

YOUR FEDERAL INCOME TAX FOR INDIVIDUALS 2010 PUBLICATION 17

Part One The Income Tax Return

1. A single taxpayer, under 65, must file a federal tax return if his/her gross income was more than \$\_\_\_\_\_ in 2010.

(1) \$13,400 (2) \$9,350 (3) \$10,250 (4) \$18,700

2. Head of household taxpayers, under 65, are required to file a federal tax return if their gross income was at least \$\_\_\_\_\_ in 2010.

(1) \$13,400 (2) \$12,250 (3) \$12,050 (4) \$18,700

3. Married filing separately taxpayers, any age, are required to file a federal tax return if their gross income was at least \$\_\_\_\_\_ in 2010.

(1) \$3,300 (2) \$3,650 (3) \$3,200 (4) \$3,500

4. Qualifying widow taxpayer with dependent child, 65 or over, is required to file a federal tax return if her gross income was at least \$\_\_\_\_\_ in 2010.

(1) \$9,350 (2) \$10,750 (3) \$15,050 (4) \$16,150

5. Married taxpayers filing jointly, under 65 and not blind in 2010, and not claiming dependents may file Form 1040EZ if their taxable income is less than \$\_\_\_\_\_ in 2010.

(1) \$105,000 (2) \$115,000 (3) \$125,000 (4) \$100,000

6. 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

7. 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

8. George filed his 2007 tax return on April 10, 2008. He paid taxes of \$700. On November 14, 2009, after an IRS examination of his 2007 return, he had to pay an additional tax of \$400. On May 13, 2011, George found several itemized deductions that he had forgot to deduct on his 2007 tax return and he filed a claim for a refund of \$500. 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

9. 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 5% for each month or part of a month that a return is late, but not more than \_\_\_\_\_%.

- (1) 5% (2) 15% (3) 20% (4) 25%

10. 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) \$75 (3) \$135 (4) \$150

11. 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%

12. A taxpayer may have to pay a penalty of \$\_\_\_\_\_ if s/he files a frivolous tax return or other frivolous submissions. A frivolous tax return is one that does not include enough information to figure the correct tax or that contains information clearly showing that the tax reported is substantially incorrect.

- (1) \$1,000 (2) \$2,500 (3) \$5,000 (4) \$10,000

13. 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) \$35 (3) \$50 (4) \$85

14. 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

15. 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

16. A joint return generally cannot be filed if either spouse is a nonresident alien at any time during the tax year. However, if one spouse was a nonresident alien or a dual-status alien who was married to a U.S. citizen or resident alien at the end of the year, the spouses can choose to file a joint return.

(1) TRUE (2) FALSE

17. Robert and Martha filed their 2010 tax return as married filing separately on April 15, 2011. The last date that they can change their filing status to married filing jointly is \_\_\_\_\_.

(1) April 15, 2014 (2) April 15, 2013 (3) August 15, 2013 (4) September 15, 2013

18. Julio and Maria filed their 2010 tax return as married filing jointly on April 12, 2011. The last date that they can change their filing status to married filing separately is \_\_\_\_\_.

(1) April 15, 2014 (2) April 15, 2013 (3) April 18, 2011 (4) September 15, 2011

19. 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) 6 (2) 4 (3) 3 (4) 2

20. 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

21. Mr. and Mrs. Tran, 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. Tran. Mr. and Mrs. Tran also contribute more than half of the total support for their 18 year old daughter who lived with them. Mr. and Mrs. Tran can claim \$ \_\_\_\_\_ for exemptions for 2010.

(1) \$14,000 (2) \$14,600 (3) \$10,950 (4) \$17,500

22. A taxpayer must pay estimated tax for 2011 if:

a. S/he expects to owe at least \$1,000 in tax for 2011 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 2011 tax return, or

b. \_\_\_\_\_% of the tax shown on his/her 2010 tax return. The 2010 tax return must cover all 12 months.

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

### Part Two Income

23. Robb received a \$350 gift certificate, from his employer, to Sears for outstanding work in 2010. Robb must report the following amount as extra salary or wages:

- (1) \$350 (2) \$175 (3) \$100 (4) \$250

24. Lea received three employee achievement awards during the year: a nonqualified plan award of a watch valued at \$500, 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. Lea must include \$ \_\_\_\_\_ in her income.

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

25. Joseph worked for two employers in 2010. 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. Joseph is 46 years old and paid premiums of \$2.25 each month under the employer group plan. Joseph must include the following amount as income:

- (1) \$57.20 (2) \$57.60 (3) \$54.00 (4) \$54.20

26. Raul'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) \$230

27. The exclusion for commuter vehicle transportation and transit pass fringe benefits cannot be more than \$ \_\_\_\_\_ per month.

- (1) \$150 (2) \$230 (3) \$250 (4) \$275

28. Koreen received monthly living allowances as a Peace Corps volunteer for all twelve months of 2010 as follows:

- \$750 for housing
- \$355 utilities
- \$350 for food
- \$210 for clothing
- \$180 monthly readjustment allowance to be paid in a lump sum at the end of her tour of duty

Koreen will report \$ \_\_\_\_\_ as income in 2010.

