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EXAM 09-11

YOUR FEDERAL INCOME TAX FOR INDIVIDUALS 2008 PUBLICATION 17

Part One The Income Tax Return

1. Married filing separately taxpayers, any age, are required to file a federal tax return if their gross income was at least $_____ in 2008.
   (1) $3,400 (2) $3,300 (3) $3,200 (4) $3,500
2. A single taxpayer, 65 or over, must file a federal tax return if his/her gross income was more than $_____ in 2008.
   (1) $10,300 (2) $10,050 (3) $10,250 (4) $8,750
3. Head of household taxpayers, 65 or over, are required to file a federal tax return if their gross income was at least $_____ in 2008.
   (1) $12,550 (2) $12,250 (3) $12,850 (4) $8,750
4. Married taxpayers filing jointly are required to file Form 1040 if their taxable income is $_____ or more in 2008.
   (1) $100,000 (2) $85,000 (3) $95,000 (4) $75,000
5. U.S. citizens or residents living and working outside the United States and Puerto Rico on the due date of their tax return (April 15), are allowed an automatic _____ months extension. Any tax owed is required to be paid by the due date which is generally April 15.
   (1) two (2) three (3) four (4) six
6. Generally, a taxpayer must file an Amended U.S. Individual Income Tax Return, Form 1040X, to claim a credit or refund within _____ years after the date the taxpayer filed their original return or within two years after the date the tax was paid, whichever is later.
   (1) two (2) three (3) four (4) five
7. Hector filed his 2005 tax return on April 10, 2006. He paid taxes of $700. On November 14, 2007, after an IRS examination of his 2005 return, he had to pay an additional tax of $300. On May 13, 2009, Hector found several itemized deductions that he had forgot to deduct on his 2005 tax return and he filed a claim for a refund of $400. Because the claim for refund was filed more than 3 years after the original return, the refund will be limited to $_____.
   (1) $400 (2) $500 (3) $200 (4) $300
8. If your client does not file his/her return and pay the required tax by the due date, s/he may have to pay a failure to file penalty. The penalty is usually _____% for each month or part of a month that a return is late, but not more than 25%.
   (1) 5% (2) 15% (3) 20% (4) 25%
9. If a taxpayer files his/her return more than 60 days after the due date or extended due date, the minimum penalty is the smaller of $_____ or 100% of the unpaid tax.
   (1) $50 (2) $100 (3) $135 (4) $150
10. If failure to file a tax return is due to fraud, the penalty is 15% for each month, or part of a month that the return is late, up to a maximum of _____%.
   (1) 15% (2) 25% (3) 35% (4) 75%

11. If a taxpayer does not include his/her SSN where required on a tax return, s/he is subject to a penalty of $_____ for each failure.

(1) $25 (2) $50 (3) $75 (4) $85

12. For federal tax purposes, a marriage means only a legal union between a man and a woman as husband and wife.

(1) TRUE (2) FALSE

13. If your spouse died during the year, you are considered married for the whole year for filing status purposes. If you remarried before the end of the tax year, you can file a joint return with your new spouse. Your deceased spouse's filing status is_____.

(1) Single (2) Married Filing Jointly (3) Married Filing Separately (4) Head of Household

14. John and Alicia filed their 2008 tax return as married filing separately on April 9, 2009. The last date that they can change their filing status to married filing jointly is ____________.

(1) April 15, 2012 (2) April 15, 2011 (3) August 16, 2011 (4) September 15, 2011

15. You may be able to file as head of household if you meet all of the following requirements:

You file a separate return.

You are unmarried or considered unmarried on the last day of the year.

You paid more than half of the cost of keeping up a home for the year.

Your spouse did not live in your home during the last _____ months of the tax year.

A qualifying person must live with you in the home for more than half the year (except for temporary absences, such as school). However, your dependent parent does not have to live with you.

(1) 2 (2) 3 (3) 5 (4) 6

16. To meet the age test to be a qualifying child, the qualifying child must be under age 19 at the end of the year, or was a full-time student under age _____ at the end of the year, or permanently and totally disabled at any time of the year, regardless of age.

(1) 20 (2) 21 (3) 19 (4) 24

17. Mr. and Mrs. Cardenas, both 50 years of age, are filing a joint return. Their 26 year old son, who is blind and lived with them, is a part time student and received his entire support from Mr. and Mrs. Cardenas. Mr. and Mrs. Cardenas also contribute more than half of the total support for their 18 year old daughter who lived with them. Mr. and Mrs. Cardenas can claim $_____ for exemptions for 2008.

(1) $14,000 (2) $7,000 (3) $10,500 (4) $17,500

18. The amount married filing jointly taxpayers can claim as a deduction for exemption is reduced once their adjusted gross income exceeds $_____.

(1) $119,975 (2) $159,950 (3) $199,950 (4) $239,950

19. A taxpayer must pay estimated tax for 2009 if:

a. S/he expects to owe at least $1,000 in tax for 2009 after subtracting his/her withholding and credits.

b. S/he expects his/her withholding and credits to be less than the smaller of:

a. 90% of the tax to be shown on his/her 2009 tax return, or

b. _____% of the tax shown on his/her 2008 tax return. The 2008 tax return must cover all 12 months.

