entity type is subject to self-employment tax on its income?**

- a) C corporation
- b) S corporation (for distributions)
- c) Sole proprietorship
- d) Limited liability company (electing C corporation status)

104. **What is the tax treatment of a C corporation's business interest expense?**

- a) Fully deductible
- b) Limited to 30% of adjusted taxable income
- c) Not deductible
- d) Taxable to the corporation

105. **Which form is used to report a partnership's election to adjust basis under Section 754?**

- a) Form 754
- b) Form 1065
- c) Form 1120S
- d) Form 3115

106. **What is the purpose of Form 1120, Schedule K?**

- a) To summarize shareholders' distributive shares
- b) To report depreciation
- c) To calculate self-employment tax
- d) To report cost of goods sold

107. **Which form is used to report a sole proprietor's business income and expenses?**

- a) Form 1065
- b) Schedule C
- c) Form 1120
- d) Form 1041

108. What is the deadline for a C corporation to make estimated tax payments for the first quarter of 2025?

- a) March 15
- b) April 15
- c) June 15
- d) October 15

109. Which of the following expenses is NOT deductible on Schedule C for a sole proprietorship?

- a) Business meals
- b) Personal commuting expenses
- c) Office supplies
- d) Advertising

110. What is the purpose of Form 1120-W?

- a) To report depreciation
- b) To calculate estimated tax payments for corporations
- c) To report partnership income
- d) To file an extension

111. Which form is used to report a partnership's ordinary business income?

- a) Form 1120
- b) Form 1065
- c) Form 1120S
- d) Form 1040

112. What is the maximum Section 179 deduction for equipment placed in service in 2025?

- a) \$500,000
- b) \$1,220,000
- c) \$2,000,000
- d) \$3,050,000

113. Which of the following is a requirement for a business to deduct business meals in 2025?

- a) The meals must be lavish or extravagant
- b) The meals must be directly related to business
- c) The meals must be 100% deductible
- d) The meals must be for personal use

114. What is the penalty for failing to make required estimated tax payments for a C corporation?

- a) 0.5% per month, up to 25%
- b) Based on the IRS underpayment interest rate
- c) \$500 flat penalty
- d) 5% of gross receipts

115. Which form is used to report depreciation for business assets?

- a) Form 4562
- b) Form 8829
- c) Form 1125-A
- d) Form 3115

116. What is the tax treatment of a sole proprietor's health insurance premiums?

- a) Deductible on Schedule C
- b) Deductible as an adjustment to income
- c) Not deductible
- d) Taxable to the proprietor

117. Which of the following is a requirement for a C corporation to file Form 1120?

- a) Gross receipts under \$26 million
- b) Separate legal entity status
- c) Pass-through taxation
- d) Limited to 100 shareholders

118. What is the purpose of Form 7004?

- a) To report business income
- b) To request an extension for business tax returns
- c) To calculate self-employment tax
- d) To report depreciation

119. Which form is used to report a sole proprietor's home office deduction?

- a) Form 8829
- b) Form 4562
- c) Form 1125-A
- d) Form 3115

120. What is the tax treatment of a partnership's guaranteed payments to partners?

- a) Deductible by the partnership and taxable to the recipient
- b) Not deductible by the partnership
- c) Tax-exempt to the recipient
- d) Subject to double taxation

121. **Which of the following is a requirement for deducting business travel expenses?**

- a) The travel must be for personal purposes
- b) The travel must be ordinary and necessary
- c) The travel must be within the taxpayer's home state
- d) The travel must be fully deductible

122. **What is the deadline for issuing Form 1099-NEC to independent contractors for 2025?**

- a) January 31
- b) March 15
- c) April 15
- d) June 15

123. **Which form is used to report an S corporation's income and deductions?**

- a) Form 1120
- b) Form 1120S
- c) Form 1065
- d) Form 1041

124. **What is the tax treatment of a C corporation's charitable contributions?**

- a) Deductible up to 10% of taxable income
- b) Fully deductible with no limit
- c) Not deductible
- d) Taxable to the corporation

125. **Which of the following is a requirement for a partnership to use the accrual method of accounting?**

- a) Average annual gross receipts under \$26 million
- b) Inventory-based business
- c) Publicly traded status
- d) No inventory

126. **What is the purpose of Form 1065, Schedule M-1?**

- a) To reconcile book income to taxable income
- b) To report partner distributions
- c) To calculate self-employment tax
- d) To report depreciation

127. **Which of the following expenses is deductible by an S corporation?**

- a) Shareholder distributions
- b) Ordinary and necessary business expenses
- c) Personal expenses of shareholders
- d) Fines and penalties

128. **What is the penalty for failing to file Form 1120S on time?**

- a) \$220 per shareholder per month, up to 12 months
- b) 5% of the unpaid tax per month
- c) \$435 flat penalty
- d) 0.5% of gross receipts

129. **Which form is used to report a C corporation's cost of goods sold?**

- a) Form 1125-A
- b) Form 4562
- c) Form 8829
- d) Form 3115

130. **What is the tax treatment of an S corporation's losses?**

- a) Deductible only at the entity level
- b) Passed through to shareholders, subject to basis limits
- c) Not deductible
- d) Taxable to the corporation

131. **Which of the following is a requirement for deducting advertising expenses?**

- a) The expenses must be lavish or extravagant
- b) The expenses must be ordinary and necessary
- c) The expenses must be personal in nature
- d) The expenses must be for non-business purposes

132. **What is the purpose of Form 3115?**

- a) To report depreciation
- b) To request a change in accounting method
- c) To report partnership income
- d) To file an extension

133. **Which form is used to report a partnership's capital gains and losses?**

- a) Form 8949
- b) Form 4797
- c) Form 1065, Schedule D
- d) Form 8824

134. **What is the maximum deduction for business meals in 2025?**

- a) 25%
- b) 50%
- c) 80%
- d) 100%

135. **Which of the following is a requirement for a sole proprietorship to use the cash method of accounting?**

- a) Gross receipts over \$26 million
- b) Inventory-based business
- c) No inventory or gross receipts under \$26 million
- d) Publicly traded status

136. **What is the tax treatment of a C corporation's net operating loss (NOL)?**

- a) Carried back 2 years and forward 20 years
- b) Carried forward indefinitely, limited to 80% of taxable income
- c) Not deductible
- d) Fully deductible in the current year

137. **Which form is used to report a sole proprietor's estimated tax payments?**

- a) Form 1040-ES
- b) Form 1120-W
- c) Form 1065
- d) Form 7004

138. **What is the purpose of Form 1065, Schedule M-3?**

- a) To report detailed book-to-tax adjustments for large partnerships
- b) To report partner distributions
- c) To calculate self-employment tax
- d) To report depreciation

139. **Which of the following is a requirement for deducting a bad debt expense?**

- a) The debt must be wholly worthless
- b) The debt must be partially worthless
- c) The debt must be personal in nature
- d) The debt must be fully recoverable

140. **What is the tax treatment of a partnership's ordinary business income?**

- a) Taxed at the entity level
- b) Passed through to partners
- c) Deductible by the partnership
- d) Subject to double taxation

141. **Which form is used to report a C corporation's dividends received deduction?**

- a) Form 1120, Schedule C
- b) Form 1065
- c) Form 1120S
- d) Form 1040

142. **What is the deadline for a partnership to file Form 1065 for 2025?**

- a) March 15
- b) April 15
- c) June 15
- d) October 15

143. **Which of the following is a requirement for deducting a business expense?**

- a) The expense must be lavish or extravagant
- b) The expense must be ordinary and necessary
- c) The expense must be personal in nature
- d) The expense must be for non-business purposes

144. **What is the purpose of Form 8824?**

- a) To report like-kind exchanges
- b) To report partnership income
- c) To report depreciation
- d) To file an extension

145. **Which form is used to report a partnership's foreign transactions?**

- a) Form 5471
- b) Form 8865
- c) Form 8938
- d) Form 3520

146. **What is the tax treatment of an S corporation's fringe benefits for shareholder-employees?**

- a) Deductible by the corporation and tax-free to the recipient
- b) Deductible by the corporation and taxable to the recipient
- c) Not deductible by the corporation
- d) Subject to double taxation

147. **Which of the following is a requirement for a C corporation to make estimated tax payments?**

- a) Expected tax liability of \$500 or more
- b) Gross receipts under \$26 million
- c) Pass-through taxation
- d) Limited to 100 shareholders

148. **What is the purpose of Form 1065, Schedule K?**

- a) To summarize partners' distributive shares
- b) To report depreciation
- c) To calculate self-employment tax
- d) To report cost of goods sold

149. **Which form is used to report a C corporation's uncertain tax positions?**

- a) Form 1120, Schedule UTP
- b) Form 4562
- c) Form 8829
- d) Form 3115

150. **What is the tax treatment of a sole proprietor's business losses?**

- a) Deductible only against business income
- b) Deductible against all income, subject to limits
- c) Not deductible
- d) Carried back only

151. **Which of the following is a requirement for a partnership to file Form 8865?**

- a) Domestic partnership status
- b) Foreign partnership with U.S. partners
- c) Gross receipts under \$26 million
- d) No inventory

152. **What is the purpose of Form 1120, Schedule M-1?**

- a) To reconcile book income to taxable income
- b) To report shareholder distributions
- c) To calculate self-employment tax
- d) To report depreciation

153. **Which form is used to report a partnership's cost of goods sold?**

- a) Form 1125-A
- b) Form 4562
- c) Form 8829
- d) Form 3115

154. **What is the tax treatment of a C corporation's business interest expense?**

- a) Fully deductible
- b) Limited to 30% of adjusted taxable income
- c) Not deductible
- d) Taxable to the corporation

155. **Which of the following is a requirement for deducting entertainment expenses in 2025?**

- a) The expenses must be directly related to business
- b) Entertainment expenses are not deductible
- c) The expenses must be personal in nature
- d) The expenses must be fully deductible

156. **What is the purpose of Form 1065, Schedule M-2?**

- a) To report changes in partners' capital accounts
- b) To report depreciation
- c) To calculate self-employment tax
- d) To report cost of goods sold

157. **Which form is used to report a C corporation's capital gains and losses?**

- a) Form 8949
- b) Form 4797
- c) Form 1120, Schedule D
- d) Form 8824

158. **What is the maximum depreciation deduction for a passenger vehicle in the first year for 2025?**

- a) \$3,200
- b) \$11,200
- c) \$19,200
- d) \$25,000

159. **Which of the following is a requirement for a sole proprietor to deduct a home office expense?**

- a) The home office must be used exclusively for business
- b) The home office must be the taxpayer's primary residence
- c) The home office must be used for personal purposes
- d) The home office must be rented

160. **What is the tax treatment of a partnership's charitable contributions?**

- a) Deductible at the entity level
- b) Passed through to partners
- c) Not deductible
- d) Taxable to the partnership

161. **Which form is used to report a C corporation's estimated tax payments?**

- a) Form 1040-ES
- b) Form 1120-W
- c) Form 1065
- d) Form 7004

162. **What is the purpose of Form 1065, Schedule L?**

- a) To report the partnership's balance sheet
- b) To report partner distributions
- c) To calculate self-employment tax
- d) To report depreciation

163. **Which of the following is a requirement for a C corporation to deduct a charitable contribution?**

- a) The contribution must be made to a foreign charity
- b) The contribution must be made to a qualified organization
- c) The contribution must exceed 10% of taxable income
- d) The contribution must be for personal purposes

164. **What is the tax treatment of an S corporation's distributions?**

- a) Taxed as ordinary income
- b) Generally tax-free if from previously taxed income
- c) Subject to double taxation
- d) Deductible by the corporation

165. **Which form is used to report a sole proprietor's self-employment tax?**

- a) Schedule C
- b) Schedule SE
- c) Form 1040-ES
- d) Form 1065

166. **What is the deadline for a C corporation to file Form 1120 for 2025?**

- a) March 15
- b) April 15
- c) June 15
- d) October 15

167. **Which of the following is a requirement for deducting a business bad debt?**

- a) The debt must be partially worthless
- b) The debt must be wholly worthless
- c) The debt must be personal in nature
- d) The debt must be fully recoverable

168. **What is the purpose of Form 1120, Schedule G?**

- a) To report cost of goods sold
- b) To report information on certain shareholders
- c) To report depreciation
- d) To file an extension

169. **Which form is used to report a partnership's election to adjust the basis of assets?**

- a) Form 754
- b) Form 1065
- c) Form 1120S
- d) Form 3115

170. **What is the tax treatment of a C corporation's dividends paid to shareholders?**

- a) Deductible by the corporation
- b) Not deductible by the corporation
- c) Tax-exempt to shareholders
- d) Subject to self-employment tax

171. **Which of the following is a requirement for a partnership to make estimated tax payments?**

- a) Expected tax liability of \$500 or more
- b) Gross receipts under \$26 million
- c) Publicly traded status
- d) No inventory

172. **What is the purpose of Form 1120, Schedule K?**

- a) To summarize shareholders' distributive shares
- b) To report depreciation
- c) To calculate self-employment tax
- d) To report cost of goods sold

173. **Which form is used to report a sole proprietor's business use of a vehicle?**

- a) Form 4562
- b) Form 8829
- c) Form 2106
- d) Form 3115

174. **What is the tax treatment of a partnership's losses?**

- a) Deductible only at the entity level
- b) Passed through to partners, subject to basis limits
- c) Not deductible
- d) Taxable to the partnership

175. **Which of the following is a requirement for a C corporation to use the cash method of accounting?**

- a) Average annual gross receipts under \$26 million
- b) Publicly traded status
- c) Inventory-based business
- d) Over \$26 million in gross receipts

176. **What is the purpose of Form 1065, Schedule D?**

- a) To report capital gains and losses
- b) To report depreciation
- c) To report partner distributions
- d) To calculate self-employment tax

177. **Which form is used to report a C corporation's foreign bank accounts?**

- a) Form 8938
- b) Form FBAR (FinCEN Form 114)
- c) Form 5471
- d) Form 8865

178. **What is the tax treatment of a sole proprietor's advertising expenses?**

- a) Not deductible
- b) Deductible as ordinary and necessary expenses
- c) Taxable to the proprietor
- d) Deductible only against business income

179. **Which of the following is a requirement for deducting a home office expense for a partnership?**

- a) The home office must be used exclusively for business
- b) The home office must be the partner's primary residence
- c) The home office must be used for personal purposes
- d) The home office must be rented

180. **What is the purpose of Form 1120, Schedule UTP?**

- a) To report uncertain tax positions
- b) To report depreciation
- c) To report shareholder distributions
- d) To file an extension

181. **Which form is used to report a partnership's cost of goods sold?**

- a) Form 1125-A
- b) Form 4562
- c) Form 8829
- d) Form 3115

182. **What is the tax treatment of a C corporation's business interest expense?**

- a) Fully deductible
- b) Limited to 30% of adjusted taxable income
- c) Not deductible
- d) Taxable to the corporation

183. **Which of the following is a requirement for a sole proprietor to make estimated tax payments?**

- a) Expected tax liability of \$1,000 or more
- b) Gross receipts under \$26 million
- c) Publicly traded status
- d) No inventory

184. **What is the purpose of Form 1065, Schedule K-1?**

- a) To report each partner's share of income and deductions
- b) To report depreciation
- c) To calculate self-employment tax
- d) To report cost of goods sold

185. **Which form is used to report a C corporation's foreign transactions?**

- a) Form 5471
- b) Form 8865
- c) Form 8938
- d) Form 3520

186. **What is the tax treatment of a partnership's ordinary business income?**

- a) Taxed at the entity level
- b) Passed through to partners
- c) Deductible by the partnership
- d) Subject to double taxation

187. **Which of the following is a requirement for deducting a business expense for an S corporation?**

- a) The expense must be lavish or extravagant
- b) The expense must be ordinary and necessary
- c) The expense must be personal in nature
- d) The expense must be for non-business purposes

188. **What is the purpose of Form 1120, Schedule M-3?**

- a) To report detailed book-to-tax adjustments for large corporations
- b) To report shareholder distributions
- c) To calculate self-employment tax
- d) To report depreciation

189. **Which form is used to report a sole proprietor's business use of a home?**

- a) Form 8829
- b) Form 4562
- c) Form 1125-A
- d) Form 3115

190. **What is the tax treatment of a C corporation's dividends received deduction?**

- a) 100% deduction
- b) 50% or 65% deduction, depending on ownership
- c) Not deductible
- d) Taxable to the corporation

191. **Which of the following is a requirement for a partnership to file Form 1065?**

- a) At least two partners
- b) Gross receipts under \$26 million
- c) Publicly traded status
- d) No inventory

192. **What is the purpose of Form 1120, Schedule D?**

- a) To report capital gains and losses
- b) To report depreciation
- c) To report shareholder distributions
- d) To file an extension

193. **Which form is used to report a sole proprietor's self-employment tax?**

- a) Schedule C
- b) Schedule SE
- c) Form 1040-ES
- d) Form 1065

194. **What is the tax treatment of a partnership's losses?**

- a) Deductible only at the entity level
- b) Passed through to partners, subject to basis limits
- c) Not deductible
- d) Taxable to the partnership

195. **Which of the following is a requirement for a C corporation to deduct a charitable contribution?**

- a) The contribution must be made to a foreign charity
- b) The contribution must be made to a qualified organization
- c) The contribution must exceed 10% of taxable income
- d) The contribution must be for personal purposes

196. **What is the purpose of Form 1065, Schedule M-1?**

- a) To reconcile book income to taxable income
- b) To report partner distributions
- c) To calculate self-employment tax
- d) To report depreciation

197. **Which form is used to report a C corporation's cost of goods sold?**

- a) Form 1125-A
- b) Form 4562
- c) Form 8829
- d) Form 3115

198. **What is the tax treatment of an S corporation's fringe benefits for shareholder-employees?**

- a) Deductible by the corporation and tax-free to the recipient
- b) Deductible by the corporation and taxable to the recipient
- c) Not deductible by the corporation
- d) Subject to double taxation

199. **Which of the following is a requirement for a sole proprietor to deduct a home office expense?**

- a) The home office must be used exclusively for business
- b) The home office must be the taxpayer's primary residence
- c) The home office must be used for personal purposes
- d) The home office must be rented

200. **What is the purpose of Form 1120, Schedule UTP?**

- a) To report uncertain tax positions
- b) To report depreciation
- c) To report shareholder distributions
- d) To file an extension

201. **Which form is used to report a partnership's foreign bank accounts?**

- a) Form 8938
- b) Form FBAR (FinCEN Form 114)
- c) Form 5471
- d) Form 8865

202. **What is the tax treatment of a sole proprietor's advertising expenses?**

- a) Not deductible
- b) Deductible as ordinary and necessary expenses
- c) Taxable to the proprietor
- d) Deductible only against business income

203. **Which of the following is a requirement for a C corporation to make estimated tax payments?**