- (1) \$2,160 (2) \$2,280 (3) \$2,380 (4) \$4,200

29. Henry is a waiter at Café Bacio restaurant and received \$24,000 in wages, \$29,000 in tips, and tickets to a concert valued at \$750 from a customer in 2010. Henry is required to report \$ \_\_\_\_\_ as wages on his tax return.

- (1) \$24,750 (2) \$24,000 (3) \$53,000 (4) \$53,750

30. 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%

31. Hanah received an 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 2010. The bank is required to report \$ \_\_\_\_\_ as interest income on Form 1099-INT.

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

32. Interest on U.S. obligations, such as U.S. Treasury bills, notes, and bonds, issued by any agency or instrumentality of the United States is not taxable for federal income tax purposes.

- (1) TRUE (2) FALSE

33. The following interest income is not taxable:

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

34. Louie sold a bond between interest payment dates. Part of the sales price represents interest accrued to the date of sale. Louie must report that part of the sales price as interest income for the year of sale.

- (1) TRUE (2) FALSE

35. Mike owns rental property. A tenant signed a 5-year lease agreement with Mike with the yearly rent as \$17,400. The tenant paid Mike \$17,400 for the first years' rent and \$17,400 for the fifth years' rent. He also received a \$3,000 security deposit. Mike must include \$\_\_\_\_\_ in his income as rent in the first year.

- (1) \$17,400 (2) \$37,800 (3) \$20,400 (4) \$34,800

36. Steven rented his personal residence for 12 days in 2010 when he went to Europe for a vacation. He received \$5,000 rent for the 12 days rental. Steven had to spend \$500 to clean his house when he returned from his vacation. Steven will be required to report \$\_\_\_\_\_ as rental income on his federal tax return.

- (1) \$5,000 (2) \$3,000 (3) \$-0- (4) \$4,500

37. Martin owns a residential rental unit that he purchased on June 1, 2007. The purchase price excluding land was \$495,000. He received \$3,475 monthly in 2010. The unit was rented for 12 months of 2010. His rental expenses were as follows:

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

Determine Martin's profit or loss from this rental activity.

- (1) -\$1,134 (2) \$7,996 (3) \$7,696 (4) \$7,905

38. 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

39. 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

40. 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) 2% (2) 6% (3) 4% (4) 10%

41. For retirement distributions in 2010, 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

42. David is single, retired, and received social security benefits during 2010 of \$13,400. He also received \$1,950 interest income. How much of his social security benefits is taxable?

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

43. Kirby is single, retired and received social security benefits during 2010 of \$18,600. He also received a taxable pension of \$27,500 and \$3,800 interest from savings. How much of his social security benefits is taxable?

(1) \$9,260 (2) \$18,600 (3) \$9,300 (4) \$10,110

44. Richard received a Form 1099-C, Cancellation of Debt for tax year 2010 because \$4,500 of personal debt was cancelled by a department store. Richard must report \$\_\_\_\_\_ as other income on line 21 of Form 1040.

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

45. If your financial institution offers a discount for the early payment of your mortgage loan, the amount of the discount is cancelled debt. You must include the cancelled amount in your income.

(1) TRUE (2) FALSE

46. Sara hosted a dishware sales party for her friend Sandy in May, 2010. Sandy gave Sara a gift with a fair market value of \$350 for giving the party. Sara must report \$\_\_\_\_\_ as income on her Federal tax return for 2010.

(1) \$100 (2) \$200 (3) \$250 (4) \$350

47. Kenneth received a \$58,000 bribe as the town mayor to vote to purchase land in a swamp to build a new city library. Kenneth must report \$\_\_\_\_\_ of the bribe received as income on his Federal income tax return.

(1) \$29,000 (2) \$18,000 (3) \$58,000 (4) \$-0-

48. 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

49. If you are the beneficiary of an estate or trust that must distribute all of its current income, you must report your share of the distributable net income, whether or not you actually received it.

(1) TRUE (2) FALSE

50. Phillip 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. Phillip is required to report \$ \_\_\_\_\_ winnings as income on his 2010 tax return.

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

51. Emma was walking down Everest Avenue one morning and found \$700 in a purse. She decided to keep the money and donate the purse to charity. Emma must include \$ \_\_\_\_\_ as income received on her tax return.

(1) \$650 (2) \$350 (3) \$375 (4) \$700

52. Silvia received an \$8,000 kickback, as a company buyer, to purchase equipment from her husband's uncle. Silvia must report \$ \_\_\_\_\_ of the kickback received as income.

(1) \$8,000 (2) \$9,000 (3) \$4,500 (4) \$2,500

53. Thomas deposited \$1,000,000 in a bank account that was later frozen by the government. The account earned \$45,000 interest in 2010. Thomas is required to report \$ \_\_\_\_\_ interest earned as income from the frozen account.

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

54. Sherman robbed \$17,000 from B&B Liquor store on December 15, 2010. His conscience bothered him and he returned the \$17,000 to the liquor store on January 3, 2011. Sherman is required to report \$ \_\_\_\_\_ received from the robbery as income in 2010.