(1) 45% (2) 50% (3) 90% (4) 100%

Part Two Income

20. James received a $350 gift certificate, from his employer, to Best Buy for outstanding work in 2008. James must report the following amount as extra salary or wages:

(1) $350 (2) $175 (3) $100 (4) $-0-

21. Barbara received three employee achievement awards during the year: a nonqualified plan award of a watch valued at $400, and two qualified plan awards of a television valued at $1,100 and a set of golf clubs valued at $600. Assuming that the requirements for qualified plan awards are otherwise satisfied, each award by itself would be excluded from income but the total value of the awards exceeds the tax free limit. Barbara must include $_____ in her income.

(1) $500 (2) $400 (3) $600 (4) $1,100

22. Luis worked for two employers in 2008. Both employers provided group-term life insurance for him for the entire year. The coverage with one employer was $48,000 and the coverage with the other employer was $47,000. Luis is 51 years old and paid premiums of $2.25 each month under the employer group plan. Luis must include the following amount as income:

(1) $97.20 (2) $97.60 (3) $98.60 (4) $95.60

23. Larry's employer provides him with a qualified parking fringe benefit. The exclusion for the qualified parking fringe benefit cannot be more than $_____ each month.

(1) $200 (2) $205 (3) $215 (4) $220

24. Silvia received monthly living allowances as a Peace Corps volunteer for all twelve months of 2008 as follows:

$700 for housing
$300 utilities
$350 for food
$210 for clothing
$190 monthly readjustment allowance to be paid in a lump sum at the end of her tour of duty

Sylvia will report $_____ as income in 2008.

(1) $3,600 (2) $2,280 (3) $2,380 (4) $-0-

25. Gavin is a waiter at Café Europe Restaurant and received $23,000 in wages, $29,000 in tips, and tickets to a concert valued at $750 from a customer in 2008. Gavin is required to report $_____ as wages on his tax return.

(1) $23,750 (2) $23,000 (3) $52,750 (4) $29,750

26. Allocated tips are tips that a taxpayer's employer assigns to the employee in addition to the tips reported by the employee to the employer for the year. The taxpayer's employer will assign allocated tips only if:

The taxpayer worked in a restaurant, cocktail lounge, or similar business that must allocate tips to employees, and
The tips reported to the taxpayer's employer were less than the taxpayer's share of ___% of food and drink sales, and
The taxpayer did not participate in his/her employer's Attributed Tip Income Program (ATIP)

(1) 2% (2) 4% (3) 6% (4) 8%

27. Carole received a automatic can opener that cost the bank $50 for opening a savings account and making a deposit of $4,000. The account earned $160 interest in 2008. The bank is required to report $_____ as interest income on Form 1099-INT.

(1) $-0- (2) $160 (3) $50 (4) $210

28. The following interest income is not taxable:

(1) Interest on condemnation awards
(2) Usurious interest
(3) Interest on frozen income
(4) Interest received on tax refunds

29. Dean owns rental property. A tenant signed a 5-year lease agreement with Dean with the yearly rent as $16,800. The tenant paid Dean $16,800 for the first years' rent and $16,800 for the fifth years' rent. He also received a $3,000 security deposit. Dean must include $_____ in his income as rent in the first year.

(1) $33,600 (2) $16,800 (3) $36,600 (4) $19,600

30. Carlos owns a residential rental unit that he purchased on June 1, 2006. The purchase price excluding land was $495,000. He received $2,950 monthly in 2008. The unit was rented for 12 months of 2008. His rental expenses were as follows:

Insurance	$990
Mortgage interest	$10,403
Repairs	$692
Taxes	$2,630
Utilities	$991
Depreciation	$17,998

Determine Carlos' profit or loss from this rental activity.

(1) -$1,134 (2) $1,696 (3) $2,141 (4) $1,905

31. If you sell property you held for rental purposes, you can deduct the ordinary and necessary expenses for managing, conserving, or maintaining the property until sold.

(1) TRUE (2) FALSE

32. Rental real estate activities are generally considered passive activities, and the amount of loss you can deduct is limited. If you or your spouse actively participated in a passive rental real estate activity, you can deduct up to $_____ of loss from the activity from your nonpassive income.

(1) $10,000 (2) $20,000 (3) $25,000 (4) $35,000

33. To qualify as active participation in a rental real estate activity, the taxpayer must own at least _____% of the rental property and also make management decisions including approving new tenants, deciding on rental terms, approving expenditures, and similar decisions.

(1) 10% (2) 6% (3) 4% (4) 2%

34. For retirement distributions in 2008, an eligible retired public safety officer can elect to exclude from income distributions of up to $_____ made directly from a government retirement plan to the providers of accident, health, or long-term care insurance.

(1) $2,000 (2) $3,000 (3) $5,000 (4) $10,000

35. Michael is single, retired and received social security benefits during 2008 of $13,400. He also received $1,950 interest income. How much of his social security benefits are taxable?

(1) $15,350 (2) $13,400 (3) $6,700 (4) $-0-

36. Gregory is single, retired and received social security benefits during 2008 of $16,600. He also received a taxable pension of $27,500 and $3,800 interest from savings. How much of his social security benefits are taxable?

(1) $9,260 (2) $16,600 (3) $8,400 (4) $-0-

37. JoAnn hosted a pajama sales party for her friend Maria in May, 2008. Maria gave JoAnn a gift with a fair market value of $200 for giving the party. JoAnn must report $_____ as income on her Federal tax return for 2008?