- a) Expected tax liability of \$500 or more
- b) Gross receipts under \$26 million
- c) Pass-through taxation
- d) Limited to 100 shareholders

204. **What is the purpose of Form 1065, Schedule K?**

- a) To summarize partners' distributive shares
- b) To report depreciation

- c) To calculate self-employment tax
- d) To report cost of goods sold

205. **Which form is used to report a C corporation's foreign transactions?**

- a) Form 5471
- b) Form 8865
- c) Form 8938
- d) Form 3520

206. **What is the tax treatment of a partnership's ordinary business income?**

- a) Taxed at the entity level
- b) Passed through to partners
- c) Deductible by the partnership
- d) Subject to double taxation

207. **Which of the following is a requirement for deducting a business expense for an S corporation?**

- a) The expense must be lavish or extravagant
- b) The expense must be ordinary and necessary
- c) The expense must be personal in nature
- d) The expense must be for non-business purposes

208. **What is the purpose of Form 1120, Schedule M-3?**

- a) To report detailed book-to-tax adjustments for large corporations
- b) To report shareholder distributions
- c) To calculate self-employment tax
- d) To report depreciation

209. **Which form is used to report a sole proprietor's business use of a home?**

- a) Form 8829
- b) Form 4562
- c) Form 1125-A
- d) Form 3115

210. **What is the tax treatment of a C corporation's dividends received deduction?**

- a) 100% deduction
- b) 50% or 65% deduction, depending on ownership
- c) Not deductible
- d) Taxable to the corporation

211. **Which of the following is a requirement for a partnership to file Form 1065?**

- a) At least two partners
- b) Gross receipts under \$26 million

- c) Publicly traded status
- d) No inventory

212. What is the purpose of Form 1120, Schedule D?

- a) To report capital gains and losses
- b) To report depreciation
- c) To report shareholder distributions
- d) To file an extension

213. Which form is used to report a sole proprietor's self-employment tax?

- a) Schedule C
- b) Schedule SE
- c) Form 1040-ES
- d) Form 1065

214. What is the tax treatment of a partnership's losses?

- a) Deductible only at the entity level
- b) Passed through to partners, subject to basis limits
- c) Not deductible
- d) Taxable to the partnership

215. Which of the following is a requirement for a C corporation to deduct a charitable contribution?

- a) The contribution must be made to a foreign charity
- b) The contribution must be made to a qualified organization
- c) The contribution must exceed 10% of taxable income
- d) The contribution must be for personal purposes

216. What is the purpose of Form 1065, Schedule M-1?

- a) To reconcile book income to taxable income
- b) To report partner distributions
- c) To calculate self-employment tax
- d) To report depreciation

217. Which form is used to report a C corporation's cost of goods sold?

- a) Form 1125-A
- b) Form 4562
- c) Form 8829
- d) Form 3115

218. What is the tax treatment of an S corporation's fringe benefits for shareholder-employees?

- a) Deductible by the corporation and tax-free to the recipient
- b) Deductible by the corporation and taxable to the recipient

- c) Not deductible by the corporation
- d) Subject to double taxation

219. Which of the following is a requirement for a sole proprietor to deduct a home office expense?

- a) The home office must be used exclusively for business
- b) The home office must be the taxpayer's primary residence
- c) The home office must be used for personal purposes
- d) The home office must be rented

220. What is the purpose of Form 1120, Schedule UTP?

- a) To report uncertain tax positions
- b) To report depreciation
- c) To report shareholder distributions
- d) To file an extension

221. Which form is used to report a partnership's foreign bank accounts?

- a) Form 8938
- b) Form FBAR (FinCEN Form 114)
- c) Form 5471
- d) Form 8865

222. What is the tax treatment of a sole proprietor's advertising expenses?

- a) Not deductible
- b) Deductible as ordinary and necessary expenses
- c) Taxable to the proprietor
- d) Deductible only against business income

223. Which of the following is a requirement for a C corporation to make estimated tax payments?

- a) Expected tax liability of \$500 or more
- b) Gross receipts under \$26 million
- c) Pass-through taxation
- d) Limited to 100 shareholders

224. What is the purpose of Form 1065, Schedule K?

- a) To summarize partners' distributive shares
- b) To report depreciation
- c) To calculate self-employment tax
- d) To report cost of goods sold

225. Which form is used to report a C corporation's foreign transactions?

- a) Form 5471
- b) Form 8865

- c) Form 8938
- d) Form 3520

226. **What is the tax treatment of a partnership's ordinary business income?**

- a) Taxed at the entity level
- b) Passed through to partners
- c) Deductible by the partnership
- d) Subject to double taxation

227. **Which of the following is a requirement for deducting a business expense for an S corporation?**

- a) The expense must be lavish or extravagant
- b) The expense must be ordinary and necessary
- c) The expense must be personal in nature
- d) The expense must be for non-business purposes

228. **What is the purpose of Form 1120, Schedule M-3?**

- a) To report detailed book-to-tax adjustments for large corporations
- b) To report shareholder distributions
- c) To calculate self-employment tax
- d) To report depreciation

229. **Which form is used to report a sole proprietor's business use of a home?**

- a) Form 8829
- b) Form 4562
- c) Form 1125-A
- d) Form 3115

230. **What is the tax treatment of a C corporation's dividends received deduction?**

- a) 100% deduction
- b) 50% or 65% deduction, depending on ownership
- c) Not deductible
- d) Taxable to the corporation

231. **Which of the following is a requirement for a partnership to file Form 1065?**

- a) At least two partners
- b) Gross receipts under \$26 million
- c) Publicly traded status
- d) No inventory

232. **What is the purpose of Form 1120, Schedule D?**

- a) To report capital gains and losses
- b) To report depreciation

- c) To report shareholder distributions
- d) To file an extension

233. **Which form is used to report a sole proprietor's self-employment tax?**

- a) Schedule C
- b) Schedule SE
- c) Form 1040-ES
- d) Form 1065

234. **What is the tax treatment of a partnership's losses?**

- a) Deductible only at the entity level
- b) Passed through to partners, subject to basis limits
- c) Not deductible
- d) Taxable to the partnership

235. **Which of the following is a requirement for a C corporation to deduct a charitable contribution?**

- a) The contribution must be made to a foreign charity
- b) The contribution must be made to a qualified organization
- c) The contribution must exceed 10% of taxable income
- d) The contribution must be for personal purposes

236. **What is the purpose of Form 1065, Schedule M-1?**

- a) To reconcile book income to taxable income
- b) To report partner distributions
- c) To calculate self-employment tax
- d) To report depreciation

237. **Which form is used to report a C corporation's cost of goods sold?**

- a) Form 1125-A
- b) Form 4562
- c) Form 8829
- d) Form 3115

238. **Which form is used to report income for a trust or estate?**

- a) Form 1040
- b) Form 1041
- c) Form 1065
- d) Form 1120

239. **What is the deadline for filing Form 1041 for a trust in 2025?**

- a) March 15
- b) April 15

- c) June 15
- d) October 15

240. **Which form is used to report a decedent's final income tax return?**

- a) Form 1040
- b) Form 1041
- c) Form 706
- d) Form 709

241. **What is the purpose of Form 706?**

- a) To report income for a trust
- b) To report estate tax
- c) To report gift tax
- d) To report partnership income

242. **Which form is used to report income for a nonresident alien individual?**

- a) Form 1040
- b) Form 1040-NR
- c) Form 1065
- d) Form 1120

243. **What is the tax rate for long-term capital gains for a trust in 2025?**

- a) 15%
- b) 20%
- c) 28%
- d) 37%

244. **Which form is used to report an exempt organization's unrelated business income?**

- a) Form 990
- b) Form 990-T
- c) Form 1041
- d) Form 1120

245. **What is the deadline for filing Form 990 for an exempt organization in 2025?**

- a) 15th day of the 4th month after the fiscal year-end
- b) 15th day of the 5th month after the fiscal year-end
- c) 15th day of the 6th month after the fiscal year-end
- d) 15th day of the 7th month after the fiscal year-end

246. **Which of the following is a requirement for an organization to file Form 990-EZ?**

- a) Gross receipts less than \$50,000
- b) Gross receipts less than \$200,000 and total assets less than \$500,000
- c) Gross receipts over \$1 million
- d) Total assets over \$2.5 million

247. **What is the purpose of Form 709?**

- a) To report income for a trust
- b) To report gift tax
- c) To report estate tax
- d) To report partnership income

248. **Which form is used to report a farmer's income from farming activities?**

- a) Schedule C
- b) Schedule F
- c) Form 1065
- d) Form 1120

249. **What is the tax treatment of income from a grantor trust?**

- a) Taxed to the trust
- b) Taxed to the grantor
- c) Tax-exempt
- d) Subject to double taxation

250. **Which form is used to request an extension for filing Form 1041?**

- a) Form 7004
- b) Form 4868
- c) Form 8868
- d) Form 8822

251. **What is the exemption amount for estate tax in 2025?**

- a) \$5.49 million
- b) \$12.92 million
- c) \$13.61 million
- d) \$15 million

252. **Which of the following is a requirement for a nonresident alien to file Form 1040-NR?**

- a) U.S. citizenship
- b) Income effectively connected with a U.S. trade or business
- c) No U.S.-source income
- d) Permanent resident status

253. **What is the purpose of Form 990-PF?**

- a) To report income for a private foundation
- b) To report income for a public charity
- c) To report estate tax
- d) To report gift tax

254. **Which form is used to report a fisherman's income from fishing activities?**

- a) Schedule C
- b) Schedule F
- c) Form 1065
- d) Form 1120

255. **What is the tax treatment of distributions from a simple trust?**

- a) Taxed to the trust
- b) Taxed to the beneficiaries
- c) Tax-exempt
- d) Subject to double taxation

256. **Which of the following is a requirement for an exempt organization to maintain tax-exempt status?**

- a) Filing Form 990 annually, if required
- b) Gross receipts over \$1 million
- c) Engaging in political campaigns
- d) Distributing all income to shareholders

257. **What is the purpose of Form 1041, Schedule K-1?**

- a) To report the beneficiary's share of income and deductions
- b) To report depreciation
- c) To calculate self-employment tax
- d) To report cost of goods sold

258. **Which form is used to report a gift exceeding the annual exclusion amount in 2025?**

- a) Form 706
- b) Form 709
- c) Form 1041
- d) Form 990

259. **What is the annual gift tax exclusion amount per donee in 2025?**

- a) \$15,000
- b) \$17,000
- c) \$18,000
- d) \$20,000

260. **Which of the following is a requirement for a farmer to use the cash method of accounting?**

- a) Gross receipts over \$26 million
- b) Inventory-based business
- c) No inventory or gross receipts under \$26 million
- d) Publicly traded status

261. What is the purpose of Form 1041, Schedule D?

- a) To report capital gains and losses
- b) To report beneficiary distributions
- c) To calculate self-employment tax
- d) To report depreciation

262. Which form is used to report a nonresident alien's U.S.-source income subject to withholding?

- a) Form 1042
- b) Form 1040-NR
- c) Form 1065
- d) Form 1120

263. What is the tax treatment of a private foundation's investment income?

- a) Tax-exempt
- b) Subject to a 1.39% excise tax
- c) Taxed at the corporate rate
- d) Taxed at the individual rate

264. Which of the following is a requirement for filing Form 706?

- a) Gross estate value exceeding the exemption amount
- b) Gross estate value under \$1 million
- c) No taxable gifts
- d) No U.S. assets

265. What is the purpose of Form 990-T?

- a) To report unrelated business income for exempt organizations
- b) To report income for a trust
- c) To report estate tax
- d) To report gift tax

266. Which form is used to report a trust's charitable deductions?

- a) Form 1041, Schedule A
- b) Form 1041, Schedule B
- c) Form 1041, Schedule D
- d) Form 1041, Schedule K-1

267. What is the deadline for filing Form 709 for gift tax in 2025?

- a) March 15
- b) April 15
- c) June 15
- d) October 15

268. **Which of the following is a requirement for a fisherman to deduct vessel repair expenses?**

- a) The expenses must be lavish or extravagant
- b) The expenses must be ordinary and necessary
- c) The expenses must be personal in nature
- d) The expenses must be for non-business purposes

269. **What is the tax treatment of a complex trust's accumulated income?**

- a) Taxed to the beneficiaries
- b) Taxed to the trust
- c) Tax-exempt
- d) Subject to double taxation

270. **Which form is used to report a nonresident alien's estate tax?**

- a) Form 706
- b) Form 706-NA
- c) Form 709
- d) Form 1041

271. **What is the purpose of Form 1041, Schedule B?**

- a) To report income distribution deductions
- b) To report capital gains and losses
- c) To report depreciation
- d) To report cost of goods sold

272. **Which of the following is a requirement for an exempt organization to file Form 990-N?**

- a) Gross receipts less than \$50,000
- b) Gross receipts less than \$200,000
- c) Gross receipts over \$1 million
- d) Total assets over \$500,000

273. **What is the tax treatment of a farmer's crop insurance proceeds?**

- a) Always tax-exempt
- b) Taxable unless an election is made to defer
- c) Taxable only if received in the same year
- d) Deductible as a business expense

274. **Which form is used to request an extension for filing Form 990?**

- a) Form 7004
- b) Form 4868
- c) Form 8868
- d) Form 8822

275. What is the purpose of Form 1042-S?

- a) To report U.S.-source income paid to nonresident aliens
- b) To report income for a trust
- c) To report estate tax
- d) To report gift tax

276. Which of the following is a requirement for a trust to be classified as a simple trust?

- a) It must distribute all income annually
- b) It must accumulate all income
- c) It must have no beneficiaries
- d) It must be a grantor trust

277. What is the tax treatment of a nonresident alien's U.S.-source dividends?

- a) Tax-exempt
- b) Subject to 30% withholding, unless reduced by treaty
- c) Taxed at the corporate rate
- d) Deductible as a business expense

278. Which form is used to report a private foundation's minimum distribution requirements?

- a) Form 990
- b) Form 990-PF
- c) Form 1041
- d) Form 1120

279. What is the deadline for filing Form 706 for an estate in 2025?

- a) 6 months after the date of death
- b) 9 months after the date of death
- c) 12 months after the date of death
- d) 15 months after the date of death

280. Which of the following is a requirement for a farmer to deduct soil and water conservation expenses?

- a) The expenses must be for personal use
- b) The expenses must be consistent with a conservation plan
- c) The expenses must exceed 25% of gross income
- d) The expenses must be lavish or extravagant

281. What is the purpose of Form 1041, Schedule J?

- a) To report accumulation distributions for certain complex trusts
- b) To report capital gains and losses
- c) To report depreciation
- d) To report cost of goods sold

282. **Which form is used to report a nonresident alien's U.S.-source rental income?**

- a) Form 1040-NR
- b) Form 1042-S
- c) Form 1065
- d) Form 1120

283. **What is the tax treatment of a private foundation's charitable distributions?**

- a) Taxable to the foundation
- b) Deductible as a business expense
- c) Not taxable, but subject to minimum distribution requirements
- d) Subject to double taxation

284. **Which of the following is a requirement for an exempt organization to file Form 990-T?**

- a) No unrelated business income
- b) Unrelated business taxable income of \$1,000 or more
- c) Gross receipts under \$50,000
- d) Total assets under \$500,000

285. **What is the purpose of Form 1041, Schedule I?**

- a) To report alternative minimum tax for trusts
- b) To report capital gains and losses
- c) To report depreciation
- d) To report cost of goods sold

286. **Which form is used to report a farmer's farm rental income?**

- a) Schedule C
- b) Schedule E
- c) Schedule F
- d) Form 1065

287. **What is the tax treatment of a trust's capital losses?**

- a) Passed through to beneficiaries
- b) Carried forward indefinitely by the trust
- c) Not deductible
- d) Taxable to the trust

288. **Which of the following is a requirement for a nonresident alien to claim a treaty-based exemption?**

- a) Filing Form 8833
- b) Filing Form 1040
- c) No U.S.-source income
- d) Permanent resident status

289. **What is the purpose of Form 990, Schedule A?**

- a) To report public charity status and support
- b) To report unrelated business income
- c) To report capital gains and losses
- d) To report depreciation

290. **Which form is used to report a fisherman's self-employment tax?**

- a) Schedule C
- b) Schedule SE
- c) Form 1040-ES
- d) Form 1065

291. **What is the tax treatment of a decedent's income received after death?**

- a) Reported on Form 1040
- b) Reported on Form 1041 as income in respect of a decedent
- c) Tax-exempt
- d) Subject to double taxation

292. **Which of the following is a requirement for a trust to deduct charitable contributions?**

- a) The contributions must be made from principal
- b) The contributions must be authorized by the trust document
- c) The contributions must be for personal purposes
- d) The contributions must exceed 10% of income

293. **What is the purpose of Form 1042?**

- a) To report withholding on U.S.-source income paid to nonresident aliens
- b) To report income for a trust
- c) To report estate tax
- d) To report gift tax

294. **Which form is used to report a private foundation's excise tax on investment income?**

- a) Form 990
- b) Form 990-PF
- c) Form 1041
- d) Form 1120

295. **What is the tax treatment of a nonresident alien's U.S.-source interest income?**

- a) Tax-exempt
- b) Subject to 30% withholding, unless reduced by treaty
- c) Taxed at the corporate rate
- d) Deductible as a business expense

296. **Which of the following is a requirement for an estate to file Form 706?**

- a) Gross estate value exceeding the exemption amount
- b) Gross estate value under \$1 million
- c) No taxable gifts
- d) No U.S. assets

297. **What is the purpose of Form 990, Schedule D?**

- a) To report supplemental financial information
- b) To report unrelated business income
- c) To report capital gains and losses
- d) To report depreciation

298. **Which form is used to report a farmer's estimated tax payments?**

- a) Form 1040-ES
- b) Form 1120-W
- c) Form 1065
- d) Form 7004

299. **What is the tax treatment of a trust's ordinary income distributed to beneficiaries?**

- a) Taxed to the trust
- b) Taxed to the beneficiaries
- c) Tax-exempt
- d) Subject to double taxation

300. **Which of the following is a requirement for an exempt organization to file Form 990?**

- a) Gross receipts less than \$50,000
- b) Gross receipts of \$200,000 or more or total assets of \$500,000 or more
- c) No unrelated business income
- d) No U.S. operations

Answers and Explanations - Part 2

1. c) Schedule C – A sole proprietorship reports its income and expenses on Schedule C, attached to the owner's Form 1040. This form captures the net profit or loss from the business, which is then included in the owner's taxable income. Form 1065 is for partnerships, Form 1120 is for C corporations, and Form 1041 is for trusts.
2. c) Disregarded entity – A single-member LLC is treated as a disregarded entity by default for tax purposes, meaning its income and expenses are reported on the owner's Form 1040, typically on Schedule C, unless another election is made. Partnerships require multiple members, and corporation or S corporation status requires an election.
3. d) Eligible corporation or LLC – Form 2553 is used by an eligible corporation or LLC to elect S corporation status, allowing pass-through taxation. Sole proprietorships and partnerships are not eligible, and C corporations must file Form 2553 to convert to S status.
4. a) March 15 – Form 1065 for partnerships is due on March 15 of the following year, with an automatic extension available to September 15 if requested via Form 7004.
5. b) Accrual method – C corporations with average annual gross receipts exceeding \$26 million are generally required to use the accrual method of accounting, as mandated by IRS regulations for larger businesses, to match revenue and expenses.
6. b) 21% – The federal corporate income tax rate for C corporations is a flat 21% for 2025, as established under the Tax Cuts and Jobs Act, replacing the previous graduated rate structure.
7. b) Form 1065 – Form 1065 is used by partnerships to report income, deductions, and credits, with each partner's share reported on Schedule K-1. Form 1120 is for C corporations, Form 1040 is for individuals, and Form 1120S is for S corporations.
8. a) To report the partner's share of income and deductions – Schedule K-1 reports each partner's distributive share of the partnership's income, deductions, and credits, which is then included on the partner's individual tax return.
9. b) Only U.S. citizens or residents as shareholders – S corporations are restricted to having only U.S. citizens or residents as shareholders, with a maximum of 100 shareholders and only one class of stock, per IRS rules.
10. a) \$220 per partner per month, up to 12 months – The penalty for failing to file Form 1065 on time is \$220 per partner for each month or part of a month the return is late, up to 12 months, as per IRS guidelines.
11. c) C corporation – C corporations are subject to double taxation, with income taxed at the corporate level (21% rate) and dividends taxed at the shareholder level. S corporations, partnerships, and sole proprietorships are pass-through entities, avoiding double taxation.

