ENROLLED AGENT PRACTICE EXAMS

Part 1 - Individuals

ERRATA SHEET

SKILLPREP BOOKS

Enrolled Agent Practice Exams PART 1 - ERRATA SHEET

This document contains corrections and clarifications for *Enrolled Agent Practice Exams PART 1 2025-2026* by *SkillPrep Books* for editions published **before April, 2025.**

Some questions have been corrected, while others have been revised to enhance clarity.
Please use this information to update the content and ensure you have the most accurate version possible.

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PART 1 - PRACTICE EXAM #1

QUESTION 6

6. Which of these can be claimed as a credit on an estate tax return?

A. Charitable contributions
B. Credit for foreign death taxes paid
C. State death taxes paid
D. Amount paid as estimated tax

ANSWER: B. Credit for foreign death taxes paid
The federal estate tax calculated on Form 706 can be offset by certain tax credits. Allowable credits include the Unified Credit (applicable credit amount), the credit for tax on prior transfers, and the credit for foreign death taxes paid (§2014) on property included in the U.S. gross estate. Charitable contributions (A) and State death taxes paid (C) are generally claimed as *deductions* that reduce the taxable estate, not as credits against the tax itself under current law. The amount paid as estimated tax (D) represents payments made towards the tax liability, not a credit used in the tax computation. Therefore, among the options presented, the credit for foreign death taxes paid is a valid credit against the federal estate tax.
Topic: Estate Tax (Credits vs. Deductions)

QUESTION 11

11. Nancy and Neil, who have four children aged 6, 10, 14, and 23, support all of them. Their eldest is a full-time student earning $5,000 annually. If they file jointly, how many dependents are they allowed to claim?

A. 1
B. 2
C. 3
D. 4

ANSWER: D. 4
Children aged 6, 10, and 14: These children almost certainly meet the requirements to be qualifying children.
Child aged 23:
- Qualifying Child: Because the child is under 24, and a student, he meets the age test.
- Qualifying Relative: Because his income is $5,000, he does meet the gross income test for a qualifying relative (less than $5,050 for 2024).
Since all four children can be claimed, the correct answer is D.
Topic: Dependents - Qualifying Child/Relative Tests

QUESTION 13

13. Michael Brown, who works on an offshore oil rig in international waters, spent 28 days on and 28 days off during his schedule, returning to the U.S. in his off periods. He does not maintain a tax home outside of the United States. What part of his income can he exclude under the Foreign Earned Income Exclusion for his 2024 tax return?

A. $0
B. $28,200
C. $56,400
D. $112,000

ANSWER: A. $0
Since Michael spends significant time in the U.S. and does not meet either the physical presence test (at least 330 full days in a foreign country during a 12-month period) or the bona fide residence test (because his tax home is not in a foreign country) due to his work and residence pattern, he likely cannot claim the Foreign Earned Income Exclusion.
Topic: Foreign Earned Income Exclusion

QUESTION 14

14. Lisa, who is single, has an unrelated 7-year-old living with her since June. The child was not placed with her by an authorized placement agency, she is not the child's foster parent, and she is pursuing a private adoption. What is her correct filing status?

A. Lisa can file as head of household.
B. Lisa can claim a credit for qualified adoption expenses in the current year, even if the adoption is not final.
C. Lisa can claim the child as her dependent on her return.
D. Lisa should file as a single taxpayer.

ANSWER: **D. Lisa should file as a single taxpayer.**
Since the adoption has not been finalized and the child was not placed by an authorized agency, Lisa cannot claim the child as a dependent nor file as head of household. Adoption expenses are also not creditable until the adoption is finalized.
Topic: Filing Status and Adoption

QUESTION 16

ANSWER: D. $133,300
For 2024, the AMT exemption amounts are:
Single/Head of Household: $85,700, Married Filing Jointly/Qualifying Surviving Spouse: $133,300
Married Filing Separately: $66,650
Phaseout thresholds:
Single/Head of Household: $609,350, Married Filing Jointly/Qualifying Surviving Spouse: $1,218,700, Married Filing Separately: $609,350
Eduardo is married filing jointly, so his base exemption is $133,300. Because his AMTI ($271,000) is well below the phaseout threshold ($1,218,700), he does *not* need to reduce his exemption. He can subtract the full $133,300.
Topic: Alternative Minimum Tax (AMT) Exemption

