Income Tax Fundamentals 2026 44th edition Whittenburg Test Bank

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Income Tax Fundamentals 2026 (44th)

ISBN 9798214044538 | Chapter 1: The Individual Income Tax Return

Total Questions: 127

Multiple Choice (59)

Q1. *[Multiple Choice] · Bloom's: Remember*

Which of the following is a goal of the tax law?

a) Encouraging certain social goals such as contributions to charity ✓ correct
b) Supporting certain economic goals such as increasing unemployment
c) Encouraging smaller families
d) Promoting goodwill with other countries

Q2. *[Multiple Choice] · Bloom's: Remember*

Which of the following provisions was passed by Congress to meet a social goal of the tax law?

a) Deduction for job hunting expenses
b) Child and dependent care credit ✓ correct
c) Moving expense deduction for adjusted gross income
d) Deduction for soil and water conservation costs available to farmers

Q3. *[Multiple Choice] · Bloom's: Remember*

Which of the following best illustrates an economic goal of the federal income tax law?

a) Promoting equal access to education through the Lifetime Learning Credit
b) Reducing unemployment through targeted tax incentives ✓ correct
c) Lowering the cost of child adoption through tax credits
d) Encouraging charitable giving with itemized deduction rules

Q4. *[Multiple Choice] · Bloom's: Apply*

Wesley, age 45, has a fairly simple tax situation with moderate wage income and a modest amount of interest income. Wesley wishes to use the easiest possible tax form. He may file which of the following?

a) Form 1040-EZ
b) Form 1040-SR
c) Form 1040 ✓ correct
d) Form 1065

Q5. *[Multiple Choice] · Bloom's: Remember*

Which of the following forms may be filed by individual taxpayers?

a) Form 1040 ✓ correct
b) Form 1041
c) Form 1065
d) Form 1120

Q6. *[Multiple Choice] · Bloom's: Analyze*

Which of the following statements about partnerships is*true*?

a) Partnerships are pass-through entities that file an informational return on Form 1065. ✓ correct
b) Partnerships pay federal income tax at the same rates as individuals.
c) Partnerships are required to file corporate returns on Form 1120.
d) Partnerships report income on the trust and estate return, Form 1041.

Q7. [Multiple Choice] · Bloom's: Analyze

Which of the following is*true*regarding reporting and taxable entities?

a) An individual is a reporting entity but not a taxable entity.
b) A partnership is a taxable entity and a reporting entity.
c) A corporation is a reporting entity but not a taxable entity.
d) A partnership is a reporting entity but not a taxable entity. ✓ correct

Q8. [Multiple Choice] · Bloom's: Understand

Schedule 1 of Form 1040 is used to report what?

a) Income from wages
b) Capital gains and losses
c) Withholding on wages
d) Unemployment compensation ✓ correct

Q9. [Multiple Choice] · Bloom's: Remember

Partnership income is reported on _____.

a) Form 1040PTR
b) Form 1120S
c) Form 1040X
d) Form 1065 ✓ correct

Q10. [Multiple Choice] · Bloom's: Remember

What is reported on Schedule 2?

a) Additional income
b) Adjustments to income
c) Additional taxes ✓ correct
d) Itemized deductions

Q11. [Multiple Choice] · Bloom's: Remember

Which of the following is used to report capital gains and losses?

a) Schedule A
b) Schedule B
c) Schedule C
d) Schedule D ✓ correct

Q12. [Multiple Choice] · Bloom's: Remember

An individual is a head of household. What is this individual's2025standard deduction?

a) $15,750
b) $31,500
c) $23,625 ✓ correct
d) $17,300

Q13. [Multiple Choice] · Bloom's: Apply

Jordanand Mia are married but choose to file separate returns for 2025. Jordan earned $28,500, and Mia earned $33,200. They do not live in a community property state and have no deductions for AGI. Jordan's itemized deductions total $18,200, while Mia's total $6,500. If Jordan claims the greater of the standard deduction or itemized deductions, what is his taxable income.

a) $10,300 ✓ correct
b) $12,750
c) $15,750
d) $28,500

Q14. [Multiple Choice] · Bloom's: Apply

Kelly and Morgan have no dependents and file a joint income tax return for 2025. They have adjusted gross income (all wages) of $140,000 and itemized deductions of $34,000. What is their taxable income?

a) $105,000

b) $106,000 ✓ correct

c) $108,500

d) $140,000

Q15. [Multiple Choice] · Bloom's: Apply

Which of the following taxpayers is exempt from having to file a tax return for 2025?

a) A single taxpayer who is under age 65, withincome of$16,200

b) Married taxpayers (ages 45 and 50 years), filing jointly, withincome of$32,800

c) A 22-year-old student with unearned income of $2,500 who is claimed as a dependent by her parents

d) A 67-year-old surviving spouse with a dependent child and income of$19,200 ✓ correct

Q16. [Multiple Choice] · Bloom's: Apply

In which of the following situations is the taxpayer excluded from having to file a2025income tax return?

a) When an individual has a current year income tax refund and would like to obtain it

b) When the taxpayer is a single 67-year-old with wages of $9,800 ✓ correct

c) When the taxpayer is a 35-year-old head of household with wages of$23,700

d) When the taxpayer is a 69-year-old surviving spouse (spouse died 3 years ago) with wages of$17,800 andno dependents

Q17. [Multiple Choice] · Bloom's: Remember

Which of the following factors are primarily used by the IRS to determine whether an individual is required to file an income tax return?

a) The taxpayer's filing status, age, and gross income ✓ correct

b) The taxpayer's gross income and amount of itemized deductions

c) The taxpayer's number of dependents and amount of tax withheld

d) The taxpayer's state of residence and total credits claimed

Q18. [Multiple Choice] · Bloom's: Apply

Elliot andKarmen are married. For 2025, Elliot earned $35,000, and Karmen earned $40,000. They file separate returns. They have no deductions for adjusted gross income. Karmen's itemized deductions are $15,600, so she is going to itemize. Elliot's itemized deductions are $4,750. Assuming Elliot and Karmen do*not*live in a community property state, what is Elliot's taxable income?