(1) \$10,000 (2) \$7,000 (3) \$17,000 (4) \$-0-

55. Sam robbed \$16,000 from D&J Liquor store on December 10, 2010. His conscience bothered him and he returned the \$16,000 to the liquor store on December 13, 2010. Sam is required to report \$ \_\_\_\_\_ received from the robbery as income in 2010.

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

56. How much should Sherry report on her federal tax return as income from the following amounts received in 2010?

Kickback payment	\$8,500
Gift	\$24,000
Gambling winnings	\$9,655

Found property which you keep	\$4,900
Reward	\$15,500

(1) \$39,555 (2) \$32,500 (3) \$38,555 (4) \$62,555

### Part Three Gains and Losses

57. Maureen purchased a computer that will be used 100% in her business on July 6, 2010 for \$2,850. The fair market value of the computer on the date of purchase was \$3,110. What is Maureen's basis in the property?

(1) \$-0- (2) \$2,850 (3) \$2,750 (4) \$3,110

58. Fair market value (FMV) is the price at which property will change hands between a willing buyer and a willing seller, neither having to buy or sell, and both having reasonable knowledge of all the necessary facts.

(1) TRUE (2) FALSE

59. Coco purchased residential rental property on January 19, 2010. The cost of the property was:

Rental Unit	\$395,000
Survey fees	\$3,200
Fire Insurance	\$1,200
Recording Fee	\$1,700
Title Insurance	\$1,859

What is Coco's basis in the rental property?

(1) \$395,000 (2) \$401,759 (3) \$398,200 (4) \$402,959

60. 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

61. Joseph traded his truck that is used 100% for business for a new truck model costing \$15,000. The adjusted basis of Joseph's old truck was \$4,500. The dealer allowed Joseph \$8,300 on the old truck and Joseph paid \$6,700. This is a like-kind exchange. The basis of Joseph's new truck is \$\_\_\_\_\_.

(1) \$8,300 (2) \$15,000 (3) \$11,200 (4) \$4,500

62. In community property states (Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin), husband and wife are each usually considered to own half of

the community property. When either spouse dies, the total value of the community property, even the part belonging to the surviving spouse, generally becomes the basis of the entire property.

(1) TRUE (2) FALSE

63. Capital assets do not include:

- (1) coin or stamp collection
- (2) stocks or bonds held in your personal account
- (3) a copyright created by the taxpayer
- (4) household furnishings

64. Hector purchased 100 shares of AT&T stock on July 6, 2010. The earliest date that Hector can sell the stock and qualify for long-term capital gain or loss is \_\_\_\_\_.

(1) July 8, 2011 (2) July 7, 2011 (3) July 12, 2011 (4) July 21, 2011

65. Isabella purchased 70 shares of Connors stock on October 6, 2010. The earliest date that she can sell the stock and qualify for short-term capital gain or loss is \_\_\_\_\_.

(1) October 10, 2010 (2) October 6, 2011 (3) November 1, 2011 (4) October 7, 2011

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

(1) TRUE (2) FALSE

67. 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

68. The holding period for stock received as a taxable stock dividend begins on the date of distribution.

(1) TRUE (2) FALSE

69. 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) 25 (4) 30

70. A taxpayer can exclude the entire gain on the sale of his/her main home up to:
- \$ \_\_\_\_\_, 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

71. Brian was single and sold his home on August 23, 2010. He met the ownership and use tests. In September he met Connie and they were married on November 6, 2010. Brian will only be able to exclude up to \$ \_\_\_\_\_ gain on the sale of his house even if he files married filing jointly for 2010 because Connie does not meet the use test.

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

72. 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

73. For 2010, the maximum capital gains rate for unrecaptured section 1250 gain is \_\_\_\_\_ %.

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

74. For 2010, the maximum capital gains rate for a collectibles gain is \_\_\_\_\_ %.

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

75. John and Alma Boykin file jointly and sold securities in 2010. They have short-term capital losses of \$6,550 and long-term capital losses of \$4,000. Their capital loss deduction for 2010 is:

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

76. From question #75, how much short-term capital loss carryover will John and Alma have for 2010 tax year?

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

77. From question #75, how much long-term capital loss carryover will John and Alma have for 2010 tax year?

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

78. Short-term capital losses are normally taken prior to long-term capital losses. In 2010, Jeana had \$2,900 short-term loss and \$3,500 long-term loss. What is the maximum that Jeana can deduct on her 2010 tax return and is it long-term or short-term?

