PRACTICE EXAM 13: ENROLLED AGENT SEE PART 1 — INDIVIDUALS SIMULATION (100 QUESTIONS)

This simulation exam contains 100 multiple-choice questions covering all six domains of the IRS Special Enrollment Examination (SEE) Part 1: Individuals, weighted to mirror the official exam's domain distribution. Select the single best answer for each question. A complete answer key with explanations follows the exam. Recommended time: 3.5 hours.

1. A preparer's new client asks whether the preparer can electronically file a return without the client first reviewing a complete copy of the finished return. What is the preparer's generally recommended practice regarding this specific request?

A. Generally e-file the return immediately without providing any copy at all, since a client's own review is generally never actually required before filing
B. Generally e-file only a summary page rather than the complete return, since providing the full return before filing is generally considered optional
C. Generally refuse to prepare the return at all unless the client first pays the entire preparation fee in full before any review occurs
D. Generally provide the client a complete copy of the finished return for review before e-filing, since a taxpayer should generally review and understand a return before authorizing its filing

2. A preparer's client provides Form 1095-A reporting marketplace health insurance coverage, but the client insists the family actually had employer-sponsored coverage for the entire year instead. What is the preparer's generally recommended approach to this specific documentation conflict?

A. Generally investigate the discrepancy directly with the client, since the actual source document and the client's own recollection conflict and the correct facts must be established before filing
B. Generally ignore the Form 1095-A entirely and simply prepare the return based solely on the client's own verbal statement about employer coverage
C. Generally file the return using both the Form 1095-A information and the employer coverage claim, entering effectively contradictory data on the return

D. Generally refuse to prepare the return at all until the client obtains a formal notarized statement resolving which coverage claim is actually correct

3. A preparer's client wants to know the general difference between an Account Transcript and a Record of Account Transcript that can both be requested from the IRS. What is the general distinction between these two specific transcript types?

A. An Account Transcript and a Record of Account Transcript are generally functionally identical documents in every respect, with no meaningful distinction between the two

B. An Account Transcript generally shows every original line item from the filed return, while a Record of Account Transcript generally shows only basic account activity

C. An Account Transcript generally shows basic account activity such as payments and penalties, while a Record of Account Transcript generally combines the Account Transcript with the Return Transcript's line items into a single combined document

D. A Record of Account Transcript is generally available only for corporate taxpayers, with individual taxpayers generally able to request only an Account Transcript

4. A preparer's client asks whether a preparer must generally maintain a copy of a client's signed return, or a list of the client's returns prepared, for a specific minimum retention period. What is the general Circular 230 and IRS recordkeeping expectation regarding this specific preparer obligation?

A. Generally, a preparer has absolutely no recordkeeping obligation at all regarding any previously prepared client return, once that specific return has actually been filed

B. Generally, a preparer must generally retain either a copy of the return or a list with the client's identifying information for a specific minimum retention period, generally three years

C. Generally, a preparer must generally retain a copy of every prepared return permanently and indefinitely, with no specific minimum retention period ever actually applying

D. Generally, only the client, and never the preparer, bears any recordkeeping obligation at all regarding a previously filed and signed tax return

5. A preparer's client asks whether a preparer generally has an ongoing due diligence obligation specifically regarding claims for the Earned Income Tax Credit, the Child Tax Credit, and the American Opportunity Credit, distinct from the preparer's general obligations for the rest of the return. What is the general answer to this question?

A. No; a preparer's due diligence obligation is generally exactly identical across every single line item on a return, with no specific additional requirement for any particular credit

B. Yes, but this specific additional due diligence requirement generally applies only to the Earned Income Tax Credit, and to no other credit of any kind

C. No; due diligence requirements generally apply only to a taxpayer's own claimed deductions, and never to any credit claimed on an individual income tax return

D. Yes; a paid preparer generally has specific additional due diligence requirements for these particular credits, including specific knowledge, computation, and recordkeeping requirements under Form 8867

6. A preparer's client wants confirmation that a specific IRS Notice CP14, indicating a balance due on a filed return, is generally the first notice a taxpayer typically receives in the standard collection notice sequence for an unpaid balance. What is the general answer to this question?