QUESTION 24

24. Daniel is employed by Z-Tech Corp. In calendar year 2024, Z-Tech Corp pays Daniel wages of $240,000. Daniel is married and files a joint tax return with his wife, Samantha. Ignoring any other income or deductions, what is the minimum amount of Additional Medicare Tax that Z-Tech Corp. is legally required to withhold from Daniel's 2024 wages?

A. $0
B. $360
C. $720
D. An amount dependent on Samantha's income

ANSWER: B. $360
Employers are required to withhold Additional Medicare Tax (0.9%) on any wages they pay to an employee that exceed $200,000 in a calendar year. This withholding requirement is based solely on the individual employee's wages, and it is independent of the employee's filing status, spouse's income, or any other factors. Daniel's wages exceed $200,000 by $40,000 ($240,000 - $200,000). Therefore, Z-Tech Corp. must withhold 0.9% of $40,000, which is $360 (0.009 * $40,000). The question specifically asks for the minimum amount legally required to be withheld, making $360 the only correct answer.
Topic: Additional Medicare Tax Withholding

QUESTION 27

27. Which of the following items from last year's tax return is typically unnecessary for completing this year's return?

A. State income tax refund
B. Alternative Minimum Tax (AMT) carryforward credit
C. Total amount of itemized deductions claimed on the prior year's return
D. Capital gain or loss carryover

ANSWER: C. Total amount of itemized deductions claimed on the prior year's return
Items like prior year State income tax refund details (A), AMT carryforward credits (B), and Capital gain or loss carryovers (D) are typically necessary for current year tax calculations if those situations apply, as they directly impact taxable income or credits.
However, the 'Total amount of itemized deductions claimed on the prior year's return' (C) is generally not a figure directly used in the current year's tax computation. While knowing if itemization occurred in the prior year can be relevant (e.g., for state refund taxability), the specific prior year total itself isn't carried over or directly used to calculate current year deductions or tax liability. Current year itemization decisions are based on current year expenses and the current year standard deduction.
Topic: Tax Return Preparation

QUESTION 28

28. Sarah purchased 100 shares of ABC stock on a Tuesday. According to IRS rules for determining the holding period of this stock, on what day does Sarah's holding period begin?

A. The day Sarah purchased the stock.
B. The day before Sarah purchased the stock.
C. The day after Sarah purchased the stock.
D. Two business days after Sarah purchased the stock.

ANSWER 28 - C. The day after Sarah purchased the stock.
IRS Publication 551 clearly states that the holding period for a purchased asset begins on the day *after* the asset was acquired. This is a fundamental rule for determining whether a capital gain or loss is short-term or long-term.
Topic: Holding Period

QUESTION 29

29. In 2024, Richard Peterson files a joint tax return with his wife, Sarah. They provide all of the financial support for the following individuals:
Sarah's uncle, who lived in a separate residence for the entire year.
Sarah's 15 year-old cousin, who lived with Richard and Sarah for five months, then with his parents.
Neither Sarah's uncle nor her cousin had any income. Who, besides Sarah, can Richard claim as a dependent on their 2024 joint tax return?

A. Sarah's uncle and Sarah's cousin.
B. Only Sarah's uncle.
C. Only Sarah's cousin.
D. Neither Sarah's uncle nor Sarah's cousin.

ANSWER: B. Only Sarah's uncle.
Evaluate dependency for each:
Uncle: Qualifies as a Qualifying Relative (QR). He meets the relationship, gross income (no income, < $5,050 limit for 2024), and support tests. An uncle does not need to live with the taxpayer.
Cousin (15): Does not qualify.
- Not a Qualifying Child (QC) because he lived with them only 5 months (fails >6 month residency test).
-Not a Qualifying Relative (QR) because, as a cousin who is not a QC, he would need to live with the taxpayer for the entire year to meet the member of household test for a QR. Five months is insufficient.
Conclusion: Only Sarah's uncle qualifies as a dependent.
Topic: Dependents (Qualifying Relative Tests - Residency/Relationship)

QUESTION 35

35. Marcus is a degree candidate at Georgia State University. In the fall semester of 2024, he received a $3,100 scholarship specifically designated for tuition and required course materials. He used the entire scholarship to cover $2,500 for tuition and $600 for required textbooks. How much of the scholarship does Marcus report as taxable income on his 2024 tax return?