a) $19,250

b) $20,250

c) $30,250 ✓ correct

d) $35,000

Q19. [Multiple Choice] · Bloom's: Apply

Juan,45 years old and unmarried, contributed $1,000 monthly in 2025 to the support of his parents' household. The parents lived alone, and their income for 2025 consisted of $500 from dividends and interest. What is Juan's filing status, and how many dependents should he claim on his 2025 tax return?

a) Single and no dependents

b) Head of household and no dependents

c) Single and two dependents

d) Head of household and two dependents ✓ correct

Q20. [Multiple Choice] · Bloom's: Apply

During 2025, Manfred, who is 60 years old and unmarried, provided all of the support of his elderly mother. His mother was a resident of a home for the aged for the entire year and had no income. What is Manfred's filing status for 2025, and how many dependents should he report on his tax return?

- **a) Head of household and one dependent ✓ correct**
- **b)** Single and two dependents
- **c)** Head of household and two dependents
- **d)** Single and one dependent

Q21. [Multiple Choice] · Bloom's: Apply

Kofi is a 25-year-old full-time student at a state university. Kofi lives with his unmarried sister, Abbey, who provides over half of his support. His only income is $5,900 of wages from a part-time job at the college bookstore. What is Abbey's filing status for 2025?

- **a) Single ✓ correct**
- **b)** Head of household
- **c)** Married filing separately
- **d)** Surviving spouse

Q22. [Multiple Choice] · Bloom's: Apply

Robertois a single taxpayer who has AGI of $145,000 in 2025; his taxable income is $122,000. What is his federal tax liability for 2025?

- **a)** $21,000
- **b) $22,127 ✓ correct**
- **c)** $23,500
- **d)** $17,651

Q23. [Multiple Choice] · Bloom's: Apply

Jordan is a single parent who is divorced and provides the main home for their 10-year-old dependent daughter, Riley. What is Jordan's correct filing status?

- **a) Head of household ✓ correct**
- **b)** Married filing separately
- **c)** Single
- **d)** Surviving spouse

Q24. [Multiple Choice] · Bloom's: Apply

Iris, widowed in 2025, pays all costs related to the home in which she and her unmarried child live. Her child does not qualify as her dependent. What is her filing status for 2025?

- **a) Single ✓ correct**
- **b)** Married filing separately
- **c)** Head of household
- **d)** Surviving spouse

Q25. [Multiple Choice] · Bloom's: Apply

Alec, whose wife died in 2023, filed a joint tax return for 2023. He did*not*remarry and continues to maintain his home in which his four dependent children live. In the preparation of his tax return for 2025, Alec should file as ______.

- **a)** single
- **b) surviving spouse ✓ correct**
- **c)** head of household
- **d)** married filing separately

Q26. *[Multiple Choice] · Bloom's: Apply*

During 2025, Howard maintained his home in which he and his 16-year-old son resided. The son qualifies as his dependent. Howard's wife died in 2025. What is his filing status for 2025?

- **a)** Single
- **b)** Head of household
- **c)** Married filing separately
- **d) Surviving spouse ✓ correct**

Q27. *[Multiple Choice] · Bloom's: Apply*

Avery’s spouse passed away in 2021. Avery has not remarried and continues to maintain a household for their 12-year-old dependent son in 2025. What filing status should Avery use?

- **a)** Single
- **b) Head of household ✓ correct**
- **c)** Surviving spouse
- **d)** Married filing separately

Q28. *[Multiple Choice] · Bloom's: Apply*

During the current tax year, Anita was entirely supported by her four children, Dudley, Mel, Carlton, and Isidore, who provided support for her in the following percentages:

Dudley
9%

Mel15%
Carlton
25%

Isidore
51%

Which of the children may be allowed to claim Anita as a dependent, assuming a multiple support agreement exists?

- **a) Only Isidore ✓ correct**
- **b)** Carlton or Isidore
- **c)** Mel, Carlton, or Isidore
- **d)** Dudley, Carlton, Mel, or Isidore

Q29. *[Multiple Choice] · Bloom's: Apply*

Sheldon is 92 years old and in poor health. Clever investing earlier in his life has left him with a sizeable income. He therefore is able to support his son Paul. Paul is 67 years old and lives in a nursing home. Paul’s income is less than $2,000. How many dependents should Sheldon claim on his tax return?

- **a)** 0
- **b) 1 ✓ correct**
- **c)** 2
- **d)** 3

Q30. *[Multiple Choice] · Bloom's: Analyze*

Which of the following statements is*true*with respect to the gross income test for claiming a qualifying relative as a dependent?

- **a) The relative must receive less than $5,200of gross income in order to qualify. ✓ correct**
- **b)** The gross income test does not have to be met provided the relative is under age 19 at the end of the tax year.
- **c)** The gross income test does not have to be met provided the relative is under age 24 at the end of the tax year.
- **d)** The gross income test does not have to be met provided the relative is a student.

Q31. *[Multiple Choice] · Bloom's: Apply*

Albert and Avery, ages 66 and 64, respectively, filed a joint return for 2025. They provided all of the support for their 19-year-old son, who is blind and had no gross income. They also provided the total support of Avery's father, who is a citizen and life-long resident of Peru. What amount of credit for other dependents can Albert and Avery claim?

- **a)** $0
- **b) $500 ✓ correct**
- **c)** $1,000
- **d)** $2,000

Q32. *[Multiple Choice] · Bloom's: Remember*

Which of the following individuals does*not*meet the IRS relationship test for dependency?

- **a)** Sister
- **b)** Adopted child
- **c)** Aunt
- **d) Cousin ✓ correct**

Q33. *[Multiple Choice] · Bloom's: Remember*

Which of the following is a test that must be met for a child to be considered a dependent but does*not*apply to other qualifying relatives?