A. Generally yes; a CP14 is generally the first notice in the standard sequence, informing the taxpayer of the specific balance due and the general options available to resolve it

B. Generally no; a CP14 is generally the very last and final notice in the standard sequence, issued only immediately before a levy actually occurs

C. Generally no; a CP14 is generally an entirely unrelated notice, having nothing at all to do with any unpaid balance due on a filed return

D. Generally no; a CP14 is generally issued only to a corporate taxpayer, with individual taxpayers generally never actually receiving this specific type of notice

7. A preparer's client asks about the general difference in the standard of conduct required for signing a tax return versus providing informal, undocumented tax advice to a client outside the context of any actual return preparation. What is the general answer regarding this specific distinction?

A. Generally, only signing an actual tax return is subject to any professional standard at all, with informal tax advice generally being entirely unregulated under Circular 230

B. Generally, both signing a return and providing tax advice are generally subject to specific professional standards under Circular 230, though the precise documentation and disclosure requirements can generally differ between the two situations

C. Generally, only providing informal tax advice is subject to any professional standard at all, with signing an actual tax return generally being entirely unregulated

D. Generally, Circular 230 applies exclusively to attorneys and CPAs, with an Enrolled Agent generally being entirely exempt from any Circular 230 standard of conduct

8. A preparer's client provides a Form W-2 and separately mentions receiving unreported cash tip income during the year that was not included on that Form W-2. What is the preparer's generally recommended approach to this specific unreported cash tip income?

A. Generally ignore the unreported cash tip income entirely, since only income that has already actually been reported on an official information return is ever reportable

B. Generally report the unreported cash tip income only if it exceeds a specific minimum dollar threshold, below which cash tip income is generally entirely tax-exempt

C. Generally include the unreported cash tip income on the return, since a taxpayer generally must report all taxable income received, regardless of whether it was separately reported to the employer

D. Generally advise the client that unreported cash tip income is generally treated as a nontaxable gift from customers, rather than as any form of taxable compensation

9. A preparer's client asks whether the IRS generally accepts an oral, unwritten power of attorney authorization allowing a family member to discuss the client's tax matters with the IRS. What is the general answer to this specific question?

A. Generally no; the IRS generally requires a properly completed and signed Form 2848 or a similar written authorization to grant this type of representation or disclosure authority

B. Generally yes; the IRS generally accepts any oral authorization at all, as long as the taxpayer's own family member can independently verify the taxpayer's own identity

C. Generally yes; the IRS generally accepts an oral authorization, but only if that specific authorization is independently witnessed by exactly two unrelated third parties

D. Generally no; the IRS generally never accepts any authorization of any kind at all, whether oral or written, allowing any third party to discuss a taxpayer's own matters

10. A preparer's client asks whether a preparer is generally permitted to charge a contingent fee, meaning a fee based on a specific percentage of the taxpayer's ultimate refund amount, for preparing an original individual income tax return. What is the general Circular 230 rule regarding this specific fee arrangement?

A. Generally, a contingent fee is generally always fully permitted for preparing any type of return, without any restriction or exception at all under Circular 230

B. Generally, a contingent fee is generally permitted only if the client's total refund amount actually exceeds a specific minimum statutory dollar threshold amount

C. Generally, a contingent fee is generally prohibited for preparing an original return, though certain narrow exceptions generally exist, such as for amended returns filed in connection with an IRS examination

D. Generally, a contingent fee is generally permitted only for a corporate tax return, with individual income tax returns generally always prohibited from this type of fee

11. A preparer's client provides bank statements showing several large cash deposits during the year that do not appear to correspond to any income source the client has otherwise disclosed to the preparer. What is the preparer's generally recommended approach to this specific situation?

