

2010 BASICS QUIZ

1. T F For tax purposes, marital status is determined as of date of divorce
2. T F State law governs whether a person is married, divorced, or legally separated
3. T F If separated under interlocutory decree, taxpayer may file single.
4. T F To be recognized as married (to file jointly), common law marriages are recognized only if the marriage is recognized in the state in which the taxpayers now live.
5. T F If taxpayers file a joint return and the marriage is later annulled, the taxpayers must amend the joint returns and file as single, or head of household.
6. T F Taxpayer is considered single for the whole year if, on the first day of the tax year taxpayer is unmarried or separated from spouse by divorce or separate maintenance decree.
7. T F Punch and Judy began living together in Klamath Falls, Oregon and have lived together for the past 12 years. They are considered married for tax purposes under common law rules.
8. Jeff and Carol did some “constructive tax planning”. They got a divorce and it was final on February 15th of the current year. They each took custody of one of their children and qualified as providing their separate support etc. for the entire year. They each filed as Head of Household and claimed Earned Income Credit. They planned to remarry in February of the next year (and they did!). They
 - a. Must file as joint anyhow
 - b. Were pretty smart and received a great allowable benefit
 - c. Can file as single, but not as head of household
9. T F If Jeff and Carol had planned to remarry but did not remarry, they would have filed correctly as head of household.
10. T F You may be entitled to a larger deduction for un-reimbursed employee business expenses and medical expenses if you file married filing separate instead of joint.
11. Teenagers Dumb and Dumber were married and filed a tax return for the year of their marriage as married filing jointly. The next year, Dumber’s father managed to get the marriage annulled. Dumb and Dumber must:
 - a. Make no change to the return for the year they were married but file current year as single
 - b. Amend the return for the prior year and file single
 - c. Amend the prior year return to married filing separate
12. T F In choosing to file married filing separate instead of joint, taxpayers lose the right to deduct up to \$25,000 of non-passive rental real estate losses.
13. T F Eligibility for credits greatly affects choice of filing status.
14. T F If taxpayer lives in a community property state, each spouse is generally required to report his or her share of community income on married filing separate returns.

2010 BASICS QUIZ

15. T F Pre-divorce alimony paid may be claimed on a married filing joint return.
16. T F Social security benefits taxability threshold is higher on a joint return than on separate returns.
17. T F Joe and Pat were married for 40 years. Five years ago, they went their separate ways and have not lived with each other since. All of their children are grown and no longer live with either parent. Joe may file his current year return as single (filing status)
18. T F For head of household filing status, taxpayer's **unmarried foster child** must live with the taxpayer but is not required to be a dependent.
19. T F For head of household filing status, if the qualified relative is the taxpayer's **parent** the parent must live with the taxpayer.
20. T F For head of household filing status, if the qualified relative is the taxpayer's **unmarried child** the child must live with the taxpayer but does not have to be a dependent.
21. T F For head of household filing status, if the qualified relative is the taxpayer's **married child** the child must live with the taxpayer **and** be a dependent.
22. T F Temporary absences, birth or death do not disqualify the relative for head of household requirements if the conditions were met during the lifetime.
23. T F You are unmarried. Your mother, for whom you can claim an exemption lived in an apartment by herself. The cost of the upkeep of the apartment for the year until her death was \$6,000. You paid \$4,000 and your brother paid \$2,000. Your brother made no other payments toward your mother's support. Your mother had no income. Your mother died on September 2. You may file as head of household.
24. T F If taxpayers file a joint return, both of them must sign it and have the same accounting period.
25. T F If taxpayers file a joint return, both of them must sign it and have the same accounting methods.
26. T F If taxpayers parents live in a separate dwelling, taxpayer must pay more than half the cost to maintain their home for the entire year to qualify for head of household status.
27. T F Taxpayers may still be jointly and individually responsible for any tax, interest and penalties due on a joint return filed before a divorce. The responsibility applies even if a decree states that former spouse will be responsible for any amounts due on prior returns.
28. John's wife died in 2007. John has not remarried. He has continued during 2008 and 2009 to keep up a home for himself and his child (for whom he can claim an exemption). For **2007** his filing status should have been:
- a. Married filing joint b. Single c. Head of Household d. Qualified widower