- **a)** Joint return test
- **b) Domicile test ✓ correct**
- **c)** Citizenship test
- **d)** Relationship test

Q34. *[Multiple Choice] · Bloom's: Apply*

Mr. and Mrs. Vonce, both age 62, file a joint return for 2025. They provided all the support for their daughter, who is 19 years old, is legally blind, and earns no income. Their 21-year-old son, a full-time student at a university, had $5,800 of income and provided 70% of his own support during 2025. What amount of other dependent credit may Mr. and Mrs. Vonce claim on their 2025 tax return?

- **a)** $0
- **b) $500 ✓ correct**
- **c)** $1,000
- **d)** $2,000

Q35. *[Multiple Choice] · Bloom's: Remember*

Taxpayers who are blind get the benefit of _______.

- **a)** an extra exemption
- **b) an additional amount added to their standard deduction ✓ correct**
- **c)** two standard deductions
- **d)** an expedited refund

Q36. *[Multiple Choice] · Bloom's: Apply*

Malay, a 50-year-old single taxpayer, paid the full cost of maintaining his dependent mother in a home for the aged for the entire year. What is the amount of Malay's standard deduction for 2025?

- **a)** $15,750
- **b) $23,625 ✓ correct**
- **c)** $24,800
- **d)** $31,500

Q37. *[Multiple Choice] · Bloom's: Apply*

Jada is a 16-year-old child who is claimed as a dependent by her parents. Jada's only income is $1,400 interest from her bank savings account. What is the amount of Jada's standard deduction for 2025?

- **a)** $1,400
- **b) $1,350 ✓ correct**
- **c)** $1,950
- **d)** $15,750

Q38. *[Multiple Choice] · Bloom's: Understand*

Your standard deduction will be $15,750 in 2025 if you are which of the following?

- **a)** Single and 67 years old
- **b) Single and 45 years old ✓ correct**
- **c)** Single, 27 years old, and blind
- **d)** Head of household

Q39. *[Multiple Choice] · Bloom's: Apply*

Sofia is60 years old, single, and legally blind. Sofia supports her father, who is 88 years old and blind, by paying the rent and other costs of her father’s residence. What total standard deduction amount should Sofia claim on her 2025 tax return?

- **a)** $23,625
- **b)** $31,500
- **c) $25,625 ✓ correct**
- **d)** $17,750

Q40. *[Multiple Choice] · Bloom's: Apply*

Jordansells stock in Oak Corporation that was purchased 15 years ago for $12,000. The stock sells for $34,500. How should the gain be classified on Jordan’s tax return?

- **a)** $22,500 short-term capital gain
- **b) $22,500 long-term capital gain ✓ correct**
- **c)** $22,500 ordinary income
- **d)** $3,000, with the excess carried forward

Q41. *[Multiple Choice] · Bloom's: Apply*

Alexis has a long-term capital loss of $13,000 on the sale of stock in the current year. She has no other capital gains or losses for the year. Her taxable income without this transaction is $60,000. What is her current year taxable income considering this capital loss?

- **a)** $47,000
- **b)** $54,000
- **c) $57,000 ✓ correct**
- **d)** $70,000

Q42. [Multiple Choice] · Bloom's: Understand

Whichof the following assets is*not*treated as a capital asset for purposes of capital gains and losses?

- **a) Inventory held for sale to customers ✓ correct**
- **b)** Shares of stock in a public corporation
- **c)** Artwork purchased as a personal investment
- **d)** Vacant land purchased for appreciation

Q43. [Multiple Choice] · Bloom's: Apply

Bobowns a rental property that he bought several years ago for $250,000. He has taken depreciation on the house of $40,000 since buying it. He sells it in 2025 for $310,000. His selling expenses are $10,000 for the year. What is Bob’s realized gain on the sale?

- **a)** $28,000
- **b)** $70,000
- **c)** $110,000
- **d) $90,000 ✓ correct**

Q44. [Multiple Choice] · Bloom's: Analyze

Which of the following is*true*regarding the IRS?

- **a)** The IRS requires official tax forms to be obtained at the local IRS office.
- **b)** The IRS links to the ProConnect Tax website.
- **c)** The IRS provides information on how to choose a stock.
- **d) The IRS offers an app for mobile phone users. ✓ correct**

Q45. [Multiple Choice] · Bloom's: Remember

Internet users can go to www.irs.gov to do which of the following?

- **a) Download tax forms and publications ✓ correct**
- **b)** Get a list of approved tax preparers
- **c)** Find links to Intuit's tax preparation products
- **d)** Read reviews of tax preparation software

Q46. [Multiple Choice] · Bloom's: Analyze

Which of the following is*true*of electronic filing (e-filing)?

- **a) It reduces the error rate for tax returns. ✓ correct**
- **b)** It generally results in a slower refund.
- **c)** It can be done only by telephone.
- **d)** It requires the services of a professional.

Q47. [Multiple Choice] · Bloom's: Remember

Electronically filed tax returns ______.

- **a)** may not be transmitted from a taxpayer’s home computer
- **b)** constitute less than 50% of the returns filed with the IRS
- **c)** have error rates similar to paper returns
- **d) offer faster refunds than paper returns ✓ correct**

Q48. [Multiple Choice] · Bloom's: Remember

When was the Sixteenth Amendment to the U.S. Constitution ratified?

- **a)** 1861
- **b)** 1894
- **c) 1913 ✓ correct**
- **d)** 1935

Q49. *[Multiple Choice] · Bloom's: Understand*

Which of the following is an example of a tax provision designed to meet social goals?

- **a)** Bonus depreciation provisions
- **b) Earned income credit ✓ correct**
- **c)** Research and experimentation tax credit
- **d)** Limited allowance for expensing capital expenditures

Q50. *[Multiple Choice] · Bloom's: Understand*

Whichof the following has been a major contributor to the increasing complexity of the U.S. tax system?