(1) $100 (2) $200 (3) $20 (4) $-0-

38. Harvey received a $29,000 bribe as the town mayor to vote to purchase land in a marsh for a city park. Harvey must report $_____ of the bribe received as income on his Federal income tax return.

(1) $29,000 (2) $14,500 (3) $5,400 (4) $-0-

39. If you get a job through an employment agency, and the fee is paid by your employer, the fee is not included in your income if you are not liable for it. However, if you pay it and your employer reimburses you for it, it is included in your income.

(1) TRUE (2) FALSE

40. Crockett hit the jackpot in Las Vegas and won $50,000 playing one Keno game. He was so happy that he went to the roulette table and put his $50,000 winnings on black. Red came up. Crockett is required to report $_____ winnings as income on his 2008 tax return.

(1) $-0- (2) $20,000 (3) $50,000 (4) $10,000

41. Martha was walking down Marigold Avenue one morning and found $750 in a wallet. She decided to keep the money and donate the wallet to charity. Martha must include $______ as income received on her tax return.

(1) $750 (2) $350 (3) $375 (4) $700

42. Dawn received an $18,000 kickback, as a company buyer, to purchase equipment from her husband's uncle. Dawn must report $_____ of the kickback received as income.

(1) $-0- (2) $9,000 (3) $18,000 (4) $2,500

43. Emmanuel deposited $1,000,000 in a bank account that was later frozen by the government. The account earned $45,000 interest in 2008. Emmanuel is required to report $_____ interest earned as income from the frozen account.

(1) $25,000 (2) $45,000 (3) $30,000 (4) $-0-

44. Ruben robbed $18,000 from J&J Liquor store on December 15, 2008. His conscious bothered him and he returned the $18,000 to the liquor store on January 3, 2009. Ruben is required to report $_____ received from the robbery as income in 2008.

(1) $10,000 (2) $7,000 (3) $18,000 (4) $-0-

45. Miguel robbed $16,000 from R&R Liquor store on December 10, 2008. His conscious bothered him and he returned the $16,000 to the liquor store on December 13, 2008. Miguel is required to report $_____ received from the robbery as income in 2008.

(1) $16,000 (2) $10,000 (3) $5,000 (4) $-0-

46. How much should Angela report on her federal tax return as income from the following amounts received in 2008?

	Amount	Report
Kickback payment	$8,500	$
Child support payments	$24,000	$
Income from selling drugs	$9,655	$
Found property which you keep	$5,900	$
Reward	$15,500	$

(1) $39,555 (2) $32,500 (3) $40,555 (4) $63,555

Part Three Gains and Losses

47. Sally purchased a computer that will be used 100% in her business on July 6, 2008 for $2,950. The fair market value of the computer on the date of purchase was $3,110. What is Sally's basis in the property?

(1) $-0- (2) $2,550 (3) $2,950 (4) $3,110

48. Real property, also called real estate, is land and generally anything built on, growing on, or attached to land.

(1) TRUE (2) FALSE

49. Kimberly purchased residential rental property on January 7, 2008. The cost of the property was:

Rental Unit	$395,000
Survey fees	$3,200
Fire Insurance	$1,200
Recording Fee	$1,700

What is Kimberly's basis in the rental property?

(1) $395,000 (2) $396,700 (3) $397,900 (4) $399,900

50. A nontaxable exchange is an exchange in which you are not taxed on any gain and you cannot deduct any loss. If you receive property in a nontaxable exchange, its basis is generally the same as the basis of the property you transferred.

(1) TRUE (2) FALSE

51. Generally, gain or loss is recognized on a transfer of property from an individual to a spouse, or if incident to a divorce, a former spouse.

(1) TRUE (2) FALSE

52. Capital assets do not include:

(1) coin or stamp collection
(2) property held mainly for sale to customers
(3) stocks or bonds held in your personal account
(4) household furnishings

53. Ryan purchased 100 shares of Bank of America stock on June 13, 2008. The earliest date that Ryan can sell the stock and qualify for long-term capital gain or loss is _____.

(1) June 13, 2009 (2) June 16, 2009 (3) June 14, 2009 (4) June 18, 2009

54. Isabella purchased 50 shares of Sanders stock on October 6, 2008. The earliest date that she can sell the stock and qualify for long-term capital gain or loss is _____.

(1) October 10, 2009 (2) October 6, 2009 (3) November 1, 2009 (4) October 7, 2009

55. For securities traded on an established securities market, a taxpayer's holding period begins the day after the purchase trade date and ends on the sold trade date.

(1) TRUE (2) FALSE

56. If you receive a gift of property and your basis is determined by the fair market value of the property, your holding period starts on the day after the date of the gift.

(1) TRUE (2) FALSE

57. Patricia inherited investment property on September 10, 2008. What is the earliest date that she can sell the property and report the capital gain or loss as long-term?

(1) September 10, 2008 (2) September 11, 2008 (3) September 10, 2009 (4) September 11, 2009

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58. A wash sale of stock or securities occurs when a taxpayer sells or trades stock or securities at a loss and within _____ days before or after s/he:

a. Buys substantially identical stock or securities
b. Acquires substantially identical stock or securities in a fully taxable trade, or
c. Acquires a contract or option to buy substantially identical stock or securities.