2010 BASICS QUIZ

29. In the above example, John's filing status for 2010 should be:
- a. Single
 - b. Head of Household
 - c. Qualified Widower
30. T F In the above, John may continue to file as qualified widower as long as he continues to keep up a home for himself and his child and can claim the child as a dependent.
31. T F Taxpayers who do not remarry and have no dependents, generally use the filing status of married filings separate for the year of the spouses death.
32. T F A married couple who file separate returns may change to a joint return at any time within the statute of limitations.
33. T F Sue and John married five years ago and have no children. They continue to live together but filed for and received a divorce that was final on December 31 of the current year. They own joint property and still live together. They may each file single.
34. T F Under the married living apart with dependent child rules, if all other tests are met, you may qualify as head of household if you have an unmarried child or step child living with you. This child must be claimed as your dependent.
35. Mrs. Doe, by herself, maintains her home in which she and her unmarried daughter resided for the entire year. Her daughter, however, does not qualify as her dependent. Mrs. Doe's husband died last year . What is Mrs. Doe's filing status for this year?
- a. Surviving spouse/qualified widow
 - b. Married filing joint
 - c. Single
 - d. Head of household
36. T F Divorced single parent maintains home which is the principal place of abode of his son (not foster son). He signed a custodial release form to allow his ex-wife to claim the son this year. He can still file as head of household
37. T F Dick and Jane are married but both self employed. Dick keeps his business records and files his business returns on the accrual basis. Jane's business is very simple and she files on cash basis. They may not file a joint return.
38. T F Under the married living apart with dependent child rule, taxpayer may file as head of household if all other conditions are met and taxpayer pays more than half the costs of maintaining a household for more than six months.
39. T F Taxpayers are married. They did not live together from February to June when they moved back together. They separated again in September and did not live together the rest of the year. If all other conditions are met, one or both of them could qualify head of household.

2010 BASICS QUIZ

40. T F If **taxpayer** omits income or claims false deductions or credits on a joint return, **spouse** may qualify for innocent spouse relief.
41. T F Phyllis filed a joint return with her husband Paul for 2010. She later discovered that he had made some very false statements about his income from his business and she no longer wanted to be involved with him for tax purposes. They did not divorce and they still live together but she refuses to file another joint return. She may claim innocent spouse relief for the 2010 return.
42. Cost of maintaining a household includes
- a. Transportation
 - b. Taxes and insurance on the home
 - c. Rental value of the home
 - d. Clothing costs of dependent
43. Ryan lived with his father during the current tax year. He qualifies as father's dependent. Ryan's grandparents are helping out with finances since Ryan's father lost his job. They do not live with Ryan and his father. Expenses for maintaining the household were paid as follows:
- Property taxes paid by grandparent \$2,000
 - Mortgage interest paid by grandparent \$8,000
 - Utilities paid by parent \$2,000
 - Upkeep and repairs paid by parent \$2,000
 - Property insurance paid by parent \$200
 - Food consumed on the premises paid by parent \$5,000
 - Other household expenses paid by grandparents \$4,000
- a. Father may claim head of household
 - b. Grandparents can claim head of household
 - c. Neither can claim head of household
44. T F Aid to Families with Dependent children (Welfare) is not included in total cost of keeping a home.
45. T F Payment to the maid service is considered part of the cost of maintaining a household.
46. T F Education costs for dependent are considered part of cost of maintaining household.
47. Standard deduction for 2010 joint return (neither one blind or over 65) is:
- a. \$3,650.
 - b. \$7,850
 - c. \$11,400
48. T F You are not considered age 65 until the day after your 65th birthday
49. T F To claim deduction for blindness, the condition can not be correctable and you must be totally blind.
50. T F An additional exemption is allowed for over 65 or blind