- (1) \$1,000 short-term and \$2,000 long-term
- (2) \$2,500 short-term and \$500 long-term
- (3) \$2,900 short-term and \$100 long-term
- (4) \$2,000 short-term and \$1,000 long-term

79. 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 can 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

80. The most that can be contributed for 2010 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

81. The most that can be contributed for 2010 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

82. The latest date that a taxpayer can make a traditional IRA contribution for 2010 is \_\_\_\_\_.

- (1) December 31, 2010 (2) April 18, 2010 (3) April 18, 2011 (4) June 15, 2011

83. Carlos files head of household, is under 50, and is covered by an employer retirement plan. His 2010 modified AGI is \$67,000 and he contributed \$4,000 to his IRA account. Carlos is able to take the following IRA deduction:

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

84. Paul is single, under 50, and is not covered by an employer retirement plan. His 2010 modified AGI is \$188,000 and he contributed \$4,000 to his IRA account. Paul is able to take the following IRA deduction:

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

85. Lionel's filing status is married filing separately. He is under 50 and is covered by an employer retirement plan. His 2010 modified AGI is \$25,000 and he contributed \$4,000 to his IRA account. Lionel is able to take the following IRA deduction:

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

86. Nondeductible contributions to a traditional IRA must be reported on Form 8606. If a taxpayer does not file the required Form 8606, s/he will have to pay a \$\_\_\_\_\_ penalty unless the taxpayer can prove that the failure was due to reasonable cause.

(1) \$25 (2) \$35 (3) \$50 (4) \$100

87. 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

88. Early distributions are amounts distributed from a taxpayer's traditional IRA account or annuity before s/he is age 59 ½. Generally, if a taxpayer is under age 59 ½, s/he must pay a \_\_\_\_\_% additional tax on the distribution of any assets from their traditional IRA.

(1) 5% (2) 10% (3) 15% (4) 20%

89. The most that can be contributed for 2010 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) \$2,000 (3) \$3,000 (4) \$5,000

90. The most that can be contributed for 2010 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

91. Generally, you can contribute to a Roth IRA in 2010 if you have taxable compensation and your modified AGI is less than:

\$177,000 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

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

(1) \$120,000 (2) \$125,000 (3) \$177,000 (4) \$200,000

92. 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

93. Alimony paid by a taxpayer can only be reported on Form \_\_\_\_\_.

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

94. A married taxpayer filing jointly with his/her spouse with modified adjusted gross income of less than \$150,000 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 \$ \_\_\_\_\_ in 2010.

(1) \$1000 (2) \$1,500 (3) \$2,000 (4) \$2,500

95. 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

96. The maximum student loan interest deduction for a student that files married filing separately in 2010 is \$ \_\_\_\_\_.

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

### Part Five Standard Deduction and Itemized Deductions

97. For tax year 2010, the standard deduction for married filing separately is:

(1) \$5,700 (2) \$8,400 (3) \$11,400 (4) \$9,000

98. For tax year 2010, the standard deduction for most people for head of household is:

(1) \$5,700 (2) \$8,400 (3) \$11,400 (4) \$9,000

99. For tax year 2010, the standard deduction for most people filing married filing jointly is:

(1) \$5,700 (2) \$8,400 (3) \$11,400 (4) \$9,000

100. For tax year 2010, an annual physical examination, health club dues, a full-body electronics scan, and a pregnancy test kit have been determined to be medical expenses.

(1) TRUE (2) FALSE

101. 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) maternity clothes

102. A taxpayer can include in medical expenses amounts paid for transportation. The taxpayer can include out-of-pocket expenses such as the cost of gas and oil. If the taxpayer does not want to use actual transportation expenses, s/he can use a standard rate of \_\_\_\_\_ cents a mile in 2010.

(1) 14 (2) 16.5 (3) 24 (4) 24.5

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

- (1) Estate, inheritance, legacy, or succession taxes
- (2) Federal income taxes
- (3) Fines and penalties
- (4) Personal property taxes

104. 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

105. 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

106. Joshua contributed \$15,450 in 2010 to his son who does missionary work. Joshua may make the following Schedule A deduction for contributions:

- (1) \$7,725 (2) \$6,225 (3) \$15,450 (4) \$-0-

107. Luciano donated a car to a qualified charity organization on June 24, 2010. The fair market value of the car was \$5,400. The organization received \$2,500 gross proceeds from the sale of the vehicle. Luciano may deduct \$ \_\_\_\_\_ as a contribution on Schedule A.

- (1) \$5,400 (2) \$2,700 (3) \$4,200 (4) \$2,500

108. Maria paid \$5,000 for an oriental rug for her family room on October 1, 2010. The next day her husband Julius brought home a King Charles puppy named Gracie. Gracie caused \$2,000 of damage to the new oriental rug. Maria will be able to claim a \$ \_\_\_\_\_ casualty loss for 2010.

- (1) \$5,000 (2) \$4,900 (3) \$1,900 (4) \$-0-

109. 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

110. Kelsey reported the theft of her diamond ring that she had bought for \$15,050 to the police on April 6, 2010. The fair market value of the ring was \$16,050. Kelsey received \$5,000 from her insurance company. Her AGI for 2010 was \$59,000. What is her deductible theft loss for 2010?

- (1) \$15,050 (2) \$9,550 (3) \$3,650 (4) \$4,050

111. Mr. Ayres' house was burglarized on September 29, 2010, and his loss after insurance reimbursement was \$24,650. Mr. Ayres' AGI is \$129,546. His theft loss deduction is:

- (1) \$24,650 (2) \$11,195 (3) \$24,150 (4) \$11,595

112. Mr. Dana is able to deduct business-related entertainment expenses that he has for entertaining clients. His 2010 entertainment expenses totaled \$12,868. How much entertainment expense is Mr. Dana allowed to deduct?