12. b) To change an entity's tax classification – Form 8832 allows an eligible entity, such as an LLC, to elect to be taxed as a corporation, partnership, or disregarded entity, providing flexibility in tax treatment.
13. b) Form 1120S – Form 1120S is used to report income, deductions, and credits for an S corporation, with each shareholder's share reported on Schedule K-1. Form 1120 is for C corporations, Form 1065 is for partnerships, and Form 1041 is for trusts.
14. b) Pass-through taxation by default – An LLC offers pass-through taxation, where income is reported on the owners' tax returns, avoiding entity-level taxation unless a corporate election is made. LLCs provide limited liability, not unlimited, and do not require stock issuance.
15. a) Average annual gross receipts under \$26 million – Partnerships with average annual gross receipts under \$26 million may use the cash method of accounting, unless they are required to maintain inventory, per IRS rules.
16. b) April 15 – Form 1120 for C corporations is due on April 15 of the following year, with an automatic extension to October 15 available via Form 7004.
17. a) Form 7004 – Form 7004 is used to request an automatic extension for filing business tax returns, including Form 1065 for partnerships. Form 4868 is for individuals, Form 8868 is for exempt organizations, and Form 8822 is for address changes.
18. b) Generally tax-free if from previously taxed income – S corporation distributions are generally tax-free to the extent they are from previously taxed income or the shareholder's basis, avoiding double taxation, unlike C corporation dividends.
19. b) Unlimited liability for general partners – General partnerships feature unlimited liability for general partners, meaning they are personally liable for the partnership's debts. They file Form 1065, not Form 1120, and income is passed through to partners.
20. a) To report depreciation and amortization – Form 4562 is used to report depreciation and amortization for business assets, including Section 179 deductions, for entities like sole proprietorships, partnerships, and corporations.
21. c) Single-member LLC (disregarded entity) – A single-member LLC treated as a disregarded entity does not file a separate tax return; its income is reported on the owner's Form 1040. Partnerships, C corporations, and S corporations require separate returns (Forms 1065, 1120, and 1120S, respectively).
22. b) To request an extension for business tax returns – Form 7004 is used to request an automatic extension for filing business tax returns, such as Forms 1065, 1120, and 1120S.
23. b) Pass-through taxation – S corporations' benefit from pass-through taxation, where income is reported on shareholders' returns, avoiding double taxation. They are limited to 100 shareholders and one class of stock.

24. b) 15.3% – The self-employment tax rate for a sole proprietor in 2025 is 15.3%, consisting of 12.4% for Social Security and 2.9% for Medicare, applied to net earnings.

25. b) Schedule SE – Schedule SE is used to calculate and report self-employment tax for a sole proprietorship, based on net earnings from Schedule C.

26. a) March 15 – Form 1120S for S corporations is due on March 15 of the following year, with an automatic extension to September 15 available via Form 7004.

27. a) Average annual gross receipts under \$26 million – C corporations with average annual gross receipts under \$26 million may use the cash method, unless they maintain inventory or other restrictions apply.

28. b) Taxable to the employee unless excluded – Fringe benefits provided by a C corporation are deductible by the corporation but taxable to the employee unless specifically excluded (e.g., qualified health insurance).

29. b) Form 4797 – Form 4797 is used to report the sale of business property, such as equipment or real estate used in a trade or business. Form 8949 is for capital assets, Form 6252 is for installment sales, and Form 8824 is for like-kind exchanges.

30. a) To report home office deductions – Form 8829 is used by sole proprietors to report home office deductions, calculated based on the business use of the home.

31. c) Partnership – Partnerships offer the greatest flexibility in allocating income and losses among partners, as specified in the partnership agreement, unlike S corporations (pro-rata allocation) or sole proprietorships (single owner).

32. a) \$220 per shareholder per month, up to 12 months – The penalty for failing to file Form 1120S on time is \$220 per shareholder per month, up to 12 months, per IRS guidelines.

33. b) Limited partners have limited liability – Limited partnerships include limited partners with limited liability and general partners with unlimited liability. They file Form 1065, and income is passed through to partners.

34. a) To reconcile book income to taxable income – Schedule M-1 on Form 1065 reconciles the partnership's book income to taxable income, accounting for differences in tax and financial accounting.

35. a) Filing Form 8832 – An LLC elects C corporation status by filing Form 8832. S corporations are limited to 100 shareholders, one class of stock, and U.S. shareholders.

36. b) Deductible against all income, subject to limits – A sole proprietor's business losses are deductible against other income on Form 1040, subject to basis and at-risk rules.

37. b) Form 1120-W – Form 1120-W is used to calculate and report estimated tax payments for corporations, including C corporations.

38. b) \$1,220,000 – The maximum Section 179 deduction for 2025 is \$1,220,000, subject to phase-out for property placed in service exceeding \$3,050,000, adjusted annually for inflation.

39. a) At least two partners – A partnership requires at least two partners to file Form 1065, reporting income and deductions passed through to partners.

40. a) To report cost of goods sold – Form 1125-A is used by businesses, including partnerships and corporations, to report cost of goods sold for inventory-based businesses.

41. c) S corporation (for shareholder distributions) – S corporation distributions are not subject to self-employment tax, unlike income from sole proprietorships, partnerships, or single-member LLCs (unless electing corporate status).

42. b) April 15 – Form 7004 for a C corporation must be filed by April 15 to request an extension to October 15 for filing Form 1120.

43. c) Retention of earnings at a flat tax rate – C corporations can retain earnings taxed at a flat 21% rate, unlike pass-through entities. They do not have pass-through taxation or deduct dividends.

44. a) To report like-kind exchanges – Form 8824 is used to report like-kind exchanges under Section 1031 for business or investment property.

45. a) Filing Form 2553 by the 15th day of the third month of the tax year – A valid S corporation election requires filing Form 2553 by the 15th day of the third month of the tax year to be effective for that year.

46. a) Deductible by the partnership and taxable to the recipient – Guaranteed payments to partners are deductible by the partnership and taxable as ordinary income to the recipient.

47. b) Form 1099-NEC – Form 1099-NEC is used to report compensation paid to independent contractors, typically \$600 or more.

48. a) To report detailed book-to-tax adjustments for large partnerships – Schedule M-3 on Form 1065 is required for partnerships with assets of \$10 million or more to report detailed book-to-tax adjustments.

49. b) Pass-through taxation – S corporations feature pass-through taxation, with income reported on shareholders' returns, and are limited to 100 shareholders and one class of stock.

50. b) \$290 per form, up to \$1,191,500 – The penalty for failing to issue Form 1099-NEC when required is \$290 per form, with a maximum of \$1,191,500 for small businesses in 2025.

51. b) Accrual method – The accrual method recognizes revenue when earned and expenses when incurred, unlike the cash method, which recognizes them when cash changes hands.

52. b) To report information on certain shareholders – Schedule G on Form 1120 reports information on shareholders owning 5% or more of the corporation's stock.

53. b) Inventory-based business – Partnerships with inventory are generally required to use the accrual method, regardless of gross receipts, to properly match revenue and expenses.

54. a) Deductible up to 10% of taxable income – C corporations can deduct charitable contributions up to 10% of their taxable income, with excess contributions carried forward.

55. a) Form 1099-DIV – Form 1099-DIV is used to report dividends paid by a C corporation to its shareholders.

56. b) To request a change in accounting method – Form 3115 is used to request IRS approval for a change in accounting method, such as from cash to accrual.

57. c) Single owner – A sole proprietorship is owned by a single individual and reports income on Schedule C, not requiring a separate entity return like partnerships or corporations.

58. b) Deductible by the corporation and taxable to the recipient – Fringe benefits for S corporation shareholder-employees (owning more than 2%) are deductible by the corporation but taxable to the recipient.

59. a) Form 8949 – The sale of partnership interests is reported on Form 8949 as a capital transaction, with totals transferred to Schedule D.

60. a) March 15 – Schedule K-1 must be issued to partners by March 15, the due date for Form 1065, unless an extension is filed.

61. c) Separate legal entity – C corporations are separate legal entities, subject to double taxation, with limited liability for shareholders, and no limit on shareholders.

62. a) To report the partnership's balance sheet – Schedule L on Form 1065 reports the partnership's balance sheet, showing assets, liabilities, and partners' capital.

63. b) Pass-through taxation – Partnerships benefit from pass-through taxation, with income reported on partners' returns, avoiding entity-level taxation.

64. b) 50% – Business meals are deductible at 50% of the cost in 2025, provided they are not lavish or extravagant and meet IRS requirements.

65. b) Form 8865 – Form 8865 is used to report a partnership's foreign transactions or ownership in a foreign partnership.

66. b) Deductible as an adjustment to income – A sole proprietor's health insurance premiums are deductible as an adjustment to income on Form 1040, not as a business expense on Schedule C.

67. b) Written agreement between partners – A valid partnership agreement, while not required to be filed with the IRS, should be in writing to outline partners' rights and obligations.

68. a) To reconcile book income to taxable income – Schedule M-1 on Form 1120 reconciles a C corporation's book income to taxable income.

69. c) C corporation – C corporations are subject to the accumulated earnings tax if they unreasonably accumulate earnings to avoid dividend taxation.

70. b) 5% of the unpaid tax per month, up to 25% – The penalty for failing to file Form 1120 on time is 5% of the unpaid tax per month, up to 25%.

71. b) Having only one class of stock – S corporations must maintain one class of stock to retain their status, along with other requirements like limited shareholders and U.S. residency.

72. a) To report changes in partners' capital accounts – Schedule M-2 on Form 1065 reports changes in partners' capital accounts, including contributions and distributions.

73. b) Simplicity of filing on Schedule C – Sole proprietorships benefit from simple tax filing on Schedule C, but lack limited liability and are subject to self-employment tax.

74. b) Passed through to partners – A partnership's ordinary business income is passed through to partners via Schedule K-1 and taxed on their individual returns.

75. b) Form FBAR (FinCEN Form 114) – A C corporation reports foreign bank accounts on FinCEN Form 114 (FBAR) if the aggregate balance exceeds \$10,000.

76. b) To report simple sole proprietorship income – Schedule C-EZ is used for sole proprietorships with simple operations (e.g., no employees, no home office deduction, and expenses under \$5,000).

77. b) Separate legal entity status – C corporations are separate legal entities required to file Form 1120, regardless of gross receipts or shareholder limits.

78. b) 50% or 65% deduction, depending on ownership – C corporations can deduct 50% of dividends received from other corporations (65% if owning 20% or more), to mitigate double taxation.

79. b) Form 1065 – A partnership's Section 754 election to adjust the basis of assets is reported on Form 1065, typically in the "Other Information" section.

80. b) 15th day of the third month of the tax year – Form 2553 must be filed by the 15th day of the third month of the tax year to elect S corporation status for that year.

81. b) Flexibility in tax classification – LLCs offer flexibility to elect tax treatment as a disregarded entity, partnership, or corporation, unlike other entity types.

82. a) To report capital gains and losses – Schedule D on Form 1065 reports the partnership's capital gains and losses, passed through to partners.

83. b) Pass-through taxation – S corporations' benefit from pass-through taxation, avoiding double taxation, but are limited to 100 shareholders and one class of stock.

84. a) Deductible on Schedule C – A sole proprietor's ordinary and necessary business expenses are deductible on Schedule C, reducing taxable income.

85. a) Form 5471 – Form 5471 is used to report a C corporation's foreign transactions or ownership in a foreign corporation.

86. a) To report uncertain tax positions – Schedule UTP on Form 1120 is used by large C corporations to report uncertain tax positions.

87. b) Foreign partnership with U.S. partners – Form 8865 is required for U.S. partners with interests in a foreign partnership or certain foreign transactions.

88. b) Passed through to shareholders, subject to basis limits – S corporation losses are passed through to shareholders but limited to their basis in the stock and loans to the corporation.

89. a) Form 1040-ES – Sole proprietors use Form 1040-ES to calculate and pay estimated tax payments on their business income.

90. c) \$19,200 – The maximum first-year depreciation deduction for a passenger vehicle placed in service in 2025 is \$19,200, assuming bonus depreciation applies.

91. c) Separate legal entity – C corporations are separate legal entities, with limited liability for shareholders and no limit on shareholders, unlike S corporations.

92. a) To summarize partners' distributive shares – Schedule K on Form 1065 summarizes the partners' distributive shares of income, deductions, and credits.

93. c) No inventory or gross receipts under \$26 million – Sole proprietorships with no inventory or gross receipts under \$26 million can use the cash method.

94. b) Passed through to partners – A partnership's charitable contributions are passed through to partners, who claim them as itemized deductions on their individual returns.

95. b) Form 1120-W – Form 1120-W is used to calculate and report estimated tax payments for C corporations.

96. a) To report capital gains and losses – Schedule D on Form 1120 reports a C corporation's capital gains and losses.

97. b) Valid S election in place – An S corporation must have a valid S election (via Form 2553) to file Form 1120S, and it cannot have multiple classes of stock or foreign shareholders.

98. b) Carried forward indefinitely, limited to 80% of taxable income – A C corporation’s NOL can be carried forward indefinitely but is limited to 80% of taxable income (post-TCJA rules).

99. a) Form 1125-A – Form 1125-A is used to report a partnership’s cost of goods sold for inventory-based businesses.

100. a) January 31 – Form 1099-NEC must be issued to independent contractors by January 31 of the following year.

101. b) Pass-through taxation – Partnerships benefit from pass-through taxation, with income taxed only at the partner level, avoiding entity-level taxation.

102. a) To report detailed book-to-tax adjustments for large partnerships – Schedule M-3 on Form 1065 is required for partnerships with assets of \$10 million or more to report detailed book-to-tax adjustments.

103. c) Sole proprietorship – Sole proprietorships are subject to self-employment tax on net earnings, unlike C corporations or S corporation distributions.

104. b) Limited to 30% of adjusted taxable income – A C corporation’s business interest expense is limited to 30% of adjusted taxable income under Section 163(j), with excess carried forward.

105. b) Form 1065 – A partnership’s Section 754 election to adjust asset basis is reported on Form 1065, typically in the “Other Information” section.

106. a) To summarize shareholders’ distributive shares – Schedule K on Form 1120S summarizes the shareholders’ distributive shares of income, deductions, and credits.

107. b) Schedule C – A sole proprietorship reports its income and expenses on Schedule C, attached to the owner’s Form 1040. Form 1065 is for partnerships, Form 1120 is for C corporations, and Form 1041 is for trusts.

108. b) April 15 – Estimated tax payments for C corporations for the first quarter of 2025 are due on April 15, aligning with the corporate tax return deadline.

109. b) Personal commuting expenses – Personal commuting expenses are not deductible on Schedule C, as they are not considered ordinary and necessary business expenses. Business meals, office supplies, and advertising are deductible.

110. b) To calculate estimated tax payments for corporations – Form 1120-W is used to calculate estimated tax payments for corporations, ensuring compliance with quarterly tax obligations.

111. b) Form 1065 – Form 1065 is used to report a partnership’s ordinary business income, with details passed through to partners via Schedule K-1. Form 1120 is for C corporations, Form 1120S is for S corporations, and Form 1040 is for individuals.

112. b) \$1,220,000 – The maximum Section 179 deduction for equipment placed in service in 2025 is \$1,220,000, subject to phase-out for property exceeding \$3,050,000, adjusted annually for inflation.
113. b) The meals must be directly related to business – Business meals in 2025 must be directly related to the conduct of business and not lavish or extravagant, deductible at 50% of the cost.
114. b) Based on the IRS underpayment interest rate – The penalty for failing to make required estimated tax payments for a C corporation is based on the IRS underpayment interest rate, applied to the underpaid amount.
115. a) Form 4562 – Form 4562 is used to report depreciation and amortization for business assets, including Section 179 deductions.
116. b) Deductible as an adjustment to income – A sole proprietor's health insurance premiums are deductible as an adjustment to income on Form 1040, not as a business expense on Schedule C.
117. b) Separate legal entity status – C corporations, as separate legal entities, are required to file Form 1120, regardless of gross receipts or shareholder limits.
118. b) To request an extension for business tax returns – Form 7004 is used to request an automatic extension for filing business tax returns, such as Forms 1065, 1120, and 1120S.
119. a) Form 8829 – Form 8829 is used by sole proprietors to report home office deductions, calculated based on the business use of the home.
120. a) Deductible by the partnership and taxable to the recipient – Guaranteed payments to partners are deductible by the partnership and taxable as ordinary income to the recipient.
121. b) The travel must be ordinary and necessary – Business travel expenses must be ordinary and necessary, directly related to the business, and properly substantiated to be deductible.
122. a) January 31 – Form 1099-NEC must be issued to independent contractors by January 31 of the following year for payments of \$600 or more.
123. b) Form 1120S – Form 1120S is used to report an S corporation's income and deductions, with each shareholder's share reported on Schedule K-1.
124. a) Deductible up to 10% of taxable income – C corporations can deduct charitable contributions up to 10% of taxable income, with excess contributions carried forward for five years.
125. b) Inventory-based business – Partnerships with inventory are generally required to use the accrual method to properly match revenue and expenses, regardless of gross receipts.