2010 BASICS QUIZ

51. T F To claim a deduction for blindness, taxpayer need not be blind for the **entire** year
52. Jack (age 45) and Jane (age 42) are filing a joint return for 2010. Neither is blind. They decide not to itemize deductions. Their standard deduction is:
- a. \$3,650
 - b. \$11,400
 - c. \$7,850
53. Assume the same facts as per above except that Jack is blind at the end of the year. Standard deduction is:
- a. \$8,900
 - b. \$4,450
 - c. \$12,500
54. Mike and Pat are filing a joint return for 2010. Both are over age 65. Neither of them is blind. If they do not itemize deductions, their standard deduction is:
- a. \$9,500
 - b. \$4,300
 - c. \$13,600
55. Allen is filing as married filing separate. He is over 65. His spouse is filing married filing separate also and is taking itemized deductions. Allen
- a. May use basic standard deduction but not additional over 65 deduction
 - b. May not use basic standard deduction or the over 65 deduction
 - c. May not itemize
56. Michael is single, is claimed by his parents on their return for 2010. He has interest income of \$880 and wages of \$150. He has not itemized deductions. His standard deduction is:
- a. \$5,450
 - b. \$3,650
 - c. \$ 950
57. Jill is a 22 year old full time college student, is claimed as a dependent on her parent's 2010 tax return. Jill is married and files a separate return. Her husband does not itemize deductions on his separate return. She has \$1,900 in interest income and wages of \$3,775. She has not itemized deductions. Her standard deduction is:
- a. \$4,075
 - b. \$3,775
 - c. \$2,200

2010 BASICS QUIZ

58. Bess is single, is claimed as a dependent on her parent's 2010 tax return. She is 18 years old and blind. She has interest income of \$1,300 and wages of \$2,900. She has no itemized deductions. Her standard deduction is:
- a. \$2,900
 - b. \$3,200
 - c. \$3,150
 - d. \$4,600
 - e. \$4,200
59. T F For head of household, the additional standard deduction for blind or over 65 is \$1,350
60. T F Taxpayer qualifies to claim his daughter as a dependent. The daughter is totally blind. He may **not** claim an additional standard deduction for her.
61. Maximum standard deduction for a dependent(single) claimed by another taxpayer is:
- a. The greater of \$950 or earned income up to \$5,700 plus \$300
 - b. The greater of earned income or adjusted gross income
 - c. The greater of \$950 or earned income up to \$5,400 plus \$300
62. T F Taxpayer is a non resident alien. He files a tax return for his US income. He is single and not blind or over 65. His standard deduction is \$5,700
63. T F Personal exemption allowance for 2010 is \$3,500 each including an additional exemption for each over 65 or blind condition
64. T F No personal exemption deduction is allowed to an individual on their own return if they are claimed as a dependent of another taxpayer.
65. T F Your dependent mother died on January 15. You can take a full exemption for her on your return for this year if all other conditions were met.
66. T F You supported your daughter for the entire year while her husband was in the armed forces. The couple files a joint return. You can not, under any circumstances, claim your daughter as a dependent.
67. Bill is single. He is an airline pilot and his total AGI for 2010 was \$225,500. His 2010 exemption allowance is
- a. \$3,500.
 - b. \$3,650.
 - c. \$2,433.
68. Max and Sally are married filing a joint return. Their AGI for 2010 was \$339,000. Their exemptions allowance is
- a. \$4,866
 - b. \$5,134.
 - c. \$7,300.

2010 BASICS QUIZ

69. T F Your son and his wife each had less than \$2,000 of wages and no unearned income. Neither is required to file a tax return. Taxes were taken out of their pay so they file a joint return to get a refund. You are allowed to take exemptions for both son and daughter-in-law if all other exemption tests are met.
70. T F If another taxpayer is entitled to claim you as a dependent on their own tax return but does not do so, you may claim your own exemption.
71. T F You may claim an exemption for your spouse on a **separate** return as long as you furnished more than ½ of the support of the spouse and spouse can not be claimed by another taxpayer and did not have income over the current exemption amount.
72. T F A taxpayer may **never** be claimed as a **dependent** of a spouse.
73. T F Your mother received \$2,400 in social security benefits and \$300 in interest. She paid \$2,000 for lodging and \$400 for life insurance. If you spent \$2,600 for her support, you may claim her as a dependent.
74. Your parents live with you, your spouse and your two children in a house that you own. The fair rental value of your parent's share of lodging is \$2,000 per year, which includes furnishings and utilities. Your father receives a nontaxable pension of \$4,200 which he spends equally between your mother and himself for items of support such as clothing, transportation and recreation. Your total food expenses for the household \$6,000. Your heat and utility bills amount to \$1,200. Your mother has hospital and medical expenses of \$600 which **you** pay during the year. Apply support tests to each parent separately.
- a. You meet support tests for both parents b. You meet support tests for you father only
c. You meet support tests for your mother only
75. T F Marie, age 18, earned \$3,000. Her father provided more than half her support. The gross income test has been failed and he can not claim Marie as a dependent.
76. T F James is 22, and a full time student in college. During the summer he earns \$3,000. If all other tests are met, his parents can claim James as a dependent.
77. T F You are in the Armed forces. You authorize an allotment for your widowed mother that she uses for support of herself and your sister. If it provides more than half of their support, you may take a dependent exemption for **both** of them even though you only authorize the allotment for your mother.
78. T F Your daughter takes out a student loan for \$2,500 and uses it to pay her college tuition. She is personally responsible for the loan. You provide \$2,000 toward her total support. You may not claim your daughter as a dependent because you provide less than half of her support.
79. T F You provide \$4,000 toward your mother's support during the year. She has taxable income of \$600, non taxable social security benefits of \$4,800 and tax exempt interest of \$200. She uses all of these for her support. You may claim your mother as a dependent.

