

Enrolled Agent Practice Exams PART 1 XL ERRATA SHEET

This document contains corrections and clarifications for *Enrolled Agent Practice Exams PART 1 XL 2025-2026* by *SkillPrep Books* for editions published **before May 22, 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 #1.1

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 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 29

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 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 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 #1.2

QUESTION 12

ANSWER: B (\$3,990)

The net investment income tax (NIIT) is 3.8%. Martin owes NIIT on the lesser of his net investment income or the amount his MAGI exceeds the threshold (\$200,000 for single filers). Martin's MAGI exceeds this threshold by \$105,000 (\$305,000 - \$200,000). Thus, the NIIT would be 3.8% of \$105,000 (since \$105,000 is the excess over the threshold and less than his total net investment income of \$120,000). Thus, NIIT = 3.8% of \$105,000 = \$3,990.

Topic: Net Investment Income Tax

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 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.
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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

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 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

PART 1 - PRACTICE EXAM #1.3

QUESTION 26

26. John is the executor for his aunt's estate. His aunt passed away on February 10, 2024. John filed Form 4868, Application for Automatic Extension of Time To File U.S. Individual Income Tax Return. What is the extended due date for the aunt's final income tax return?

- A. June 10, 2025
- B. July 15, 2025
- C. August 15, 2025
- D. October 15, 2025

ANSWER: D. October 15, 2025

The final income tax return for a decedent is due on the regular due date that would have applied had the taxpayer lived. This is typically April 15th of the year following the year of death. Since John's aunt died on February 10, 2024, her 2024 income tax return would have been due on April 15, 2025. Filing Form 4868 grants an automatic 6-month extension to file the return. Therefore, adding 6 months to April 15, 2025, the extended due date for the aunt's final income tax return is October 15, 2025.

Topic: Decedent's Final Tax Return

QUESTION 27

27. Which item is crucial to carry over from your 2023 tax return to accurately calculate your itemized deductions on your 2024 return?

- A. Your 2023 filing status.
- B. The amount of your 2023 standard deduction.
- C. A charitable contribution carryover from 2023 due to AGI limitations.
- D. Your 2023 Social Security number.

ANSWER: C. A charitable contribution carryover from 2023 due to AGI limitations.

To accurately calculate your total itemized deductions on your 2024 Schedule A, it is crucial to consider any carryovers from your 2023 tax return. One common carryover that directly impacts itemized deductions is a charitable contribution carryover. If your deductible charitable contributions in 2023 were limited because they exceeded a certain percentage of your Adjusted Gross Income (AGI), the excess amount can be carried forward for up to five years. This carryover amount from 2023 would then be included in your 2024 charitable contribution calculation. Other examples of carryovers that can affect itemized deductions include investment interest expense carryovers. Your prior year's filing status, standard deduction amount, or Social Security number are not carryover items that are directly used to calculate the *amount* of current year itemized deductions (though filing status affects overall tax liability and standard deduction amounts).

QUESTION 38

38. What is a key difference between filing the FBAR (FinCEN Form 114) and Form 8938 (Statement of Specified Foreign Financial Assets)?

- A. The FBAR is filed with the IRS; Form 8938 is filed with FinCEN.
- B. FBAR thresholds are based on asset type; Form 8938 thresholds are fixed at \$10,000.
- C. Form 8938 covers a broader range of foreign assets, including some not held in accounts.
- D. Only U.S. citizens file Form 8938; only U.S. residents file the FBAR.

Question 38 - C. Form 8938 covers a broader range of foreign assets, including some not held in accounts.

A key distinction is the scope of reportable assets. The FBAR (FinCEN Form 114) primarily targets foreign financial *accounts*. Form 8938 (Statement of Specified Foreign Financial Assets), filed with the IRS, requires reporting of these accounts *and also* other "specified foreign financial assets" which may include items like directly owned foreign stock or bonds, interests in foreign entities, and certain foreign derivatives, even if not held in an account. Other differences include varying reporting thresholds and the filing agency.

Topic: Foreign Asset Reporting (FBAR vs Form 8938)

QUESTION 54

54. Sarah, age 30, is unmarried and supports her 8-year-old son, who lives with her. Her son is a qualifying child. Which filing status would likely offer her the lowest tax liability?

- A. Single
- B. Head of Household
- C. Qualifying Surviving Spouse
- D. Married Filing Separately

ANSWER: B. Head of Household

Filing status significantly impacts tax liability through different standard deduction amounts and tax brackets. For an unmarried individual supporting a qualifying child who lives with them for more than half the year, Head of Household (HoH) status generally provides a more favorable tax outcome than filing as Single. HoH status offers a larger standard deduction (\$21,900 vs. \$14,600 for Single in 2024) and wider tax brackets at lower rates. Qualifying Surviving Spouse status has specific requirements related to a deceased spouse not mentioned here, and Married Filing Separately requires being married. Therefore, Head of Household would likely offer Sarah the lowest tax liability.