126. a) To reconcile book income to taxable income – Schedule M-1 on Form 1065 reconciles the partnership's book income to taxable income, accounting for differences in tax and financial accounting.

127. b) Ordinary and necessary business expenses – S corporations can deduct ordinary and necessary business expenses, such as rent or supplies, but not shareholder distributions, personal expenses, or fines.

128. a) \$220 per shareholder per month, up to 12 months – The penalty for failing to file Form 1120S on time is \$220 per shareholder per month, up to 12 months, per IRS guidelines.

129. a) Form 1125-A – Form 1125-A is used by businesses, including C corporations, to report cost of goods sold for inventory-based businesses.

130. b) Passed through to shareholders, subject to basis limits – S corporation losses are passed through to shareholders but limited to their basis in the stock and loans to the corporation.

131. b) The expenses must be ordinary and necessary – Advertising expenses must be ordinary and necessary to the business to be deductible on Schedule C or other business returns.

132. b) To request a change in accounting method – Form 3115 is used to request IRS approval for a change in accounting method, such as from cash to accrual.

133. c) Form 1065, Schedule D – Schedule D on Form 1065 is used to report a partnership's capital gains and losses, passed through to partners.

134. b) 50% – Business meals are deductible at 50% of the cost in 2025, provided they are not lavish or extravagant and meet IRS requirements.

135. c) No inventory or gross receipts under \$26 million – Sole proprietorships with no inventory or gross receipts under \$26 million can use the cash method of accounting.

136. b) Carried forward indefinitely, limited to 80% of taxable income – A C corporation's NOL can be carried forward indefinitely but is limited to 80% of taxable income under post-TCJA rules.

137. a) Form 1040-ES – Sole proprietors use Form 1040-ES to calculate and pay estimated tax payments on their business income.

138. a) To report detailed book-to-tax adjustments for large partnerships – Schedule M-3 on Form 1065 is required for partnerships with assets of \$10 million or more to report detailed book-to-tax adjustments.

139. a) The debt must be wholly worthless – A business bad debt is deductible only if it is wholly worthless and was created or acquired in the course of the taxpayer's trade or business.

140. b) Passed through to partners – A partnership’s ordinary business income is passed through to partners via Schedule K-1 and taxed on their individual returns.

141. a) Form 1120, Schedule C – Schedule C on Form 1120 is used to report a C corporation’s dividends received deduction, which mitigates double taxation.

142. a) March 15 – Form 1065 for partnerships is due on March 15 of the following year, with an automatic extension to September 15 available via Form 7004.

143. b) The expense must be ordinary and necessary – Business expenses must be ordinary and necessary to the trade or business to be deductible, per IRS guidelines.

144. a) To report like-kind exchanges – Form 8824 is used to report like-kind exchanges under Section 1031 for business or investment property.

145. b) Form 8865 – Form 8865 is used to report a partnership’s foreign transactions or ownership in a foreign partnership.

146. b) Deductible by the corporation and taxable to the recipient – Fringe benefits for S corporation shareholder-employees (owning more than 2%) are deductible by the corporation but taxable to the recipient.

147. a) Expected tax liability of \$500 or more – C corporations must make estimated tax payments if their expected tax liability is \$500 or more for the year.

148. a) To summarize partners’ distributive shares – Schedule K on Form 1065 summarizes the partners’ distributive shares of income, deductions, and credits.

149. a) Form 1120, Schedule UTP – Schedule UTP on Form 1120 is used by large C corporations to report uncertain tax positions.

150. b) Deductible against all income, subject to limits – A sole proprietor’s business losses are deductible against other income on Form 1040, subject to basis and at-risk rules.

151. b) Foreign partnership with U.S. partners – Form 8865 is required for U.S. partners with interests in a foreign partnership or certain foreign transactions.

152. a) To reconcile book income to taxable income – Schedule M-1 on Form 1120 reconciles a C corporation’s book income to taxable income.

153. a) Form 1125-A – Form 1125-A is used by partnerships to report cost of goods sold for inventory-based businesses.

154. b) Limited to 30% of adjusted taxable income – A C corporation’s business interest expense is limited to 30% of adjusted taxable income under Section 163(j), with excess carried forward.

155. b) Entertainment expenses are not deductible – Entertainment expenses are generally not deductible in 2025 under post-TCJA rules, though business meals remain 50% deductible.

156. a) To report changes in partners' capital accounts – Schedule M-2 on Form 1065 reports changes in partners' capital accounts, including contributions and distributions.

157. c) Form 1120, Schedule D – Schedule D on Form 1120 is used to report a C corporation's capital gains and losses.

158. c) \$19,200 – The maximum first-year depreciation deduction for a passenger vehicle placed in service in 2025 is \$19,200, assuming bonus depreciation applies.

159. a) The home office must be used exclusively for business – A home office must be used exclusively and regularly for business to qualify for a deduction, per IRS rules.

160. b) Passed through to partners – A partnership's charitable contributions are passed through to partners, who claim them as itemized deductions on their individual returns.

161. b) Form 1120-W – Form 1120-W is used to calculate and report estimated tax payments for C corporations.

162. a) To report the partnership's balance sheet – Schedule L on Form 1065 reports the partnership's balance sheet, showing assets, liabilities, and partners' capital.

163. b) The contribution must be made to a qualified organization – C corporations can deduct charitable contributions made to qualified organizations, up to 10% of taxable income.

164. b) Generally tax-free if from previously taxed income – S corporation distributions are generally tax-free to the extent they are from previously taxed income or the shareholder's basis.

165. b) Schedule SE – Schedule SE is used to calculate and report self-employment tax for a sole proprietorship, based on net earnings from Schedule C.

166. b) April 15 – Form 1120 for C corporations is due on April 15 of the following year, with an automatic extension to October 15 available via Form 7004.

167. b) The debt must be wholly worthless – A business bad debt is deductible only if it is wholly worthless and was created or acquired in the course of the taxpayer's trade or business.

168. b) To report information on certain shareholders – Schedule G on Form 1120 reports information on shareholders owning 5% or more of the corporation's stock.

169. b) Form 1065 – A partnership's Section 754 election to adjust the basis of assets is reported on Form 1065, typically in the "Other Information" section.

170. b) Not deductible by the corporation – Dividends paid by a C corporation to shareholders are not deductible, contributing to double taxation.

171. a) Expected tax liability of \$500 or more – Partnerships must make estimated tax payments if their expected tax liability is \$500 or more, typically paid by partners individually.

172. a) To summarize shareholders' distributive shares – Schedule K on Form 1120S summarizes the shareholders' distributive shares of income, deductions, and credits.

173. c) Form 2106 – Form 2106 is used to report a sole proprietor's business use of a vehicle, though expenses are typically reported directly on Schedule C.

174. b) Passed through to partners, subject to basis limits – Partnership losses are passed through to partners but limited to their basis in the partnership.

175. a) Average annual gross receipts under \$26 million – C corporations with average annual gross receipts under \$26 million may use the cash method, unless they maintain inventory.

176. a) To report capital gains and losses – Schedule D on Form 1065 reports a partnership's capital gains and losses, passed through to partners.

177. b) Form FBAR (FinCEN Form 114) – A C corporation reports foreign bank accounts on FinCEN Form 114 (FBAR) if the aggregate balance exceeds \$10,000.

178. b) Deductible as ordinary and necessary expenses – Advertising expenses are deductible on Schedule C as ordinary and necessary business expenses.

179. a) The home office must be used exclusively for business – A home office used by a partner must be used exclusively and regularly for business to qualify for a deduction.

180. a) To report uncertain tax positions – Schedule UTP on Form 1120 is used by large C corporations to report uncertain tax positions.

181. a) Form 1125-A – Form 1125-A is used by partnerships to report cost of goods sold for inventory-based businesses.

182. b) Limited to 30% of adjusted taxable income – A C corporation's business interest expense is limited to 30% of adjusted taxable income under Section 163(j), with excess carried forward.

183. a) Expected tax liability of \$1,000 or more – Sole proprietors must make estimated tax payments if their expected tax liability is \$1,000 or more and certain conditions are met.

184. a) To report each partner's share of income and deductions – Schedule K-1 on Form 1065 reports each partner's distributive share of income, deductions, and credits.

185. a) Form 5471 – Form 5471 is used to report a C corporation’s foreign transactions or ownership in a foreign corporation.

186. b) Passed through to partners – A partnership’s ordinary business income is passed through to partners via Schedule K-1 and taxed on their individual returns.

187. b) The expense must be ordinary and necessary – Business expenses for an S corporation must be ordinary and necessary to be deductible, per IRS guidelines.

188. a) To report detailed book-to-tax adjustments for large corporations – Schedule M-3 on Form 1120 is required for C corporations with assets of \$10 million or more to report detailed book-to-tax adjustments.

189. a) Form 8829 – Form 8829 is used by sole proprietors to report home office deductions, calculated based on the business use of the home.

190. b) 50% or 65% deduction, depending on ownership – C corporations can deduct 50% of dividends received from other corporations (65% if owning 20% or more), to mitigate double taxation.

191. a) At least two partners – A partnership requires at least two partners to file Form 1065, reporting income and deductions passed through to partners.

192. a) To report capital gains and losses – Schedule D on Form 1120 reports a C corporation’s capital gains and losses.

193. b) Schedule SE – Schedule SE is used to calculate and report self-employment tax for a sole proprietorship, based on net earnings from Schedule C.

194. b) Passed through to partners, subject to basis limits – Partnership losses are passed through to partners but limited to their basis in the partnership.

195. b) The contribution must be made to a qualified organization – C corporations can deduct charitable contributions made to qualified organizations, up to 10% of taxable income.

196. a) To reconcile book income to taxable income – Schedule M-1 on Form 1065 reconciles the partnership’s book income to taxable income.

197. a) Form 1125-A – Form 1125-A is used by C corporations to report cost of goods sold for inventory-based businesses.

198. b) Deductible by the corporation and taxable to the recipient – Fringe benefits for S corporation shareholder-employees (owning more than 2%) are deductible by the corporation but taxable to the recipient.

199. a) The home office must be used exclusively for business – A home office must be used exclusively and regularly for business to qualify for a deduction, per IRS rules.

200. a) To report uncertain tax positions – Schedule UTP on Form 1120 is used by large C corporations to report uncertain tax positions.

201. b) Form FBAR (FinCEN Form 114) – A partnership reports foreign bank accounts on FinCEN Form 114 (FBAR) if the aggregate balance exceeds \$10,000.

202. b) Deductible as ordinary and necessary expenses – Advertising expenses are deductible on Schedule C as ordinary and necessary business expenses.

203. a) Expected tax liability of \$500 or more – C corporations must make estimated tax payments if their expected tax liability is \$500 or more for the year.

204. a) To summarize partners' distributive shares – Schedule K on Form 1065 summarizes the partners' distributive shares of income, deductions, and credits.

205. a) Form 5471 – Form 5471 is used to report a C corporation's foreign transactions or ownership in a foreign corporation.

206. b) Passed through to partners – A partnership's ordinary business income is passed through to partners via Schedule K-1 and taxed on their individual returns.

207. b) The expense must be ordinary and necessary – Business expenses for an S corporation must be ordinary and necessary to be deductible, per IRS guidelines.

208. a) To report detailed book-to-tax adjustments for large corporations – Schedule M-3 on Form 1120 is required for C corporations with assets of \$10 million or more to report detailed book-to-tax adjustments.

209. a) Form 8829 – Form 8829 is used by sole proprietors to report home office deductions, calculated based on the business use of the home.

210. b) 50% or 65% deduction, depending on ownership – C corporations can deduct 50% of dividends received from other corporations (65% if owning 20% or more), to mitigate double taxation.

211. a) At least two partners – A partnership requires at least two partners to file Form 1065, reporting income and deductions passed through to partners.

212. a) To report capital gains and losses – Schedule D on Form 1120 reports a C corporation's capital gains and losses.

213. b) Schedule SE – Schedule SE is used to calculate and report self-employment tax for a sole proprietorship, based on net earnings from Schedule C.

214. b) Passed through to partners, subject to basis limits – Partnership losses are passed through to partners but limited to their basis in the partnership.

215. b) The contribution must be made to a qualified organization – C corporations can deduct charitable contributions made to qualified organizations, up to 10% of taxable income.

216. a) To reconcile book income to taxable income – Schedule M-1 on Form 1065 reconciles the partnership's book income to taxable income.

217. a) Form 1125-A – Form 1125-A is used by C corporations to report cost of goods sold for inventory-based businesses.

218. b) Deductible by the corporation and taxable to the recipient – Fringe benefits for S corporation shareholder-employees (owning more than 2%) are deductible by the corporation but taxable to the recipient.

219. a) The home office must be used exclusively for business – A home office must be used exclusively and regularly for business to qualify for a deduction, per IRS rules.

220. a) To report uncertain tax positions – Schedule UTP on Form 1120 is used by large C corporations to report uncertain tax positions.

221. b) Form FBAR (FinCEN Form 114) – A partnership reports foreign bank accounts on FinCEN Form 114 (FBAR) if the aggregate balance exceeds \$10,000.

222. b) Deductible as ordinary and necessary expenses – Advertising expenses are deductible on Schedule C as ordinary and necessary business expenses.

223. a) Expected tax liability of \$500 or more – C corporations must make estimated tax payments if their expected tax liability is \$500 or more for the year.

224. a) To summarize partners' distributive shares – Schedule K on Form 1065 summarizes the partners' distributive shares of income, deductions, and credits.

225. a) Form 5471 – Form 5471 is used to report a C corporation's foreign transactions or ownership in a foreign corporation.

226. b) Passed through to partners – A partnership's ordinary business income is passed through to partners via Schedule K-1 and taxed on their individual returns.

227. b) The expense must be ordinary and necessary – Business expenses for an S corporation must be ordinary and necessary to be deductible, per IRS guidelines.

228. a) To report detailed book-to-tax adjustments for large corporations – Schedule M-3 on Form 1120 is required for C corporations with assets of \$10 million or more to report detailed book-to-tax adjustments.

229. a) Form 8829 – Form 8829 is used by sole proprietors to report home office deductions, calculated based on the business use of the home.

230. b) 50% or 65% deduction, depending on ownership – C corporations can deduct 50% of dividends received from other corporations (65% if owning 20% or more), to mitigate double taxation.

231. a) At least two partners – A partnership requires at least two partners to file Form 1065, reporting income and deductions passed through to partners.

232. a) To report capital gains and losses – Schedule D on Form 1120 reports a C corporation's capital gains and losses.

233. b) Schedule SE – Schedule SE is used to calculate and report self-employment tax for a sole proprietorship, based on net earnings from Schedule C.

234. b) Passed through to partners, subject to basis limits – Partnership losses are passed through to partners but limited to their basis in the partnership.

235. b) The contribution must be made to a qualified organization – C corporations can deduct charitable contributions made to qualified organizations, up to 10% of taxable income.

236. a) To reconcile book income to taxable income – Schedule M-1 on Form 1065 reconciles the partnership's book income to taxable income.

237. a) Form 1125-A – Form 1125-A is used by C corporations to report cost of goods sold for inventory-based businesses.

238. b) Form 1041 – Form 1041 is used to report income, deductions, and taxes for a trust or estate. Form 1040 is for individuals, Form 1065 is for partnerships, and Form 1120 is for C corporations.

239. b) April 15 – Form 1041 for a trust is due on April 15 of the following year, with an automatic extension to October 15 available via Form 7004.

240. a) Form 1040 – A decedent's final income tax return is reported on Form 1040, covering income earned up to the date of death. Form 1041 is for trusts and estates, Form 706 is for estate tax, and Form 709 is for gift tax.

241. b) To report estate tax – Form 706 is used to report federal estate tax for estates exceeding the exemption amount. Form 709 is for gift tax, and Forms 1041 and 1065 are for trusts and partnerships, respectively.

242. b) Form 1040-NR – Form 1040-NR is used to report income for nonresident aliens with U.S.-source income or income effectively connected with a U.S. trade or business.

243. b) 20% – The tax rate for long-term capital gains for a trust in 2025 is 20% for gains in the highest tax bracket, similar to individuals.

244. b) Form 990-T – Form 990-T is used to report unrelated business taxable income for exempt organizations. Form 990 is for general reporting, Form 1041 is for trusts, and Form 1120 is for C corporations.

245. b) 15th day of the 5th month after the fiscal year-end – Form 990 for exempt organizations is due on the 15th day of the 5th month after the fiscal year-end, with an extension available via Form 8868.

246. b) Gross receipts less than \$200,000 and total assets less than \$500,000 – An exempt organization can file Form 990-EZ if it has gross receipts less than \$200,000 and total assets less than \$500,000.

247. b) To report gift tax – Form 709 is used to report taxable gifts exceeding the annual exclusion amount. Form 706 is for estate tax, and Forms 1041 and 1065 are for trusts and partnerships, respectively.

248. b) Schedule F – Schedule F is used to report a farmer's income and expenses from farming activities, attached to Form 1040. Schedule C is for general business income, and Forms 1065 and 1120 are for partnerships and C corporations.

249. b) Taxed to the grantor – Income from a grantor trust is taxed to the grantor, who is treated as the owner of the trust's assets for tax purposes.

250. a) Form 7004 – Form 7004 is used to request an automatic extension for filing Form 1041 for trusts and estates. Form 4868 is for individuals, Form 8868 is for exempt organizations, and Form 8822 is for address changes.

251. c) \$13.61 million – The estate tax exemption amount for 2025 is \$13.61 million per individual, adjusted annually for inflation.

252. b) Income effectively connected with a U.S. trade or business – Nonresident aliens must file Form 1040-NR if they have U.S.-source income or income effectively connected with a U.S. trade or business.

253. a) To report income for a private foundation – Form 990-PF is used by private foundations to report income, expenses, and compliance with distribution requirements.

254. b) Schedule F – Schedule F is used to report a fisherman's income and expenses from fishing activities, similar to farmers, attached to Form 1040.

255. b) Taxed to the beneficiaries – Distributions from a simple trust are taxed to the beneficiaries, as the trust is required to distribute all income annually.

256. a) Filing Form 990 annually, if required – Exempt organizations must file Form 990 (or 990-EZ or 990-N) annually, if required, to maintain tax-exempt status. Engaging in political campaigns may jeopardize this status.

257. a) To report the beneficiary's share of income and deductions – Schedule K-1 on Form 1041 reports each beneficiary's share of income, deductions, and credits from a trust or estate.

258. b) Form 709 – Form 709 is used to report gifts exceeding the annual exclusion amount, which may be subject to gift tax.

259. c) \$18,000 – The annual gift tax exclusion amount per donee in 2025 is \$18,000, adjusted for inflation.

260. c) No inventory or gross receipts under \$26 million – Farmers with no inventory or gross receipts under \$26 million can use the cash method of accounting, per IRS rules.

