

ENROLLED AGENT PRACTICE EXAMS

Part 1 - Individuals



ERRATA SHEET

2025/26
Testing Cycle



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 Nov 10, 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 79

Throughout 2024, Michael gifted \$18,000 to a friend, \$17,000 to a niece, \$16,000 to a brother. What is the total amount of annual exclusions Michael can apply against these gifts?

- A. \$16,000
- B. \$34,000
- C. \$48,000
- D. \$51,000

Answer: C. \$51,000

- Each gift qualifies for the annual exclusion, and in 2024, the annual exclusion amount per recipient is \$18,000. Thus, each gift is fully covered by the exclusion.
- *Topic: Annual Gift Exclusion*

PART 1 - PRACTICE EXAM #1.2

QUESTION 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 2023 taxable income can the taxpayer offset on their tax return?

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

Answer: D. \$110

- Net Operating Loss (NOL) carryforwards offset income. Pre-2018 NOLs offset 100%; NOLs from 2018+ offset up to 80% of income remaining after applying pre-2018 NOLs. Example (Income \$120):
 - Use \$70 pre-2018 NOL (Income becomes \$50).
 - Use \$40 of the 2023 NOL (limited to 80% of \$50).
 - Total offset: \$110.
- *Topic: Net Operating Loss Utilization*

QUESTION 37

Self-employed electrician Paul reports \$40,000 profit on his Schedule C and \$10,000 in other income. He pays \$4,000 for insurance, contributes \$5,000 to a SEP Plan, and incurs \$6,240 in self-employment tax. He also makes payments for alimony and child support amounting to \$5,000 each, from a pre-2019 divorce. What total amount can Paul deduct in calculating his AGI?

- A. \$9,328
- B. \$13,328
- C. \$17,120
- D. \$19,656

Answer: C. \$17,120.

- Several deductions can reduce a self-employed individual's gross income to arrive at adjusted gross income (AGI):
 - One-half of Self-Employment Tax: Paul can deduct one-half of his self-employment tax, which is $\$6,240 / 2 = \$3,120$.
 - SEP Contribution: Contributions to a SEP IRA are deductible "above the line" (meaning they reduce AGI). Paul can deduct the full \$5,000.
 - Health Insurance Deduction: Self-employed individuals can deduct 100% of their health insurance premiums. Therefore, another \$4,000
 - Alimony (Pre-2019 Divorce): For divorces finalized *before* 2019, alimony payments are deductible by the payer.
 - Child support: Child support is never deductible.Total Deductions: $\$5,000 + \$3,120 + \$4,000 + \$5,000 = \$17,120$.
- Topic: Adjusted Gross Income (AGI) Deductions for Self-Employed

QUESTION 84

Joseph and Marie earn \$230,000 a year, which includes \$95,000 in wages from Joseph's job managing a cinema, and \$135,000 of net income from Marie's boutique (reported on her Schedule C). Additionally, they have a \$160,000 portfolio that produced \$4,000 of qualified dividends and \$3,000 of REIT income. Their total income is \$237,000, including \$138,000 as QBI. With a \$29,200 standard deduction, their adjusted income is \$207,800. What Qualified Business Income (QBI) deduction are they eligible for?

- A. \$0
- B. \$13,800
- C. \$27,600
- D. \$40,760

Answer: C. \$27,600

- The Qualified Business Income (QBI) deduction is generally the *lesser* of 20% of QBI or 20% of the taxpayer's taxable income (calculated *without* the QBI deduction). Because their income does not place them over the 2024 threshold (\$383,900), they do not need to consider any other limitations.
 - 20% of QBI: $\$138,000 * 0.20 = \$27,600$
 - 20% of Taxable Income (before QBI deduction): $0.20 * (\$207,800 - \$4,000)$ (qualified dividends) = $\$40,760$
 The lesser of these two amounts is \$27,600.
- *Topic: Qualified Business Income (QBI) Deduction*