



FINAL EXAM

Course # 611051 1040 Basics Part I

based on the electronic .pdf file(s):

**IRS Publication 17, "Your Federal
Income Tax For Individuals"**

by: Internal Revenue Service, 2006,
295 pages



10 CPE Credit Hours
Taxation

A P E X C P E . C O M 1.877.317.9047 support@apexcpe.com
*This exam sheet is made available for your convenience in answering questions while offline.
Please note that you will still need to enter your answers on the online exam sheet for grading.
Instructions are provided at the end of this document.*

Chapter 1 - Filing Information

1. For tax year 2006, if you are single and under 65, you must file a return if your gross income was at least \$8,450.

TRUE

FALSE

2. Your filing status is determined on the last day of your tax year.

TRUE

FALSE

3. An automatic extension filed on Form 4868 extends the time to file for calendar year taxpayers to:

May 15th

August 15th

November 15th

January 1st of the next year

4. You may appoint an agent to sign your return if you are too busy to sign it yourself.

TRUE

FALSE

Chapter 2 - Filing Status

5. If you obtain a court decree of annulment, which holds that no valid marriage ever existed, you are considered unmarried even if you filed joint returns for earlier years.

TRUE

FALSE

6. Rent should be included as a cost for keeping up a home when determining qualification as head of household status.

TRUE

FALSE

7. The following is a requirement to be able to file as head of household:

You were married on the last day of the year

You were unmarried on the first day of the year

Your neighbors signed a form stating that you indeed are the head of your household.

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

8. If your filing status is married filing separately, you should:

Itemize deductions if your spouse itemizes deductions because you cannot claim the standard deduction

Claim the standard deduction

Always file Schedule C

Never itemize deductions.

Chapter 3 - Personal Exemptions and Dependents

9. If another taxpayer is entitled to claim you as a dependent, you cannot take an exemption for yourself.

TRUE

FALSE

10. The amounts are the same for both a personal exemption and an exemption for a dependent.

TRUE

FALSE

11. The amount you can claim as a deduction for exemptions is phased out

once your Adjusted Gross Income (AGI) goes above \$225,750 if you are:

Married, filing separately

Single

Head of household

Married filing jointly

12. To meet the member of household or relationship test, a person must live with you for the entire year as a member of your household, unless that person is your:

Stepchild

Roommate

Neighbor

Boss

Chapter 4 - Tax Withholding and Estimated Tax

13. When you start a new job, you specify your filing status and number of withholding allowances on Form:

W-2

W-4

1099

1040 ES

14. In general, the federal income tax is a pay-as-you-go tax.

TRUE

FALSE

15. Publication 919 will help you make sure you're getting the right amount of taxes withheld from your paycheck.

TRUE

FALSE

16. The tips you receive while working on your job are not considered part of your pay for federal income tax purposes.

TRUE

FALSE

17. You must make estimated tax payments for the current year if you expect to owe at least \$1,000 in tax for the current year after subtracting your withholding and credits AND you expect your withholding and credits to be less than the smaller of 90% of the tax to be shown on your current year tax return, or 100% of the tax shown on your prior year tax return.

TRUE

FALSE

18. Your employer generally must withhold income tax on taxable fringe benefits.

TRUE

FALSE

Chapter 5 - Wages, Salaries, and Other Earnings

19. Fringe benefits you receive in connection with the performance of your services are included in your income as compensation unless:

You itemize on Schedule A

You pay fair market value for them

You file as head of household

Your employer provides the benefits to everyone.

20. You can exclude from your income up to \$5,250 of qualified employer-provided educational assistance.

TRUE

FALSE

Chapter 6 - Tip Income

21. If your total tips for any one month from any one job are less than \$20, do not report them to your employer.

TRUE

FALSE

22. For each month, tips must be reported to your employer by the 10th of the next month.

TRUE

FALSE

Chapter 7 - Interest Income

23. Generally, interest on obligations used to finance government operations is not taxable if the obligations are issued by a state.

TRUE

FALSE

24. When reporting interest income, you constructively receive income when it is credited to your account or made available to you.

TRUE

FALSE

Chapter 8 - Dividends and Other Corporate Distributions

25. Ordinary dividends are taxed as capital gains.

TRUE

FALSE

26. Amounts received from money market funds are reported as dividend

income.

TRUE

FALSE

27. Capital gain distributions are paid to you or credited to your account by mutual funds or real estate investment trusts (REITs).

TRUE

FALSE

28. Capital gain distributions are reported as long-term capital gains regardless of how long you owned your shares in the mutual fund or Real Estate Investment Trust (REIT).