(1) 15 (2) 20 (3) 30 (4) 45

59. A taxpayer can exclude the entire gain on the sale of his/her main home up to:

- $______ if single, or
- $500,000 if married filing jointly and all of the following are true
- Either the taxpayer or the taxpayer's spouse meets the ownership test
- Both the taxpayer and the taxpayer's spouse meet the use test
- During the 2-year period ending on the date of sale, neither the taxpayer or the taxpayer's spouse excluded gain from the sale of another home

(1) $250,000 (2) $475,000 (3) $500,000 (4) $600,000

60. Jay was single and sold his home on August 23, 2008. He met the ownership and use tests. In September he met Connie and they were married on November 6, 2008. Jay will only be able to exclude up to $_____ gain on the sale of his house even if he files married filing jointly for 2008 because Connie does not meet the use test.

(1) $250,000 (2) $500,000 (3) $150,000 (4) $-0-

61. If a taxpayer's capital losses are more than his/her capital gains, the taxpayer can claim a capital loss deduction. A taxpayer's allowable capital loss deduction is the lesser of:

- $3,000($_____ if married filing a separate return), or
- Your total net loss as shown on Schedule D

(1) $3,000 (2) $1,500 (3) $2,000 (4) $2,500

62. For 2008, the maximum capital gains rate for unrecaptured section 1250 gain is ____ %.

(1) 25% (2) 26% (3) 27% (4) 28%

63. For 2008, the maximum capital gains rate for collectibles gain is _____ %.

(1) 25% (2) 26% (3) 15% (4) 28%

64. Edward and Marina Kwong file jointly and sold securities in 2008. They have short-term capital losses of $6,550 and long-term capital losses of $4,000. Their capital loss deduction for 2008 is:

(1) $3,000 (2) $5,550 (3) $2,000 (4) $1,500

65. From question #64, how much short-term capital loss carryover will Edward and Marina have for 2009 tax year?

(1) $3,550 (2) $2,550 (3) $1,550 (4) $-0-

66. From question #64, how much long-term capital loss carryover will Edward and Marina have for 2009 tax year?

(1) $3,000 (2) $1,000 (3) $2,000 (4) $4,000

67. Short-term capital losses are normally taken prior to long-term capital losses. In 2008, Jeana had $2,800 short-term loss and $3,500 long-term loss. What is the maximum that Jeana can deduct on her 2008 tax return and is it long-term or short-term?

(1) $1,000 short-term and $2,000 long-term
(2) $2,800 short-term and $200 long-term
(3) $2,500 short-term and $500 long-term
(4) $2,000 short-term and $1,000 long-term

68. A capital loss sustained by a decedent during his/her last tax year can be deducted only on the final income tax return filed for the decedent. The decedent's estate cannot deduct any of the loss not used on the decedent's income tax return or carry it over to following years.

(1) TRUE (2) FALSE

Part Four Adjustments to Income

69. The most that can be contributed for 2008 to a taxpayer's traditional IRA, who is 50 years of age or older, is the smaller of the following amounts:

- Taxpayer's compensation that must be included in income for the year, or
- $_____

(1) $1,000 (2) $3,000 (3) $5,000 (4) $6,000

70. The most that can be contributed for 2008 to a taxpayer's traditional IRA, who is under 50 years of age, is the smaller of the following amounts:

- Taxpayer's compensation that must be included in income for the year, or
- $_____

(1) $1,000 (2) $3,000 (3) $3,500 (4) $5,000

71. The latest date that a taxpayer can make a traditional IRA contribution for 2008 is_____.

(1) December 31, 2008 (2) April 15, 2009 (3) April 15, 2010 (4) June 15, 2008

72. Gene is single, under 50, and is covered by an employer retirement plan. His 2008 modified AGI is $63,000 and he contributed $4,000 to his IRA account. Gene is able to take the following IRA deduction:

(1) $-0- (2) $1,000 (3) $3,000 (4) $4,000

73. Dennis is single, under 50, and is not covered by an employer retirement plan. His 2008 modified AGI is $188,000 and he contributed $4,000 to his IRA account. Dennis is able to take the following IRA deduction:

(1) $4,000 (2) $1,000 (3) $3,000 (4) $-0-

74. Nondeductible contributions to a traditional IRA must be reported on Form 8606. If a taxpayer overstates the amount of nondeductible contributions on his/her Form 8606 for any tax year, s/he will have to pay a $_____ penalty for each overstatement, unless s/he can prove that the overstatement was due to reasonable cause.

(1) $25 (2) $50 (3) $75 (4) $100

75. Generally, you can contribute to a Roth IRA if you have taxable compensation and your modified AGI is less than:

$_____ for married filing jointly or qualifying widow(er),

$10,000 for married filing separately and you lived with your spouse at any time during the year, or

$116,000 for single, head of household, or married filing separately and you did not live with your spouse at any time during the year.