261. a) To report capital gains and losses – Schedule D on Form 1041 is used to report a trust's capital gains and losses.

262. a) Form 1042 – Form 1042 is used to report withholding on U.S.-source income paid to nonresident aliens, such as dividends or royalties.

263. b) Subject to a 1.39% excise tax – A private foundation's investment income is subject to a 1.39% excise tax under Section 4940.

264. a) Gross estate value exceeding the exemption amount – Form 706 is required for estates with a gross value exceeding the \$13.61 million exemption amount in 2025.

265. a) To report unrelated business income for exempt organizations – Form 990-T is used to report unrelated business taxable income for exempt organizations with \$1,000 or more of such income.

266. a) Form 1041, Schedule A – Schedule A on Form 1041 is used to report a trust's charitable deductions, if authorized by the trust document.

267. b) April 15 – Form 709 for gift tax is due on April 15 of the following year, with an extension available via Form 4868 or Form 709 itself.

268. b) The expenses must be ordinary and necessary – Vessel repair expenses for a fisherman are deductible if they are ordinary and necessary to the fishing business, reported on Schedule F.

269. b) Taxed to the trust – Accumulated income in a complex trust is taxed to the trust at trust tax rates, as it is not distributed to beneficiaries.

270. b) Form 706-NA – Form 706-NA is used to report estate tax for nonresident aliens with U.S.-situs assets.

271. a) To report income distribution deductions – Schedule B on Form 1041 reports the income distribution deduction for trusts, based on amounts distributed to beneficiaries.

272. a) Gross receipts less than \$50,000 – Exempt organizations with gross receipts less than \$50,000 can file Form 990-N (e-Postcard) to meet annual reporting requirements.

273. b) Taxable unless an election is made to defer – A farmer's crop insurance proceeds are taxable in the year received unless an election is made to defer to the following year, per IRS rules.

274. c) Form 8868 – Form 8868 is used to request an extension for filing Form 990 for exempt organizations.

275. a) To report U.S.-source income paid to nonresident aliens – Form 1042-S is used to report U.S.-source income, such as dividends or interest, paid to nonresident aliens subject to withholding.

276. a) It must distribute all income annually – A simple trust must distribute all its income annually to beneficiaries and cannot accumulate income or distribute principal.

277. b) Subject to 30% withholding, unless reduced by treaty – A nonresident alien's U.S.-source dividends are subject to 30% withholding, unless reduced by a tax treaty.

278. b) Form 990-PF – Form 990-PF is used by private foundations to report compliance with minimum distribution requirements and other financial information.

279. b) 9 months after the date of death – Form 706 for estate tax is due 9 months after the date of death, with an extension available to 15 months.

280. b) The expenses must be consistent with a conservation plan – Soil and water conservation expenses are deductible for farmers if consistent with a government-approved conservation plan, limited to 25% of gross farming income.

281. a) To report accumulation distributions for certain complex trusts – Schedule J on Form 1041 is used to report accumulation distributions for complex trusts, which may trigger throwback rules.

282. a) Form 1040-NR – A nonresident alien's U.S.-source rental income is reported on Form 1040-NR, subject to withholding or treaty provisions.

283. c) Not taxable, but subject to minimum distribution requirements – A private foundation's charitable distributions are not taxable but must meet minimum distribution requirements (5% of net investment assets) to avoid penalties.

284. b) Unrelated business taxable income of \$1,000 or more – Exempt organizations must file Form 990-T if they have unrelated business taxable income of \$1,000 or more.

285. a) To report alternative minimum tax for trusts – Schedule I on Form 1041 is used to calculate and report alternative minimum tax for trusts.

286. b) Schedule E – Farm rental income, based on a share of crops or livestock, is reported on Schedule E, not Schedule F, which is for active farming.

287. b) Carried forward indefinitely by the trust – A trust's capital losses are carried forward indefinitely to offset future capital gains, not passed through to beneficiaries.

288. a) Filing Form 8833 – Nonresident aliens claiming a treaty-based exemption must file Form 8833 to disclose the treaty position.

289. a) To report public charity status and support – Schedule A on Form 990 is used to report information on a public charity's status and public support.

290. b) Schedule SE – Schedule SE is used to calculate and report self-employment tax for a fisherman, based on net earnings from Schedule F.

291. b) Reported on Form 1041 as income in respect of a decedent – Income received after a decedent's death is reported on Form 1041 as income in respect of a decedent, not on Form 1040.

292. b) The contributions must be authorized by the trust document – A trust can deduct charitable contributions only if authorized by the trust document and made from gross income.

293. a) To report withholding on U.S.-source income paid to nonresident aliens – Form 1042 is used to report withholding on U.S.-source income paid to nonresident aliens.

294. b) Form 990-PF – Form 990-PF is used to report a private foundation's excise tax on investment income, among other requirements.

295. b) Subject to 30% withholding, unless reduced by treaty – A nonresident alien's U.S.-source interest income is subject to 30% withholding, unless reduced by a tax treaty.

296. a) Gross estate value exceeding the exemption amount – Form 706 is required for estates with a gross value exceeding the \$13.61 million exemption amount in 2025.

297. a) To report supplemental financial information – Schedule D on Form 990 is used to report supplemental financial information, such as donor-advised funds or conservation easements.

298. a) Form 1040-ES – Farmers use Form 1040-ES to calculate and pay estimated tax payments on their farm income.

299. b) Taxed to the beneficiaries – A trust's ordinary income distributed to beneficiaries is taxed to the beneficiaries, reported via Schedule K-1.

300. b) Gross receipts of \$200,000 or more or total assets of \$500,000 or more – Exempt organizations with gross receipts of \$200,000 or more or total assets of \$500,000 or more must file Form 990.

Full Length Practice Exam – Part 3

1. What is the primary purpose of Circular 230?

- a) To regulate taxpayer filing requirements
- b) To establish ethical standards for tax practitioners
- c) To outline IRS audit procedures
- d) To define taxpayer penalties

2. Who is subject to Circular 230 regulations?

- a) Only Enrolled Agents
- b) All tax practitioners, including EAs, CPAs, and attorneys
- c) Only IRS employees
- d) Only taxpayers filing business returns

3. What is the validity period of a Preparer Tax Identification Number (PTIN)?

- a) 1 year
- b) 2 years
- c) 3 years
- d) Indefinite, renewed annually

4. Which form is used to report suspected tax fraud to the IRS?

- a) Form 3949-A
- b) Form 2848
- c) Form 8821
- d) Form 4506

5. What is the statute of limitations for the IRS to assess additional tax on a timely filed return?

- a) 1 year
- b) 3 years
- c) 5 years
- d) 7 years

6. When can the IRS extend the statute of limitations for assessment?

- a) Only with taxpayer consent
- b) Automatically for all returns
- c) When the taxpayer files an extension
- d) When the return is filed late

7. What is the penalty for a tax preparer who fails to sign a return they prepared?

- a) \$50 per return, up to \$27,000 per year
- b) \$500 per return
- c) \$1,000 per return
- d) No penalty applies

8. Which document outlines the IRS's standards for electronic filing?

- a) Publication 1345
- b) Publication 17
- c) Publication 946
- d) Publication 535

9. What is required to maintain Enrolled Agent status?

- a) Annual tax preparation for at least 10 clients
- b) Completion of 72 hours of CPE every 3 years
- c) Passing the SEE every 5 years
- d) Filing a Form 8554 annually

10. What is the purpose of the Annual Filing Season Program (AFSP)?

- a) To replace the Enrolled Agent credential
- b) To certify non-credentialed preparers who meet education requirements
- c) To audit tax preparers
- d) To issue PTINs

11. Which of the following is considered a conflict of interest under Circular 230?

- a) Preparing returns for multiple clients
- b) Representing both spouses in a joint audit
- c) Preparing a return for a client while representing them in an audit
- d) Representing two clients with opposing interests in the same matter

12. What is the maximum penalty for willful failure to file a return as a preparer?

- a) \$1,000 per return
- b) \$10,000 per violation
- c) \$25,000 or 50% of income derived
- d) \$50,000 or 75% of income derived

13. What must a preparer do if they discover an error on a previously filed return?

- a) Ignore it if the error is minor
- b) Notify the client and recommend filing an amended return
- c) Report the error to the IRS without client consent
- d) Wait for the IRS to audit the return

14. Which IRS publication provides guidance on recordkeeping for tax purposes?

- a) Publication 1
- b) Publication 552
- c) Publication 590
- d) Publication 970

15. What is the deadline for an Enrolled Agent to renew their enrollment with the IRS?

- a) Every year by December 31
- b) Every 3 years based on SSN ending digit
- c) Every 5 years
- d) No renewal is required

16. What is the consequence of failing to comply with Circular 230 due diligence requirements?

- a) Automatic revocation of PTIN
- b) Potential disciplinary action by the Office of Professional Responsibility
- c) Mandatory jail time
- d) Loss of client records

17. Which of the following is a requirement for electronic return originators (EROs)?

- a) Obtain a CPA license
- b) Use IRS-approved software for e-filing
- c) File all returns on paper
- d) Register as a VITA volunteer

18. What is the purpose of Form 8879?

- a) To authorize an IRS audit
- b) To authorize electronic filing of a tax return
- c) To report foreign income
- d) To request a PTIN

19. How long must a tax preparer retain records of returns they prepared?

- a) 1 year
- b) 3 years
- c) 5 years
- d) 7 years

20. What is the penalty for a preparer who discloses taxpayer information without consent?

- a) \$250 per disclosure, up to \$10,000 per year
- b) \$1,000 per disclosure
- c) \$5,000 per disclosure
- d) No penalty applies

21. What is the due diligence requirement for claiming the Earned Income Tax Credit (EITC)?

- a) File the return without verification
- b) Complete Form 8867 and verify eligibility
- c) Only confirm the taxpayer's income
- d) Submit the return to the IRS for pre-approval

22. Which of the following is a Circular 230 requirement for tax advice?

- a) Provide advice only in writing
- b) Ensure advice is based on reasonable assumptions
- c) Avoid discussing tax consequences
- d) Charge a flat fee for all advice

23. What is the purpose of Form 8554?

- a) To apply for Enrolled Agent status
- b) To renew Enrolled Agent status
- c) To request a PTIN
- d) To report suspected fraud

24. Which IRS program oversees the conduct of Enrolled Agents?

- a) Taxpayer Advocate Service
- b) Office of Professional Responsibility
- c) Criminal Investigation Division
- d) Volunteer Income Tax Assistance

25. What is the penalty for failing to provide a copy of the tax return to the taxpayer?

- a) \$50 per return, up to \$27,000 per year
- b) \$100 per return
- c) \$500 per return
- d) No penalty applies

26. Which of the following is a requirement for a tax preparer under Circular 230?

- a) Obtain client consent for all tax strategies
- b) Exercise due diligence in preparing returns
- c) File all returns electronically
- d) Maintain a law degree

27. What is the purpose of IRS Publication 1?

- a) To explain taxpayer rights
- b) To provide e-filing instructions
- c) To outline depreciation rules
- d) To detail business expense deductions

28. What is the penalty for a preparer who endorses a taxpayer's refund check?

- a) \$500 per incident
- b) \$1,000 per incident
- c) \$5,000 per incident
- d) No penalty applies

29. When must a tax preparer obtain a PTIN?

- a) Only when filing business returns
- b) Before preparing any federal tax return for compensation
- c) After completing 72 hours of CPE
- d) Only when representing a client in an audit

30. What is the purpose of Form W-12?

- a) To apply for a PTIN
- b) To authorize representation
- c) To request an installment agreement
- d) To report foreign assets

31. Which of the following is a Circular 230 violation?

- a) Preparing a return for a family member
- b) Knowingly preparing a false return
- c) Filing a return electronically
- d) Charging a contingency fee for routine returns

32. What is the role of the Office of Professional Responsibility (OPR)?

- a) To audit tax returns
- b) To oversee practitioner conduct and discipline
- c) To issue taxpayer refunds
- d) To provide free tax preparation

33. What is the penalty for failing to comply with EITC due diligence requirements?

- a) \$500 per return
- b) \$560 per return
- c) \$1,000 per return
- d) \$5,000 per return

34. Which IRS form is used to request a copy of a previously filed tax return?

- a) Form 4506
- b) Form 8821
- c) Form 2848
- d) Form 911

35. What is the consequence of failing to renew a PTIN annually?

- a) Loss of Enrolled Agent status
- b) Inability to prepare returns for compensation
- c) Mandatory CPE completion
- d) No consequence

36. Which of the following is a requirement for e-filing a tax return?

- a) Obtain a law degree
- b) Use an Electronic Filing Identification Number (EFIN)
- c) File all returns on paper first
- d) Register as an Enrolled Agent

37. What is the purpose of IRS Publication 17?

- a) To provide guidance on individual tax filing
- b) To explain business tax rules
- c) To outline audit procedures
- d) To detail depreciation schedules

38. What must a preparer do if a client provides incomplete information?

- a) File the return as is
- b) Request additional information to ensure accuracy
- c) Report the client to the IRS
- d) Refuse to file any return

39. Which of the following is a Circular 230 best practice?

- a) Rely solely on client-provided information
- b) Verify the accuracy of client information when reasonable
- c) File returns without client approval
- d) Avoid documenting advice

40. What is the penalty for a preparer who fails to comply with e-filing requirements when mandated?

- a) \$10 per return, up to \$5,000 per year
- b) \$50 per return, up to \$27,000 per year
- c) \$100 per return
- d) No penalty applies

41. What is the purpose of Form 8821?

- a) To authorize representation before the IRS
- b) To allow a third party to receive tax information
- c) To request an installment agreement
- d) To report suspected fraud

42. Which of the following is a requirement for maintaining client confidentiality?

- a) Obtain written consent for disclosures
- b) Share information freely with other preparers
- c) Disclose information to the IRS without consent
- d) No confidentiality is required

43. What is the statute of limitations for a tax preparer to correct a return error without penalty?

- a) 1 year
- b) 3 years
- c) 5 years
- d) No specific limit

44. Which IRS publication provides guidance on the Volunteer Income Tax Assistance (VITA) program?

- a) Publication 1084
- b) Publication 552
- c) Publication 946
- d) Publication 535

45. What is the penalty for a preparer who engages in disreputable conduct under Circular 230?

- a) \$1,000 fine
- b) Suspension or disbarment from practice
- c) \$5,000 per incident
- d) No penalty applies

46. What is the purpose of IRS e-file signature authorization?

- a) To allow preparers to sign returns on behalf of taxpayers
- b) To authorize electronic filing by taxpayers
- c) To request a PTIN
- d) To report foreign income

47. Which of the following is a due diligence requirement for the Child Tax Credit?

- a) Verify the taxpayer's income only
- b) Complete Form 8867 and retain documentation
- c) File the return without verification
- d) Submit the return to the IRS for approval

48. What is the consequence of failing to complete required CPE for an Enrolled Agent?

- a) Immediate loss of PTIN
- b) Suspension of EA status
- c) No consequence
- d) Mandatory re-examination

49. Which form is used to report a change in a preparer's contact information to the IRS?

- a) Form 8822
- b) Form 8554
- c) Form W-12
- d) Form 2848

50. What is the purpose of IRS Publication 4557?

- a) To explain e-filing security requirements
- b) To outline business tax deductions
- c) To provide guidance on depreciation
- d) To detail audit procedures

51. What is the penalty for a preparer who understates a taxpayer's liability due to an unreasonable position?

- a) \$1,000 per return
- b) \$5,000 per return
- c) \$10,000 per return
- d) No penalty applies

52. Which of the following is a requirement for advertising tax preparation services under Circular 230?

- a) Include false or misleading claims
- b) Clearly state the preparer's credentials
- c) Avoid mentioning Enrolled Agent status
- d) Charge contingency fees for all services

53. What is the purpose of Form 8888?

- a) To allocate a refund to multiple accounts
- b) To authorize representation
- c) To report foreign assets
- d) To request a PTIN

54. What is the consequence of a preparer failing to verify a taxpayer's identity?

- a) No consequence
- b) Potential penalty for lack of due diligence
- c) Mandatory jail time
- d) Loss of client records

55. Which IRS publication provides guidance on the Taxpayer Bill of Rights?

- a) Publication 1
- b) Publication 17
- c) Publication 552
- d) Publication 946

56. What is the penalty for a preparer who fails to include their PTIN on a return?

- a) \$50 per return, up to \$27,000 per year
- b) \$500 per return
- c) \$1,000 per return
- d) No penalty applies

57. What is the purpose of IRS Publication 947?

- a) To explain representation before the IRS
- b) To outline e-filing requirements
- c) To provide guidance on depreciation
- d) To detail business expense deductions

58. Which of the following is a Circular 230 requirement for written tax advice?

- a) Avoid disclosing assumptions
- b) Include all relevant facts and assumptions
- c) Provide advice without client input
- d) Charge a contingency fee

59. What is the purpose of Form 8453?

- a) To submit paper documents with an e-filed return
- b) To request a PTIN
- c) To authorize representation
- d) To report suspected fraud

60. What is the consequence of a preparer failing to comply with IRS security standards for e-filing?

- a) Loss of EFIN
- b) No consequence
- c) Mandatory CPE completion
- d) \$1,000 fine

61. Which of the following is a best practice for client communication under Circular 230?

- a) Avoid documenting advice
- b) Provide clear and accurate tax advice
- c) Share client information without consent
- d) File returns without client review

62. Which form authorizes an Enrolled Agent to represent a taxpayer before the IRS?

- a) Form 8821
- b) Form 2848
- c) Form 4506
- d) Form 911

63. What is the scope of an Enrolled Agent's representation authority with Form 2848?

- a) Limited to filing returns
- b) Full representation for specified tax matters
- c) Only for criminal investigations
- d) Only for state tax issues

64. What is the maximum duration an Enrolled Agent can represent a taxpayer for a single tax matter?

- a) 1 year
- b) 3 years
- c) Until the matter is resolved
- d) 7 years

65. What must an Enrolled Agent do if a client refuses to correct a known error on a return during an audit?

- a) Continue representation without addressing the error
- b) Withdraw from representation
- c) Report the error to the IRS
- d) File an amended return without client consent

66. Which IRS office handles appeals for tax disputes?

- a) Office of Professional Responsibility
- b) Office of Appeals
- c) Taxpayer Advocate Service
- d) Criminal Investigation Division

67. What is the purpose of Form 911?

- a) To request taxpayer assistance from the Taxpayer Advocate Service
- b) To file an amended return

- c) To report suspected fraud
- d) To authorize electronic filing

68. When can an Enrolled Agent represent a taxpayer in a Collection Due Process (CDP) hearing?

- a) Only if the taxpayer is a business
- b) If authorized by Form 2848
- c) Without any formal authorization
- d) Only with a CPA present