A. Generally ignore the unexplained deposits entirely, since a preparer generally has no obligation at all to inquire about any specific bank account activity

B. Generally report the entire amount of the unexplained deposits as taxable income automatically, without first asking the client any clarifying questions at all

C. Generally refuse to prepare the return at all unless the client immediately provides a formal notarized affidavit explaining every individual specific deposit

D. Generally ask the client specific follow-up questions about the source of these unexplained deposits, since the preparer generally has a duty to make reasonable inquiries when information appears incomplete or inconsistent

12. A preparer's client asks whether the IRS Annual Filing Season Program is the same thing as becoming an Enrolled Agent. What is the general distinction between these two specific credentials or programs?

A. Generally, the Annual Filing Season Program and Enrolled Agent status are generally functionally identical in every respect, with no meaningful distinction between the two

B. Generally, the Annual Filing Season Program is a voluntary program offering limited representation rights, while Enrolled Agent status generally provides full, unlimited representation rights before the IRS after passing a comprehensive exam

C. Generally, the Annual Filing Season Program generally provides greater representation rights than Enrolled Agent status, the exact reverse of the correct general relationship

D. Generally, only an attorney or a CPA may generally participate in the Annual Filing Season Program, with an Enrolled Agent generally being entirely ineligible

13. A preparer's client asks whether a specific IRS Letter 4883C, requesting the taxpayer verify their own identity before a return can be processed, is generally associated with a suspected identity theft concern. What is the general answer to this specific question?

A. Generally no; Letter 4883C is generally sent only when a return is fully accepted and processed without any issue at all, entirely unrelated to identity concerns
B. Generally yes; Letter 4883C is generally sent when the IRS suspects a return may have been filed using a taxpayer's identity without the taxpayer's own actual knowledge or authorization
C. Generally no; Letter 4883C is generally sent exclusively to notify a taxpayer of a routine, non-identity-related mathematical error found on the filed return
D. Generally no; Letter 4883C is generally sent only to a business entity, with individual taxpayers generally never actually receiving this specific type of letter

14. A preparer's client asks whether providing a client a completed Form 8879 for e-file signature authorization generally satisfies the preparer's obligation to also provide the client an actual complete copy of the prepared return itself. What is the general answer to this specific question?

A. Generally no; Form 8879 alone generally does not substitute for providing the client an actual complete copy of the prepared return, which the client should generally also separately receive
B. Generally yes; Form 8879 alone is generally considered fully sufficient, and no separate complete copy of the return itself is ever generally required to be provided
C. Generally yes; Form 8879 alone always generally satisfies every applicable preparer disclosure obligation, regardless of whether the client actually requests a full copy
D. Generally no; a preparer is generally never actually required to provide a client any documentation at all, including neither Form 8879 nor any copy of the return

15. A preparer's client, a first-time filer, asks the preparer to generally explain the difference between a tax deduction and a tax exemption as those concepts historically applied under prior law, since the client has heard both terms used interchangeably. What is the general distinction between these two specific concepts?

A. Generally, a deduction and an exemption are generally functionally identical concepts in every respect, with no meaningful historical distinction between the two terms

B. Generally, a deduction generally reduces tax liability dollar-for-dollar, exactly the same general mechanism that historically applied to a personal exemption as well

C. Generally, a deduction reduces taxable income by the amount of a specific qualifying expense or standard amount, while a personal exemption historically reduced taxable income by a specific flat per-person statutory amount

D. Generally, an exemption historically applied only to a business tax return, with a deduction generally being the only concept ever relevant to an individual return

16. A preparer's client asks whether a preparer is generally required to e-file an individual income tax return, rather than paper-file it, if the preparer reasonably expects to file more than a specific threshold number of individual returns during the year. What is the general answer to this specific e-file mandate question?

A. Generally no; e-filing is generally always entirely optional for any preparer, regardless of the specific total number of individual returns that preparer actually files

B. Generally yes, but only if every single one of the preparer's clients has separately provided specific written consent authorizing electronic filing of their own return

C. Generally no; the specific e-file mandate generally applies only to corporate tax return preparers, with individual return preparers generally always being entirely exempt

D. Generally yes; a preparer who reasonably expects to file more than a specific threshold number of individual returns during the year is generally required to e-file those returns, absent a specific limited exception

17. A taxpayer's employer provides a company-owned vehicle for the taxpayer's use, and the taxpayer uses the vehicle for both business and substantial personal purposes throughout the year. How is the value of the personal-use portion of this specific vehicle benefit generally treated?

