

## 2010 QUIZ - ITEMIZED AND STANDARD DEDUCTIONS

1. T F You are not considered age 65 until the day after your 65<sup>th</sup> birthday.
2. T F To claim deduction for blindness, the condition can not be correctable and you must be totally blind.
3. T F An additional exemption is allowed for over 65 or blind.
4. T F To claim deduction for blindness, taxpayer need not be blind for the **entire** year.
5. 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. \$5,700
  - b. \$11,400
  - c. \$8,350
6. Assume the same facts as per above except that Jack is blind at the end of the year. Standard deduction is
  - a. \$12,500
  - b. \$ 9,350
  - c. \$ 6,800
7. Mike and Pat are filing a joint return for. Both are over age 65. Neither of them is blind. If they do not itemize deductions, their standard deduction is
  - a. \$ 8,150
  - b. \$10,700
  - c. \$13,500
8. Allen is filing a married filing separate return. 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.

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9. Michael is single, is claimed by his parents on their return for 2010. He has interest income of \$780 and wages of \$150. He has no itemized deductions. His standard deduction is:(Worksheet page 3)
- a. \$950
  - b. \$150
  - c. \$450
  - d. \$930
10. Jill is a 22 year old full time college student, is claimed as a dependent on her parent's 2010 return. Jill is married and files a separate return. Her husband does not itemize deductions on his separate return. She has \$1,500 in interest income and wages of \$3,600. She has not itemized deductions. Her standard deduction is:
- a. \$3,900
  - b. \$5,450
  - c. \$5,100
11. Bess is single, is claimed as a dependent on parent's 2008 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. \$4,500
  - b. \$4,250
  - c. \$4,600
12. T F For head of household, the additional standard deduction for blind or over 65 is \$1,400 for 2010. (Assume otherwise qualified.)
13. T F Taxpayer qualifies to claim his daughter as a dependent. The daughter is totally blind. He may claim an additional standard deduction for her.
14. T F Election to itemize must be made on original return and can not be changed.
15. T F All taxpayers that itemize must compute limitation on itemized deductions
16. T F Investment interest expense taken as an itemized deduction is subject to investment income limits **and then** to limit on itemized deductions.
17. T F Home mortgage interest and points deductions are subject to limit on itemized deductions.

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18. T F Charitable contributions deduction is subject to limits on itemized deductions
19. T F Medical and dental deductions are subject to limits on itemized deductions.
20. T F Gambling losses are subject to limits on itemized deductions.
21. T F Employee business expense deductions are subject to limits on itemized deductions.
22. T F Itemized deductions that are subject to limits are reduced by 2% of the amount in excess of the AGI limits or 80% of the affected deductions (smaller of).
23. T F Itemized deductions, in general, must be **paid** during the year to be deductible
24. T F Itemized deductions must be for a person you could claim as a dependent (no exceptions)
25. Mary incurred medical expenses before she and Bill were married. Bill paid the bills for these expenses after they were married.
- a. He may not include expenses incurred before the marriage on a joint return
  - b. He may deduct the expenses only if filing jointly
  - c. He may deduct the expenses even if he files separate return
  - d. He may not include such expenses as deductions on a married filing separate return.
26. T F If Mary had paid her own medical bills before they were married and they file separate returns, Bill could not claim any of the medical expenses.
27. T F Taxpayer is 67 years old and has itemized deductions. He is filing as a single individual. He may add \$1,400 to his itemized deductions for being over 65.
28. During the current tax year, John paid medical bills for his wife Louise who died three years ago. He remarried and is filing a joint return with Belle, his second wife.
- a. He may deduct them only on a separate return
  - b. He may deduct the medical expenses this year on his joint return with Belle.
  - c. He may not deduct them since he no longer can claim Louise as a spouse exemption.
29. T F Last year your son was your dependent. This year he no longer qualifies as your dependent. However, you paid \$800 this year for medical expenses your son incurred last year when he **was** your dependent. You can include the \$800 in figuring this year's medical expense deduction.
30. T F You provided more than half of your **married** daughter's support including medical expenses of \$1,200. She and her husband file a joint return and so you can not claim an exemption for your daughter. You can not include the \$1,200 in your medical deductions.