- **a)** The widespread availability of tax software
- **b) Frequent use of tax provisions to encourage social and economic policies ✓ correct**
- **c)** Reduction in the number of filing statuses
- **d)** Standardization of electronic filing procedures

Q51. *[Multiple Choice] · Bloom's: Understand*

What was a significant outcome of the adoption of the Sixteenth Amendment?

- **a)** It eliminated all state taxes.
- **b) It made the income tax constitutional. ✓ correct**
- **c)** It introduced the concept of tax credits.
- **d)** It established the Internal Revenue Service.

Q52. *[Multiple Choice] · Bloom's: Remember*

What is the primary purpose of the IRS YouTube channel?

- **a)** To provide entertainment content
- **b)** To offer tax preparation services
- **c) To share educational videos on tax-related topics ✓ correct**
- **d)** To sell IRS merchandise

Q53. *[Multiple Choice] · Bloom's: Remember*

Which of the following can be accessed through an online account on the IRS website?

- **a)** Real-time tax return processing status
- **b) Personal tax records ✓ correct**
- **c)** Free tax preparation software
- **d)** Live chat with IRS agents

Q54. *[Multiple Choice] · Bloom's: Remember*

Which social media platform does the IRS use for news feeds?

- **a)** Instagram
- **b) X (formerly Twitter) ✓ correct**
- **c)** Facebook
- **d)** Pinterest

Q55. *[Multiple Choice] · Bloom's: Remember*

To what type of information does Tax Notes provide free access?

- **a)** Only tax court cases
- **b)** Only IRS regulations
- **c)** Only tax law articles
- **d) A comprehensive library of federal tax research information ✓ correct**

Q56. *[Multiple Choice]* *· Bloom's: Remember*

What percentage of individual taxpayers currently use e-filing?

- **a)** Less than 50%
- **b)** About 75%
- **c) More than 90% ✓ correct**
- **d)** 100%

Q57. *[Multiple Choice]* *· Bloom's: Remember*

What form must an Electronic Return Originator obtain before creating a PIN for a taxpayer?

- **a)** Form 1040
- **b)** Form W-2
- **c) Form 8878 or 8879 ✓ correct**
- **d)** Form 1099

Q58. *[Multiple Choice]* *· Bloom's: Remember*

How long must an Electronic Return Originator (ERO) keep Form 8878 or 8879?

- **a)** 1 year
- **b)** 2 years
- **c) 3 years ✓ correct**
- **d)** 5 years

Q59. *[Multiple Choice]* *· Bloom's: Understand*

What is the main difference between the free fillable forms and the free tax preparation software offered by the IRS?

- **a)** Fillable forms are only for businesses.
- **b)** Tax preparation software is only for high-income individuals.
- **c) Fillable forms perform calculations but don't provide guidance. ✓ correct**
- **d)** Tax preparation software can only be used by tax professionals.

True/False (31)

Q60. *[True/False]* *· Bloom's: Remember*

The U.S. federal tax law's sole purpose is to raise revenue.

- **a)** true
- **b) false ✓ correct**

Correct answer: False

Q61. *[True/False]* *· Bloom's: Remember*

A corporation is a reporting entity but*not*a tax-paying entity.

- **a)** true
- **b) false ✓ correct**

Correct answer: False

Q62. *[True/False]* *· Bloom's: Remember*

Partnership capital gains and losses are allocated separately to each of the partners.

- **a) true ✓ correct**
- **b)** false

Correct answer: True

Q63. *[True/False] · Bloom's: Understand*

Married taxpayers may double their standard deduction amount by filing separate returns.

a) true

b) false ✓ correct

Correct answer: False

Q64. *[True/False] · Bloom's: Remember*

An item is included in gross income unless the tax law specifies that the item is subject to exclusion.

a) true ✓ correct

b) false

Correct answer: True

Q65. *[True/False] · Bloom's: Remember*

For taxpayers who do *not* itemize deductions, the standard deduction amount is subtracted from the taxpayer's adjusted gross income.

a) true ✓ correct

b) false

Correct answer: True

Q66. *[True/False] · Bloom's: Remember*

A taxpayer with self-employment income of $600 must file a tax return.

a) true ✓ correct

b) false

Correct answer: True

Q67. *[True/False] · Bloom's: Remember*

A dependent child with earned income in excess of the available standard deduction amount must file a tax return.

a) true ✓ correct

b) false

Correct answer: True

Q68. *[True/False] · Bloom's: Remember*

A single taxpayer, who is *not* a dependent on another's return, *not* blind, and under age 65, with income of $11,800 must file a tax return.

a) true

b) false ✓ correct

Correct answer: False

Q69. *[True/False] · Bloom's: Remember*

If a taxpayer is due a refund, it will be mailed to the taxpayer regardless of whether a tax return is filed.

a) true

b) false ✓ correct

Correct answer: False

Q70. *[True/False] · Bloom's: Remember*

Taxpayers with self-employment income of $400 or more must file a tax return.

a) true ✓ correct

b) false

Correct answer: True

Q71. *[True/False] · Bloom's: Remember*

If your spouse dies during the tax year and you do*not*remarry, you must file as single for the year of death.

- **a)** true
- **b) false ✓ correct**

Correct answer: False

Q72. *[True/False] · Bloom's: Remember*

Taxpayers who do*not*qualify for married, head of household, or surviving spouse filing status must file as single.

- **a) true ✓ correct**
- **b)** false

Correct answer: True

Q73. *[True/False] · Bloom's: Understand*

If an unmarried taxpayer paid more than half the cost of keeping a home which is the principal place of residence of a nephew who is*not*their dependent, they may use the head of household filing status.

- **a)** true
- **b) false ✓ correct**

Correct answer: False

Q74. *[True/False] · Bloom's: Remember*

The maximum official individual income tax rate for 2025 is 39.6%,*not*including the Medicare surtax on net investment income.

- **a)** true
- **b) false ✓ correct**

Correct answer: False

Q75. *[True/False] · Bloom's: Remember*

All taxpayers may use the tax rate schedule to determine their tax liability.