(1) $169,000 (2) $116,000 (3) $166,000 (4) $200,000

76. The most that can be contributed for 2008 to a taxpayer's Roth IRA, who is under 50 years of age, is the smaller of the following amounts:

- Taxpayer's compensation that must be included in income for the year, or
- $_____

(1) $1,000 (2) $5,000 (3) $3,000 (4) $4,000

77. The most that can be contributed for 2008 to a taxpayer's Roth IRA, who is 50 years of age or older, is the smaller of the following amounts:

- Taxpayer's compensation that must be included in income for the year, or
- $_____

(1) $3,000 (2) $5,000 (3) $4,500 (4) $6,000

78. Which of the following payments is considered as alimony:

(1) non-cash property settlement

(2) child support

(3) premiums you must pay under your divorce or separation instrument for insurance on your life to the extent your spouse owns the policy

(4) payments to keep up the taxpayer's property

79. Alimony paid by a taxpayer can only be reported on Form _____.

(1) 1040 (2) 1040A (3) 1040EZ (4) 6251

80. A married taxpayer filing jointly with his/her spouse with modified adjusted gross income of less than $_____ may be able to take a deduction for interest paid on a student loan used for higher education. The deduction can reduce the amount of the taxpayer's income subject to tax by up to $2,500 in 2008.

(1) $70,000 (2) $60,000 (3) $145,000 (4) $83,000

81. For the Student Loan Interest Deduction, qualified education expenses includes amounts paid for tuition and fees, room and board, books, supplies, equipment, and other necessary expenses (such as transportation).

(1) TRUE (2) FALSE

Part Five Standard Deduction and Itemized Deductions

82. For tax year 2008, the standard deduction for most people for head of household is:

(1) $8,000 (2) $5,450 (3) $10,900 (4) $9,000

83. For tax year 2008, the standard deduction for most people filing married filing jointly is:

(1) $8,000 (2) $5,450 (3) $10,900 (4) $9,000

84. For tax year 2008, the standard deduction for most people filing single is:

(1) $8,000 (2) $5,450 (3) $10,900 (4) $9,000

85. For tax year 2008, an annual physical examination, a full-body electronics scan, and a pregnancy test kit have been determined to be medical expenses.

(1) TRUE (2) FALSE

86. All of the following are deductible medical or dental expenses except:

(1) stop smoking program

(2) laser eye surgery - to promote the correct function of the eye

(3) expenses of an organ donor

(4) teeth whitening

87. Taxes and fees that are generally not deductible include the following items:

Estate, inheritance, legacy, or succession taxes

Federal income taxes

Fines and penalties

Gift taxes

(1) TRUE (2) FALSE

88. Which one of the following items is deductible on Schedule A, Form 1040 as interest:

(1) annual fees for credit cards
(2) late payment charge on mortgage payment
(3) credit investigation fees
(4) interest to purchase tax-exempt securities

89. A taxpayer may be able to deduct as charitable contributions some expenses of having a student live with the taxpayer. A taxpayer can deduct qualifying expenses for a foreign or American student who:

a) lives in the taxpayer's home under a written agreement between the taxpayer and a qualified organization
b) is not the taxpayer's dependent or relative, and
c) is a full-time student in the twelfth or any lower grade at a school in the United States

The taxpayer can deduct up to $_____ a month for each full calendar month the student lives with the taxpayer.

(1) $25 (2) $40 (3) $45 (4) $50

90. Andre contributed $15,450 in 2008 to his son who does missionary work. Andre may make the following Schedule A deduction for contributions:

(1) $-0- (2) $6,225 (3) $15,450 (4) $6,000

91. Mark donated a car to a qualified charity organization on June 24, 2008. The fair market value of the car was $5,500. The organization received $4,200 gross proceeds from the sale of the vehicle. Mark may deduct $_____ as a contribution on Schedule A.

(1) $-0- (2) $5,200 (3) $4,200 (4) $5,500

92. Steven paid his friend Julio $5,000 to set his home on fire which resulted in $50,000 damages. Steven's AGI is $57,200. What is his deductible casualty loss for 2008?

(1) $-0- (2) $1,880 (3) $9,600 (4) $43,180

93. Fair market value is the price for which a taxpayer could sell his/her property to a willing buyer when neither person has to sell or buy.

(1) TRUE (2) FALSE

94. Kelsey reported the theft of her diamond ring that she had bought for $15,050 to the police on April 6, 2008. The fair market value of the ring was $16,050. Kelsey received $5,000 from her insurance company. Her AGI for 2008 was $59,000. What is her deductible theft loss for 2008?

(1) $15,050 (2) $10,050 (3) $5,050 (4) $4,050

95. Mr. Cuenta's house was burglarized and his loss after insurance reimbursement was $24,650. Mr. Cuenta's AGI is $129,546. His theft deduction is:

(1) $11,595 (2) $11,495 (3) $24,650 (4) $13,055

96. Mr. Klein is able to deduct business-related entertainment expenses that he has for entertaining clients. His 2008 entertainment expenses totaled $9,868. How much entertainment expense is Mr. Klein allowed to deduct?

(1) $9,868 (2) $4,734 (3) $2,117 (4) $4,934

97. Mr. Tran has deductible business gift expenses. He made the following business gifts in 2008:

Jose Rios	$33
James Grant	$16
Paula Torre	$68
Robb Long	$20

How much is Mr. Tran allowed to deduct as business gift expense?

(1) $89 (2) $97 (3) $86 (4) $137

98. Jeff is a cement mason and he hauls his masonry tools in his truck while commuting to and from work. His commuting to and from work is 101 miles weekly and he worked 45 weeks in 2008. Jeff spent $950 for gasoline for work commuting expense. How much can Jeff deduct as commuting expenses in 2008?