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31. T F You and your three brothers each paid one-fourth of your mother's total support. Under a multiple support agreement you claim your mother as a dependent. You paid all of her medical expenses for the year but your brothers repaid you for 3/4 of the total. You may include the entire medical deduction since you are the one claiming an exemption.
32. John died on June 1 of current year. His unpaid medical expenses include \$1,500 that were incurred in the prior year and \$2,000 in the year of death. He had filed his prior return April 15<sup>th</sup> of the year of death. His executor paid the \$3,500 in January of the year following his death.
- The entire \$3,500 should be deducted on his final return
  - The entire amount is non-deductible since there will be no return for the year after death
  - The \$1,500 may be deducted on an amended prior return but the \$2,000 can not be deducted
  - The \$1,500 may be deducted on an amended prior return and the \$2,000 on his final return.
33. You are blind. You must use a reader to do your work. You use the reader both during your regular working hours at your place of work and outside your regular working hours away from your place of work. The reader's services are only for your work. You:
- Can deduct your expenses for the reader as a business expense
  - Must deduct the expenses for reader as medical expenses
  - May not deduct the expenses since they are personal hygiene costs
34. T F The maximum deduction for Barry, age 62 for long term care premiums is \$2,750.
35. T F Drug costs are not included in total medical for the AGI percentage limits (7.5% of AGI)
36. T F If you are self employed and have a qualified medical insurance plan, you may deduct up to 100% of the premiums (in 2007) as a business expense.
37. T F Contact lens insurance is deductible as medical insurance.
38. T F Oregon allows a special deduction for medical expenses that are not allowed on federal return because of the 7.5% AGI limitations but **only if taxpayer and spouse are both over age 62** (Starting in 2006) before the end of this tax year.
39. T F The special Oregon subtraction for taxpayers who meet the age requirements may be taken even if taxpayer cannot itemize for federal, as long as they have sufficient itemized deductions (including the special subtraction) for Oregon.
40. T F The special medical insurance deduction for self employed individuals reduces the self employment tax.
41. T F Special medical insurance deduction for self employed is based on earned income less all retirement contributions.

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42. T F Jane is self employed. Her husband Matt is an employee of a company that furnishes medical insurance for him all year. He can get group insurance coverage for Jane but must pay the premiums himself. Jane is eligible for the Self Employed medical insurance deduction.
43. Allen is self employed. His wife worked until July 1 for a company that provided medical insurance for her and her family. She was unemployed for the rest of the year. Allen paid \$3,000 for his and his family's health insurance for the year. He may deduct, as an **adjustment to income**
- a. 100% of the \$3,000
  - b. 100% of \$1,500
  - c. 100% of the amount that applies to Allen only
  - d. -0-

### QUESTIONS #44-62 - DEDUCTIBLE AS ITEMIZED MEDICAL EXPENSE? T or F

44. T F Vitamins not recommended by a doctor
45. T F Cocaine for a drug habit
46. T F Birth control pills prescription
47. T F Chiropractor treatment
48. T F Psychiatrist treatment
49. T F Christian science practitioner treatment
50. T F Board for private nurse in hospital while hospitalized
51. T F Meals and lodging at drug treatment center
52. T F Wine prescribed in addition to meals
53. T F Face lift operations unrelated to medical problems
54. T F Contact lens insurance premiums
55. T F Insurance policy premium which pays a weekly amount for income replacement when ill
56. T F Meals and lodging for a rest taxpayer's doctor sent him on after surgery
57. T F Transportation for the rest trip

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58. T F Pre-adoption medical for a child who qualifies as dependent for whole year.
59. T F Tuition for special school for severe learning disabled
60. T F Stop smoking program
61. T F Cost attributable to trained monkey to assist a disabled person.
62. T F Qualified long term care insurance and expenses
63. T F Transportation for medical treatment is allowed **only** at actual cost of gas and oil
64. T F Lodging outside hospital if away from home and lodging is primarily and essential to medical care by a doctor in a licensed medical facility is deductible at a maximum of \$60 per night.
65. T F The cost of braille books and magazines is fully deductible as a medical expenses for a totally blind person.
66. T F On his doctor's advice, Jason installs an elevator in his two story single family home to avoid climbing stairs and to alleviate his heart condition. The cost of installing it is \$5,000 and it **decreases** the value of his home by \$3,000. (Buyers do not want a single family home with an elevator.) Jason may deduct the entire \$5,000 as a medical expense.
67. You have a heart ailment. On your doctor's advice you install an elevator in your home so that you will not have to climb stairs. The elevator cost \$2,000. It increased the value of your home by \$1,400. (Your kids love it!). The amount you may deduct this year as a medical expense (before AGI limits) is:
- a. \$2,000
  - b. \$1,400
  - c. -0- because it is used by others in the household
  - d. \$600
68. John is handicapped with arthritis and a heart condition (bad shape!). He can not climb stairs or get into a bathtub. On his doctor's advice, he installs a bathroom with a shower stall on the first floor of his two-story rented house. The landlord did not pay for any of the cost and it does not lower the rent. John may:
- a. Deduct the cost as medical deduction all in year paid
  - b. Allocate the cost a medical deduction over rental period
  - c. Can not deduct the costs as a medical deduction because he is really quite stupid and should have found a single story place (with a shower) to rent in the first place.