69. What is the deadline to request a CDP hearing after a Notice of Federal Tax Lien?

- a) 15 days
- b) 30 days
- c) 60 days
- d) 90 days

70. Which of the following is a requirement for an Enrolled Agent during an IRS audit?

- a) Provide all client financial records without verification
- b) Verify the accuracy of information provided to the IRS
- c) Only provide information requested by the client
- d) Avoid communicating with the IRS

71. What is an Offer in Compromise (OIC)?

- a) A request to extend the filing deadline
- b) An agreement to settle a tax debt for less than the full amount
- c) A penalty waiver request
- d) A refund claim

72. Which form is used to submit an Offer in Compromise?

- a) Form 656
- b) Form 433-A
- c) Form 9465
- d) Form 12203

73. What is the purpose of Form 9465?

- a) To request an installment agreement
- b) To report foreign assets
- c) To authorize representation
- d) To claim a refund

74. What is the statute of limitations for the IRS to collect a tax debt?

- a) 3 years
- b) 5 years

- c) 10 years
- d) No limit

75. Which of the following can an Enrolled Agent negotiate during an IRS appeal?

- a) Criminal penalties
- b) Tax liability and penalties
- c) Only interest rates
- d) Only state tax issues

76. What is the role of the Taxpayer Advocate Service?

- a) To audit tax returns
- b) To assist taxpayers with significant hardships
- c) To issue PTINs
- d) To prosecute tax evasion

77. When must an Enrolled Agent disclose a conflict of interest during representation?

- a) Only if the client requests disclosure
- b) Immediately upon discovery
- c) After the IRS audit is complete
- d) No disclosure is required

78. What is the penalty for an Enrolled Agent who knowingly provides false information to the IRS?

- a) \$1,000 per incident
- b) Suspension or disbarment from practice
- c) \$500 fine
- d) No penalty applies

79. What is the purpose of a Collection Information Statement (Form 433-A)?

- a) To report income for a trust
- b) To provide financial information for IRS collection alternatives
- c) To authorize e-filing
- d) To report foreign assets

80. Which of the following is a requirement for an Enrolled Agent to represent a taxpayer in Tax Court?

- a) Admission to practice before the U.S. Tax Court
- b) A law degree
- c) A CPA license
- d) No additional requirements

81. What is the deadline to file an appeal with the IRS Office of Appeals?

- a) 30 days from the notice of deficiency
- b) 60 days from the notice of deficiency

- c) 90 days from the notice of deficiency
- d) 120 days from the notice of deficiency

82. What is the purpose of Form 12153?

- a) To request a Collection Due Process hearing
- b) To file an amended return
- c) To authorize electronic filing
- d) To report suspected fraud

83. Which of the following can an Enrolled Agent do during a CDP hearing?

- a) Challenge the legality of the tax code
- b) Propose collection alternatives like an OIC or installment agreement
- c) File a new tax return
- d) Request a criminal investigation

84. What is the consequence of failing to respond to an IRS Notice of Deficiency?

- a) Automatic waiver of penalties
- b) Assessment of the proposed tax deficiency
- c) Extension of the filing deadline
- d) No consequence

85. Which form is used to request penalty abatement?

- a) Form 843
- b) Form 656
- c) Form 9465
- d) Form 2848

86. What is the purpose of a power of attorney in IRS representation?

- a) To allow the EA to file returns without client consent
- b) To authorize the EA to act on the taxpayer's behalf
- c) To request a refund
- d) To report foreign income

87. When can an Enrolled Agent represent a taxpayer in a criminal tax investigation?

- a) Without restriction
- b) Only with special IRS permission
- c) Only if the EA is also an attorney
- d) EAs cannot represent in criminal matters

88. What is the deadline to petition the U.S. Tax Court after a Notice of Deficiency?

- a) 30 days
- b) 60 days
- c) 90 days
- d) 120 days

89. Which of the following is a requirement for an Enrolled Agent during a collection case?

- a) Provide unverified financial data
- b) Submit accurate financial information via Form 433-A or 433-B
- c) Avoid contact with the IRS
- d) File an amended return

90. What is the purpose of Form 12203?

- a) To request a fast-track appeal
- b) To file an Offer in Compromise
- c) To authorize representation
- d) To report foreign assets

91. Which IRS notice triggers the right to a CDP hearing?

- a) Notice of Deficiency
- b) Notice of Federal Tax Lien
- c) Notice of Audit
- d) Notice of Refund

92. What is the role of an Enrolled Agent during an IRS audit?

- a) To act as the taxpayer's advocate and provide accurate information
- b) To file new returns for the taxpayer
- c) To challenge IRS authority
- d) To avoid providing documentation

93. What is the consequence of an Enrolled Agent failing to comply with Circular 230 during representation?

- a) No consequence
- b) Potential disciplinary action by the OPR
- c) Mandatory jail time
- d) Loss of client records

94. Which of the following is a collection alternative an Enrolled Agent can propose?

- a) Filing an amended return
- b) Requesting Currently Not Collectible status
- c) Challenging the tax code
- d) Issuing a refund

95. What is the purpose of Form 14134?

- a) To request innocent spouse relief
- b) To file an Offer in Compromise
- c) To request a CDP hearing
- d) To report suspected fraud

96. Which of the following is a requirement for requesting innocent spouse relief?

- a) Filing a joint return with an understatement of tax
- b) Filing as single
- c) Proving criminal intent
- d) Submitting Form 656

97. What is the deadline to file for innocent spouse relief?

- a) 1 year from the notice of deficiency
- b) 2 years from the first collection activity
- c) 3 years from the return filing date
- d) No specific deadline

98. Which IRS program assists taxpayers with unresolved tax issues?

- a) Volunteer Income Tax Assistance
- b) Taxpayer Advocate Service
- c) Office of Professional Responsibility
- d) Criminal Investigation Division

99. What is the consequence of an Enrolled Agent providing misleading information during an appeal?

- a) No consequence
- b) Potential suspension or disbarment
- c) \$500 fine
- d) Mandatory CPE completion

100. Which of the following can an Enrolled Agent do during a Tax Court proceeding?

- a) Represent the taxpayer if admitted to practice
- b) File a new tax return
- c) Challenge IRS regulations
- d) Issue a refund

101. What is the purpose of Form 433-B?

- a) To report business income
- b) To provide financial information for business collection cases
- c) To authorize e-filing
- d) To request a PTIN

102. Which of the following is a requirement for an Enrolled Agent during an appeal?

- a) Provide only client-approved information
- b) Present a reasonable basis for the taxpayer's position
- c) Avoid contact with the IRS
- d) File an amended return

103. What is the purpose of a Notice of Federal Tax Lien?

- a) To notify the taxpayer of a refund
- b) To secure the IRS's interest in the taxpayer's property
- c) To initiate an audit
- d) To request a CDP hearing

104. Which form is used to request a lien withdrawal?

- a) Form 12277
- b) Form 656
- c) Form 9465
- d) Form 911

105. What is the consequence of missing the deadline for a CDP hearing request?

- a) Loss of the right to a CDP hearing
- b) Automatic penalty abatement
- c) Extension of the collection period
- d) No consequence

106. Which of the following is a role of the IRS Office of Appeals?

- a) To prosecute tax evasion
- b) To provide an independent review of tax disputes
- c) To issue PTINs
- d) To audit returns

107. What is the purpose of Form 8857?

- a) To request innocent spouse relief
- b) To file an Offer in Compromise
- c) To authorize representation
- d) To report foreign assets

108. Which of the following is a requirement for an Offer in Compromise?

- a) Full payment of the tax debt
- b) Submission of financial information via Form 433-A or 433-B
- c) Filing an amended return
- d) Proving criminal intent

109. What is the deadline to respond to a Notice of Intent to Levy?

- a) 15 days
- b) 30 days
- c) 60 days
- d) 90 days

110. **Which of the following can an Enrolled Agent do during a collection case?**

- a) Challenge the tax code
- b) Negotiate an installment agreement
- c) File a new return
- d) Issue a refund

111. **What is the purpose of Form 9423?**

- a) To request a Collection Appeal Program (CAP) hearing
- b) To file an amended return
- c) To authorize e-filing
- d) To report suspected fraud

112. **Which of the following is a requirement for representing a taxpayer in a CDP hearing?**

- a) A law degree
- b) Authorization via Form 2848
- c) Filing a new return
- d) Proving taxpayer innocence

113. **What is the consequence of an Enrolled Agent failing to verify information during an audit?**

- a) No consequence
- b) Potential penalty for lack of due diligence
- c) Mandatory jail time
- d) Loss of client records

114. **Which IRS notice allows a taxpayer to petition the Tax Court?**

- a) Notice of Federal Tax Lien
- b) Notice of Deficiency
- c) Notice of Intent to Levy
- d) Notice of Refund

115. **What is the purpose of Form 13711?**

- a) To request a lien withdrawal
- b) To appeal a rejected Offer in Compromise
- c) To authorize representation
- d) To report foreign assets

116. **Which of the following is a collection alternative for a taxpayer unable to pay?**

- a) Filing an amended return
- b) Requesting Currently Not Collectible status
- c) Challenging the tax code
- d) Issuing a refund

117. What is the role of an Enrolled Agent in a Taxpayer Advocate Service case?

- a) To audit the taxpayer's return
- b) To assist the taxpayer in resolving significant hardships
- c) To issue a PTIN
- d) To prosecute tax evasion

118. Which form is used to request a fast-track settlement?

- a) Form 14017
- b) Form 656
- c) Form 9465
- d) Form 911

119. What is the consequence of an Enrolled Agent failing to disclose a conflict of interest?

- a) No consequence
- b) Potential disciplinary action by the OPR
- c) \$500 fine
- d) Mandatory CPE completion

120. Which of the following is a requirement for an Enrolled Agent during a Tax Court case?

- a) Provide unverified information
- b) Be admitted to practice before the U.S. Tax Court
- c) File a new return
- d) Avoid contact with the IRS

121. What is the primary purpose of a Collection Due Process (CDP) hearing?

- a) To audit a taxpayer's return
- b) To challenge the appropriateness of a lien or levy
- c) To file an amended return
- d) To request a refund

122. Which form is used to request a CDP hearing?

- a) Form 911
- b) Form 12153
- c) Form 656
- d) Form 9465

123. What is the deadline to request a CDP hearing after a Notice of Intent to Levy?

- a) 15 days
- b) 30 days
- c) 60 days
- d) 90 days

124. **Which of the following can be addressed in a CDP hearing?**

- a) The validity of the underlying tax liability
- b) The taxpayer's state tax obligations
- c) Criminal tax investigations
- d) The issuance of a refund

125. **What is the purpose of an Offer in Compromise (OIC) based on doubt as to collectibility?**

- a) To eliminate all tax liability
- b) To settle a tax debt for less than the full amount based on financial hardship
- c) To extend the filing deadline
- d) To challenge the tax code

126. **Which financial statement is required for an individual submitting an OIC?**

- a) Form 433-A
- b) Form 433-B
- c) Form 656-B
- d) Form 9465

127. **What is the purpose of Form 13711?**

- a) To request innocent spouse relief
- b) To appeal a rejected Offer in Compromise
- c) To authorize representation
- d) To report suspected fraud

128. **Which of the following is a requirement for innocent spouse relief?**

- a) Filing a separate return
- b) Proving lack of knowledge of an understatement on a joint return
- c) Submitting Form 656
- d) Paying the full tax liability

129. **What is the deadline to file for innocent spouse relief?**

- a) 1 year from the notice of deficiency
- b) 2 years from the first collection activity
- c) 3 years from the return filing date
- d) No specific deadline

130. **Which form is used to request innocent spouse relief?**

- a) Form 8857
- b) Form 656
- c) Form 9465
- d) Form 12153

131. What is the purpose of a Collection Appeal Program (CAP) hearing?

- a) To challenge the underlying tax liability
- b) To appeal specific collection actions like liens or levies
- c) To file an amended return
- d) To request a refund

132. Which form is used to request a CAP hearing?

- a) Form 9423
- b) Form 911
- c) Form 656
- d) Form 2848

133. What is the consequence of missing the deadline for a CDP hearing request?

- a) Loss of the right to a CDP hearing
- b) Automatic penalty abatement
- c) Extension of the collection period
- d) No consequence

134. Which of the following is a collection alternative for a taxpayer unable to pay?

- a) Filing an amended return
- b) Requesting Currently Not Collectible (CNC) status
- c) Challenging the tax code
- d) Issuing a refund

135. What is the purpose of Form 433-B?

- a) To report business income
- b) To provide financial information for business collection cases
- c) To authorize e-filing
- d) To request a PTIN

136. Which IRS notice allows a taxpayer to petition the U.S. Tax Court?

- a) Notice of Federal Tax Lien
- b) Notice of Deficiency
- c) Notice of Intent to Levy
- d) Notice of Refund

137. What is the deadline to petition the U.S. Tax Court after a Notice of Deficiency?

- a) 30 days
- b) 60 days
- c) 90 days
- d) 120 days

138. **Which form is used to request a lien withdrawal?**

- a) Form 12277
- b) Form 656
- c) Form 9465
- d) Form 911

139. **What is the purpose of Form 843?**

- a) To request penalty abatement
- b) To file an Offer in Compromise
- c) To authorize representation
- d) To report foreign assets

140. **Which of the following is a requirement for an Enrolled Agent during an audit?**

- a) Provide unverified client information
- b) Verify the accuracy of information provided to the IRS
- c) Avoid communicating with the IRS
- d) File a new return

141. **What is the role of the IRS Office of Appeals in a tax dispute?**

- a) To audit tax returns
- b) To provide an independent review of tax disputes
- c) To issue PTINs
- d) To prosecute tax evasion

142. **Which form is used to request a fast-track settlement?**

- a) Form 14017
- b) Form 656
- c) Form 9465
- d) Form 911

143. **What is the consequence of failing to respond to a Notice of Deficiency?**

- a) Automatic waiver of penalties
- b) Assessment of the proposed tax deficiency
- c) Extension of the filing deadline
- d) No consequence

144. **Which of the following can an Enrolled Agent negotiate during a CDP hearing?**

- a) Criminal penalties
- b) Collection alternatives like an installment agreement
- c) The tax code itself
- d) State tax liabilities

145. What is the purpose of Form 12203?

- a) To request a fast-track appeal
- b) To file an Offer in Compromise
- c) To authorize representation
- d) To report foreign assets

146. Which IRS program assists taxpayers with unresolved tax issues causing significant hardship?

- a) Volunteer Income Tax Assistance
- b) Taxpayer Advocate Service
- c) Office of Professional Responsibility
- d) Criminal Investigation Division

147. What is the statute of limitations for the IRS to collect a tax debt?

- a) 3 years
- b) 5 years
- c) 10 years
- d) No limit

148. Which of the following is a requirement for an Enrolled Agent in a Tax Court case?

- a) A law degree
- b) Admission to practice before the U.S. Tax Court
- c) Filing a new return
- d) Proving taxpayer innocence

149. What is the purpose of a Notice of Federal Tax Lien?

- a) To notify the taxpayer of a refund
- b) To secure the IRS's interest in the taxpayer's property
- c) To initiate an audit
- d) To request a CDP hearing

150. Which of the following is a requirement for submitting an OIC based on doubt as to liability?

- a) Proving financial hardship
- b) Demonstrating a legitimate dispute about the tax owed
- c) Filing a separate return
- d) Paying the full tax amount

151. What is the consequence of an Enrolled Agent providing misleading information during an appeal?

- a) No consequence
- b) Potential suspension or disbarment

- c) \$500 fine
- d) Mandatory CPE completion

152. **Which form is used to request an installment agreement?**

- a) Form 9465
- b) Form 656
- c) Form 8857
- d) Form 12153

153. **What is the purpose of Form 14135?**

- a) To request a lien subordination
- b) To file an Offer in Compromise
- c) To authorize representation
- d) To report suspected fraud

154. **Which of the following can an Enrolled Agent do during a Tax Court proceeding?**

- a) Represent the taxpayer if admitted to practice
- b) File a new tax return
- c) Challenge IRS regulations
- d) Issue a refund

155. **What is the deadline to file an appeal with the IRS Office of Appeals after a Notice of Deficiency?**

- a) 30 days
- b) 60 days
- c) 90 days
- d) 120 days

156. **Which of the following is a requirement for requesting equitable relief under innocent spouse rules?**

- a) Proving financial hardship due to the tax liability
- b) Filing a separate return
- c) Submitting Form 656
- d) Proving criminal intent

157. **What is the purpose of Form 433-D?**

- a) To report business income
- b) To establish an installment agreement
- c) To authorize e-filing
- d) To request a PTIN

158. **Which IRS notice triggers the right to a CDP hearing?**

- a) Notice of Deficiency
- b) Notice of Intent to Levy

- c) Notice of Audit
- d) Notice of Refund

159. What is the consequence of an Enrolled Agent failing to disclose a conflict of interest during representation?

- a) No consequence
- b) Potential disciplinary action by the OPR
- c) \$500 fine
- d) Mandatory CPE completion

160. Which of the following is a requirement for an OIC based on effective tax administration?

- a) Proving the tax debt is incorrect
- b) Demonstrating exceptional circumstances or public policy concerns
- c) Filing a separate return
- d) Paying the full tax amount

161. What is the role of an Enrolled Agent in a Taxpayer Advocate Service case?

- a) To audit the taxpayer's return
- b) To assist the taxpayer in resolving significant hardships
- c) To issue a PTIN
- d) To prosecute tax evasion

162. Which form is used to request a discharge of property from a federal tax lien?

- a) Form 14134
- b) Form 656
- c) Form 9465
- d) Form 911

163. What is the consequence of an Enrolled Agent failing to verify information during an audit?

- a) No consequence
- b) Potential penalty for lack of due diligence
- c) Mandatory jail time
- d) Loss of client records

164. Which of the following is a requirement for a taxpayer to qualify for CNC status?

- a) Filing an amended return
- b) Demonstrating inability to pay without causing financial hardship
- c) Challenging the tax code
- d) Paying the full tax amount

165. What is the purpose of Form 14017?

- a) To request a fast-track settlement
- b) To file an Offer in Compromise
- c) To authorize representation
- d) To report suspected fraud

166. Which of the following can an Enrolled Agent negotiate during an audit?

- a) The tax code itself
- b) Adjustments to the taxpayer's liability based on evidence
- c) Criminal penalties
- d) State tax liabilities

167. What is the deadline to respond to a Notice of Intent to Levy to avoid immediate action?

- a) 15 days
- b) 30 days
- c) 60 days
- d) 90 days

168. What is the due date for filing an individual federal income tax return without an extension?

- a) March 15
- b) April 15
- c) June 15
- d) October 15

169. Which form is used to request an automatic six-month extension for an individual tax return?

- a) Form 4868
- b) Form 7004
- c) Form 1040-X
- d) Form 8822

170. What is the purpose of Form 8879?

- a) To authorize electronic filing of a tax return
- b) To request a PTIN
- c) To report suspected fraud
- d) To authorize representation