2010 BASICS QUIZ

80. Your parents live rent free in a house you own. It has a fair rental value of \$5,400 per year, furnished which includes a fair rental value of \$3,600 for the house and \$1,800 for the furniture. This does not include heat and utilities. The house is completely furnished with furniture belonging to your parents. You pay \$600 for their utility bills. Utilities are not usually included in rent for houses in the area where your parents live. The total fair rental value is:
- a. \$5,400 b. \$6,000 c. \$4,200 d. \$3,600
81. T F A surviving spouse **without** income who remarries may be claimed by the new spouse (exemption) if new spouse files a **separate** return.
82. Jack and Mabel received a final decree of divorce in December. They are still living together and have been for the entire year. Mabel has **no** income and is not being claimed as a dependent by anyone else. Jack may:
- a. Claim a personal **exemption** for Mabel
b. Not claim Mabel as a **dependent** and is **not** allowed a personal exemption for her.
c. May claim Mabel as a **dependent**
83. Taxpayer's wife died in October. She could not be claimed by another taxpayer. The taxpayer remarried in December. He may
- a. Not claim an exemption for the deceased spouse even though he furnished all of the support for more than half the year.
b. File a married filing separate return and claim an exemption for the deceased spouse if his new wife files married filing separate also
c. Claim his deceased wife as a dependent on his joint return with his new wife
84. T F Freddie, age 17 uses his own personal money to buy a car for \$4,500 cash. His single parent provides all the rest of his support in the amount of \$4,000. The parent may claim Freddie as a dependent.
85. T F Mother in law is a citizen of Mexico and lives there. Taxpayer furnished more than 50% of her support. She had gross income of \$800 and is not married. Taxpayer can not claim her as a dependent
86. T F Taxpayer's 19 year old son lives at home and is not a full time student. Taxpayer provides all his food and housing, which amounts to \$2,500 per year. Son provides his own spending money through a partnership venture which he is getting started in. Current year K1 from the partnership shows a gross income of \$3,000 (son's share) and a net loss for the son. He has no other income. His parents can claim him as a dependent.
87. T F Cousin Sam has never lived with taxpayer but is a U S citizen and taxpayer furnishes **all** of cousin's support. Cousin has **no** income and is not married. Taxpayer may claim cousin as a dependent.