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69. T F If a capital expenditure qualifies as a medical expense, amounts you pay for the operation and upkeep also qualify as a medical expense as long as the medical reason still exists. This is so even if none or only part of the original capital expense qualified as medical care expenses because of increase in value limitations
70. T F The portion of your auto insurance that is allocated to medical insurance is deductible as medical expense.
71. T F You are covered by your employer's medical insurance policy. The annual premium is \$2,000. Your employer pays \$600 of that amount and the balance of \$1,400 is taken out of your wages. You must include 30% of any excess reimbursements you receive, if any, for medical expenses under the policy.
72. T F Lowering or modifying kitchen cabinets and equipment qualifies as a medical deduction in full if main reason is medical condition of taxpayer/spouse
73. T F Both taxpayers are disabled and their disability dependent care expenses can not be used as a medical deduction since they qualify for dependent care credit.
74. T F Impairment related work expenses are generally deductible as medical expenses subject to 7.5% of AGI
75. Bill drove 2,800 miles for medical reasons during the year. He spent \$200 for gas, \$5 for oil, and \$50 for tolls and parking. The largest deduction he may take for medical (before the AGI limits) is:
- a. \$750
  - b. \$722
  - c. \$1,590
76. T F Qualified interest paid in advance must be allocated and only the portion applicable to current year may be deducted in current year.
77. T F To be deductible as mortgage interest, the taxpayer's main home or second home must be the security for the debt.
78. T F If taxpayer has more than two homes, interest on the main home and **any** of the other homes will qualify for mortgage interest deduction.
79. T F Qualified mortgage interest includes line of credit loans if otherwise qualified.
80. T F Qualified mortgage interest does not include home equity loan interest
81. T F If a home is **partly** rented out, taxpayer may **never** deduct any of the mortgage interest as an itemized deduction.

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82. T F A construction loan may qualify for mortgage interest deduction only if property becomes qualified home at the time ready for occupancy and only for 24 months.
83. T F Time share property does not qualify for mortgage interest deduction under any conditions.
84. T F If filing married filing separate and own two homes, each taxpayer may deduct the interest on **one** home only
85. T F Mortgage interest is qualified if paid by ministers even if paid with a non-taxable housing allowance.
86. T F Even if a mortgage interest credit is allowed (and taken), taxpayer may deduct the full amount of his otherwise qualified mortgage interest.
87. T F You borrow \$1,000 in September on a qualified mortgage interest loan. The loan is payable in 90 days at 15% interest. In December, you make the payment **with a new note** from the same lender for \$1,038 due the following March. If you use the cash method of accounting, you may deduct the interest of \$38 in the year you gave the new note.
88. T F Adam acquired a \$200,000 first mortgage on his home in 1993. The mortgage was a five year balloon note and the entire balance on the note was due in 1998. In 1998, he refinanced the debt with a new 20 year mortgage. The new mortgage is grand-fathered debt for the entire 20 year term of the loan.
89. John and Peggy Harris sold their home on May 7. Though April 30, they made home mortgage interest payments of \$1,220. The settlement sheet for the sale of the home showed \$50 interest for the 6 day period in May up to, but not including, the date of the sale. Their new home mortgage interest was \$2,000. Their mortgage interest deduction for the current year is:
- a. \$3,220
  - b. \$2,000
  - c. \$1,270
  - d. \$3,270
90. T F Qualified acquisition debt is reduced as payments on principal are made and can not be increased by refinancing
91. T F Maximum acquisition debt of \$1 million applies to combined total of principal and second residence.

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92. The Newlyweds qualified for mortgage interest credit this year. The credit amount shown on their mortgage interest credit statement is 30% and total interest for the year is \$3,900. The Newlyweds may deduct, as mortgage interest itemized deduction:
- a. \$3,900
  - b. \$1,170
  - c. \$2,730
93. T F Acquisition debt includes remodeling a second residence.
94. T F You took out a mortgage on your home for \$200,000 in 2000. In March of the current year, when the home had a fair market value of \$400,000 and you owed \$195,000 on the mortgage, you took out a home equity loan for \$120,000. You used \$90,000 of the home equity loan proceeds for home improvements and \$30,000 for other purposes. You can deduct all of the interest on both mortgages as mortgage interest.
95. T F Refinance acquisition debt continues to be treated as acquisition debt to the extent that principal amount does not exceed the principal amount of acquisition debt immediately prior to refinancing.
96. T F All tax preparers remember to ask questions about acquisition debt??
97. T F Loan origination fees charged for services for getting a VA or FHA loan to buy your main home are considered points and are deductible as mortgage interest if all other conditions are met.
98. T F Points paid for a mortgage loan on a **second** home are not ever deductible as points.
99. T F Refinance points on main home are fully deductible in year paid if the points are paid from **private funds** (not the loan funds) **if** funds are used to improve the main home.
100. T F If taxpayer's debt to acquire, construct or substantially improve his principal or second residence exceeds \$1 million, only the interest related to the principal \$1 million may be deducted as acquisition debt interest.
101. T F Qualified home equity interest is deductible even though taxpayer uses the proceeds for personal expenditures.
102. T F Pre October 13, 1987 indebtedness is treated as acquisition indebtedness subject to the \$1 million limits.
103. T F Points paid by **seller** are **never** considered deductible interest for the seller
104. T F Buyers may deduct points on home purchase even if the points were paid by the seller.