- (1) \$12,868 (2) \$5,434 (3) \$6,434 (4) \$4,934

113. Mr. Cohen has deductible business gift expenses. He made the following business gifts in 2010:

Jose Figueroa	\$33
Grant Collins	\$16
Louie Torres	\$68
Robb Long	\$18

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

(1) \$84 (2) \$97 (3) \$86 (4) \$135

114. Geoff 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 2010. Geoff spent \$950 for gasoline for work commuting expense. How much can Geoff deduct as commuting expenses in 2010?

(1) \$950 (2) \$425 (3) \$2,273 (4) \$-0-

115. 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 \$74 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) \$1,554 (4) \$-0-

116. In 2010, Victor drove his car 18,484 business miles. How much can Victor deduct as car business expense in 2010?

(1) \$10,166 (2) \$9,978 (3) \$9,242 (4) \$8,965

117. Linda drove her car 12,334 business miles in 2010. She also paid \$555 for business parking fees and tolls. How much can Linda deduct as car business expense in 2010?

(1) \$555 (2) \$6,722 (3) \$7,339 (4) \$8,234

118. During 2010, while Linda was driving 12,334 business miles she had to pay traffic court \$955 in fines due to excessive speeding. She will be able to deduct \$955 as a miscellaneous business expense on her 2010 federal tax return.

(1) TRUE (2) FALSE

119. Michelle is employed and has work-related qualified educational expenses for 2010. 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

120. Liliana is a Spanish language teacher at Cornell High School. While on sabbatical leave granted for travel, she traveled through Spain to improve her knowledge of the Spanish language. She chose her itinerary and most of her activities to improve her Spanish language skills. She visited Spanish schools, families, and attended movies and plays while in Spain for 10 days. Her expenses included: transportation - \$3,000, lodging - \$2,500, and food - \$900. Liliana is able to deduct \$\_\_\_\_\_ as educational travel expense.

(1) \$5,500 (2) \$6,400 (3) \$5,950 (4) \$-0-

121. Tax preparation fees are deductible as a miscellaneous deduction subject to the 2% limit. These fees include all of the following:

- (a) tax preparation software
- (b) tax publications
- (c) convenience fee charged for using a credit card to pay your taxes
- (d) electronic filing fee

(1) TRUE (2) FALSE

122. James builds birdhouses as a hobby. He built and sold 11 birdhouses in 2010 and received \$100 for each birdhouse. The materials and supplies to build the 11 birdhouses cost \$1,200.

James is able to deduct \$\_\_\_\_\_ of the materials and supplies costs.

(1) \$1,200 (2) \$1,000 (3) \$1,100 (4) \$-0-

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

- (1) safe deposit box
- (2) losses from Ponzi-type investment schemes
- (3) union dues
- (4) hobby losses

124. Which item is a deductible miscellaneous expense:

- (1) political contributions
- (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

125. The amount of taxable investment income a child under age 19 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 2010.

(1) \$2,000 (2) \$1,700 (3) \$1,800 (4) \$1,900

126. 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 2010.

(1) \$3,500 (2) \$3,650 (3) \$2,500 (4) \$1,000

127. Brooke and Lloyd Picket are both employed, married, and they paid \$3,600 child-care expense for their three-year old daughter. Their 2010 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

128. Paige and Gavin Beck 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 2010 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

129. Emily is divorced and has two children, ages 3 and 7. Her adjusted gross income was \$28,555 for 2010. 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. Line 10 of Form 2441 is \$950.

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

130. 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 2010  
Under age \_\_\_\_\_ at the end of 2010  
Lived with taxpayer for more than half of 2010 (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

131. The maximum child tax credit for each qualifying child is \$\_\_\_\_\_ for 2010 tax year.

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

132. A taxpayer cannot claim the American Opportunity Credit if his/her modified adjusted gross income is \$\_\_\_\_\_ or more (\$\_\_\_\_\_ for a joint return) in 2010.

- (1) \$58,000 \$116,000 (2) \$90,000 \$180,000 (3) \$53,000 \$107,000 (4) \$57,000  
\$114,000

133. The maximum amount of American Opportunity Credit that a taxpayer can claim in 2010 is \$\_\_\_\_\_ times the number of eligible students.

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

134. 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 2010 is \$\_\_\_\_\_.

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

135. The amount you can earn in 2010 to receive the Earned Income Credit if you have three or more qualifying children and file married filing jointly, must be less than:

(1) \$48,362 (2) \$48,646 (3) \$48,279 (4) \$34,001

136. The amount you can earn in 2010 to receive the Earned Income Credit if you do not have a qualifying child and file married filing jointly, must be less than:

(1) \$18,348 (2) \$18,470 (3) \$19,590 (4) \$18,440

137. 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) \$40,995 (2) \$40,463 (3) \$40,545 (4) \$44,001

138. The maximum amount of investment income a taxpayer can have and still qualify for Earned Income Credit for 2010 is \$\_\_\_\_\_.