A. $0
B. $600
C. $2,500
D. $3,100

ANSWER: A. $0
Scholarships used for qualified education expenses at an eligible educational institution are tax-free. Qualified expenses include tuition and fees required for enrollment or attendance, and books, supplies, and equipment required for courses. Since the scholarship was specifically designated for tuition and required course materials, and Marcus used the entire amount for those purposes, none of the scholarship is taxable.
Topic: Taxable Scholarships

QUESTION 42

42. Alex, age 63 and single, earned wages and several types of income this year. He has wages of $12,000, interest income of $4,000, dividends of $3,000, municipal bond interest of $2,000, state unemployment compensation of $5,000, and Social Security benefits of $5,000. What is his adjusted gross income?

A. $19,000
B. $24,000
C. $25,000
D. $29,000

ANSWER: C. $25,750
AGI includes taxable income sources. Exclude municipal bond interest ($2k). Calculate taxable SS: Other taxable income = $12k (wages) + $4k (interest) + $3k (dividends) + $5k (unemployment) = $24,000. Provisional Income (PI) = $24k + $2k (tax-exempt) + 0.5*$5k (SS) = $28,500. For single, taxability starts > $25k. Taxable SS = lesser of 0.5*$5k ($2,500) or 0.5*($28.5k-$25k) = 0.5*$3.5k = $1,750. AGI = $24,000 (other taxable income) + $1,750 (taxable SS) = $25,750.
Topic: Adjusted Gross Income (AGI Calculation with Social Security)

QUESTION 43

43. Nathan Turner's estate had a gross value of $5,000,000 at the time of his death in 2024. Allowable deductions for expenses and debts totaled $600,000. Considering the applicable unified credit and exemption for 2024, what is the amount of federal estate tax due from Nathan Turner's estate?

A. $0
B. $600,000
C. $4,400,000
D. $5,000,000

ANSWER: A. $0
Federal estate tax is imposed on the taxable estate (Gross Estate - Deductions) exceeding the applicable exclusion amount. For 2024, the exclusion amount is $13,610,000. Nathan's taxable estate is $5,000,000 (Gross) - $600,000 (Deductions) = $4,400,000. Since the taxable estate ($4.4M) is less than the 2024 exclusion amount ($13.61M), the unified credit available will completely offset any calculated tentative tax. The federal estate tax due is $0.
Topic: Estate Tax (Calculation - Applicable Exclusion Amount)

QUESTION 54

54. Daniel, age 38, is a widowed taxpayer with two minor children and provides for all household costs. His spouse passed away in the previous year. Which filing status would likely offer him the lowest tax rate?
A. Married filing separately
B. Head of household
C. Qualifying Surviving Spouse with dependent child
D. Married filing jointly

Question 54 - C. Qualifying Surviving Spouse with dependent child
A taxpayer whose spouse died in the *previous* tax year may be eligible to use the Qualifying Surviving Spouse (QSS) filing status for the current tax year (and the next year) if they meet certain conditions: have not remarried, could have filed MFJ in the year of death, and provide >50% of the cost of maintaining a home for the entire year for their dependent child. Daniel's spouse died in 2023 (the previous year). He meets the conditions for 2024 (widowed, supports dependent children living with

him). QSS status provides the same standard deduction and tax brackets as MFJ, which is generally more favorable than Head of Household (B) or Single. MFJ (D) is only available in the year of death.
Topic: Filing Status

QUESTION 67

67. Laura, who files jointly with her spouse, operates a business that posted $120,000 in qualified business income in 2024. With total taxable income amounting to $370,000, $35,000 paid in employee wages, and $60,000 invested in qualified property, what QBI deduction can she claim for the year?