2010 BASICS QUIZ

88. T F **Ex**-mother-in-law is a citizen of Mexico and lives there. Taxpayer furnished more than 50% of her support. She has gross income of \$800 and is not married. Taxpayer can not claim her as a dependent.
89. T F Taxpayer adopted a son 2 years ago while stationed in Germany. They still live in Germany and the son lived with the taxpayer all year. Son is **not** a U. S. citizen and has never been to the United States. Taxpayer furnished 90% of support and son had no income and was not married. Taxpayer can **not** claim the son as a dependent.
90. T F Mom received \$2,400 in social security benefits and \$300 in interest income. You paid \$1,600 for her food and clothing and \$900 on her medical bills. She paid \$2,000 for lodging, \$400 for recreation and \$300 for life insurance premiums. You can claim your mother as a dependent.
91. T F You provide \$6,000 cash for your father's support during the year. He lives in his **own** home which has a fair rental value of \$6,000 per year. He uses \$800 of the money **you give him** to pay the taxes on the home. His contribution to his own support is \$6,600.
92. T F You buy a \$200 power lawn mower for your 13 year old child. The child is given the duty of keeping the lawn trimmed. You may include the cost of the mower in total support.
93. T F During the year, your son receives \$2,200 from the government under the GI bill. He uses this amount for his education. You provide the rest of his support - \$2,000. He qualifies as your dependent for the support test.
94. T F You buy a \$150 T V set as a birthday gift for your 12 year old son. It is placed in his bedroom. You may include the cost of the TV set in his total support.
95. T F You pay \$5,000 for a car and register it in your name. You and your 17 year old son use the car equally. You may include **half** the cost of the car in your son's total support.
96. T F In the above question, you may include out of pocket expense for operating the car **for the benefit of the son** in total support computations.
97. T F Any degree of relationship closer than a cousin will qualify that person to pass the member of household/relationship test even though he or she does not live with you (except married filing separately.)
98. T F Taxpayer supports his widowed father whose only income is from Social Security and rent from one house he owns. Gross rent is \$2,800 and net rents are only \$800. Father has passed the gross income test.
99. T F A person who is a member of your household and lives with you for the entire year need not be related to you to qualify as your dependent.
100. T F Poor old widowed mother-in-law has no income. Taxpayer furnishes **all** of her support. She is a citizen of Spain and moved to Mexico in December of current year. Taxpayer may claim her as a dependent.
101. T F The **cost** not the **period of time** support is provided determines whether you provide more than half of the support.

2010 BASICS QUIZ

102. T F You, your sister, and your two brothers provide the **entire** support of your mother for the year. You provide 45%, your sister 35% and your two brothers the remaining 10%. Under a multiple support agreement **any of you** may take the dependency exemption for your mother.
103. T F You and your brother each provide 20% of your mother's support for the year. The remaining 60% is provided equally by two persons who are not related to her. She does not live with them. **No one** may claim a dependency exemption for her.
104. Your father lives with you and receives 25% of his support from social security, 40% from you and 24% from his brother and 11% from a friend.
- a. No one may claim him as a dependent
 - b. You are the only one who can claim him as a dependent
 - c. Either you or your uncle may take the exemption for him.
105. T F For the exception to the gross income test, a child 19 or over and under age 24 must be a full time student for five full months of the year.
106. T F Social security is included in determining gross income test.
107. T F You can claim an exemption for a stillborn child.
108. T F Under the terms of your 2010 divorce, your former spouse has custody of your two children and the decree gives you the exemptions. You provide at least \$600 in child support. You may claim the exemptions for the children without a custodial release form.
109. T F Walt is taking a full time, on farm training course given by the state of California. The on farm training course qualifies as full time student for gross income exception
110. T F "School" for the gross income test exception, includes trade and mechanical schools.
111. T F Wilma is taking an extensive correspondence course which takes most of her time every day. She also attends night school classes five nights per week. She qualifies as a full time student for the gross income test exception
112. T F Under the terms of your divorce, you have custody of your child for 10 months of the year and your former spouse has custody for the other 2 months. You and your former spouse provide the child's total support. You are considered to have furnished more than half of the support if the spouse can not meet certain exceptions.
113. T F You and your former spouse provide your child's total support for the year. You had custody of your child under your 2003 divorce decree but on August 31, 2007 a new custody decree granted custody to your former spouse. You are still considered to have provided more than half of the child's support.