(1) \$2,650 (2) \$2,950 (3) \$2,900 (4) \$3,100

139. 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 2010 and younger than you (or your spouse, if filing jointly), or

A full-time student under age \_\_\_\_\_ at the end of 2010 and younger than you (or your spouse, if filing jointly), or

Permanently and totally disabled at any time during 2010, regardless of age

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

140. A taxpayer may be able to take a tax credit of up to \$\_\_\_\_\_ for qualifying expenses paid to adopt an eligible child in 2010. The credit 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) \$13,170 (3) \$12,150 (4) \$14,220

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141. Norma Chiu is single and she is 24 years old. She does not have any dependents. Norma is required to file a 2010 California tax return if her California gross income exceeds \$ \_\_\_\_\_ or her California AGI exceeds \$ \_\_\_\_\_.

(1) \$18,263 \$15,520 (2) \$14,754 \$11,803 (3) \$14,138 \$11,310 (4) \$14,622 \$11,698

142. Olga and Jose Serna are under 65, and file married/RDP filing jointly. They have two dependent daughters. They are required to file a 2010 California tax return if their California gross income exceeds \$ \_\_\_\_\_ or their California AGI exceeds \$ \_\_\_\_\_.

(1) \$35,283 \$29,382 (2) \$34,962 \$29,113 (3) \$39,351 \$23,865 (4) \$36,926 \$31,440

143. Leticia's filing status is head of household with two dependents. She is required to file a 2010 California tax return if her gross income exceeds \$ \_\_\_\_\_ or her California AGI exceeds \$ \_\_\_\_\_. Leticia is under 65 years of age.

(1) \$20,339 \$17,415 (2) \$31,288 \$28,460 (3) \$20,529 \$17,578 (4) \$25,388 \$22,645

144. Celia's filing status is qualifying widow with one dependent child. She is required to file a 2010 California tax return if her California gross income exceeds \$ \_\_\_\_\_ or her California AGI exceeds \$ \_\_\_\_\_. Celia is under 65 years of age.

(1) \$18,054 \$15,103 (2) \$15,145 \$12,176 (3) \$20,338 \$17,595 (4) \$23,213 \$20,470

145. Peter's filing status is head of household with one dependent. He is required to file a 2010 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) \$21,972 \$19,048 (4) \$22,179 \$19,228

146. Heather and Ryan Lee are married and file jointly. They have two dependent daughters. They are required to file a 2010 California tax return if their California gross income exceeds \$ \_\_\_\_\_ or their California AGI exceeds \$ \_\_\_\_\_. Ryan is 66 and Heather is 49.

(1) \$34,051 \$38,565 (2) \$38,545 \$32,607 (3) \$38,555 \$32,706 (4) \$38,913 \$33,012

147. Verna's filing status is qualifying widow with three dependent children. She is required to file a 2010 California tax return if her California gross income exceeds \$ \_\_\_\_\_ or her California adjusted gross income exceeds \$ \_\_\_\_\_. Verna is under 65.

(1) \$20,529 \$17,578 (2) \$20,339 \$17,415 (3) \$32,870 \$29,901 (4) \$49,351 \$43,865

148. Terry's filing status is single and he is 66 years old. He does not have any dependents. He is required to file a 2010 California tax return if his California gross income exceeds \$\_\_\_\_\_ or his California AGI exceeds \$\_\_\_\_\_.

(1) \$13,713 \$10,970 (2) \$19,704 \$16,753 (3) \$31,976 \$26,490 (4) \$19,522 \$16,598

149. Robert's spouse/RDP died in 2010 and he has not remarried. He has a dependent child that lived in his house throughout 2010. He also pays over one-half the cost of keeping up his home. Robert may file married/RDP filing jointly for 2010 tax year.

(1) TRUE (2) FALSE

150. Kasey and Charles' 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

151. Jose and Norma are married and file jointly. Jose was 65 and Norma was 53 and blind in 2010. How many exemptions can they claim on their California tax return?

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

152. Earl and Jannie Marks are married and file jointly and have three dependent children. Earl was 33 and Jannie was 31 in 2010. How many exemptions can they claim on their California tax return?

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

153. California will tax the following income:

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

154. 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

155. The standard deduction for filing status qualifying widow(er) in 2010 is \$\_\_\_\_\_.

(1) \$7,340 (2) \$6,820 (3) \$7,274 (4) \$6,330

156. The standard deduction for filing status single in 2010 is \$\_\_\_\_\_.

- (1) \$3,637 (2) \$3,670 (3) \$3,516 (4) \$6,330

157. Denise Collen is single and her Federal AGI for 2010 is \$87,761. Denise is allowed to claim her personal exemption unless the amount exceeds the credit limitation. Determine Denise's personal exemption for California.

- (1) \$99 (2) \$98 (3) \$94 (4) \$89

158. The maximum credit for child adoption costs on the California tax return for 2010 is \$\_\_\_\_\_ per minor child.

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

159. A taxpayer may claim a credit for excess SDI if s/he had two or more employers in 2010 and received more than \$\_\_\_\_\_ in wages.

- (1) \$90,669 (2) \$93,316 (3) \$86,698 (4) \$83,389

160. Tami worked for two employers in California during 2010 and the total SDI withheld was \$1,199.66. Tami may claim \$\_\_\_\_\_ excess SDI withheld as a credit on Form 540.