Topic: Filing Status (Tax Liability Comparison)

QUESTION 72

72. Emily, a single filer, has \$180,000 in wages subject to Medicare tax and \$50,000 in net self-employment income in 2024. What amount of her income is subject to the regular (not Additional) Medicare tax?

- A. \$180,000
- B. \$226,175
- C. \$230,000
- D. \$46,175

ANSWER: B. \$226,175

The regular Medicare tax applies to wages and net earnings from self-employment. Emily's wages of \$180,000 are fully subject to the regular Medicare tax. For self-employment income, the amount subject to regular Medicare tax is 92.35% of the net self-employment income: $\$50,000 * 0.9235 = \$46,175$. The total amount of her income subject to the regular Medicare tax is the sum of these two components: $\$180,000$ (wages) + $\$46,175$ (SE base) = $\$226,175$.

Topic: Medicare Tax (Tax Base)

PART 1 - PRACTICE EXAM #1.4

QUESTION 54

54. Emily, a single taxpayer, has \$150,000 in wages and \$60,000 in net earnings from self-employment. What amount is subject to the regular Medicare tax (not the Additional Medicare Tax)?

- A. \$96,590
- B. \$150,000
- C. \$205,410
- D. \$210,000

Question 54 - C. \$205,410

The regular Medicare tax (1.45% employee/employer share, 2.9% self-employment rate) applies to all covered earnings, including wages and net earnings from self-employment, without an upper limit. The Additional Medicare Tax (0.9%) applies separately above certain income thresholds. The base subject to the regular Medicare tax system includes all wages subject to Medicare (\$150,000) plus the portion of net self-employment earnings subject to SE tax ($\$60,000 * 0.9235 = \$55,410$). Option C represents the total gross earnings from both sources ($\$150,000$ wages + $\$55,410$ net SE income = $\$205,410$), all of which forms the basis for calculating the applicable Medicare tax components.

Topic: Medicare Tax (Tax Base)

QUESTION 61

61. An unmarried taxpayer, age 40, supports their 10-year-old niece, who lives with them the entire year. The niece is not the taxpayer's dependent, because the niece's parent (the taxpayer's sibling) claims her. Which filing status should the taxpayer use?

- A. Single
 - B. Head of Household
 - C. Qualifying Surviving Spouse
 - D. Married Filing Separately
-

QUESTION 73

73. What is the statute of limitations for the IRS to assess additional tax related to unreported foreign assets reported on an FBAR?

- A. 3 years from the date the return was filed.
- B. 6 years from the FBAR report's due date.
- C. There is no statute of limitations.
- D. It depends on whether the failure to report was willful.

Question 73 - B. 6 years from the FBAR report's due date.

The statute of limitations sets the time frame for the government to assess penalties. For civil penalties related to the failure to file the Report of Foreign Bank and Financial Accounts (FBAR, FinCEN Form 114), the statute of limitations under Title 31 of the U.S. Code is generally 6 years from the due date of the FBAR report (which is typically April 15th, automatically extended to October 15th, following the calendar year reported). This differs from the standard 3-year statute for assessing additional income tax.

Topic: Foreign Account Reporting (FBAR Statute of Limitations)

QUESTION 81

81. Robert is unmarried and supports his cousin, who lives with him all year. His cousin has no gross income and is not claimed as a dependent by anyone else. Which filing status should Robert use?

- A. Single
 - B. Qualifying Surviving Spouse
 - C. Head of Household
 - D. Married Filing Separately
-

QUESTION 85

85. Susan's husband, Mark, died in 2022. She has not remarried and supports her dependent child, who lives with her. What filing status can Susan use in 2024?

- A. Married Filing Jointly
- B. Qualifying Surviving Spouse
- C. Head of Household
- D. Single

ANSWER: B. Qualifying Surviving Spouse

A taxpayer whose spouse died may use the Qualifying Surviving Spouse (QSS) filing status for the two tax years following the year of death if they meet certain conditions: they haven't remarried by the end of the tax year, they could have filed MFJ in the year of death, and they paid over half the cost of keeping up a home that was the main home for their dependent child or stepchild for the entire year. Mark died in 2022. For 2024 (the second year after death), Susan meets these conditions (not remarried, supports dependent child living with her). QSS status allows her to use the MFJ tax rates and standard deduction, which is more beneficial than Head of Household or Single.

Topic: Filing Status (Qualifying Surviving Spouse)