171. Which IRS publication outlines the standards for electronic filing?

- a) Publication 1345
- b) Publication 17
- c) Publication 552
- d) Publication 946

172. What is the penalty for a tax preparer failing to provide a copy of the tax return to the taxpayer?

- a) \$50 per return, up to \$27,000 per year
- b) \$100 per return
- c) \$500 per return
- d) No penalty applies

173. Which form is used to file an amended individual tax return?

- a) Form 1040
- b) Form 1040-X
- c) Form 4868
- d) Form 8821

174. What is the due diligence requirement for claiming the Earned Income Tax Credit (EITC)?

- a) File the return without verification
- b) Complete Form 8867 and verify eligibility
- c) Only confirm the taxpayer's income
- d) Submit the return to the IRS for pre-approval

175. How long must a tax preparer retain records of returns they prepared?

- a) 1 year
- b) 3 years
- c) 5 years
- d) 7 years

176. What is the penalty for a preparer failing to include their PTIN on a return?

- a) \$50 per return, up to \$27,000 per year
- b) \$500 per return
- c) \$1,000 per return
- d) No penalty applies

177. Which form is used to report a change in a preparer's contact information to the IRS?

- a) Form 8822
- b) Form 8554

- c) Form W-12
- d) Form 2848

178. What is the purpose of Form 8453?

- a) To submit paper documents with an e-filed return
- b) To request a PTIN
- c) To authorize representation
- d) To report suspected fraud

179. What is the penalty for a preparer who fails to comply with EITC due diligence requirements?

- a) \$500 per return
- b) \$560 per return
- c) \$1,000 per return
- d) \$5,000 per return

180. Which of the following is a requirement for electronic return originators (EROs)?

- a) Obtain a CPA license
- b) Use an Electronic Filing Identification Number (EFIN)
- c) File all returns on paper
- d) Register as a VITA volunteer

181. What is the purpose of Form 8888?

- a) To allocate a refund to multiple accounts
- b) To authorize representation
- c) To report foreign assets
- d) To request a PTIN

182. What is the consequence of a preparer failing to comply with IRS e-filing security standards?

- a) Loss of EFIN
- b) No consequence
- c) Mandatory CPE completion
- d) \$1,000 fine

183. Which IRS publication provides guidance on recordkeeping for tax purposes?

- a) Publication 1
- b) Publication 552
- c) Publication 590
- d) Publication 970

184. What is the penalty for a preparer who discloses taxpayer information without consent?

- a) \$250 per disclosure, up to \$10,000 per year

- b) \$1,000 per disclosure
- c) \$5,000 per disclosure
- d) No penalty applies

185. Which form is used to report suspected tax fraud to the IRS?

- a) Form 3949-A
- b) Form 2848
- c) Form 8821
- d) Form 4506

186. What is the purpose of IRS Publication 4557?

- a) To explain e-filing security requirements
- b) To outline business tax deductions
- c) To provide guidance on depreciation
- d) To detail audit procedures

187. What is the penalty for a preparer who fails to comply with mandatory e-filing requirements?

- a) \$10 per return, up to \$5,000 per year
- b) \$50 per return, up to \$27,000 per year
- c) \$100 per return
- d) No penalty applies

188. Which of the following is a requirement for maintaining client confidentiality under IRC Section 7216?

- a) Obtain written consent for disclosures
- b) Share information freely with other preparers
- c) Disclose information to the IRS without consent
- d) No confidentiality is required

189. What is the purpose of IRS Publication 17?

- a) To provide guidance on individual tax filing
- b) To explain business tax rules
- c) To outline audit procedures
- d) To detail depreciation schedules

190. Which form is used to request a copy of a previously filed tax return?

- a) Form 4506
- b) Form 8821
- c) Form 2848
- d) Form 911

191. What is the due diligence requirement for claiming the Child Tax Credit?

- a) Verify the taxpayer's income only
- b) Complete Form 8867 and retain documentation
- c) File the return without verification
- d) Submit the return to the IRS for approval

192. What is the statute of limitations for the IRS to assess additional tax on a timely filed return?

- a) 1 year
- b) 3 years
- c) 5 years
- d) 7 years

193. What is the purpose of Form 8821?

- a) To authorize representation before the IRS
- b) To allow a third party to receive tax information
- c) To request an installment agreement
- d) To report suspected fraud

194. Which of the following is a requirement for a tax preparer under Circular 230?

- a) Obtain client consent for all tax strategies
- b) Exercise due diligence in preparing returns
- c) File all returns electronically
- d) Maintain a law degree

195. What is the penalty for a preparer who endorses a taxpayer's refund check?

- a) \$500 per incident
- b) \$1,000 per incident
- c) \$5,000 per incident
- d) No penalty applies

196. What must a preparer do if they discover an error on a previously filed return?

- a) Ignore it if the error is minor
- b) Notify the client and recommend filing an amended return
- c) Report the error to the IRS without client consent
- d) Wait for the IRS to audit the return

197. Which IRS publication provides guidance on the Taxpayer Bill of Rights?

- a) Publication 1
- b) Publication 17
- c) Publication 552
- d) Publication 946

198. What is the consequence of failing to renew a PTIN annually?

- a) Loss of Enrolled Agent status
- b) Inability to prepare returns for compensation
- c) Mandatory CPE completion
- d) No consequence

199. What is the purpose of IRS Publication 947?

- a) To explain representation before the IRS
- b) To outline e-filing requirements
- c) To provide guidance on depreciation
- d) To detail business expense deductions

200. Which of the following is a due diligence requirement for the American Opportunity Tax Credit?

- a) Verify the taxpayer's income only
- b) Complete Form 8867 and verify eligibility
- c) File the return without verification
- d) Submit the return to the IRS for approval

201. What is the penalty for a preparer who understates a taxpayer's liability due to an unreasonable position?

- a) \$1,000 per return
- b) \$5,000 per return
- c) \$10,000 per return
- d) No penalty applies

Answers and Explanations - Part 3

1. b) To establish ethical standards for tax practitioners – Circular 230 sets forth rules governing the conduct of tax practitioners, including Enrolled Agents, CPAs, and attorneys, to ensure ethical and professional practice before the IRS.
2. b) All tax practitioners, including EAs, CPAs, and attorneys – Circular 230 applies to all individuals authorized to practice before the IRS, ensuring consistent ethical standards across professions.
3. a) 1 year – A PTIN must be renewed annually, typically by December 31, to remain valid for preparing tax returns for compensation.
4. a) Form 3949-A – Form 3949-A is used to report suspected tax fraud or violations to the IRS, allowing preparers to provide relevant details anonymously if desired.
5. b) 3 years – The IRS generally has 3 years from the date a return is filed to assess additional tax, unless exceptions like fraud or significant underreporting apply.
6. a) Only with taxpayer consent – The IRS can extend the statute of limitations for assessment if the taxpayer signs a consent form, such as Form 872, agreeing to the extension.
7. a) \$50 per return, up to \$27,000 per year – Failure to sign a prepared return incurs a \$50 penalty per return, capped at \$27,000 annually for 2025, adjusted for inflation.
8. a) Publication 1345 – Publication 1345 provides guidelines for electronic return originators (EROs) and standards for e-filing tax returns, ensuring compliance with IRS requirements.
9. b) Completion of 72 hours of CPE every 3 years – Enrolled Agents must complete 72 hours of continuing professional education, including 6 hours of ethics, every 3 years to maintain their status.
10. b) To certify non-credentialed preparers who meet education requirements – The AFSP allows non-credentialed preparers to demonstrate competency through education and testing, enhancing their professional standing without replacing the EA credential.
11. d) Representing two clients with opposing interests in the same matter – Circular 230 prohibits representation in cases where a conflict of interest exists, such as representing parties with opposing interests, unless waived by clients with full disclosure.
12. c) \$25,000 or 50% of income derived – Willful failure to file a return as a preparer can result in a penalty of \$25,000 or 50% of the income derived from the return, whichever is greater, under IRC Section 6694.
13. b) Notify the client and recommend filing an amended return – Circular 230 requires preparers to advise clients of errors and recommend corrections, such as filing Form 1040-X, to comply with due diligence and ethical standards.

14. b) Publication 552 – Publication 552 provides guidance on recordkeeping requirements for taxpayers and preparers, detailing what records to keep and for how long.
15. b) Every 3 years based on SSN ending digit – Enrolled Agents renew their enrollment every 3 years, with deadlines staggered by the last digit of their Social Security number (e.g., 0-3 renew by January 31, 2026).
16. b) Potential disciplinary action by the Office of Professional Responsibility – Failure to comply with Circular 230 can lead to sanctions, including suspension or disbarment, by the OPR for violating ethical or due diligence standards.
17. b) Use IRS-approved software for e-filing – EROs must use IRS-approved software to ensure compliance with e-filing standards, security protocols, and IRS regulations.
18. b) To authorize electronic filing of a tax return – Form 8879, IRS e-file Signature Authorization, allows taxpayers to authorize EROs to file their returns electronically and retain required signatures.
19. b) 3 years – Tax preparers must retain records of returns they prepared for at least 3 years, aligning with the general statute of limitations for IRS assessments.
20. a) \$250 per disclosure, up to \$10,000 per year – Unauthorized disclosure of taxpayer information incurs a \$250 penalty per incident, capped at \$10,000 annually, under IRC Section 7216.
21. b) Complete Form 8867 and verify eligibility – Due diligence for the EITC requires preparers to complete Form 8867, verify eligibility criteria, and retain documentation to ensure compliance with IRS rules.
22. b) Ensure advice is based on reasonable assumptions – Circular 230 requires that tax advice be based on reasonable assumptions and consider all relevant facts to ensure accuracy and compliance.
23. b) To renew Enrolled Agent status – Form 8554 is used to renew Enrolled Agent status every 3 years, including verifying CPE completion and other requirements.
24. b) Office of Professional Responsibility – The OPR oversees the conduct of Enrolled Agents and other practitioners, handling complaints and disciplinary actions under Circular 230.
25. a) \$50 per return, up to \$27,000 per year – Failure to provide a copy of the tax return to the taxpayer incurs a \$50 penalty per return, capped at \$27,000 annually, adjusted for inflation.
26. b) Exercise due diligence in preparing returns – Circular 230 requires preparers to exercise due diligence in ensuring the accuracy of returns and verifying client information.
27. a) To explain taxpayer rights – Publication 1, Your Rights as a Taxpayer, outlines the Taxpayer Bill of Rights, detailing protections and obligations during IRS interactions.

28. a) \$500 per incident – A preparer who endorses or negotiates a taxpayer's refund check faces a \$500 penalty per incident under IRC Section 6695(f).

29. b) Before preparing any federal tax return for compensation – A PTIN is required for any individual preparing federal tax returns for compensation, as mandated by the IRS.

30. a) To apply for a PTIN – Form W-12 is used to apply for or renew a PTIN, which is required for all paid tax preparers.

31. b) Knowingly preparing a false return – Circular 230 prohibits preparers from knowingly preparing false or misleading returns, which can lead to penalties or disciplinary action.

32. b) To oversee practitioner conduct and discipline – The OPR enforces Circular 230, investigating complaints and imposing sanctions for unethical or unprofessional conduct.

33. b) \$560 per return – The penalty for failing to comply with EITC due diligence requirements is \$560 per return for 2025, adjusted annually for inflation.

34. a) Form 4506 – Form 4506, Request for Copy of Tax Return, is used to obtain a copy of a previously filed return from the IRS.

35. b) Inability to prepare returns for compensation – Failing to renew a PTIN annually prevents a preparer from legally preparing federal tax returns for compensation.

36. b) Use an Electronic Filing Identification Number (EFIN) – EROs must obtain an EFIN from the IRS to file returns electronically, ensuring compliance with e-filing protocols.

37. a) To provide guidance on individual tax filing – Publication 17, Your Federal Income Tax, provides comprehensive guidance for individuals on filing taxes, deductions, and credits.

38. b) Request additional information to ensure accuracy – Circular 230 requires preparers to exercise due diligence by requesting additional information if client data is incomplete or questionable.

39. b) Verify the accuracy of client information when reasonable – Circular 230 best practices include verifying client information when reasonable to ensure accurate and compliant tax filings.

40. b) \$50 per return, up to \$27,000 per year – Failure to comply with mandatory e-filing requirements incurs a \$50 penalty per return, capped at \$27,000 annually, adjusted for inflation.

41. b) To allow a third party to receive tax information – Form 8821, Tax Information Authorization, allows a third party to receive or inspect a taxpayer's confidential tax information without representation authority.

42. a) Obtain written consent for disclosures – Circular 230 and IRC Section 7216 require preparers to obtain written consent before disclosing taxpayer information, except in specific circumstances.

43. b) 3 years – Preparers should correct return errors within the 3-year statute of limitations for assessment to avoid penalties or IRS scrutiny, aligning with due diligence requirements.

44. a) Publication 1084 – Publication 1084 provides guidance for the VITA program, detailing procedures for volunteers offering free tax preparation services.

45. b) Suspension or disbarment from practice – Disreputable conduct under Circular 230, such as fraud or gross negligence, can result in suspension or disbarment by the OPR.

46. b) To authorize electronic filing by taxpayers – Form 8879 allows taxpayers to authorize electronic filing and serves as their e-file signature for the return.

47. b) Complete Form 8867 and retain documentation – Due diligence for the Child Tax Credit requires completing Form 8867, verifying eligibility, and retaining supporting documentation.

48. b) Suspension of EA status – Failing to complete required CPE (72 hours every 3 years) can result in suspension of Enrolled Agent status until requirements are met.

49. a) Form 8822 – Form 8822, Change of Address, is used to report a change in a preparer's contact information to the IRS.

50. a) To explain e-filing security requirements – Publication 4557, Safeguarding Taxpayer Data, provides guidance on security standards for e-filing and protecting taxpayer information.

51. a) \$1,000 per return – Under IRC Section 6694(a), a preparer who understates a taxpayer's liability due to an unreasonable position faces a \$1,000 penalty per return.

52. b) Clearly state the preparer's credentials – Circular 230 requires that advertising be truthful and clearly state the preparer's credentials, such as Enrolled Agent status, without misleading claims.

53. a) To allocate a refund to multiple accounts – Form 8888, Allocation of Refund, is used to direct a tax refund to multiple bank accounts or to purchase savings bonds.

54. b) Potential penalty for lack of due diligence – Failing to verify a taxpayer's identity can result in penalties for lack of due diligence, as it risks facilitating tax-related identity theft.

55. a) Publication 1 – Publication 1, Your Rights as a Taxpayer, details the Taxpayer Bill of Rights, outlining taxpayer protections during IRS interactions.

56. a) \$50 per return, up to \$27,000 per year – Failure to include a PTIN on a return incurs a \$50 penalty per return, capped at \$27,000 annually, under IRC Section 6695(c).

57. a) To explain representation before the IRS – Publication 947, Practice Before the IRS and Power of Attorney, provides guidance on representation rules and procedures.

58. b) Include all relevant facts and assumptions – Circular 230 requires written tax advice to include all relevant facts and reasonable assumptions to ensure accuracy and compliance.

59. a) To submit paper documents with an e-filed return – Form 8453 is used to submit required paper documents, such as Forms W-2 or 1099, with an electronically filed return.

60. a) Loss of EFIN – Failure to comply with IRS security standards for e-filing can result in revocation of the Electronic Filing Identification Number, prohibiting e-filing.

62. b) Form 2848 – Form 2848, Power of Attorney and Declaration of Representative, authorizes an Enrolled Agent to represent a taxpayer before the IRS for specified tax matters, ensuring proper authority is documented.

63. b) Full representation for specified tax matters – Form 2848 grants EAs authority to act on behalf of taxpayers in specified tax matters, including audits, appeals, and collections, as detailed in the form.

64. c) Until the matter is resolved – An EA's representation authority continues until the specified tax matter is resolved, unless revoked by the taxpayer or withdrawn by the EA, per IRS regulations.

65. b) Withdraw from representation – Circular 230 requires EAs to withdraw if a client refuses to correct a known error, as continuing representation would violate ethical standards and potentially mislead the IRS.

66. b) Office of Appeals – The IRS Office of Appeals provides an independent review of tax disputes, allowing taxpayers to challenge proposed assessments or penalties without going to court.

67. a) To request taxpayer assistance from the Taxpayer Advocate Service – Form 911 is used to request help from the TAS for taxpayers experiencing significant hardships, such as financial distress or IRS delays.

68. b) If authorized by Form 2848 – An EA can represent a taxpayer in a CDP hearing if properly authorized via Form 2848, specifying the tax matter and year.

69. b) 30 days – Taxpayers have 30 days from the date of a Notice of Federal Tax Lien to request a CDP hearing to appeal the lien or propose collection alternatives.

70. b) Verify the accuracy of information provided to the IRS – EAs must exercise due diligence to ensure all information provided during an audit is accurate and complete, per Circular 230 requirements.

71. b) An agreement to settle a tax debt for less than the full amount – An OIC allows taxpayers to settle tax debts for less than owed, based on their ability to pay, as evaluated by the IRS.

72. a) Form 656 – Form 656 is used to submit an Offer in Compromise, along with financial information forms like Form 433-A or 433-B, to propose a settlement of tax debt.

73. a) To request an installment agreement – Form 9465 is used to request a monthly installment agreement to pay tax debts over time, based on the taxpayer's financial situation.

74. c) 10 years – The IRS has 10 years from the date of assessment to collect a tax debt, unless extended by specific circumstances like bankruptcy or an OIC submission.

75. b) Tax liability and penalties – EAs can negotiate tax liabilities, penalties, and interest during an IRS appeal, but criminal penalties are outside their scope.

76. b) To assist taxpayers with significant hardships – The TAS helps taxpayers facing significant financial or procedural hardships, such as delays or inability to pay, in resolving tax issues.

77. b) Immediately upon discovery – Circular 230 requires EAs to disclose conflicts of interest immediately and obtain client consent to continue representation, ensuring ethical practice.

78. b) Suspension or disbarment from practice – Knowingly providing false information to the IRS can result in disciplinary action, including suspension or disbarment, by the Office of Professional Responsibility.

79. b) To provide financial information for IRS collection alternatives – Form 433-A provides detailed financial information to evaluate collection alternatives like OICs or installment agreements for individuals.

80. a) Admission to practice before the U.S. Tax Court – EAs must be admitted to practice before the U.S. Tax Court to represent taxpayers in court proceedings.

81. c) 90 days from the notice of deficiency – Taxpayers have 90 days from the issuance of a Notice of Deficiency to file an appeal with the IRS Office of Appeals or petition the Tax Court.

82. a) To request a Collection Due Process hearing – Form 12153 is used to request a CDP hearing to appeal a lien or levy and propose collection alternatives.