- (1) \$387.30 (2) \$399.30 (3) \$173.18 (4) \$202.30

161. Emma Renee 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) \$5,500 (4) \$15,500

162. 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) \$100,000 (2) \$75,000 (3) \$90,000 (4) \$85,000

163. The maximum late filing total penalty is \_\_\_% of the tax not paid if the 2010 California tax return is filed after October 17, 2011.

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

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

- (1) 25% (2) 50% (3) 100% (4) 75%

165. 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%

166. Brent's filing status is single and he was a resident of California for the entire 2010 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) \$34,412 (2) \$34,722 (3) \$34,936 (4) \$38,599

167. Mr. and Mrs. Ewing's filing status is married/RDP filing jointly and they were residents of California for the entire 2010 year. The Ewing's paid rent for 12 months in 2010. What is the maximum California AGI for Mr. and Mrs. Ewing to qualify for the Nonrefundable Renter's Credit?

- (1) \$64,544 (2) \$69,444 (3) \$69,872 (4) \$68,824

168. The Nonrefundable Renter's Credit for a married couple that qualify in 2010 is \$\_\_\_\_\_.

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

169. The Nonrefundable Renter's Credit for a single taxpayer that qualifies in 2010 is \$\_\_\_\_\_.

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

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

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

171. If a taxpayer's Federal income tax return is examined and changed by IRS and these changes will result in a refund due from 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

172. If you are a farmer or fisherman, and at least two-thirds of your 2010 and 2011 gross income is from farming or fishing, you may:

Pay all of your estimated tax by January 17, 2012, or

File your tax return for 2010 on or before \_\_\_\_\_, and pay the total tax due.

- (1) April 15, 2012 (2) March 1, 2012 (3) March 3, 2012 (4) June 15, 2012

173. The maximum Federal Section 179 expense is \$250,000. The maximum deduction amount under California tax law is \$\_\_\_\_\_.

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

174. Ryan Connor and his spouse received Federal child-care credit of \$480. Their Federal AGI for 2010 is \$43,563. Determine their California child-care credit.

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

175. Barbara Simon files single. Her California taxable income for 2010 is \$39,456. The California tax on this amount is:

- (1) \$1,591 (2) \$1,576 (3) \$1,468 (4) \$868

176. Timothy Hofer files as head of household. His California taxable income for 2010 is \$56,974. The California tax on this amount is:

- (1) \$1,695 (2) \$1,082 (3) \$1,936 (4) \$1,960

177. David Cornell files as head of household. His California taxable income for 2010 is \$68,342. The California tax on this amount is

- (1) \$2,695 (2) \$2,928 (3) \$2,907 (4) \$2,960

178. Mr. & Mrs. Short file married/RDP filing jointly. Their California taxable income for 2010 is \$92,375. The California tax on this amount is:

- (1) \$6,554 (2) \$4,288 (3) \$4,258 (4) \$4,987

179. Mr. & Mrs. Valenzuela file married/RDP filing jointly. Their California taxable income for 2010 is \$195,996. The California tax on this amount is:

- (1) \$14,178 (2) \$14,137 (3) \$14,908 (4) \$13,619

180. Lesley Meer files single. Her California taxable income for 2010 is \$189,996. The California tax on this amount is:

- (1) \$12,507 (2) \$15,854 (3) \$15,875 (4) \$15,508

## INFORMATION FOR QUESTIONS 181-200.

### CODE OF CONDUCT AND RESPONSIBILITIES

A tax preparer is defined as “a person who, for a fee, assists with or prepares tax returns for another person or who assumes final responsibility for completed work on a return on which preliminary work has been done by another person, or who holds himself or herself out as offering those services.”

A tax return is defined as “a return, declaration, statement, refund claim, or other document required to be made or filed in connection with state or federal income taxes or state bank and corporation franchise taxes.”

CTEC Registered Tax Preparers (CRTPs):

Must register as a tax preparer with the California Tax Education Council (CTEC).

Must maintain a \$5,000 tax preparer bond issued by a surety company admitted to do business in California. A tax preparer shall provide to the surety company proof that he or she is at least 18 years of age before a bond can be issued.

Must identify to the surety company all preparers employed or associated with the Tax Preparer securing the bond.

Must file an amendment to the bond within 30 days of any change in the information provided in the bond.

Must not conduct business without having a current surety bond in effect.

Must cease doing business as a tax preparer upon cancellation or termination of bond until a new bond is obtained.

Must furnish evidence of a current bond upon the request of any state or federal agency or law enforcement agency.

Must, prior to rendering any tax preparation services, provide the customer, in writing, with the tax preparer’s name, address, telephone number, and evidence of compliance with the bonding requirement.

Must not make fraudulent, untrue, or misleading statements or representations which are intended to induce a person to use their tax preparation services.

Must not obtain the signature of a customer to a tax return or authorizing document, which contains blank spaces to be filled in after it has been signed.

Must not fail or refuse to give a customer, for their own records, a copy of any document

requiring the customer's signature, within a reasonable time after the customer signs.

Must not fail to maintain a copy of any tax return prepared for a customer for four years from the later of the due date of the return or the completion date of the return.