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- 105.** T F When you took out a \$100,000 mortgage loan to buy your home in December you were charged one point (\$1,000). The only funds you provided were a \$750 down payment. Assuming you otherwise meet all the tests for deducting points, you may deduct the entire \$1,000 as points in the current year.
- 106.** The facts are the same as in the above except that the person who sold you your home also paid one point \$1,000 to help you get your mortgage. You may deduct, in the current year:
- a. \$1,000
  - b. \$750
  - c. \$2,000
  - d. \$1,750
- 107.** T F Dan refinanced his mortgage in 2005 and paid \$3,000 in points that he had to spread out over the life of the mortgage. He had deducted \$1,000 of these points through 2009. Dan prepaid his mortgage in full in 2010. He can deduct the remaining \$2,000 of points in 2010.
- 108.** You rent out part of your home and borrow money from a Visa card to make repairs. You can:
- a. Deduct the interest paid for the rented part on schedule E only
  - b. Deduct none of the interest because it is personal interest.
  - c. Deduct interest for the rental portion of Sch E and balance on Schedule A
- 109.** You borrow \$10,000 and use \$8,000 to purchase stock. The other \$2,000 is used to purchase items for your home. Total interest for the year on the loan is \$1,000. You may:
- a. Deduct \$800 as investment interest subject to limitations and take no deduction for the rest of the interest
  - b. Deduct \$800 as investment interest subject to limitations and deduct \$200 as personal interest on schedule A subject to personal interest limitations.
  - c. Deduct the entire interest amount as investment interest since more than 50% of the proceeds were used for investment purposes.
  - d. Can not deduct any of the interest now or ever since the stock market crash took away your stock and it is now worthless.
- 110.** T F If, in the above example, you purchased the stock with \$8,000 of the proceeds and put the balance in a savings account, you may deduct the entire interest as investment interest subject to the investment interest limitations.
- 111.** T F Investment interest expense carryover can be carried over indefinitely.
- 112.** T F If investment interest is limited under the investment interest rules, the disallowed portion is lost.

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113. Joyce Davis is single and has investment income of \$3,000 in dividends and a net capital gain of \$9,000 on sale of investment property. Her investment expenses for the year (other than interest) which were directly connected with the production of this income amounted to \$980 after taking into account the 2% limitation on miscellaneous itemized deductions. Joyce also had \$12,500 of investment interest expense during the year. She chooses to include all of her capital gain in investment income. Allowable investment interest is
- a. \$9,000
  - b. \$12,000
  - c. \$11,020
  - d. \$12,500
114. T F Income and expenses used to compute passive activity loss limits are **not** included in determination of investment income or expense for investment interest limits.
115. T F You have investment income from interest and dividends only and no direct expenses other than investment interest (does not exceed that income) related to that income. You do not have to complete form 4952 to deduct your investment interest expense.
116. T F If you own bonds that yield tax exempt interest, you **must** amortize the bond premium and reduce basis by amortized amount but the amortized amount is **not** deductible.
117. T F Your client had a considerable amount of medical deductions and knew he would be able to itemize. In order to increase his deductions for Federal return, he paid a state estimated tax payment to Oregon in December in the amount of \$5,000. When he filed his Oregon return he received a refund of \$15,000. He may deduct the entire estimated payment of \$5,000 on his current year return even if he gets it back as a refund.
118. Your state charges a yearly motor vehicle registration tax of 1% of value plus 50 cents per hundredweight. You paid \$32 based on the value of \$1500 and weight (3,400 lbs) of your car. You can deduct:
- a. \$32
  - b. -0-
  - c. \$15
  - d. \$17.50
119. T F Even though housing allowance is excluded from taxable income for qualified ministers, the real estate tax paid from the housing allowance on a home owned by the minister is deductible as itemized taxes paid.

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120. T F Your client pays his property tax into a mortgage reserve account. Although a portion of each payment is set aside all year for taxes, the mortgage company “goofed” and did not remit the funds to the county assessor until Jan 1 of the following year. The taxpayer can deduct the amount he paid for taxes since he had no control over the funds in the reserve account and they were earmarked for taxes.