- **a)** true
- **b) false ✓ correct**

Correct answer: False

Q76. *[True/False] · Bloom's: Remember*

The head of household tax rates are higher than the rates for a single taxpayer.

- **a)** true
- **b) false ✓ correct**

Correct answer: False

Q77. *[True/False] · Bloom's: Remember*

Most states are community property states.

- **a)** true
- **b) false ✓ correct**

Correct answer: False

Q78. *[True/False] · Bloom's: Remember*

If taxpayers are married and living together at the end of the year, they must file a joint tax return.

- **a)** true
- **b) false ✓ correct**

Correct answer: False

Q79. [True/False] · Bloom's: Understand

A taxpayer who maintains a household with an unmarried child may qualify to file as head of household even if the child is*not*the taxpayer's dependent.

a) true

b) false ✓ correct

Correct answer: False

Q80. [True/False] · Bloom's: Remember

A married person with a dependent child may choose to file as head of household if doing so reduces the taxpayer's tax liability.

a) true

b) false ✓ correct

Correct answer: False

Q81. [True/False] · Bloom's: Remember

Taxpayers who live alone, are legally separated from their spouses under a separate maintenance decree at year-end, and have no dependents should file as single.

a) true ✓ correct

b) false

Correct answer: True

Q82. [True/False] · Bloom's: Apply

Malik, age 22, is enrolled in college on a full-time basis. His parents provide all of his support. Malik may be claimed as a dependent by his parents.

a) true ✓ correct

b) false

Correct answer: True

Q83. [True/False] · Bloom's: Remember

A dependent who dies during the tax year may still qualify as a dependent.

a) true ✓ correct

b) false

Correct answer: True

Q84. [True/False] · Bloom's: Remember

For 2025, the deductions for personal and dependency exemptions are $4,300 each.

a) true

b) false ✓ correct

Correct answer: False

Q85. [True/False] · Bloom's: Remember

Scholarships received by a student may be excluded for purposes of the support test for determining the availability of the dependency exemption.

a) true ✓ correct

b) false

Correct answer: True

Q86. *[True/False] · Bloom's: Remember*

The two types of dependents are qualifying child or qualifying relative.

- **a) true ✓ correct**
- **b)** false

Correct answer: True

Q87. *[True/False] · Bloom's: Understand*

An 18-year-old full-time student who is claimed on the parents' tax return as a dependent is eligible for the child tax credit.

- **a)** true
- **b) false ✓ correct**

Correct answer: False

Q88. *[True/False] · Bloom's: Remember*

Most taxpayers may deduct the standard deduction amount or the amount of their itemized deductions, whichever is higher.

- **a) true ✓ correct**
- **b)** false

Correct answer: True

Q89. *[True/False] · Bloom's: Remember*

An individual taxpayer with a net capital loss may deduct up to $3,000 per year against ordinary income.

- **a) true ✓ correct**
- **b)** false

Correct answer: True

Q90. *[True/False] · Bloom's: Remember*

Taxpayers can download tax forms from the IRS website.

- **a) true ✓ correct**
- **b)** false

Correct answer: True

Short Response (35)

Q91. *[Short Response] · Bloom's: Remember*

List at least two general objectives of the tax code.

Suggested answer: *The tax code promotes social goals, economic goals, and the raising of revenue.*

Q92. *[Short Response] · Bloom's: Understand*

Indicate with a "Yes" or a "No" whether each of the following is an objective of the tax code.
a. To fund government operations
b. To encourage home ownership through deductions and credits
c. To provide a home to each American
d. To support renewable energy investments
e. To promote higher education through credits and deductions

Suggested answer: *a. Yes*
b. Yes
c. No
d. Yes
e. Yes

Q93. *[Short Response] · Bloom's: Remember*

Mark each of the following as a taxable entity, a reporting entity, or both.

a. Individuals

b. Corporations

c. Partnerships

Suggested answer: *a. Both*
b. Both
c. Reporting entity

Q94. *[Short Response] · Bloom's: Remember*

Determine if a form is used for an individual, a corporation, or a partnership tax return.

a. Form 1065

b. Schedule A, Itemized Deductions

c. Form 1040

d. Form 1120

e. Schedule B, Interest and Dividends

Suggested answer: *a. Partnership*
b. Individual
c. Individual
d. Corporation
e. Individual

Q95. *[Short Response] · Bloom's: Apply*

Barry is a 45-year-old single taxpayer. In 2025, he has gross income of $37,000 and itemized deductions of $6,500. If Barry claims no dependents on his 2025 income tax return, calculate the following amounts:

a.

His personal exemption amount

b.

Barry's taxable income

Suggested answer: *a.**$0.**Personal exemptions were repealed.*
*b.**$21,250.**($37,000 – $15,750 standard deduction)*

Q96. *[Short Response] · Bloom's: Remember*

What is the formula for computing taxable income?

Suggested answer: *Gross Income*

–Deductions for Adjusted Gross Income

= Adjusted Gross Income

– Greater of Itemized Deductions or Standard Deduction

–Qualified Business Income Deduction

= Taxable income

Q97. *[Short Response] · Bloom's: Apply*

Marin is a 33-year-old unmarried taxpayer with adjusted gross income for 2025 of $49,400. Marin maintains a home for three dependent children and has itemized deductions of $5,000. Calculate the following amounts for Marin's 2025 income tax return:

a.
Marin's standard or itemized deduction amount

b.
Marin's taxable income

Suggested answer: *a.**$23,625**(standard deduction for head of household)*
*b.**$25,775.**($49,400 – $23,625)*

Q98. *[Short Response] · Bloom's: Apply*

Kenzie is a research scientist in Tallahassee, Florida. Her spouse Garrett stays home to take care of their house and two dogs. Kenzie's total wages for 2025 were $60,500 from which $5,900 of federal income tax was withheld.

Calculate the income tax due or income tax refund on Kenzie and Garrett's 2025 individual income tax return. Use the tax formula for individuals and show your work.