A. Generally includible in the employee's taxable wages, based on the fair market value of the personal-use portion of the vehicle benefit actually provided

B. Generally entirely excluded from the employee's taxable wages, since any employer-provided vehicle is always treated as a fully nontaxable working condition fringe benefit

C. Generally includible in the employee's taxable wages only if the vehicle is used exclusively for personal purposes, with any mixed-use vehicle entirely excluded

D. Generally treated as self-employment income to the employee, subjecting the personal-use portion to self-employment tax rather than to regular income tax withholding

18. A taxpayer received a state-sponsored disaster relief grant intended to help repair storm damage to the taxpayer's personal residence following a federally declared disaster. How is this specific qualified disaster relief payment generally treated for federal income tax purposes?

A. Generally fully taxable as ordinary income, exactly the same treatment that generally applies to income earned from operating an active trade or business

B. Generally excludable from federal gross income, since a qualified disaster relief payment is generally excluded when it reimburses reasonable and necessary personal, family, living, or funeral expenses

C. Generally taxable, but only at the specific reduced flat 10% rate reserved specifically for disaster relief grant payments under current federal tax law

D. Generally treated as self-employment income, subjecting the entire grant amount to self-employment tax in addition to any regular income tax that might apply

19. A taxpayer's traditional IRA custodian statement shows the account earned dividend income, interest income, and short-term capital gains during the year, none of which were actually withdrawn from the account. How is this specific internally earned IRA income generally treated for the current tax year?

A. Generally fully currently taxable, with each specific type of income, dividend, interest, and capital gain, separately reported on the taxpayer's current-year return

B. Generally fully currently taxable, but only as ordinary interest income, regardless of the fact that some of the income was actually earned as capital gain

C. Generally not currently taxable, since income earned within a traditional IRA generally accumulates on a tax-deferred basis until amounts are actually distributed from the account

D. Generally entirely and permanently tax-exempt, exactly the same treatment that generally applies to qualified distributions from a properly established Roth IRA

20. A taxpayer received a Form W-2G reporting gambling winnings from a slot machine jackpot, with federal income tax already withheld by the casino at the time of the payout. How is the reported gross amount of these gambling winnings generally treated on the taxpayer's return?

A. Generally excluded entirely from the taxpayer's return, since the casino's own withholding generally already fully satisfies the taxpayer's entire tax obligation on the winnings
B. Generally includible only at 50% of the reported gross amount, with the remaining 50% generally considered to already be effectively covered by the casino's withholding
C. Generally treated as a nontaxable return of the taxpayer's own original wager amount, rather than as any form of currently taxable gambling winnings
D. Generally fully includible as other income on the taxpayer's return, with the amount already withheld by the casino generally claimed as a credit against the taxpayer's total tax liability

21. A taxpayer's Form 1099-R reports a distribution from a nonqualified deferred compensation plan, rather than from a qualified retirement plan such as a 401(k). How is a distribution from this type of nonqualified deferred compensation plan generally treated for federal income tax purposes?

A. Generally fully taxable as ordinary income in the year actually received, and generally not eligible for the favorable tax-free rollover treatment available to a qualified plan distribution
B. Generally entirely tax-exempt, exactly the same treatment that generally applies to a qualified distribution from a properly established and funded Roth IRA account
C. Generally eligible for the exact same tax-free rollover treatment into a traditional IRA that is generally available for a distribution from a qualified retirement plan
D. Generally taxed at a special flat 10% rate, rather than at the taxpayer's own regular ordinary marginal income tax rate that actually applies to this income

22. A taxpayer's brokerage statement shows a capital gain distribution reported on Form 1099-DIV from a mutual fund the taxpayer has held for only two months. How is this specific capital gain distribution generally treated for federal income tax purposes, regardless of the taxpayer's own actual holding period in the fund shares?