A. $0
B. $17,500
C. $24,000
D. $60,000

ANSWER: C. $24,000
The Qualified Business Income (QBI) deduction is generally the lesser of 20% of QBI or 20% of taxable income (before the QBI deduction). For taxpayers above certain thresholds ($383,900 MFJ in 2024), W-2 wage/UBIA limits apply (unless it's an SSTB, where the deduction phases out entirely). Laura's taxable income ($370,000) is below the 2024 MFJ threshold where these limits begin for non-SSTBs. Her deduction is the lesser of (1) 20% * $120,000 QBI = $24,000, or (2) 20% * $370,000 Taxable Income = $74,000. The lesser amount is $24,000.
Topic: Qualified Business Income (QBI) Deduction (Calculation Below Threshold)

QUESTION 76

76. After Laura passed away in June of the current year, her estate was valued, including: a personal residence valued at $500,000 with a $150,000 mortgage; a savings account totaling $200,000 with $20,000 accrued interest; a stock portfolio valued at $2,500,000 with a basis of $1,000,000; and a life insurance policy worth $200,000 naming her son as the irrevocable beneficiary. Assuming no alternate valuation date is elected, what is the gross value of her estate?

A. $2,500,000
B. $2,870,000
C. $3,200,000
D. $3,220,000

ANSWER: D. $3,220,000
The gross estate includes the fair market value (FMV) of all property the decedent owned or had an interest in at death. Life insurance proceeds payable to named beneficiaries are included only if the decedent possessed any "incidents of ownership" in the policy at death. Assuming Laura held no such incidents over the policy payable to her irrevocable beneficiary son, it's excluded. Gross Estate = $500,000 (residence FMV; mortgage is a deduction) + $220,000 (savings + accrued interest) + $2,500,000 (stock FMV) + $0 (life insurance) = $3,220,000.
Topic: Estate Tax (Gross Estate Components - Life Insurance)

QUESTION 95

ANSWER: A. $7,000
The annual gift exclusion for 2024 is $18,000. Eleanor's gift exceeds this by $7,000, which is the taxable portion.
Topic: Gift Tax

PART 1 - PRACTICE EXAM #2

QUESTION 9

9. Jonathan Moore, a member of a religious order with a vow of poverty, takes a job and works as an employee of St. Jude's Hospital, a separate, tax-exempt organization, earning a $12,000 annual salary. As required by his vow of poverty, Jonathan turns over his entire salary to the religious order. What amount of this $12,000 salary is included in Jonathan's gross income for federal income tax purposes?

A. $0
B. $3,000
C. $6,000
D. $12,000

ANSWER: D. $12,000
Generally, income earned by an individual is taxable to that individual, even if they have taken a vow of poverty and turn the earnings over to a religious order. When a member of an order works as an employee for an outside organization (like St. Jude's Hospital, a separate entity), the salary earned is typically considered income earned in their individual capacity.
Although Jonathan turns over his salary due to his vow, the $12,000 was earned through his employment relationship with the hospital. Therefore, the full $12,000 salary is included in Jonathan's gross income for federal income tax purposes. The vow or assignment of income does not shift the tax liability away from the person who earned the income in this type of employment situation.
Topic: Gross Income (Members of Religious Orders - Outside Employment)

QUESTION 19

19. Peter is evaluating whether he can claim his uncle, George, as a dependent on his 2024 tax return. George is not disabled and is under 65. George's only sources of income during the year were:
- Gross rental income from a property he owns: $4,000
- Expenses directly related to the rental property: $3,000
- Interest received from a municipal bond: $1,200
- Ordinary dividends from stocks: $2,000
- No social security income
Peter provided more than half of George's total support. For the purpose of determining whether Peter can claim George as a qualifying relative dependent, what is George's gross income according to IRS rules?