Suggested answer: *Gross income*
$60,500

Deductions for adjusted gross income
0

Adjusted gross income
$60,500

Standard deduction
(31,500)

Taxable income
$29,000

Gross tax liability (from tax table)
$ 3,006

Tax withheld
(5,900)

Refund due
$ (2,897)

Q99. *[Short Response] · Bloom's: Apply*

Melissa is a 35-year-old single taxpayer with adjusted gross income of $49,600. She uses the standard deduction and has no dependents.

a. Calculate Melissa's2025taxable income. Please show your work.
b. When you calculate Melissa's tax liability, are you required to use the tax tables or the tax rate schedules, or does it matter?
c. What is Melissa's tax liability?

Suggested answer: *a.**$33,850.**($49,600 – $15,750)*
b. Taxpayers with income less than $100,000 must use the tax tables.
*c.**$3,827.***

Q100. *[Short Response] · Bloom's: Apply*

Bonnie, age 39, and Steve, age 50, are married with two dependent children. They file a joint return for 2025. Their income from salaries totals $165,000; they receive $1,000 in taxable interest and $2,000 in royalties. Their deductions for adjusted gross income amount to $3,100; they have itemized deductions totaling $41,000. Calculate the following amounts:

a.
Gross income

b.
Adjusted gross income

c.
The greater of the amount of their itemized deduction or the standard deduction amount

d.
Deduction for exemptions

e.
Taxable income

f.
Regular income tax liability

Suggested answer: *a.*
$168,000.*($165,000 + $1,000 + $2,000)*

b.
$164,900.*($168,000 – $3,100)*

c.
$41,000*(since itemized deductions are greater than the $31,500 standard deduction)*

d.
$0

e.
$123,900.*($164,900 – $41,000)*

f.
***$17,086.****{$11,157 + [($123,900 – $96,950) × 22%]}*

Q101. *[Short Response] · Bloom's: Apply*

Silvan is 35 years old, is single, and works as a commodities broker. His salary for2025is $111,500, and he has taxable interest income of $40,000. He has no deductions for adjusted gross income. His itemized deductions are $31,000. Silvan does not have any dependents.

a.
What is the amount of his adjusted gross income?

b.
What are his allowable itemized deductions?

c.
What is his deduction for personal exemptions?

d.
What is his taxable income?

e.
What is his regular tax liability?

Suggested answer: *a.*
$151,500.*($111,500 + $40,000)*

b.
$31,000

c.
$0

d.
$120,500.*($151,500 – $31,000)*

e.
***$21,767.****{$17,651 + [($120,500 – $103,350) × 24%]}*

Q102. *[Short Response] · Bloom's: Apply*

Nathan is 24 years old, is single, and works as an accountant in a salmon cannery in Alaska. His total wages for 2025 were $32,000. Federal income tax of $3,500 was withheld from his wages. His only other income was $260 of interest, and he had no deductible expenses.

Calculate the income tax due or income tax refund on Nathan's 2025 individual income tax return. Use the tax formula for individuals.

Suggested answer: *Gross income*
$32,260

Deductions for adjusted gross income
0

Adjusted gross income
$32,260

Standard deduction
(15,750)

Taxable income
$16,510

Gross tax liability (from tax table)
$ 1,745

Tax withheld
(3,500)

Refund due
$ (1,757)

Q103. *[Short Response] · Bloom's: Apply*

In 2025, Lacinda has a salary of $40,700 from her job. She also has interest income of $400. Lacinda is single and has no dependents. During the year, Lacinda sold stock held as an investment for a $10,000 loss. Calculate the following amounts for Lacinda:

a.
Adjusted gross income

b.
Standard deduction

c.
Taxable income

d.
Tax liability

e.
Explain the tax treatment of the loss from the stock sale.

Suggested answer: *a.*
$38,100*.($40,700 + $400 – $3,000)*

b.
$15,750

c.
$22,350*.($38,100 – $15,750)*

d.
$2,447*.(tax table)*

e.
*Up to****$3,000****of net capital loss per year can be deducted from ordinary income; the unused portion of $7,000 is carried forward.*

Q104. *[Short Response]* *· Bloom's: Apply*

Richard, age 39, and Leah, age 37, are married taxpayers who file a joint income tax return for 2025. They have gross income of $51,100. Their deductions for adjusted gross income are $550, and they have itemized deductions of $5,400. If Richard and Leah have no dependents for 2025, calculate the following amounts:

a.
Adjusted gross income

b.
The greater of the amount of their standard deduction or itemized deductions

c.
Taxable income

Suggested answer: *a.*
$50,550.*($51,100 – $550)*

b.
$31,500

c.
$19,050.*($50,550 – $31,500)*

Q105. *[Short Response]* *· Bloom's: Apply*

Zahra and Wyatt are married taxpayers who file a joint income tax return for 2025. They have no dependents. On their 2025 income tax return, they have adjusted gross income of $62,000 and total itemized deductions of $4,000. What is their taxable income?

Suggested answer: ***$30,500.****($62,000 – $31,500)*

Q106. *[Short Response]* *· Bloom's: Apply*

Ian, age 50, and Hanna, age 49, are married taxpayers who file a joint return for 2025. They have gross income of $150,700. Their deductions for adjusted gross income are $5,100, and they have itemized deductions of $18,000, consisting of $10,000 in state income taxes and $8,000 in mortgage interest expense. If they have no dependents for 2025, calculate the following amounts:

a. Adjusted gross income
b. The greater of the amount of their standard deduction or itemized deductions
c. Taxable income

Suggested answer: *a.****$145,600.****($150,700 – $5,100)*
*b.****$31,500***
*c.****$114,100.****($145,600 – $31,500)*

Q107. *[Short Response] · Bloom's: Apply*

Margaret, age 67, and Owen, age 63, are married taxpayers with two dependents. Their adjusted gross income for 2025 is $43,600, and they have itemized deductions of $7,800. Determine the following for Margaret and Owen's 2025 income tax return:

a.
The greater of the amount of their standard deduction or itemized deductions

b.
Taxable income

Suggested answer: *a.*
$33,100.*($31,500 + $1,600 additional for Margaret)*

b.
$4,500.*($43,600 – $33,100 – $6,000 additional senior deduction for Margaret)*