A. Generally treated as short-term capital gain, since the taxpayer's own actual holding period in the mutual fund shares was less than the standard one-year threshold
B. Generally treated entirely as ordinary dividend income, exactly the same treatment that generally applies to a regular, non-capital-gain dividend distribution from that same fund
C. Generally treated as long-term capital gain, regardless of how long the taxpayer has actually personally held the underlying mutual fund shares generating the distribution
D. Generally treated as self-employment income, subjecting the capital gain distribution amount to self-employment tax in addition to any regular income tax that might apply

23. A taxpayer's total income for the year includes a payment received under a structured settlement annuity established as part of a personal physical injury lawsuit settlement. How are these specific structured settlement annuity payments generally treated for federal income tax purposes?

A. Generally fully taxable as ordinary income, exactly the same treatment that generally applies to a regular commercial annuity purchased with the taxpayer's own after-tax funds

B. Generally entirely tax-exempt, since amounts received under a structured settlement arising from a personal physical injury claim are generally excludable from gross income under the same rule that applies to a lump-sum settlement

C. Generally taxable only as to the interest or earnings component of each specific payment, with the remaining principal-equivalent portion generally being separately taxable as well

D. Generally taxable, but only at the specific reduced flat 10% rate reserved specifically for structured settlement annuity payments under current federal tax law

24. A taxpayer's total income includes amounts earned from renting out a room in the taxpayer's own personal residence for 10 days total during the year, a period below the specific statutory threshold for the personal residence rental exception. How is this specific short-term rental income generally treated?

A. Generally fully taxable as ordinary rental income, with associated rental expenses generally fully deductible, exactly the same treatment that generally applies to a longer-term rental

B. Generally fully taxable as self-employment income, subjecting the rental income to self-employment tax in addition to any regular income tax that might otherwise apply

C. Generally taxable, but only at the specific reduced flat 10% rate reserved specifically for short-term personal residence rental income under current federal tax law

D. Generally entirely tax-exempt, and the related rental expenses are generally not deductible, since the specific personal residence rental exception applies when the home is rented for fewer than 15 days during the year

25. A taxpayer's total income includes a payment received from an employer specifically designated as severance pay following an involuntary termination of employment. How is this specific severance pay generally treated for federal income tax purposes?

A. Generally fully taxable as ordinary wage income in the year actually received, subject to the same regular income tax withholding and employment tax treatment as regular wages

B. Generally entirely tax-exempt, since severance pay is generally treated as a nontaxable form of compensation for the specific loss of employment itself

C. Generally taxable only at the specific reduced flat 10% rate reserved specifically for severance pay under current federal tax law, rather than at ordinary rates

D. Generally treated as self-employment income to the former employee, subjecting the severance payment to self-employment tax rather than to regular employment tax withholding

26. A taxpayer's total income includes a distribution from a health reimbursement arrangement, fully funded solely by the taxpayer's employer, used exclusively to reimburse the taxpayer for substantiated qualifying medical expenses. How is this specific HRA distribution generally treated for federal income tax purposes?

A. Generally fully taxable as ordinary income to the employee, exactly the same treatment that generally applies to a regular cash bonus payment received from the same employer

B. Generally taxable only as to 50% of the reimbursed amount, with the remaining 50% generally being separately treated as an entirely tax-exempt fringe benefit

C. Generally treated as self-employment income to the employee, subjecting the reimbursed amount to self-employment tax in addition to any regular income tax that might apply

D. Generally entirely tax-exempt to the employee, provided the distribution is actually used to reimburse substantiated qualifying medical expenses under the terms of the employer's own HRA plan

27. A taxpayer's total income includes a distribution received from a qualified ABLE account, established for the benefit of the taxpayer's own disabled dependent, used to pay for the dependent's qualifying disability-related expenses. How is this specific ABLE account distribution generally treated?