A. $3,000 B. $5,200 C. $6,000 D. $12,200

ANSWER: C. $6,000
To determine if George can be claimed as a qualifying relative, his gross income must be below the limit for the tax year ($5,050 for 2024). Gross income for this test includes all income that is not tax-exempt. George's gross income includes the Gross rental income ($4,000) and the Ordinary dividends ($2,000). Expenses related to rental income are not subtracted for this calculation. Interest from municipal bonds ($1,200) is tax-exempt and therefore not included in gross income for this test. George's gross income is $4,000 + $2,000 = $6,000. (Note: Because George's gross income of $6,000 exceeds the $5,050 limit for 2024, Peter cannot claim him as a dependent).
Topic: Dependents

QUESTION 22

22. Which of the following conditions must be met for a taxpayer to qualify for tax benefits on foreign earned income?

A. The taxpayer passes the tax home test.
B. The taxpayer passes the bona fide residence test.
C. The taxpayer passes the physical presence test.
D. The taxpayer meets the tax home test, and meets either the bona fide residence test or the physical presence test.

ANSWER: D. The taxpayer meets the tax home test, and meets either the bona fide residence test or the physical presence test.
To qualify for the foreign earned income exclusion, a U.S. taxpayer must meet the tax home test and satisfy either the bona fide residence test or the physical presence test.
Topic: Foreign Earned Income Exclusion Eligibility

QUESTION 29

29. In 2024, a taxpayer has a taxable income of $120, a net operating loss (NOL) from before the Tax Cuts and Jobs Act (TCJA) of $70, and a 2023 NOL of $60. How much of the 2024 taxable income can the taxpayer offset on their tax return?

A. $0
B. $60
C. $70
D. $110

ANSWER: D. $110

Net Operating Losses (NOLs) carried forward are used to offset taxable income, subject to certain rules. Pre-TCJA NOLs (arising in tax years beginning before 2018) can generally offset 100% of taxable income. NOLs arising in tax years beginning after 2017 (like the 2023 NOL) are generally limited to offsetting 80% of taxable income remaining after deducting any pre-TCJA NOLs. For 2024:
Taxable income = $120.

Apply the pre-TCJA NOL first: $70. This offsets $70 of income. Remaining taxable income = $120 - $70 = $50.
Apply the 2023 NOL ($60). The deduction is limited to 80% of the remaining taxable income: 80% * $50 = $40. The taxpayer can use $40 of the 2023 NOL.
Total taxable income offset = $70 (from pre-TCJA NOL) + $40 (from 2023 NOL) = $110.
Topic: Net Operating Losses (NOLs)

QUESTION 35

35. Nathan inherits a painting in 2024. The painting's fair market value on the date of the previous owner's death (and therefore Nathan's basis) was $6,000. Nathan spends $1,500 on documented conservation efforts that are considered improvements to the painting, increasing its basis. He later sells the painting for $9,000. Nathan's taxable income for 2024, not including this transaction, is $70,000. Assume Nathan has held the painting for more than one year. He has no other capital gains or losses. What amount of federal income tax is specifically attributable to the gain on the sale of the painting?

A. $420
B. $225
C. $330
D. $1,500

ANSWER: C. $330
Nathan's basis in the inherited painting is its Fair Market Value (FMV) on the date of death ($6,000), increased by capital improvements ($1,500), resulting in an adjusted basis of $7,500. The sale price was $9,000, leading to a long-term capital gain of $1,500 ($9,000 - $7,500). Inherited property automatically qualifies for long-term treatment. Gains on collectibles held long-term are taxed at the lower of the taxpayer's ordinary income tax rate or 28%. With $70,000 in taxable income (2024, single), Nathan is in the 22% ordinary income tax bracket. Since 22% is lower than 28%, the gain is taxed at 22%. The tax attributable to the painting's sale is $1,500 * 0.22 = $330.
Topic: Capital Gains Tax on Collectibles; Basis Adjustment

QUESTION 36

36. Eli donates $350 to a university's athletic scholarship program in 2024. Separately, he purchases season tickets to the university's football games for their fair market value of $150. What portion of his $350 donation to the athletic scholarship program is deductible as a charitable contribution?