Must not engage in advertising practices, which are fraudulent, untrue, or misleading, including assertions that the tax preparer bond in any way implies licensure or endorsement of a tax preparer by the State of California.

Must not violate provisions of Sections 17530.5 or 7216 of Title 26 of the United States Code prohibiting tax preparers from disclosing any information obtained in the business of preparing federal or state income tax returns unless (1) consented to, in writing, by the taxpayer in a separate document; (2) expressly authorized by law; (3) necessary for the preparation of the return; or, (4) pursuant to court order.

Must not fail to sign a customer's tax return when payment for services rendered has been made.

Must not fail to return, upon the demand by or on behalf of a customer, records or other data provided to the tax preparer by the customer.

Must not give false or misleading bond information to a consumer, or give false or misleading information to a surety company in obtaining their tax preparer bond.

Must apply for their Certificate of Completion within 18 months after completing their 60 hours of qualifying education from an approved provider.

Must complete, on an annual basis, not less than 20 hours of continuing education from an approved curriculum provider (at least 12 hours federal, 4 hours California, 2 hours ethics, and 2 hours of either federal or California).

Preparers who are preparing income tax forms for a fee and are not registered with CTEC are subject to a penalty. The initial penalty is \$2,500. Preparers have 90 days to become registered with CTEC and the penalty will be withdrawn. The penalty increases to \$5,000 for subsequent violations.

California law requires tax preparers who annually prepare more than 100 California personal income tax returns to e-file these returns.

## ETHICS IN TAX PREPARATION

181. CTEC Registered Tax Preparers (CRTPs) must maintain a \$ \_\_\_\_\_ tax preparer bond issued by a surety company admitted to do business in California.

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

182. A CRTP may continue doing business while waiting for his/her surety bond to take effect.

(1) TRUE (2) FALSE

183. A CRTP must not make fraudulent, untrue, or misleading statements or representations which are intended to induce a person to use their tax preparation services.

(1) TRUE (2) FALSE

184. A CRTP shall provide to the surety company proof that he/she is at least \_\_\_\_\_ years of age before a bond can be issued.

(1) 15 (2) 18 (3) 21 (4) 25

185. A CRTP must register as a tax preparer with the California Tax Education Council.

(1) TRUE (2) FALSE

186. A CRTP must file an amendment to the tax preparer's bond within \_\_\_\_\_ days of any change in the information provided in the bond.

(1) 10 (2) 20 (3) 30 (4) 90

187. A CRTP must not obtain the signature of a customer to a tax return or authorizing document, which contains blank spaces to be filled in after it has been signed.

(1) TRUE (2) FALSE

188. A CRTP is not required to identify to the surety company all preparers employed or associated with the CRTP securing the bond.

(1) TRUE (2) FALSE

189. CTEC will suspend, revoke, or deny registration if California Registered Tax Preparers or new applicants are found guilty of unprofessional conduct by a government agency or regulatory entity.

(1) TRUE (2) FALSE

190. A CRTP must complete, on an annual basis, not less than \_\_\_\_\_ hours of continuing education from an approved curriculum provider.
- (1) 10 (2) 12 (3) 16 (4) 20
191. A CRTP must complete, on an annual basis, a minimum of \_\_\_\_\_ hours federal and a minimum of \_\_\_\_\_ hours California, and 2 hours of ethics continuing education from an approved curriculum provider. A total of 20 hours continuing education is required.
- (1) 10 6 (2) 12 4 (3) 12 3 (4) 13 4
192. A CRTP must not fail to sign a customer's tax return when payment for services rendered has been made.
- (1) TRUE (2) FALSE
193. A CRTP must not refuse to give a customer, for their own records, a copy of any document requiring the customer's signature, within a reasonable time after the customer signs.
- (1) TRUE (2) FALSE
194. A CRTP must not fail to maintain a copy of any tax return prepared for a customer for \_\_\_\_\_ years from the later of the due date of the return or the completion date of the return.
- (1) 1 (2) 2 (3) 3 (4) 4
195. A CRTP may advertise that they are endorsed by the State of California.
- (1) TRUE (2) FALSE
196. A CRTP must not fail to return, upon demand by or on behalf of a customer, records or other data provided to the tax preparer by the customer.
- (1) TRUE (2) FALSE
197. When a person prepares a tax return, for a fee, without the appropriate designation, he/she could be cited and penalized. The initial penalty is \$\_\_\_\_\_.
- (1) \$100 (2) \$500 (3) \$2,500 (4) \$2,000
198. A person, after completing their 60 hours of qualifying education from an approved provider must apply for their Certificate of Completion within \_\_\_\_\_ months.
- (1) 6 (2) 12 (3) 18 (4) 24

199.A CRTP must not engage in advertising practices, which are fraudulent, untrue, or misleading, including assertions that the tax preparer bond in any way implies licensure or endorsement of a tax preparer by the State of California.

(1) TRUE (2) FALSE

200.A CRTP must not give false or misleading bond information to a consumer, or give false or misleading information to a surety company in obtaining their tax preparer bond.

(1) TRUE (2) FALSE