TRUE

FALSE

Chapter 9 - Rental Income and Expenses

29. The recovery period for furniture used in rental property depreciated using MACRS General Depreciation System is:

5 years

6 years

7 years

9 years

32. In general, all rental activities are passive activities.

TRUE

FALSE

Chapter 10 - Retirement Plans, Pensions, and Annuities

30. Under MACRS, a mid-month convention is used for all residential rental

property and nonresidential real property.

TRUE

FALSE

31. A special depreciation allowance can be claimed for property placed in service after September 10, 2001.

TRUE

FALSE

33. Generally, if you did not pay any part of the cost of your employee pension or annuity and your employer did not withhold part of the cost from your pay while you worked, the amounts you receive each year are fully taxable.

TRUE

FALSE

34. If you withdraw cash or other assets from a qualified retirement plan in an eligible rollover distribution, you can defer tax on the distribution by rolling it over to another qualified retirement plan or traditional IRA.

TRUE

FALSE

35. Most distributions from qualified retirement plans and nonqualified annuity contracts made to you are subject to an additional tax of 10% if you have not reached age:

59

59 ½

63

65

36. In order to avoid an additional special tax on excess accumulation, the payments that you receive from qualified retirement plans must begin no later than on your required beginning date.

TRUE

FALSE

Chapter 11 - Social Security and Equivalent Railroad Retirement Benefits

37. In determining the taxability of Social Security benefits, the base amount if you are married filing jointly is:

\$25,000

\$26,300

\$32,000

\$100,000

38. In determining the taxability of Social Security benefits, the base amount if you are single is \$25,000.

TRUE

FALSE

Chapter 12 - Other Income

39. Damages received for emotional distress due to a physical injury or sickness are treated as received for the physical injury or sickness and should not be included in income.

FALSE

TRUE

40. Amounts you receive for child support are income to you.

TRUE

FALSE

Chapter 13 - Basis of Property

41. The following increases your basis in real property:

- New furnishings
- Depreciation
- Monthly telephone charges
- Paving your driveway

42. The basis of property changed to business use, is the lesser of the Fair Market Value (FMV) of the property on the date of the change and

- The property's original cost
- The adjusted basis on the date of the change
- The property's estimated value
- The property's residual value

Chapter 14 - Sale of Property

43. You figure gain or loss on a sale or trade of property by comparing the amount you realize with:

- The FMV of the property
- The adjusted basis of the property
- The original sales price of the property
- The indexed marginal basis of the property

44. If you trade business or investment property for other business or investment property of a like kind, you do not pay tax on any gain or deduct any loss until:

- Next year
- The end of the tax year
- The cows come home
- You sell or dispose of the property you receive

45. A transaction between you and a corporation in which you directly or indirectly own more than 50% in value of the outstanding stock is considered a related party transaction.

TRUE

FALSE

46. Stocks or bonds held in your personal account are considered capital assets.

TRUE

FALSE

Chapter 15 - Selling Your Home

47. The maximum amount of exclusion on the gain on the sale of your main home (if you meet all tests and are single) is:

\$100,000

\$250,000

\$500,000

\$1,000,000

48. You cannot exclude gain on the sale of your home if, during the 2-year period ending on the date of the sale, you sold another home at a gain and excluded all or part of the gain.

TRUE

FALSE

Chapter 16 - Reporting Gains and Losses

49. If you have a total net capital loss that is more than the yearly limit on capital loss deductions, you can:

Not carry it over

Offset ordinary income

Carry over the unused part to the next year and treat it as if you had incurred it in that next year

Carry it back three years

50. The maximum capital gain rate does not apply if it is higher than your regular tax rate.

TRUE

FALSE

Instructions for Submitting Answers Online:

- Sign In at www.ApexCPE.com
- Click the "My CPE" tab at the top of the page.
- Click "My CPE Courses".
- Find the current CPE year and click "Go to My Courses".
- Find this course and click the "Go to Course" link.
- Step 2 on the Course Syllabus page is "Take the Final Exam". Click the "Begin Final Exam" link.
- Enter your answers on the online exam sheet.
- Click the "Grade Exam" button at the bottom of the page. Your exam will be graded automatically. If your score exceeds 70%, a "Create Certificate" button will display. Otherwise, you may continue to retake the exam until you pass.
- A short evaluation page will display. Please provide your feedback for the course.
- Once the evaluation is complete, click the "Submit Evaluation & Create Certificate" button at the top of the page.
- You may print your Certificate of Completion by selecting File Print from your browser. Certificates remain online for at least five years from the certificate date.

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