2010 BASICS QUIZ

114. T F You are divorced during the current year. During the whole year, you and your child live with your mother in a house she owns. Your former spouse provides \$1,300 during the year for support of the child. You provide \$500 plus the fair rental value of the lodging provided by your mother in the amount of \$1,000 (child's share). You can take the exemption for the child.
115. T F Source and status (taxable or not) is immaterial for computing total support but is not support unless it is **used for** support.
116. T F Under your divorce decree, you must pay \$400 per month to your former spouse for support of your two children. Last year, you paid \$4,000 instead of the \$4,800 due for the year. This year, if you pay the full amount of \$4,800, only \$4,000 counts as child support for the current year and none of the back support is counted as provided by you for this year.
117. T F You have two children from a former marriage who live with you. You and the children are now living in your present spouse's home. The home provided by your present spouse is considered as provided by you in computing support of the children.
118. T F Special support tests for divorced or separated parents do **not** apply if spouses are not legally divorced or separated or did not live apart for the entire year.
119. T F If you live rent free in your parent's home, you must reduce the amount you provide for the parent's support by the fair rental value of the lodging you receive.
120. Total support includes
- a. Basic medicare premiums
 - b. Federal and State taxes paid by the dependent
 - c. Scholarships
 - d. G I bill tuition
 - e. Life insurance premiums
121. Taxpayer was divorced in a prior year and did not remarry. His unmarried son lived at home for 8 months, earned \$2,900 and was not a full time student. He is 20 years old. Taxpayer paid all of the costs of maintaining the home. Total support for the son was \$8,000.
- a. Taxpayer can file as head of household and claim son as a dependent
 - b. Taxpayer can file as head of household but **not** claim son as a dependent
 - c. Taxpayer does not qualify as head of household and can not claim son
 - d. Taxpayer can claim son as dependent but does not qualify for Head of Household
122. T F Amounts paid for child care or disabled dependent care can be included in support even if a credit is claimed for the payments
123. For **filing requirements**, if taxpayer is both over 65 and blind
- a. He may use the basic standard deduction plus an additional standard deduction for over 65 **only**
 - b. He may use the basic standard deduction plus an additional standard deduction for **each** condition
 - c. The additional standard deduction is not added in computing filing requirements.

2010 BASICS QUIZ

124. T F If you received advanced earned income credit payments you must file a return even if you have no tax liability.
125. John is claimed as a dependent on his parent's return. He is married and his wife files a separate return on which she itemizes deductions in computing her tax. John must:
- a. File a return if he has more than \$900. in income
 - b. File a return if he has more than \$5,450 in income
 - c. File a return even if he has only \$5 of income
126. T F Poor Neal and Christine are married and have one child. Christine is a homemaker and Neal only earned \$8,000 in wages in the current year. They have no other income and there was no withholding taxes taken out of his wages other than FICA and MC. He should not bother to file a return since they do not meet the filing requirements for joint return both under age 65.
127. T F Betsy is a bartender. She only worked part time while she was a student in college. She had no withholding, cannot be claimed by another taxpayer and only earned \$5,500 plus tips of \$500 which she did not report to her employer. Since single filing requirement is \$8,450, she is not required to file a return.
128. T F Allison lost her job early in 2010 and had only \$2,000 of wages on which no withholding was taken out. In order to survive, she withdrew \$5,000 from an IRA. She is 40 years old and single. She does not need to file a tax return since her total income is under \$8,450.
129. T F A non-resident alien married to a U.S. citizen may file a joint return
130. T F Surviving spouse must file a return if decedent met income requirements at date of death.
131. T F For residents of Puerto Rico who meet income requirements and must file a US tax return, the gross income from sources within Puerto Rico are never included.
132. T F Angie was a single calendar year taxpayer. She died on March 6, 2010. Her tax return for the period of Jan 1- March 6, 2010 need not be filed until April 15, 2010.
133. T F If surviving spouse is filing a joint return with decedent for a refund, form 1310 is not required.
134. T F Mary Smith was entitled to a large salary payment at the time of her death. It was paid in five yearly installment payments. Her estate, after collecting two payments, distributed the right to the remaining payments to you, the beneficiary. None of the payments would be included on the decedent's final return. The estate must include the two payments and you must include (in your income) each of the three remaining payments as they are received.