(1) $-0- (2) $425 (3) $2,022 (4) $950

99. Courtney takes the commuter train to work on a daily basis. During the transit she plans her day and organizes work that she took home the previous evening. Courtney's weekly transit cost is $72 and she uses the transit system 42 weeks each year. She is able to deduct $_____ of her transportation expenses going to work because she is working. Courtney's employer reimburses her 50% of the weekly transit cost.

(1) $100 (2) $2,604 (3) $1,512 (4) $-0-

100. In 2008, Aaron drove his car 18,484 business miles. How much can Aaron deduct as car business expense in 2008? He drove 10,432 business miles between 01/01/2008 and 06/30/2008 and he drove 8,052 business miles between 07/01/2008 and 12/31/2008.

(1) $-0- (2) $9,978 (3) $7,763 (4) $8,965

101. Amanda is employed and has work-related qualified educational expenses for 2008. All of the following educational expenses can be deducted on her tax return except:

(1) lab fees (2) lost wages while attending class (3) supplies (4) tuition

102. Tax preparation fees are deductible as a miscellaneous deduction subject to the 2% limit. These fees do not include the following:

(1) tax preparation software
(2) tax publications
(3) convenience fee charged for using a credit card to pay your taxes
(4) electronic filing fee

103. Which one of the following expenses is deductible as a miscellaneous deduction not subject to the 2% limit?

(1) safe deposit box
(2) union dues
(3) hobby losses
(4) gambling losses up to the amount of gambling winnings

104. Which item is a deductible miscellaneous expenses:

(1) hobby losses
(2) federal estate tax on income in respect of a decedent
(3) loss from the sale of your home
(4) personal home repairs

Part Six Figuring Your Taxes and Credits

105. The amount of taxable investment income a child under age 18 or a full-time student under 24 years of age can make without it being subject to tax at the parent's rate is $_____ in 2008.

(1) $2,000 (2) $1,700 (3) $1,800 (4) $2,100

106. A qualifying person to meet the child and dependent care deduction is all of the following:

Your dependent who was under age 13 when the care was provided and for whom you can claim an exemption

Your spouse who was physically or mentally not able to care for himself/herself, or

Your dependent who was physically or mentally not able to care for himself/herself and for whom you can claim an exemption (or could claim an exemption except the person had $_____ or more gross income in 2008.

(1) $3,500 (2) $3,400 (3) $2,500 (4) $1,000

107. Gail and Phillip Dana are both employed, married, and they paid $3,600 child-care expense for their three-year old daughter. Their 2008 combined adjusted gross income was $39,667. What is the amount of child-care credit they may claim on their tax return?

(1) $630 (2) $640 (3) $660 (4) $3,000

108. Kelsey and Matthew are both employed, married, and they paid $3,200 child-care expense for their four-year old son and $4,400 child-care for their two-year old daughter. Their 2008 combined adjusted gross income was $68,237. What is the amount of child-care credit they may claim on their tax return?

(1) $7,600 (2) $600 (3) $660 (4) $1,200

109. Emily is divorced and has two children, ages 3 and 7. Her adjusted gross income was $28,555 for 2008. Emily's younger child stays at her employer's on-site child-care center while she works. The benefits from this child-care center are excluded from her income. Her employer reports the value of the child-care service as $3,000. Emily's older child goes to an after school care center. Emily paid $3,000 for this service. What is the amount of child-care credit she may claim on her tax return.

(1) $800 (2) $480 (3) $840 (4) $820

110. A qualifying child for purposes of the child tax credit must be all of the following:

Taxpayer's son, daughter, stepchild, foster child, brother, sister, stepbrother, stepsister, or a descendent of any of them

Did not provide more than half of his/her own support for 2008

Under age _____ at the end of 2008

Lived with taxpayer for more than half of 2008 (temporary absences for school, vacations, military service, or detention in a juvenile facility)

A citizen or resident of the United States or U.S. National claimed as the taxpayer's dependent

(1) 20 (2) 18 (3) 19 (4) 17

111. The maximum child tax credit for each qualifying child is $_____ for 2008 tax year.

(1) $1,000 (2) $500 (3) $600 (4) $800

112. A taxpayer cannot claim any higher education credits if their modified adjusted gross income is $_____ or more ($_____ for a joint return) in 2008.

(1) $58,000 $116,000 (2) $75,000 $100,000 (3) $53,000 $107,000 (4) $57,000 $114,000

113. The amount of the Hope credit is 100% of the first $1,200 plus 50% of the next $1,200 a taxpayer pays for each eligible student's qualified tuition and related expenses. The maximum amount of Hope credit that a taxpayer can claim in 2008 is $_____ times the number of eligible students.

(1) $1,650 (2) $1,500 (3) $1,250 (4) $1,800

114. The amount of the Lifetime Learning credit is 20% of the first $10,000 a taxpayer pays for qualified tuition and related expenses for all students in the family. The maximum amount of Lifetime Learning credit a taxpayer can claim for 2008 is $_____.

(1) $2,000 (2) $3,000 (3) $10,000 (4) $12,000

115. The amount you can earn in 2008 to receive the Earned Income Credit if you have more than one qualifying child and file married filing jointly, must be less than:

(1) $41,646 (2) $38,646 (3) $39,783 (4) $34,001

116. The amount you can earn in 2008 to receive the Earned Income Credit if you do not have a qualifying child and file married filing jointly, must be less than:

(1) $38,348 (2) $15,880 (3) $14,590 (4) $13,750

117. The amount you can earn to receive the Earned Income Credit if you have one qualifying child and file married filing jointly, must be less than:

(1) $36,995 (2) $38,348 (3) $32,001 (4) $34,001

118. The maximum amount of investment income a taxpayer can have and still qualify for Earned Income Credit for 2008 is $_____.