### QUESTIONS #121 - 129 DEDUCTIBLE ITEMIZED TAXES-TRUE OR FALSE

121. T F Indian Tribal Government tax
122. T F State sales tax
123. T F State transfer tax on sale of securities
124. T F Employee contributions to state disability fund (Calif SDI)
125. T F Sewer and Street Assessments
126. T F Local benefit tax for maintenance and repairs
127. T F Employee contributions to private disability fund
128. T F State transfer tax on sale of real estate.
129. T F FICA tax on household help
130. T F Condominium owners may deduct a pro-rata share of the property tax on the entire complex.
131. T F If married filing separately, each taxpayer may deduct only the portion of real estate taxes that they actually paid themselves.

### QUESTIONS #132-138 - QUALIFIED CHARITABLE ORGANIZATION -TRUE OR FALSE?

132. T F War veterans organizations organized in the U.S.
133. T F Non profit volunteer fire company
134. T F Domestic fraternal organization operating under the “lodge” system if the contribution is only for charitable, religious, scientific, literary or educational purposes, or prevention of cruelty to animals or children.
135. T F Non profit hospitals and medical research facilities

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136. T F Non profit cemetery if used for any part of the cemetery.
137. T F Most non profit educational organizations.
138. T F Civil defense organization
139. T F You can claim a deduction for a separate contribution of \$250 or more **only if** you obtain written substantiation from donee organization including good faith estimate of valuations.
140. T F Taxpayer travels to church convention in another State and takes his family along. They make stops along the way to see various sign-seeing areas. They may take a deduction as a contribution for the portion of the trip that was for the vacation.
141. T F You pay \$65 for a ticket to a dinner-dance at a church. All of the proceeds of the function go to the church. The ticket to the dinner-dance has a fair market value of \$25. When you buy your ticket you know that it's value is less than your payment. You can deduct the full amount of \$65.
142. T F You pay \$300 a year for membership in an athletic scholarship program maintained by a university (qualified educational organization). The only benefit of membership is that you have the **right to buy** one season ticket for a seat in a designated area of the stadium at the university's home football games. You can deduct the entire \$300 as a contribution.
143. The facts are the same as in the previous question except that the stated value of the ticket is \$120. You may deduct:
- a. 80% of the \$300
  - b. the full \$300
  - c. Only 80% of the \$180 difference
  - d. Only the \$180 difference.
144. T F At a fund raising auction conducted by a qualified charity, you pay \$600 for a week's stay at a beach house. The amount you pay is no more than the fair rental value. You have not made a deductible contribution
145. T F You pay \$40 to see a special showing of a movie for the benefit of a qualified organization. Printed on the ticket is "contribution \$40". The regular price of the movie is \$8. You may deduct \$40 as a contribution.
146. T F You donate stock that you held for 5 months to your church. The FMV of the stock is \$1,000 but you paid only \$800. Deduction is limited to \$800.

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147. T F You donate your car to a local high school for use in studying auto repair. The blue book value of your car is \$1600. However, your car needed extensive repairs, and after checking around, you find you could not sell the car for more than \$750. You may take a charitable donation deduction of \$1600.
148. T F You are a troop leader for a tax exempt youth group and take them on a camping trip. You may qualify for a charitable deduction for your travel expenses as you are on duty in a genuine, substantial sense throughout the trip, even if you enjoy the trip.
149. T F You sail around one island to another and spend 8 hours a day counting whales and other forms of marine life. The project is sponsored by a charitable organization. In most cases, you cannot deduct your expenses.
150. T F You work for several hours each morning on an archeological excavation sponsored by a charitable organization. The rest of the day is free for recreation and sight-seeing. You can take a charitable contribution because you work very hard during those hours each morning.
151. T F Taxpayer contributes appreciated paintings to a qualified charitable organization. They cost him \$3000 several years ago but have a current FMV of \$5,000. The charity will sell the painting as a fund raiser. He may deduct the cost plus 60% of the appreciation.
152. T F You pay \$20 for a box lunch at a church picnic. The FMV of the lunch is \$6. The other \$14 is deductible as a charitable donation only if the church gives you a written statement.
153. T F Failure (by the charitable organization) to provide the donor with a good faith estimate of value of goods or services (if otherwise required) carries a penalty of \$10 per contribution capped at \$5,000 per particular fund raising **event**
154. T F Capital gain property is **generally** deductible at FMV but limited to 30% of AGI.
155. T F Excess contributions over the AGI limits (50/30/20) may be carried over for 15 years.
156. T F Cash contributions of under \$5,000 need not be listed separately on schedule A.
157. T F Non cash items that exceed \$500 in FMV must be substantiated by form 8283 but do not require a written appraisal unless over \$5,000.
158. T F If you deduct a contribution of capital gain property at FMV, the difference between FMV and adjusted basis is a tax preference item for Alternative minimum tax.