A. $0
B. $150
C. $200
D. $350

ANSWER: D. $350
Charitable contributions are generally deductible if made to qualified organizations. The Tax Cuts and Jobs Act eliminated the deduction for contributions made in exchange for the right to purchase tickets or seating at university athletic events. However, Eli's $350 donation was made to the university's athletic scholarship program, and the question does not state it conferred any right to purchase tickets (he purchased tickets separately at Fair Market Value). Assuming the $350 donation provided no substantial benefit in return (quid pro quo), the entire amount is potentially deductible as a charitable contribution, subject to AGI limitations.
Topic: Charitable Contributions

QUESTION 38

38. Rachel buys 200 shares at $90 each, and subsequent to her purchase, a 3-for-1 stock split occurs. What is the new basis per share after adjusting for the split?

A. $0
B. $30
C. $90
D. $180

ANSWER: B. $30
A stock split changes the number of shares owned and the basis per share, but the total basis of the investment remains the same. Rachel initially had 200 shares at $90 each, for a total basis of $18,000 (200 * $90). A 3-for-1 stock split means she now owns three times the original number of shares: 200 * 3 = 600 shares. To find the new adjusted basis per share, divide the total basis by the new number of shares: $18,000 / 600 shares = $30 per share.
Topic: Basis of Assets (Stock Splits)

QUESTION 48

48. For 2024, what is the maximum amount a 40-year-old taxpayer can claim as a deductible for qualified long-term care insurance premiums on Schedule A of Form 1040?

A. $280
B. $450
C. $470
D. $480

ANSWER: C. $470
The IRS provides specific age-based limits on the deductibility of long-term care insurance premiums. These are deductible as an itemized deduction on Schedule A, subject to the 7.5% of AGI limitation for medical expenses. For an individual who is age 40 or less at the close of the taxable year, the limit for 2024 is $470.
Topic: Deductible Medical Expenses on Schedule A

QUESTION 60

60. Which statement about tip income reporting is correct?

A. If the taxpayer is an indirectly tipped employee (e.g., a busser or bartender), they are not required to report tips to their employer.
B. Any tips the taxpayer reported to their employer are to be included in the wages in box 1 (Wages, tips, other compensation) of their Form W-2.
C. If the only tips a taxpayer receives in a month are charged tips (e.g., credit and debit card charges) distributed to them by their employer, they are not required to report these tips to the employer.
D. The taxpayer must report the value of all non-cash tips, such as tickets or passes, to their employer on Form 4070.

QUESTION 61

61. An unmarried taxpayer fully supports an elderly parent living separately. The taxpayer is claiming the parent as a dependent. Which filing status should the taxpayer use that is generally most beneficial?

A. Single
B. Head of household
C. Qualifying Surviving Spouse
D. Married filing separately

ANSWER: B. Head of household
Head of Household filing status generally provides a lower tax rate and a higher standard deduction than Single filing status. To qualify for Head of Household, the taxpayer must be unmarried (or considered unmarried) and pay more than half the costs of keeping up a home for a qualifying person. A parent *can* be a qualifying person, even if they don't live with the taxpayer, *provided* the taxpayer pays more than half the costs of keeping up the parent's *main home* for the entire year, *and* the taxpayer can claim the parent as a dependent. The taxpayer does not need to live in the same home. Qualifying Surviving Spouse is only available for two years following the death of a spouse, and Married Filing Separately generally results in a higher tax liability than Head of Household.
Topic: Head of Household Filing Status

QUESTION 65

65. Captain Margaret Jones was stationed in Afghanistan from December 1, 2022, to March 31, 2024. Considering the tax provisions for military personnel in combat zones, what is her tax filing deadline for the 2024 tax year?

A. April 15, 2025
B. October 15, 2025
C. June 15, 2025
D. January 15, 2025

ANSWER: A. April 15, 2025
Combat zone tax deadlines are automatically extended for at least 180 days after leaving the zone. Captain Jones left the combat zone March 31, 2024, so this 180-day period ended around September 27, 2024. Her 2024 tax return's normal due date (April 15, 2025) is after this extension period ended. Thus, her 2024 filing deadline is April 15, 2025.
Topic: Military Tax Filing Deadlines (Combat Zone)

QUESTION 68

68. What is the base amount used in the calculation of the Credit for the Elderly or the Disabled for a single taxpayer aged 65 or older in 2024?