Q108. *[Short Response] · Bloom's: Apply*

Gabriel, age 67, and Laylah, age 60, are married taxpayers with three dependent children. Their adjusted gross income for 2025 is $142,000. They have itemized deductions of $24,600. Determine the following for their joint tax return for 2025:

a.
Exemption deduction amount

b.
The greater of the amount of their standard deduction or itemized deductions

c.
Taxable income

Suggested answer: *a.*
$0

b.
$33,100*.($31,500 + $1,600 additional for Gabriel)*

c.
$102,900.*($142,000 – $33,100 – $6,000 additional senior deduction for Gabriel)*

Q109. *[Short Response] · Bloom's: Apply*

For each of the following situations, indicate whether the taxpayers are required to file a tax return for2025. Explain your answer.

a.

Dalia, age 68, and Dylan, age 70, are married and file a joint return. They received $25,500 in interest income from a savings account.

b.

Maggie is a single taxpayer with wages of $8,400 and interest income of $200.

c.

Allison, age 30, and Luke, age 28, are married and file a joint tax return. They had $17,000 in earnings from wages.

d.

Kim, a 20-year-old single college student who is claimed as a dependent by her parents, has earnings of $3,000 from a part-time job and $550 in interest income.

e.

Stefanie, a 25-year-old single taxpayer, has wages of $1,500, from which $80 of federal income tax was withheld.

Suggested answer:
a.No. The standard deduction of $31,500 plus two additional standard deductions of $1,600 each and two deductions for seniors of $6,000 each add up to $46,700, which is more than their income of $25,500.
b.No. Income of $8,600 is less than the $15,750 standard deduction.
c.No. The income of $17,000 is less than the $31,500 standard deduction.
d.Yes. Gross income of $3,550 is more than the larger of $1,350 or $3,450 (earned income of $3,000 plus $450).
e.No. Stefanie is not required to file a tax return, but she must file if she wishes to receive a refund of the income tax withheld.

Q110. *[Short Response] · Bloom's: Apply*

Monica is a housekeeper in a San Francisco hotel. Monica received $500 in unreported tips during 2025 and owes Social Security and Medicare taxes on these tips. Her total income for the year, including tips, is $4,500. Is Monica required to file an income tax return for 2025?

Explain.

Suggested answer: *Yes. Monica must file a return and pay Social Security and Medicare taxes on the unreported tips.*

Q111. *[Short Response] · Bloom's: Apply*

Jerica is single and supports her 45-year-old son who has income of $350 from working in a pumpkin patch during October and lives in his own apartment.

a. Can she claim him as a dependent?
b. Can she claim head of household filing status? Why or why not?

> ***Suggested answer:*** *a. Yes, her son qualifies as a dependent.*
> *b.No. Her son must live in the same household with Jerica in order for her to be able to file as head of household.*

Q112. *[Short Response] · Bloom's: Apply*

Noah and Hailey are married taxpayers that file jointly with taxable income of $126,000 in 2025.

a. When you calculate their tax liability, are you required to use the tax tables or the tax rate schedules, or does it matter?
b. What is their tax liability?

> ***Suggested answer:*** *a. Taxpayers with incomes of $100,000 or more must use the tax rate schedules.*
> *b.Tax liability: $17,548 = $11,157 + [($126,000 – $96,950)× 22%]*

Q113. *[Short Response] · Bloom's: Apply*

Jeff and Lauren were married on December 31 of the prior year. What are their options for filing status for their prior year taxes?

> ***Suggested answer:*** *They may file either as married filing jointly or as married filing separately. Even though they were married on the last day of the year, they must file as if they were married for the full year.*

Q114. *[Short Response] · Bloom's: Apply*

Madeline is single and supports her 85-year-old parents who live in a senior home paid for by Madeline. Her parents have no income. What is Madeline's filing status and why?

> ***Suggested answer:*** *Head of household. Madeline is single, and Madeline's parents meet the tests to qualify as her dependents. Parents are the only exception to the requirement that dependents must live in the same household as the taxpayer to qualify the taxpayer for head of household status.*

Q115. *[Short Response] · Bloom's: Remember*

List each alternative filing status available to unmarried individual taxpayers.

> ***Suggested answer:*** *Single*
> *Head of household*
> *Surviving spouse [qualifying widow(er)]*

Q116. [Short Response] · Bloom's: Apply

Determine from the tax table or the tax rate schedule, whichever is appropriate, the amount of the income tax for each of the following taxpayers for2025.

Taxpayer(s)
Filing Status
Taxable Income
Income Tax

Macintosh
Single
$35,700

Hindmarsh
MFS
$62,000

Kinney
MFJ
$143,000

Rosenthal
H of H
$91,500

Wilk
Single
$21,400

Suggested answer: *Macintosh,**$4,049**(tax table)*
*Hindmarsh,**$8,560**(tax table)*
*Kinney,**$21,288**{tax rate schedule: $11,157 + [($143,000 – $96,950) × 22%]}*
*Rosenthal,**$13,311**(tax table)*
*Wilk,**$2,333**(tax table)*

Q117. [Short Response] · Bloom's: Apply

Jessica, a 17-year-old guitarist in a successful band, earns $100,000 a year and is completely self-supporting although she lives with her parents. Can her parents claim her as a dependent? Why or why not?

Suggested answer: *Because Jessica is self-supporting, her parents may not claim her as a dependent. The self-support test is applied to both children and relatives who otherwise qualify, so Jessica is disqualified.*

Q118. [Short Response] · Bloom's: Apply

Karl's father, Krzysztof, is a 60-year-old Polish citizen who lived in Poland for the full year. Karl supported Krzysztof while he looked for work.Krzysztofhad no income. Can Karl claimKrzysztofas a dependent?