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159. T F A qualified student in home for contribution deductions must be a full time student in 12<sup>th</sup> grade or lower located in the United States.
160. T F Depreciation and FMV of lodging is **not** considered in the amounts contributed for qualified student in home deduction.
161. T F For 2010, qualified charitable mileage rate is 14 cents per mile.
162. T F Deductible charitable meals are subject to 50% limitations
163. T F You spend the entire day attending a charitable organization's regional meeting as a chosen representative. In the evening you go to the movies. You can claim your travel expenses as a charitable contribution but not the cost of the movie.
164. The \$100 "floor" for casualties and thefts applies to:
- Each personal casualty **item**
  - Each personal casualty **occurrence**
  - All personal casualty and thefts combined.
165. The 10% of AGI "floor" applies to:
- Each personal casualty **item**
  - Each personal casualty **occurrence**
  - All personal casualty thefts combined.
166. T F Appraisal fees to determine the FMV for a casualty/theft are included as part of the casualty/theft deduction.
167. T F A car door is accidentally slammed on your hand (ouch!) Breaking your diamond ring. The diamond falls out and is never found. The loss is deductible as a casualty loss.
168. As a result of a fire, you vacated your apartment for a month and moved to a motel. You normally pay \$525 a month rent. None was charged for the month the apartment was vacated. Your motel rent for this month was \$1,200. You normally pay \$200 a month for food. Your food expenses for the month you lived in the motel were \$400. You received \$1,100 from your insurance company to cover your living expenses. You must **include in income**
- \$1,100
  - \$ 875
  - \$ 225

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- 169.** Your personal car had a FMV of \$2,000 when it was destroyed in a collision with another car in the current year. The accident was due to the negligence of the other driver. At the end of the year there was a reasonable prospect that you would be fully reimbursed but had not yet received any money. January of the next year, the court awarded you a judgement of \$2,000. In July, it became apparent that you will be unable to collect anything.
- a. You may deduct the \$2,000 (less applicable floors) in current year
  - b. You may deduct the \$2,000 (less applicable floors) in the following year
  - c. You may not deduct any loss until the year that you can prove that it is uncollectible.
- 170.** A fire in your home completely destroyed an upholstered chair, an oriental rug, and an antique table. You did not have fire insurance. The chair cost \$750 and had a FMV of \$500 just before the fire. The rug cost \$3,000 and had a FMV of \$2,500 just before the fire. The table cost \$100 but had been appraised (conveniently) at \$900 just before the fire. Adjusted gross income is \$27,000. Deductible loss is:
- a. \$1,050
  - b. \$100
  - c. \$300
  - d. None of the above.
- 171.** Your family auto is damaged in January and loss **after** insurance reimbursement is \$75. Bad luck (or careless driving) struck again in February and you incurred a loss after the insurance reimbursement of \$90. You may deduct, as a casualty loss
- a. \$65
  - b. -0-
  - c. \$90
- 172.** T F A hailstorm damages your home and your car. You must only apply one \$100 floor to the loss.
- 173.** T F You have car insurance policy with a \$500 deductible. Because your insurance did not cover the first \$500 of an auto collision, the \$500 would be deductible (subject to deduction limits) even if you do not file an insurance claim.
- 174.** T F Your home was extensively damaged by a tornado. Your loss after reimbursement from your insurance company was \$10,000. Your employer set up a disaster relief fund for its employees. You received \$5,000 from the fund and spent the entire amount on repairs to your home. You must reduce the \$10,000 casualty loss by the \$5,000 received from your employer.