A. $3,750
B. $5,000
C. $3,500
D. $4,000

ANSWER: B. $5,000
The Credit for the Elderly or the Disabled is a nonrefundable credit calculated using Schedule R (Form 1040). The calculation starts with an "initial amount" based on filing status and age. For a single individual age 65 or older, the initial amount is $5,000. This initial amount is then reduced by nontaxable Social Security benefits, other nontaxable pensions, and one-half of adjusted gross income (AGI) above certain limits.
Topic: Credit for the Elderly or the Disabled

QUESTION 72

72. Which statement about Publicly Traded Partnerships (PTPs) is incorrect?

A. A PTP is any partnership where interests are traded on an established securities market (or readily tradable on a secondary market).
B. A PTP can sometimes be treated as a corporation for tax purposes.
C. A PTP with effectively connected income (ECI) must withhold tax on distributions of that ECI to its foreign partners at the highest tax rate applicable to that type of partner.
D. A PTP's withholding rate on distributions of ECI to foreign partners is always a flat 37%.

ANSWER: D. A PTP's withholding rate on distributions of ECI to foreign partners is always a flat 37%.
This statement is *incorrect*. While PTPs with ECI must withhold tax on distributions to foreign partners, the withholding rate is *not* a flat 37%. Instead, the withholding rate is the *highest tax rate applicable to the specific type of partner* (individual, corporation, etc.) receiving the distribution. For example, if the foreign partner is an individual, the withholding rate would be the highest individual income tax rate for the relevant year. If the partner is a corporation, the highest corporate rate would apply. Options A, B, and C are all correct statements about PTPs.
Topic: Publicly Traded Partnerships (PTPs); Withholding on ECI

QUESTION 75

75. Which of the following is *not* included in "provisional income" when calculating the potential taxability of Social Security benefits?

A. Taxable distributions from a traditional IRA.
B. Interest earned on municipal bonds.
C. Wages earned from a part-time job.
D. The excluded portion of a qualified charitable distribution (QCD) from an IRA.

ANSWER: D. The excluded portion of a qualified charitable distribution (QCD) from an IRA.
To determine if Social Security benefits are taxable, you calculate "provisional income" (also known as "combined income"). This includes:
- One-half of Social Security benefits.
- Most other taxable income, such as wages, taxable pensions, interest, dividends, and traditional IRA distributions.
- Tax-exempt interest (e.g., from municipal bonds).
However, a qualified charitable distribution (QCD) from an IRA, which is directly transferred from the IRA trustee to an eligible charity, is excluded from gross income. Because it's excluded from gross income, it's also not included in the provisional income calculation. All the other options are included in provisional income.
Topic: Taxability of Social Security Benefits (Provisional Income)

QUESTION 77

77. Alice, age 48, has sufficient earned income to contribute the maximum to her IRAs, and her Modified Adjusted Gross Income (MAGI) is low enough to allow her to contribute the maximum to a Roth IRA. Her employer, ACME Tools, contributes $5,500 to her SEP-IRA, and Alice adds $3,500 herself to the SEP-IRA. What is the maximum amount Alice can contribute to a Roth IRA at a different investment company in 2024?

A. $0
B. $3,500
C. $5,500
D. $7,000

ANSWER: D. $7,000
Contributions to a SEP-IRA, whether made by the employer or the employee (in the case of self-employment), do not affect an individual's ability to contribute to a separate Roth IRA or traditional IRA. The SEP-IRA has its own, separate contribution limits. For 2024, the maximum contribution an individual under age 50 can make to a Roth IRA (or a traditional IRA, or a combination of the two) is $7,000, provided they meet the earned income and MAGI requirements. The revised question explicitly states that Alice does meet both of these requirements. Therefore, she can contribute the full $7,000 to her Roth IRA. The amounts contributed to the SEP-IRA are

irrelevant to this calculation.
Topic: IRA Contribution Limits (SEP-IRA vs. Roth IRA)

QUESTION 80

80. Peter, a single taxpayer, is certified legally blind by his ophthalmologist on December 1, 2024, due to a degenerative eye condition. He is 55 years old. What is the amount of the additional standard deduction Peter can claim on his 2024 tax return specifically because of his blindness?