(1) $2,650 (2) $2,950 (3) $2,800 (4) $2,900

119. To meet the age test, a qualifying child to enable the taxpayer to claim the Earned Income Credit must be:

Under age 19 at the end of 2008, or

A full-time student under age _____ at the end of 2008, or

Permanently and totally disabled at any time during 2008, regardless of age

(1) 26 (2) 19 (3) 24 (4) 25

120. A taxpayer may be able to take a tax credit of up to $11,650 for qualifying expenses paid to adopt a child. A credit of up to $_____ may be allowed for the adoption of a child with special needs even if the taxpayer does not have any qualifying expenses.

(1) $10,630 (2) $11,650 (3) $11,390 (4) $14,220

2008 CALIFORNIA 540 & 540A PERSONAL INCOME TAX BOOKLET CALIFORNIA INCOME TAX QUESTIONS

121. Megan Dunphy is single and she is 24 years old. She does not have any dependents. Megan is required to file a 2008 California tax return if her California gross income exceeds $_____ or her California AGI exceeds $_____.

(1) $18,263 $15,520 (2) $14,845 $11,876 (3) $14,138 $11,310 (4) $30,338 $27,595

122. Cindy and Daniel Barry are under 65, and file married/RDP filing jointly. They have two dependent daughters. They are required to file a 2008 California tax return if their California gross income exceeds $_____ or their California AGI exceeds $_____.

(1) $47,715 $41,777 (2) $45,426 $39,770 (3) $49,351 $43,865 (4) $36,926 $31,440

123. Elvira's filing status is head of household with two dependents. She is required to file a 2008 California tax return if her gross income exceeds $_____ or her California AGI exceeds $_____. Elvira is under 65 years of age.

(1) $30,338 $27,595 (2) $31,288 $28,460 (3) $32,870 $29,901 (4) $25,388 $22,645

124. Maureen's filing status is qualifying widow with one dependent child. She is required to file a 2008 California tax return if her California gross income exceeds $_____ or her California AGI exceeds $_____. Maureen is under 65 years of age.

(1) $23,938 $21,110 (2) $25,145 $22,176 (3) $30,338 $27,595 (4) $27,520 $24,551

125. Peter's filing status is head of household with one dependent. He is required to file a 2008 California tax return if his gross income exceeds $_____ or his California AGI exceeds $_____. Peter is over 65 years of age.

(1) $18,263 $15,520 (2) $31,088 $28,345 (3) $25,388 $22,645 (4) $27,520 $24,551

126. Victoria and Kenneth Morris are married and file jointly. They have two dependent daughters. They are required to file a 2008 California tax return if their California gross income exceeds $_____ or their California AGI exceeds $_______. Kenneth is 66 and Victoria is 49.

(1) $44,051 $38,565 (2) $48,545 $42,607 (3) $46,206 $40,550 (4) $44,801 $39,315

127. Shirley's filing status is qualifying widow with three dependent children. She is required to file a 2008 California tax return if her California gross income exceeds $_______ or her California adjusted gross income exceeds $______. Shirley is under 65.

(1) $31,288 $28,460 (2) $44,051 $38,565 (3) $32,870 $29,901 (4) $49,351 $43,865

128. Enrique's's filing status is single and he is 66 years old. He does not have any dependents. He is required to file a 2008 California tax return if his California gross income exceeds $______ or his California AGI exceeds $_______.

(1) $13,713 $10,970 (2) $19,795 $16,826 (3) $31,976 $26,490 (4) $18,263 $15,520

129. Gordon's spouse/RDP died in 2008 and he has not remarried. He has a dependent child that lived in his house throughout 2008. He also pays over one-half the cost of keeping up his home. Gordon may file married/RDP filing jointly for 2008 tax year.

(1) TRUE (2) FALSE

130. Debra and Donald's filing status is married/RDP filing jointly with one dependent child. Their taxable income must be $______ or less for them to be able to file Form 540 2EZ.

(1) $200,000 (2) $250,000 (3) $300,000 (4) $225,000

131. Dan and Blanche Morejon are married and file jointly. Dan was 65 and Blanche was 52 and blind in 2008. How many exemptions can they claim on their California tax return?

(1) five (2) three (3) two (4) four

132. Jay and Sally Briggs are married and file jointly and have three dependent children. Jay was 33 and Sally was 31 in 2008. How many exemptions can they claim on their California tax return?

(1) two (2) four (3) three (4) five

133. California will tax the following income:

(1) U.S. Treasury bills, notes, and bonds interest
(2) state wages from W-2
(3) unemployment compensation
(4) California state income tax refund

134. California taxes interest received from which one of the following:

(1) Bonds or obligations of United States territories
(2) United States savings bonds
(3) United States Treasury bills or notes.
(4) Interest from state bonds of another state

135. The standard deduction for filing status qualifying widow(er) in 2008 is $_____.

(1) $7,384 (2) $6,820 (3) $3,516 (4) $6,330

136. The standard deduction for filing status single in 2008 is $_____.

(1) $7,032 (2) $3,692 (3) $3,516 (4) $6,330

137. Angela Taylor is single and her Federal AGI for 2008 is $87,761. Angela is allowed to claim her personal exemption unless the amount exceeds the credit limitation. Determine Angela's personal exemption for California.