## QUIZ - ITEMIZED AND STANDARD DEDUCTIONS

175. You bought your home a few years ago. You paid \$50,000 (\$10,000 for the land and \$40,000 for the house). You also spent \$2,000 for landscaping. This year a fire destroyed your home. The fire also damaged the shrubbery and trees in your yard. The fire was your only casualty or theft loss this year. Competent appraisers valued the property as a whole at \$75,000 before the fire, but only \$15,000 after the fire. (Loss of the household furnishings is not in this problem but would be computed separately) Shortly after the fire, the insurance company paid you \$45,000 for the loss. Your adjusted gross income is \$48,000. Your casualty loss is:
- a. \$7,000
  - b. \$15,000
  - c. \$8,000
176. T F Your home was damaged by a hurricane. Relatives and neighbors made cash gifts to you which were excludable from your income. You applied part of the cash gifts to cost of repairing your home. There were no limits or restrictions on how you could use the cash gifts. The money you received as excludable gifts and used to pay for repairs does not reduce the amount that you can deduct as a casualty loss on the damaged home.
177. T F All miscellaneous itemized deductions are subject to 2% floor.
178. T F Disallowed misc. itemized deductions because of the 2% floor may be carried over to the next year.
179. T F Hobby expenses to extent of hobby income are subject to 2% floor.
180. T F Adoption expenses are misc. itemized deductions subject to 2% floor.
181. T F Repayments of social security benefits are miscellaneous itemized deductions subject to 2% floor.
182. T F Clerical help/office rent to care for investments deductible subject to 2% floor
183. T F Gambling losses to extent of winnings are deductible subject to 2% floor
184. T F Liquidated damages for breach of employment contract deductible subject to 2% floor
185. T F Expenses of officials paid on a fee basis (employed by a state or local government and paid in whole or part on a fee basis.) are subject to 2% floor
186. T F Certain education expenses may qualify for new Hope/Lifetime learning credit instead of itemized deductions.

## QUIZ - ITEMIZED AND STANDARD DEDUCTIONS

187. T F Employee business expenses must always be deducted first on form 2106 and then transfer to Schedule A.
188. T F Qualified performing artists may deduct work-related educational expenses even if not itemizing
189. T F You are a railroad conductor. You leave your home terminal on a regularly scheduled round-trip run between two cities and return home 16 hours later. During the run, you have 6 hours off at your turnaround point where you eat two meals and rent a hotel room to get necessary sleep before starting your return trip. You are considered to be away from home and can deduct travel expenses.
190. T F You are a truck driver. You leave your terminal and return to it later the same day. You get an hour off at your turnaround point to eat. You are not away from home and can not deduct travel expenses.
191. T F You are a truck driver and you and your family live in Tucson. You are employed by a trucking firm that has its terminal in Phoenix. At the end of your long runs, you return to your home terminal in Phoenix and spend one night there before returning home. You can deduct the meals and lodging for the time in Phoenix.
192. T F A teacher change from classroom teacher to school administrator does not constitute change to a new business and related education is deductible.
193. T F If not more than Federal per diem, adequate accounting is assumed if actually away from home for days paid.
194. T F You are a truck driver and deliver goods in several states. Your employer's main office is in Bend, Oregon and you return there for one month out of every year for business and nonbusiness reasons. You have lived in Bend for 14 years - first with your spouse - and then with your married sister in her home. You pay your sister \$100 a month for a room in her house where you stay when you are in Bend. You also keep in the room your furniture and any clothing that you do not take on your out of town trips. You have not met the requirements for maintaining a tax home and are considered a transient.
195. T F Federal employees who are participating in federal crime investigations are not subject to the one year rule (job lasting more than one year at single location)
196. T F Travel, meals, lodging for job search qualify for away from home expenses if in the same trade or business.

## QUIZ - ITEMIZED AND STANDARD DEDUCTIONS

197. T F Reimbursement is not taxable and expenses are non-deductible in car pools unless operated for profit.
198. T F Merely hauling tools to a jobsite is never a qualified employee business expense deduction.
199. T F Advertising display on your auto will qualify the auto for business deductions.
200. T F Trips from union hall to jobsite are nondeductible commuting expenses.
201. T F Return home (from away from home site) on weekends does not constitute travel expenses and none of the expenses are deductible.
202. T F You are assigned to a temporary jobsite on a construction site near Anchorage, Alaska. There are no living quarters at the jobsite and you must drive from Anchorage to the jobsite round trip each day in a rented car. You may take the costs of the travel from Anchorage to jobsite.
203. T F Operation of house trailers, motor homes, are away from home expenses.
204. T F Marcia, a salesperson, owns a car and a van that she alternates using for calling on her customers. She can use the standard mileage rate for the business mileage of the car and the van.
205. T F Standard mileage rate for the year 2010 is 54 cents per mile.
206. T F If you choose standard mileage and then switch to actual expenses in a later year, must use straight line depreciation over useful life of auto if not considered fully depreciated at time change is made.
207. T F Rural mail carrier special rate for 2010 is 56 cents per mile.
208. T F Standard mileage rate is for all miles even though the car may have been considered fully depreciated in an earlier year.
209. T F In 2010, you leased a vehicle which you used partially for business. You may use the standard mileage rate for business miles.
210. T F Parking fees and tolls are deductible in addition to standard mileage rate.
211. T F An employee may not deduct interest on a car loan.
212. T F If employer provides a car and it is used for commuting or personal use, the personal use portion is considered a fringe benefit received and is taxable