2010 BASICS QUIZ

135. Joe Jones owned and operated an orchard. He used the cash method of accounting. He sold and delivered \$2,000 worth of fruit to a customer but did not receive payment before he fell out of a tree and was killed. When the estate was settled, payment had not been made, and the estate gave the right to receive the payments to his niece as beneficiary. When she collects the \$2,000
- a. She does not have to include it in taxable income since it was already included in the estate and she just inherited the accounts receivable
 - b. Must include the full amount in her own taxable income when she receives it.
 - c. Includes the full amount in income but may deduct any estate taxes paid on that portion of the estate as an itemized deduction subject to 2% rules.
136. T F If Joe Jones, in above question, used the accrual method of accounting, the income from the fruit sale would be included in his final return. Neither his estate nor his niece would report the income when the money is later paid.
137. T F If surviving spouse remarries before the end of the year, the deceased person's return is filed as single.
138. T F For a decedent's return, itemized deductions are limited to only the items paid before death.
139. T F The marginal tax rate of parents of a child with unearned income that must be used to compute the child's tax is the rate used for the top rate on the parent's return without regard to the unearned income of the child.
140. T F Unearned income of a child under 18 is fully taxed to the child at the parent's rate of tax
141. T F The only deduction allowed a child under 18 from his earned income is \$1,900.
142. T F Earned income of a child under 18 is taxed at the child's rate even if the unearned income must be taxed at parental rate.
143. T F **All** unearned income of **all** of the taxpayer's children under 18 must be considered to compute one of the children's tax returns.
144. T F If parents are **not** married, the parent whose income is taken into account in computing tax on the child's unearned income is the parent having the greater taxable income
145. T F Married individuals filing separate **must** provide tax ID numbers and make their tax information available to the child's legal representative to the extent necessary to comply with taxing the unearned income of the child.
146. T F Kiddie tax rules apply to children under age 18 who have investment income of more than \$1,900.
147. T F Foster parent income is used for parental tax for foster children

2010 BASICS QUIZ

- 148.** Roger, 12, has investment income of \$8,000, no other income, no adjustments to income and itemized deductions of \$300 that are directly connected with his investment income. His allowable deduction from the \$8,000 is
- a. \$300
 - b. \$900 plus \$300
 - c. \$1,900
- 149.** Eleanor, age 8, has investment income of \$16,000 and an early withdrawal penalty of \$100. She has no other income. She has itemized deductions of \$1,050 (net of the 2% adjusted gross income limit) that are directly connected with the production of her investment income. The subtraction from adjusted gross income in computing the kiddie tax is:
- a. \$1,900
 - b. \$2,000
 - c. \$950 plus \$300
- 150.** T F Annie is 12 years old and has net investment income that is subject to the tax on a child's investment income. During the current year, Annie lived with her mother for 7 months. Her mother paid all the costs of keeping up the house she lived in for all year. Her husband, who is Annie's father did not live with her at all during the tax year. She does not file a joint return with her husband. She claims Annie as a dependent on her tax return. The parental tax used to compute Annie's tax return is the combined amount of both parents.
- 151.** Amy has net investment income that is subject to tax on a child's investment income. Amy's parents are divorced. The decree says that her mother and father have joint custody of Amy. Amy lived with her father for 7 months during the year. The parental tax used to compute Amy's return is:
- a. Her father's only
 - b. Her mother's only
 - c. The combined amount of both parents
 - d. 7/12ths of her father's and 5/12 of her mother's income
- 152.** The Oak's two children ages 11 and 12 have \$2,000 and \$3,000 of net investment income. Tax on their income must be figured at parent's rate. The amount added to the parent's income to determine the child's tax is:
- a. Only a prorated portion of the total children's income
 - b. \$2,000 for one child and \$3,000 for the other in two separate computations
 - c. \$5,000
- 153.** Johnny has net investment income of \$2,400 for the year. He became 18 on July 1, 2010. The amount of investment income subject to the child under 18 rules is
- a. -0-
 - b. \$2,400
 - c. \$1,200