A. $1,950
B. $1,600
C. $0
D. $3,200

ANSWER: A. $1,950
Taxpayers who are blind or age 65 or older are entitled to an additional standard deduction amount above the regular standard deduction. For 2024, the additional standard deduction for a single individual who is either blind or 65 or older is $1,950. Since Peter is certified legally blind, he qualifies for this additional standard deduction. The question specifically asks for the additional amount due to blindness.
Topic: Standard Deduction (Additional Amount for Blindness)

QUESTION 81

81. For 2024, Kelly is unmarried and paid more than half the cost of keeping up her home. All of the following dependents would qualify Kelly to file as head of household except:

A. Kelly's granddaughter, who lived with her but was absent from her home for 10 months in 2024 while attending boarding school.
B. Kelly's married daughter, who could properly be claimed as a dependent on her mother's return only.
C. Kelly's mother, whom she can claim as a dependent and whose main home for 2024 was a home for the elderly for which Kelly paid more than one-half the cost.
D. Kelly's brother, whom Kelly can claim as a dependent, who lived with her for the first five months of the year and then moved into his own separate apartment before passing away later in the year.

ANSWER: D. Kelly's brother, whom Kelly can claim as a dependent, who lived with her for the first five months of the year and then moved into his own separate apartment before passing away later in the year.
To qualify for Head of Household status, Kelly must provide a home for a qualifying person for more than half the year (with special rules for parents and temporary absences). Kelly's brother, who moved out to live independently before his death and did not live with Kelly until his death, nor did Kelly maintain his separate main home until death, would not qualify Kelly under the standard rules

or the special rule for a deceased qualifying person.
Topic: Filing Status (Head of Household Qualifying Person)

QUESTION 85

85. Lauren's husband Mark passed away in October 2024. She supports their two young children, ages 9 and 11, and has not remarried. What filing status can Lauren use in 2024 and for the next two tax years, assuming she remains unmarried?

A. Married Filing Jointly for 2024; Qualifying Surviving Spouse for 2025 and 2026.
B. Qualifying Surviving Spouse for 2024, 2025, and 2026.
C. Married Filing Jointly for 2024, 2025, and 2026.
D. Head of Household for 2024, 2025 and 2026.

ANSWER: A. Married Filing Jointly for 2024; Qualifying Surviving Spouse for 2025 and 2026.
For 2024, the year her husband Mark passed away, Lauren can file as Married Filing Jointly. For the two tax years following the year of her husband's death (2025 and 2026), if she remains unmarried, has a dependent child living with her for the entire year, and pays more than half the cost of maintaining her home, she can use the Qualifying Surviving Spouse filing status. This status allows her to use the married filing jointly tax rates and standard deduction.
Topic: Filing Status (Surviving Spouse)

QUESTION 88

88. Which type of income is not reported on Form 1099-MISC?

A. Rents of $600 or more
B. Non-employee compensation over $600
C. Medical and health care payments of $600 or more made in the course of a trade or business
D. Crop insurance proceeds of $600 or more

ANSWER: B. Non-employee compensation over $600
Since the introduction of Form 1099-NEC, non-employee compensation is reported on this form instead of Form 1099-MISC.
Topic: Forms for Reporting Income

QUESTION 89

89. Emma Thompson has a savings account. Due to restrictions on withdrawals, she can only access a portion of her funds at this time. During the year, $90 of interest was credited to her account and made available for withdrawal. An additional $20 of interest accrued on the account, but was not yet credited and was not available for withdrawal due to the account restrictions. What amount of interest should Emma include in her income for the year?

A. $0
B. $20
C. $90
D. $110

ANSWER: C. $90
Under the doctrine of constructive receipt, income is taxable when it is credited to the taxpayer's account, set apart for them, or otherwise made available for withdrawal. In this case, only $90 of interest was actually credited and made available. The additional $20, while accrued, was not constructively received because it was not yet credited and was not available for withdrawal.
Topic: Interest Income; Constructive Receipt