## QUIZ - ITEMIZED AND STANDARD DEDUCTIONS

213. T F If a vehicle is leased for 30 days or more and used for business, you must compute an inclusion amount and include it in gross income.
214. T F If using the standard meal allowance, the allowable amount is subject to the 50% limit.
215. T F The standard meal allowance is generally \$30 per day for all areas in the U.S.
216. T F To be eligible for the special standard meal allowance, a transportation worker must usually spend part of each trip in an area eligible for the different standard meal allowances.
217. T F Transportation workers may use special rate for some trips for the year and actual expenses for some expenses in the same year.
218. T F Certain air transportation workers under dept of transportation “hours of service” limits are allowed to deduct 80% of allowable meals expenses for 2010.
219. T F Standard meal allowance is not available for travel outside the continental United States.
220. T F You may not use standard meal allowance if reimbursed and related to the employer.
221. T F If employee satisfies “accounting to employer” rules and is reimbursed for expenses, he must report the reimbursement and may deduct all of the meals without the 50% limitations.
222. T F Standard meal allowance is not allowed for medical or charitable meals.
223. T F A canceled check payable to a motel is considered adequate account for travel expense.
224. You drive your car 14,000 miles, 1/1 through 8/31 and 10,000 miles, 9/1 through 12/31, in your work in for 2010 tax year. You got \$900 worth of gas (75 per month) from your employer who has a gas pump for business. You decide to use standard mileage method to compute your car expenses. You may deduct:
- a. \$13,201.
  - b. \$14,040
  - c. \$12,301
  - d. You may not use the standard mileage method

## QUIZ - ITEMIZED AND STANDARD DEDUCTIONS

225. T F Quick Cleaner Sally owns a car and a van that are both used in her housekeeping business. Her employees use the car and she uses the van to travel to the various customers. She may use standard mileage rate on both vehicles.
226. T F Sam's employer furnishes him a vehicle which he uses to commute. The commuting mileage is considered a fringe benefit and is taxable to Sam. The employer also provides all of the gas for the vehicle. Sam must add 10c per mile to the value of the vehicle (as otherwise computed)
227. T F A 50% owner in a partnership may value commuting miles by using \$1.50 per day.
228. T F Business travel by ocean liner, cruise ship or other form of luxury water transportation deductions are limited to one half the amount of per diem allowance per day allowable to employees of executive branch of the U. S. government while away from home but serving in the U.S.
229. T F Conventions, seminars, other meetings held on a cruise ship are generally subject to luxury water travel deduction rules.
230. T F Deductions are barred for all expenses incurred to attend investment seminars.
231. T F Work clothing must be required and not suitable for everyday use in order to qualify for miscellaneous itemized deduction.
232. T F Members of the armed forces who are on full time active duty may deduct costs of uniforms.
233. T F Protective clothing is qualified for miscellaneous itemized deduction.
234. T F If a computer is used in home for convenience of the employer as a condition of employment depreciation is allowed.
235. T F You can not deduct use of home for office if use is for investment ventures.
236. T F Exclusive use test (use of home for office) does not apply to storage space if inventory is required in taxpayer's business.
237. T F Day care center use is not subject to "exclusive use" tests for use of home deductions if other qualifications are met.
238. T F A room that is available for use throughout each business day and regularly used for business is considered to be used for day care throughout each business day.

## QUIZ - ITEMIZED AND STANDARD DEDUCTIONS

239. T F A room used only occasionally for business for day care qualifies for deduction for the time it is used.
240. T F Use of home for office expenses that are in excess of gross income from the trade or business are lost as a deduction.
241. T F The use of home for office rules apply to separate structures on home lot that are built for office use only.
242. T F Soliman case (regarding principal place of business) was repealed for expenses incurred in 1998 and after.
243. T F You are a teacher who has satisfied the minimum requirements for teaching. Your employer requires you to take an additional college course each year to keep your teaching job. This qualifies for education expense deductions even if you eventually receive a master's degree and an increase in salary because of the extra education.
244. T F You are a full time engineering student. You work part time as an engineer for a firm that will employ you as a full time engineer after you finish college. Although your college engineering courses improve your skills in your present job, you have not met minimum job requirements for full time engineer and education does not qualify for deduction
245. T F You are a German language teacher. While on sabbatical leave granted for travel, you traveled through Germany to improve your knowledge of the German language. You choose your itinerary and most of your activities to improve your German language skills. You can deduct your travel expenses as educational expenses.
246. T F Dody, an attorney, works three days a week in her office downtown. The office downtown is her principal business location. Two days a week, she works in an office in her home in a room she uses exclusively for business. She meets with her clients in the home office on a regular basis. Her home office qualifies for a business deduction because it is a place where she meets with clients in normal course of her business.

**TRANSFER YOUR ANSWERS TO THE ANSWER SHEET AND EMAIL, FAX OR MAIL  
ONLY THE ANSWER SHEET**

2010