2010 BASICS QUIZ

154. T F If a dependent child had not reached age 18 by December 31, and received more than \$1,900 of investment income, you must file form 8615 with the parent's return.
155. T F Cindy's parents are both deceased. The child under 18 rules do not apply to Cindy's unearned income.
156. Mark's net investment income is subject to the child's investment income rules. His parents are divorced and Mark's father is remarried. The divorce decree grants custody of Mark to his father. Mark lived with his father all of the tax year. Mark's father files a joint return with his current spouse. The parental income used to compute Mark's return is:
- a. One half of the joint return income
 - b. Total taxable income of his father and step mother on the joint return
 - c. The portion of the joint return that is his father's only.
157. T F You may choose a different accounting **period** for each year.
158. T F Charlie is filing his first tax return. He can elect to have a fiscal year ending June 15
159. T F Mabel would like to have her first tax return filed for 13 months. She can do this on her first filing only.
160. In general, you should keep records to support income and deductions for:
- a. Three years from end of year
 - b. Three years from due date or two years from date paid
 - c. Five years
161. T F Billy is single, age 25, has no dependents, total income from wages of \$20,000, interest of \$25 and dividend of \$10. He may file 1040EZ.
162. T F You must use 1040 (not 1040A or EZ) if you have interest income of over \$400, wages of \$30,000 and unemployment of \$1,000.
163. T F George and Mary are filing a joint return. They have two dependent children. They have taxable income from wages only in the amount of \$10,000. They can not itemize deductions, have no child care credit and no IRA contributions. They may file form 1040A
164. T F Phyllis is single. She is 66 years old, has no dependents, and her total taxable income is only \$15,000 from a pension. She may file her return on form 1040EZ.
165. T F A U. S. citizen who is outside the U.S. on April 15th may have an automatic extension to August 15 without filing extension request.
166. T F If taxpayer is in the United States on April 15th, an extension of time to file tax returns cannot exceed six months.
167. T F No interest will be paid to taxpayer if their refund is paid to them within 45 days of filing.⁷

2010 BASICS QUIZ

- 168.** If tax return is filed more than 60 days late, the penalty is:
- a. Not less than \$100 or 100% of tax (lesser of)
 - b. 5% per month with no maximum
 - c. 5% per month limited to 25% of tax liability
- 169.** T F Substantial understatement of penalty is assessed if tax due is more than 20% of the total tax or more than \$5,000
- 170.** Negligence (except fraud) penalty is
- a. 5% of the entire underpayment only
 - b. 50% of the entire underpayment only
 - c. 5% of entire underpayment plus 50% of interest on part due to negligence
- 171.** T F Failure to supply a social security number of another person when it is required is subject to \$50 penalty for each failure.
- 172.** T F Preparer may avoid penalties by attaching a disclosure statement to the tax return if a non-frivolous position is taken.
- 173.** T F Negligent behavior of preparer includes failure to make reasonable inquiries.
- 174.** T F You filed your 2007 return on February 15, 2008. You find, when you take your return to a qualified preparer in March of 2010 that you made a terrible error on the 2007 return. You may not amend the return since 3 years have passed since you filed the 2007 return.
- 175.** T F Pat and Tom filed a joint return for 2007 showing taxable income of \$48,000 and a tax of \$8,377. Of the \$48,000 taxable income, \$40,000 was Tom's and Pat was responsible for the rest. They paid estimated taxes for 2009 based on the 2008 tax. For 2010, they plan to file married filing separately. Tom may take **all** of the joint estimated payments against his separate liability
- 176.** The \$ penalty against preparer for reckless or intentional disregard for rules is ☹ Below ?) or 50% of the Preparer's Fee, which is the greater.
- a. \$250
 - b. \$5,000
 - c. 20% of the tax due to the error.
- 177.** T F Estimated tax payments are required if you will owe \$1,000 or more regardless of withholding and credits.
- 178.** T F If less than 2/3 of gross income for current year was from farming and fishing and AGI for 2006 was more than \$150,000 (\$75,000 married filing separate), you must pay 106% of the prior year's tax to stay penalty free.
- 179.** T F If at least 2/3 of gross income is from farming or fishing, you may either pay all estimated tax by January 15th and file by April 15th, or file and pay by March 1st **no** estimates required

2010 BASICS QUIZ

- 180.** T F January payment is not required if return is filed by March 1 and total tax is paid at that time. (This taxpayer is **not** a farmer or a fisherman)
- 181.** T F If taxpayer had no liability for prior year and was a U S citizen or resident for the **entire** year, an underpayment penalty will not be assessed.
- 182.** T F You are considered to have had no tax liability for the prior year if your tax was zero **or** you were not required to file a tax return.
- 183.** T F Underpayment penalty may be waived if you retired after age 62 or became disabled during the year or prior year.
- 184.** T F Interest paid by an individual on income tax underpayment (form 2210) is deductible as an itemized deduction.

Transfer your answers to the answer sheet

**Submit ONLY the ANSWER SHEET
to**

**Tax Educators
31869 Herman Road
Coburg, OR 97408-9483**

OR

tax-ed@tax-educators.com

OR

**TOLL FREE - Voice OR FAX: 1-866-755-2853
OR – Not Toll Free: 1-541-915-4915**

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