(1) $99 (2) $91 (3) $94 (4) $89

138. The maximum credit for child adoption costs on the California tax return for 2008 is $____ per minor child.

(1) $2,500 (2) $2,250 (3) $2,300 (4) $2,600

139. A taxpayer may claim a credit for excess SDI if s/he had two or more employers in 2008 and received more than $_____ in wages.

(1) $68,829 (2) $78,418 (3) $86,698 (4) $83,389

140. Amber worked for two employers in California during 2008 and the total SDI withheld was $899.66. Amber may claim $_____ excess SDI withheld as a credit on Form 540.

(1) $387.48 (2) $399.33 (3) $206.08 (4) $364.32

141. Emma Bryer files single. Her taxable income from Form 540, line 19 is $1,450,000. The Mental Health Service Tax that Emma is required to pay is:

(1) $4,000 (2) $4,500 (3) $1,500 (4) $15,000

142. To claim the Child and Dependent Care Expense Credit, your federal adjusted gross income must be less than or equal to $_____ and the care must be provided in California.

(1) $60,000 (2) $75,000 (3) $90,000 (4) $100,000

143. The maximum late filing total penalty is ___% of the tax not paid if the 2008 California tax return is filed after October 15, 2009.

(1) 25% (2) 15% (3) 10% (4) 5%

144. The minimum penalty for filing a return more than 60 days late is $_____ or 100% of the balance due, whichever is less.

(1) $100 (2) $75 (3) $50 (4) $25

145. The late payment of tax penalty is _____% of the tax not paid when due plus 0.5% for each month, or part of a month, the tax remains unpaid.

(1) 5% (2) 3% (3) 0.5% (4) 2%

146. Daisy Ruiz files single. Her California taxable income for 2008 is $39,456. The California tax on this amount is:

(1) $1,104 (2) $1,074 (3) $1,468 (4) $1,467

147. Jose Figueroa files as head of household. His California taxable income for 2008 is $53,974. The California tax on this amount is:

(1) $1,540 (2) $1,082 (3) $1,070 (4) $1,669

148. David Cornell files as head of household. His California taxable income for 2008 is $68,342. The California tax on this amount is:

(1) $2,695 (2) $2,735 (3) $2,907 (4) $2,751

149. Mr. & Mrs. Kelly file married/RDP filing jointly. Their California taxable income for 2008 is $92,375. The California tax on this amount is:

(1) $4,204 (2) $5,903 (3) $4,007 (4) $4,987

150. Mr. & Mrs. Labelle file married/RDP filing jointly. Their California taxable income for 2008 is $195,996. The California tax on this amount is:

(1) $12,110 (2) $12,546 (3) $12,908 (4) $13,619

151. Rona Clancy files single. Her California taxable income for 2008 is $39,996. The California tax on this amount is:

(1) $1,507 (2) $1,239 (3) $1,876 (4) $1,508

152. If a taxpayer is unable to pay monies owed to the Franchise Tax Board, s/he should request to make monthly payments by filing out California Form ______.

(1) 3885A (2) 3519 (3) 3806 (4) 3567

153. If a taxpayer's Federal income tax return is examined and changed by IRS and these changes will result in a refund due for California, the taxpayer may report these changes to the FTB within ____ years of the date of the final federal determination.

(1) one (2) two (3) three (4) four

154. If you are a farmer or fisherman, and at least two-thirds of your 2008 and 2009 gross income is from farming or fishing, you may:

Pay all of your estimated tax by January 15, 2010, or

File your tax return for 2009 on or before _____, and pay the total tax due.

(1) April 15, 2009 (2) October 15, 2009 (3) March 3, 2010 (4) June 15, 2010

155. Federal tax law increased Section 179 expense to $250,000. The maximum deduction amount under California tax law is $_____.

(1) $105,000 (2) $55,000 (3) $25,000 (4) $15,000

156. Brent's filing status is single and he was a resident of California for the entire 2008 year. Brent paid rent for 12 months and is not claimed as a dependent by another taxpayer. What is the maximum California AGI for Brent to qualify for the Nonrefundable Renter's Credit?

(1) $33,272 (2) $32,272 (3) $34,936 (4) $38,599

157. Mr. and Mrs. Tan filing status is married/RDP filing jointly and they were residents of California for the entire 2008 year. The Tans paid rent for 12 months in 2008. What is the maximum California AGI for Mr. and Mrs. Tan to qualify for the Nonrefundable Renter's Credit?

(1) $64,544 (2) $66,544 (3) $69,872 (4) $61,588

158. The Nonrefundable Renter's Credit for a married couple that qualify in 2008 is $_____.

(1) $100 (2) $75 (3) $120 (4) $20

159. The Nonrefundable Renter's Credit for a single taxpayer that qualifies in 2008 is $_____.

(1) $50 (2) $65 (3) $60 (4) $100

160. Gavin Connor and his spouse received Federal child-care credit of $480. Their Federal AGI for 2008 is $43,563. Determine their California child-care credit.

(1) $258 (2) $206 (3) $136 (4) $241