83. b) Propose collection alternatives like an OIC or installment agreement – During a CDP hearing, EAs can propose alternatives like OICs or installment agreements to address the taxpayer's debt.

84. b) Assessment of the proposed tax deficiency – Failing to respond to a Notice of Deficiency within 90 days results in the IRS assessing the proposed tax, penalties, and interest.

85. a) Form 843 – Form 843, Claim for Refund and Request for Abatement, is used to request abatement of certain penalties, such as failure-to-file or failure-to-pay penalties.

86. b) To authorize the EA to act on the taxpayer's behalf – A power of attorney (Form 2848) authorizes the EA to represent the taxpayer in specified tax matters before the IRS.

87. d) EAs cannot represent in criminal matters – EAs are not authorized to represent taxpayers in criminal tax investigations, which require an attorney or other specialized representation.

88. c) 90 days – Taxpayers have 90 days from the issuance of a Notice of Deficiency to petition the U.S. Tax Court to challenge the proposed deficiency.

89. b) Submit accurate financial information via Form 433-A or 433-B – EAs must provide accurate financial data using Form 433-A (individuals) or 433-B (businesses) to support collection alternatives.

90. a) To request a fast-track appeal – Form 12203, Request for Appeals Review, is used to request a fast-track appeal for certain tax disputes with the IRS Office of Appeals.

91. b) Notice of Federal Tax Lien – A Notice of Federal Tax Lien triggers the right to request a CDP hearing within 30 days to appeal the lien or propose alternatives.

92. a) To act as the taxpayer's advocate and provide accurate information – EAs advocate for the taxpayer during audits, ensuring accurate information is provided and defending the taxpayer's position.

93. b) Potential disciplinary action by the OPR – Failing to comply with Circular 230 during representation can lead to sanctions, including suspension or disbarment, by the Office of Professional Responsibility.

94. b) Requesting Currently Not Collectible status – EAs can propose CNC status as a collection alternative for taxpayers unable to pay their tax debt due to financial hardship.

95. a) To request innocent spouse relief – Form 14134 is not used for innocent spouse relief; the correct form is Form 8857. This question tests knowledge of incorrect forms to ensure clarity.

96. a) Filing a joint return with an understatement of tax – Innocent spouse relief requires a joint return with an understatement of tax, where the requesting spouse did not know or benefit from the error.

97. b) 2 years from the first collection activity – The deadline to file for innocent spouse relief is generally 2 years from the first IRS collection activity, such as a levy notice.

98. b) Taxpayer Advocate Service – The TAS assists taxpayers with unresolved tax issues causing significant hardship, such as delays or financial distress.

99. b) Potential suspension or disbarment – Providing misleading information during an appeal violates Circular 230 and can result in disciplinary action by the OPR.

100. a) Represent the taxpayer if admitted to practice – EAs can represent taxpayers in Tax Court if admitted to practice, ensuring proper advocacy within court rules.
101. b) To provide financial information for business collection cases – Form 433-B provides financial information for businesses to evaluate collection alternatives like OICs or installment agreements.
102. b) Present a reasonable basis for the taxpayer’s position – EAs must present a reasonable basis for the taxpayer’s position during an appeal, supported by facts and law, per IRS guidelines.
103. b) To secure the IRS’s interest in the taxpayer’s property – A Notice of Federal Tax Lien secures the IRS’s claim on a taxpayer’s property to ensure payment of tax debts.
104. a) Form 12277 – Form 12277, Application for Withdrawal of Filed Notice of Federal Tax Lien, is used to request the withdrawal of a lien under certain conditions.
105. a) Loss of the right to a CDP hearing – Missing the 30-day deadline for a CDP hearing request results in the loss of the right to a CDP hearing, though other appeals may be available.
106. b) To provide an independent review of tax disputes – The IRS Office of Appeals provides an independent review of tax disputes, aiming to resolve issues without litigation.
107. a) To request innocent spouse relief – Form 8857 is used to request innocent spouse relief for taxpayers seeking relief from joint tax liabilities.
108. b) Submission of financial information via Form 433-A or 433-B – An OIC requires detailed financial information via Form 433-A (individuals) or 433-B (businesses) to assess the taxpayer’s ability to pay.
109. b) 30 days – Taxpayers have 30 days to respond to a Notice of Intent to Levy to request a CDP hearing or propose collection alternatives.
110. b) Negotiate an installment agreement – EAs can negotiate installment agreements to help taxpayers pay tax debts over time, based on their financial situation.
111. a) To request a Collection Appeal Program (CAP) hearing – Form 9423 is used to request a CAP hearing for certain collection actions, such as lien or levy disputes.
112. b) Authorization via Form 2848 – Representation in a CDP hearing requires authorization via Form 2848, specifying the tax matter and year.
113. b) Potential penalty for lack of due diligence – Failing to verify information during an audit can result in penalties for lack of due diligence, per Circular 230 standards.

114. b) Notice of Deficiency – A Notice of Deficiency allows taxpayers to petition the Tax Court within 90 days to challenge the proposed tax assessment.
115. b) To appeal a rejected Offer in Compromise – Form 13711 is used to appeal a rejected OIC, requesting reconsideration by the IRS.
116. b) Requesting Currently Not Collectible status – CNC status is a collection alternative for taxpayers unable to pay due to financial hardship, temporarily halting collection efforts.
117. b) To assist the taxpayer in resolving significant hardships – EAs assist taxpayers in TAS cases by advocating for resolution of issues causing significant financial or procedural hardship.
118. a) Form 14017 – Form 14017 is used to request a fast-track settlement, an expedited process for resolving certain tax disputes with the IRS.
119. b) Potential disciplinary action by the OPR – Failing to disclose a conflict of interest violates Circular 230 and can result in disciplinary action, such as suspension or disbarment.
120. b) Be admitted to practice before the U.S. Tax Court – EAs must be admitted to practice before the U.S. Tax Court to represent taxpayers in court proceedings, ensuring compliance with court rules.
121. b) To challenge the appropriateness of a lien or levy – A CDP hearing allows taxpayers to challenge the appropriateness of a lien or levy and propose collection alternatives, ensuring due process in IRS collection actions.
122. b) Form 12153 – Form 12153, Request for a Collection Due Process or Equivalent Hearing, is used to request a CDP hearing to appeal a lien or levy.
123. b) 30 days – Taxpayers have 30 days from the issuance of a Notice of Intent to Levy to request a CDP hearing to avoid immediate collection action.
124. a) The validity of the underlying tax liability – In a CDP hearing, taxpayers can challenge the underlying tax liability if they did not have a prior opportunity to dispute it, along with proposing collection alternatives.
125. b) To settle a tax debt for less than the full amount based on financial hardship – An OIC based on doubt as to collectibility allows taxpayers to settle tax debts for less than owed, based on their inability to pay the full amount.
126. a) Form 433-A – Form 433-A, Collection Information Statement for Wage Earners and Self-Employed Individuals, is required for individuals submitting an OIC to document financial status.
127. b) To appeal a rejected Offer in Compromise – Form 13711, Request for Appeal of Offer in Compromise, is used to appeal an OIC rejection, seeking reconsideration by the IRS.

128. b) Proving lack of knowledge of an understatement on a joint return – Innocent spouse relief requires proving the requesting spouse did not know, and had no reason to know, of an understatement on a joint return.
129. b) 2 years from the first collection activity – The deadline to file for innocent spouse relief is generally 2 years from the first IRS collection activity, such as a levy notice, unless exceptions apply.
130. a) Form 8857 – Form 8857, Request for Innocent Spouse Relief, is used to request relief from joint tax liabilities due to an understatement or other qualifying circumstances.
131. b) To appeal specific collection actions like liens or levies – A CAP hearing allows taxpayers to appeal specific collection actions, such as lien filings or levies, but does not address the underlying tax liability.
132. a) Form 9423 – Form 9423, Collection Appeal Request, is used to request a CAP hearing to appeal specific IRS collection actions.
133. a) Loss of the right to a CDP hearing – Missing the 30-day deadline for a CDP hearing request results in the loss of the right to a CDP hearing, though other appeal options may be available.
134. b) Requesting Currently Not Collectible (CNC) status – CNC status is a collection alternative for taxpayers unable to pay their tax debt without causing financial hardship, temporarily halting collection efforts.
135. b) To provide financial information for business collection cases – Form 433-B, Collection Information Statement for Businesses, is used to document financial information for business collection alternatives.
136. b) Notice of Deficiency – A Notice of Deficiency allows taxpayers to petition the U.S. Tax Court within 90 days to challenge the proposed tax assessment.
137. c) 90 days – Taxpayers have 90 days from the issuance of a Notice of Deficiency to petition the U.S. Tax Court to dispute the proposed deficiency.
138. a) Form 12277 – Form 12277, Application for Withdrawal of Filed Notice of Federal Tax Lien, is used to request the withdrawal of a lien under specific conditions, such as payment or error.
139. a) To request penalty abatement – Form 843, Claim for Refund and Request for Abatement, is used to request abatement of certain penalties, such as failure-to-file or failure-to-pay penalties.

140. b) Verify the accuracy of information provided to the IRS – EAs must exercise due diligence to verify the accuracy of information provided during an audit, per Circular 230 requirements.
141. b) To provide an independent review of tax disputes – The IRS Office of Appeals provides an independent review of tax disputes, aiming to resolve issues without litigation.
142. a) Form 14017 – Form 14017, Application for Fast Track Settlement, is used to request an expedited settlement process for certain tax disputes with the IRS.
143. b) Assessment of the proposed tax deficiency – Failing to respond to a Notice of Deficiency within 90 days results in the IRS assessing the proposed tax, penalties, and interest.
144. b) Collection alternatives like an installment agreement – EAs can negotiate collection alternatives, such as installment agreements or OICs, during a CDP hearing to address the taxpayer's debt.
145. a) To request a fast-track appeal – Form 12203, Request for Appeals Review, is used to request a fast-track appeal for certain tax disputes with the IRS Office of Appeals.
146. b) Taxpayer Advocate Service – The TAS assists taxpayers with unresolved tax issues causing significant hardship, such as financial distress or IRS processing delays.
147. c) 10 years – The IRS has 10 years from the date of assessment to collect a tax debt, unless extended by circumstances like bankruptcy or an OIC submission.
148. b) Admission to practice before the U.S. Tax Court – EAs must be admitted to practice before the U.S. Tax Court to represent taxpayers in court proceedings, ensuring compliance with court rules.
149. b) To secure the IRS's interest in the taxpayer's property – A Notice of Federal Tax Lien secures the IRS's claim on a taxpayer's property to ensure payment of tax debts.
150. b) Demonstrating a legitimate dispute about the tax owed – An OIC based on doubt as to liability requires proving a legitimate dispute about the correctness of the tax debt.
151. b) Potential suspension or disbarment – Providing misleading information during an appeal violates Circular 230 and can result in disciplinary action by the Office of Professional Responsibility.
152. a) Form 9465 – Form 9465, Installment Agreement Request, is used to request a monthly installment agreement to pay tax debts over time.
153. a) To request a lien subordination – Form 14135, Application for Certificate of Subordination of Federal Tax Lien, is used to request that the IRS subordinate its lien to another creditor's interest.

154. a) Represent the taxpayer if admitted to practice – EAs can represent taxpayers in Tax Court if admitted to practice, ensuring proper advocacy within court rules.
155. c) 90 days – Taxpayers have 90 days from the issuance of a Notice of Deficiency to file an appeal with the IRS Office of Appeals or petition the Tax Court.
156. a) Proving financial hardship due to the tax liability – Equitable relief under innocent spouse rules requires proving that paying the tax liability would cause financial hardship, among other criteria.
157. b) To establish an installment agreement – Form 433-D, Installment Agreement, is used to formalize an installment agreement with the IRS for paying tax debts over time.
158. b) Notice of Intent to Levy – A Notice of Intent to Levy triggers the right to request a CDP hearing within 30 days to appeal the levy or propose alternatives.
159. b) Potential disciplinary action by the OPR – Failing to disclose a conflict of interest violates Circular 230 and can result in disciplinary action, such as suspension or disbarment, by the OPR.
160. b) Demonstrating exceptional circumstances or public policy concerns – An OIC based on effective tax administration requires showing that paying the full amount would cause exceptional circumstances or raise public policy concerns.
161. b) To assist the taxpayer in resolving significant hardships – EAs assist taxpayers in TAS cases by advocating for resolution of issues causing significant financial or procedural hardship.
162. a) Form 14134 – Form 14134, Application for Certificate of Discharge of Property from Federal Tax Lien, is used to request the discharge of specific property from a lien.
163. b) Potential penalty for lack of due diligence – Failing to verify information during an audit can result in penalties for lack of due diligence, per Circular 230 standards.
164. b) Demonstrating inability to pay without causing financial hardship – CNC status requires proving that paying the tax debt would cause significant financial hardship, halting collection efforts.
165. a) To request a fast-track settlement – Form 14017, Application for Fast Track Settlement, is used to request an expedited settlement process for certain tax disputes.
166. b) Adjustments to the taxpayer’s liability based on evidence – EAs can negotiate adjustments to the taxpayer’s liability during an audit by presenting evidence to support the taxpayer’s position.
167. b) 30 days – Taxpayers have 30 days to respond to a Notice of Intent to Levy to avoid immediate collection action, such as by requesting a CDP hearing.

168. b) April 15 – The due date for filing an individual federal income tax return is April 15 of the following year, unless it falls on a weekend or holiday, in which case it is typically the next business day.

169. a) Form 4868 – Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return, is used to request a six-month extension, extending the deadline to October 15.

170. a) To authorize electronic filing of a tax return – Form 8879, IRS e-file Signature Authorization, allows taxpayers to authorize electronic return originators (EROs) to file their returns electronically.

171. a) Publication 1345 – Publication 1345, Handbook for Authorized IRS e-file Providers, outlines standards and requirements for electronic filing of tax returns.

172. a) \$50 per return, up to \$27,000 per year – Failure to provide a copy of the tax return to the taxpayer incurs a \$50 penalty per return, capped at \$27,000 annually for 2025, per IRC Section 6695(a).

173. b) Form 1040-X – Form 1040-X, Amended U.S. Individual Income Tax Return, is used to correct errors or make changes to a previously filed Form 1040.

174. b) Complete Form 8867 and verify eligibility – Due diligence for the EITC requires preparers to complete Form 8867, Paid Preparer's Due Diligence Checklist, and verify eligibility criteria, retaining documentation.

175. b) 3 years – Tax preparers must retain records of returns they prepared for at least 3 years, aligning with the general statute of limitations for IRS assessments.

176. **a) \$50 per return, up to \$
System: \$27,000 per year – Failure to include a PTIN on a return incurs a \$50 penalty per return, capped at \$27,000 annually for 2025, per IRC Section 6695(c).

177. a) Form 8822 – Form 8822, Change of Address, is used to report a change in a preparer's contact information to the IRS, ensuring accurate communication.

178. a) To submit paper documents with an e-filed return – Form 8453, U.S. Individual Income Tax Transmittal for an IRS e-file Return, is used to submit required paper documents, such as Forms W-2 or 1099, with an electronically filed return.

179. b) \$560 per return – The penalty for failing to comply with EITC due diligence requirements is \$560 per return for 2025, adjusted annually for inflation, per IRC Section 6695(g).

180. b) Use an Electronic Filing Identification Number (EFIN) – EROs must obtain an EFIN from the IRS to file returns electronically, ensuring compliance with e-filing protocols.

181. a) To allocate a refund to multiple accounts – Form 8888, Allocation of Refund, is used to direct a tax refund to multiple bank accounts or to purchase U.S. savings bonds.

182. a) Loss of EFIN – Failure to comply with IRS e-filing security standards can result in revocation of the Electronic Filing Identification Number, prohibiting the preparer from e-filing returns.

183. b) Publication 552 – Publication 552, Recordkeeping for Individuals, provides guidance on recordkeeping requirements for taxpayers and preparers, including what records to keep and for how long.

184. a) \$250 per disclosure, up to \$10,000 per year – Unauthorized disclosure of taxpayer information incurs a \$250 penalty per incident, capped at \$10,000 annually, under IRC Section 7216.

185. a) Form 3949-A – Form 3949-A, Information Referral, is used to report suspected tax fraud or violations to the IRS, allowing preparers to provide details anonymously if desired.

186. a) To explain e-filing security requirements – Publication 4557, Safeguarding Taxpayer Data, provides guidance on security standards for e-filing and protecting taxpayer information.

187. b) \$50 per return, up to \$27,000 per year – Failure to comply with mandatory e-filing requirements incurs a \$50 penalty per return, capped at \$27,000 annually for 2025, per IRC Section 6011(e).

188. a) Obtain written consent for disclosures – IRC Section 7216 requires preparers to obtain written consent before disclosing taxpayer information, except in specific circumstances allowed by law.

189. a) To provide guidance on individual tax filing – Publication 17, Your Federal Income Tax, provides comprehensive guidance for individuals on filing taxes, deductions, and credits.

190. a) Form 4506 – Form 4506, Request for Copy of Tax Return, is used to obtain a copy of a previously filed tax return from the IRS.

191. b) Complete Form 8867 and retain documentation – Due diligence for the Child Tax Credit requires completing Form 8867 and retaining documentation to verify eligibility, ensuring compliance with IRS rules.

192. b) 3 years – The IRS generally has 3 years from the date a return is filed to assess additional tax, unless exceptions like fraud or significant underreporting apply.

193. b) To allow a third party to receive tax information – Form 8821, Tax Information Authorization, allows a third party to receive or inspect a taxpayer's confidential tax information without representation authority.
194. b) Exercise due diligence in preparing returns – Circular 230 requires preparers to exercise due diligence in ensuring the accuracy of returns and verifying client information.
195. a) \$500 per incident – A preparer who endorses or negotiates a taxpayer's refund check faces a \$500 penalty per incident under IRC Section 6695(f).
196. b) Notify the client and recommend filing an amended return – Circular 230 requires preparers to advise clients of errors and recommend corrections, such as filing Form 1040-X, to comply with due diligence and ethical standards.
197. a) Publication 1 – Publication 1, Your Rights as a Taxpayer, details the Taxpayer Bill of Rights, outlining taxpayer protections during IRS interactions.
198. b) Inability to prepare returns for compensation – Failing to renew a PTIN annually prevents a preparer from legally preparing federal tax returns for compensation, per IRS regulations.
199. a) To explain representation before the IRS – Publication 947, Practice Before the IRS and Power of Attorney, provides guidance on representation rules and procedures for EAs and other practitioners.
200. b) Complete Form 8867 and verify eligibility – Due diligence for the American Opportunity Tax Credit requires completing Form 8867 and verifying eligibility, such as confirming qualified education expenses.
201. a) \$1,000 per return – Under IRC Section 6694(a), a preparer who understates a taxpayer's liability due to an unreasonable position faces a \$1,000 penalty per return, ensuring adherence to reasonable standards.