Suggested answer: *No. Krzysztof cannot be claimed as a dependent because he is not a U.S. citizen or a resident of the United States, Mexico, or Canada.*

Q119. *[Short Response] · Bloom's: Apply*

Calculate the amount of the standard deduction these taxpayers should claim on their 2025 income tax returns.

a. Kelly and Hideo are married with one dependent child. They file a joint return and are in good health, and both of them are under 65 years of age. They also support an aging father.

b. Ivana is 24 years old, in good health, and single.

c. Erik and Eriqua are married and file a joint return. Erik is 64 years old, and Eriqua is 63 years old.

d. Jerek is 62 years old, single, and blind.

e. Daphne qualifies for head of household filing status, is 42 years old, and is in good health.

f. Elizabeth is 11 years old, and her only income is $3,200 of interest on a savings account. She is claimed as a dependent on her parents' tax return.

> ***Suggested answer:*** *a.**$31,500***
> *b.**$15,750***
> *c.**$31,500***
> *d.**$17,750**(an additional $2,000 is allowed due to blindness)*
> *e.**$23,625***
> *f.**$1,350**(She is claimed as a dependent on her parents' tax return.)*

Q120. *[Short Response] · Bloom's: Understand*

How should a taxpayer decide whether to take the standard deduction or claim itemized deductions?

> ***Suggested answer:*** *A taxpayer should claim the larger of the standard deduction or the total allowed itemized deductions since the amount reduces the taxpayer's income subject to tax.However, if married filing separately, both spouses have to file the same way. So they should consider the implications of standard versus itemized for both of them before choosing.*

Q121. *[Short Response] · Bloom's: Apply*

Mike purchased stock in MDH Corporation 5 years ago for $15,500. This year, he sold it for $12,650 and then paid a $250 sales commission to his broker. He had no other capital gains or losses during the year.

a. What is Mike's amount realized?
b. What is Mike's adjusted basis?
c. What is Mike's realized gain or loss?
d. What is Mike's recognized gain or loss?
e. How much of the gain or loss can Mike report on his tax return?

> ***Suggested answer:*** *a. Amount realized:**$12,400**= $12,650 – $250*
> *b. Adjusted basis:**$15,500***
> *c.Realized loss: $12,400 – $15,500 =**$3,100***
> *d.Recognized loss: $12,400 – $15,500 =**$3,100***
> *e.**$3,000.**Up to $3,000 of capital loss can be deducted against ordinary income each year.*

Q122. [Short Response] · Bloom's: Apply

Maylin bought stock in FCM Corporation 4 years ago at a price of $18,000. She sold it this year for $22,225 and paid her broker $225 from the proceeds of the sale.

a. What isMaylin's amount realized?

b. What isMaylin's adjusted basis?

c. What isMaylin's realized gain or loss?

d. What isMaylin's recognized gain or loss?

e. How much of the gain or loss should be included in her tax return?

Suggested answer: *a. Amount realized:**$22,000**= $22,225 – $225*
*b. Adjusted basis:**$18,000***
*c.Realized gain: $22,000 – $18,000 =**$4,000***
*d.Recognized gain: $22,000 – $18,000 =**$4,000***
*e.**$4,000.**There is no limit on the amount of capital gain to be included on tax returns; however, it may be taxed at preferential rates.*

Q123. [Short Response] · Bloom's: Remember

Indicate with a "Yes" or a "No" whether each of the following can be found on the IRS website.

a. A list of IRS forms

b. A search function

c. Advice on how to avoid paying taxes

d. Ways to contact the IRS

Suggested answer: *a. Yes*
b. Yes
c. No
d. Yes

Q124. [Short Response] · Bloom's: Understand

State two reasons why a person would want to e-file a return instead of mailing it.

Suggested answer: *A return that is e-filed has a smaller error rate than paper-filed returns (less than 1% versus more than 20%). E-filing also offers a faster refund because the IRS is able to process the return more quickly.*

Q125. *[Short Response] · Bloom's: Apply*

For each of the following situations, indicate the filing status of the taxpayer(s).

a.

The taxpayer’s spouse died last year. The taxpayer's 13-year-old dependent daughter lives with her.

b.

The unmarried taxpayer supports his dependent mother, who lives next door in a separate apartment.

c.

The taxpayer is unmarried and is living with her girlfriend.

d.

The taxpayer is married, but their spouse abandoned them while on vacation in March of the current year. The taxpayer has no dependents.

e.

After living together for 6 months, the couple married on December 31.

f.

The taxpayer who is unmarried legally adopted a child who lives with her.

> ***Suggested answer:*** *a. Surviving spouse*
> *b. Head of household*
> *c. Single*
> *d. Married filing separately*
> *e. Married filing jointly or married filing separately*
> *f. Head of household*

Essay (2)

Q126. *[Essay] · Bloom's: Understand*

Distinguish between reporting entities and taxable entities and give examples of each.

> ***Suggested answer:*** *A partnership is an example of a reporting entity. It pays no tax but must report partnership income or loss and the allocation of income or loss to partners. Individuals, corporations, estates, and certain trusts are examples of taxable entities whose income is subject to federal income taxation.*

Q127. *[Essay] · Bloom's: Understand*

What is the difference between the standard deduction and itemized deductions?

> ***Suggested answer:*** *The standard deduction is a flat amount, varying based on a taxpayer’s filing status (single, married, head of household, etc.), age, and vision, which is deducted from adjusted gross income (AGI) along with qualified business income deductions to arrive at taxable income.*
>
> *Itemized deductionsare personal expenses paid by a taxpayer including medical expenses, certain interest expenses, certain taxes, charitable contributions, certain casualty losses, and a small number of miscellaneous items. If the total itemized deductions are larger than the taxpayer’s standard deduction, the taxpayer should complete Schedule A, listing all itemized deductions, and use this amount instead of the standard deduction. By itemizing deductions when they are larger than the standard deduction, taxpayers may reduce their taxable income and pay less tax.*