A. Generally fully taxable as ordinary income to the beneficiary, exactly the same treatment that generally applies to a regular taxable brokerage account distribution

B. Generally entirely tax-exempt, provided the distribution is actually used to pay for the beneficiary's own qualifying disability-related expenses under the specific ABLE account rules

C. Generally taxable only as to the earnings portion of the distribution, regardless of whether that specific portion was actually used for qualifying disability-related expenses

D. Generally treated as a taxable gift to the beneficiary, subjecting the distribution to gift tax reporting requirements rather than to any form of income tax treatment

28. A taxpayer's total income includes interest earned on a refund of federal income tax the IRS paid to the taxpayer because the refund was issued later than the statutory deadline for interest-free refund processing. How is this specific interest-on-refund amount generally treated?

A. Generally entirely tax-exempt, exactly the same treatment that generally applies to the underlying tax refund principal amount itself, which is generally not taxable income

B. Generally taxable only at the specific reduced flat 10% rate reserved specifically for interest paid by the IRS on a delayed refund under current federal tax law

C. Generally fully taxable as ordinary interest income in the year actually received, separate from and in addition to the underlying tax refund amount itself, which is generally not taxable

D. Generally treated as a nontaxable return of the taxpayer's own overpaid tax, rather than as any form of currently taxable interest income received from the IRS

29. A taxpayer's total income includes amounts received from a crowdfunding campaign the taxpayer organized to help cover the taxpayer's own significant unexpected medical expenses, with contributors receiving no goods or services of any kind in return for their contributions. How is this specific crowdfunding income generally treated?

A. Generally treated as a nontaxable gift to the taxpayer, provided the contributors gave the funds out of detached and disinterested generosity, without receiving anything of value in return

B. Generally fully taxable as ordinary income to the taxpayer, exactly the same treatment that generally applies to income earned from operating an active trade or business

C. Generally taxable only as to 50% of the total amount received, with the remaining 50% generally being separately treated as an entirely nontaxable gift

D. Generally treated as self-employment income to the taxpayer, subjecting the entire crowdfunded amount to self-employment tax in addition to any regular income tax

30. A taxpayer's total income includes a lump-sum payment received for granting a permanent easement across a portion of the taxpayer's own land to a utility company. How is this specific easement payment generally treated for federal income tax purposes?

A. Generally fully taxable as ordinary income in the year actually received, exactly the same treatment that generally applies to rental income from that same property

B. Generally entirely tax-exempt in every case, regardless of the specific amount received or the taxpayer's own existing basis in the affected portion of land

C. Generally treated as self-employment income to the taxpayer, subjecting the entire easement payment to self-employment tax in addition to any regular income tax

D. Generally treated as a reduction of the taxpayer's basis in the affected land, with any amount received exceeding that basis generally treated as taxable capital gain

31. A taxpayer's total income includes a payment received from a former employer as back pay pursuant to a settlement of an employment discrimination lawsuit, where the settlement agreement does not specifically allocate any portion to personal physical injury. How is this specific back pay settlement generally treated?

A. Generally entirely tax-exempt, since any settlement of an employment discrimination lawsuit is generally treated identically to a settlement for personal physical injury

B. Generally taxable only as to 50% of the settlement amount, with the remaining 50% generally being separately treated as an entirely tax-exempt personal injury recovery

C. Generally fully taxable as ordinary wage income, since back pay generally represents compensation for lost wages, unlike a settlement amount specifically allocated to a personal physical injury

D. Generally treated as a nontaxable gift from the former employer, rather than as any form of currently taxable compensation for lost wages

32. A taxpayer's total income includes a payment received as a reward for finding and returning a large sum of lost property to its rightful original owner, with the reward paid voluntarily by that owner. How is this specific found-property reward payment generally treated for federal income tax purposes?

A. Generally entirely tax-exempt, since a voluntary reward payment is generally treated identically to a nontaxable gift given out of detached and disinterested generosity

B. Generally fully taxable as ordinary income to the recipient in the year actually received, regardless of the fact that the reward was paid entirely voluntarily by the property's original owner

C. Generally taxable only as to 50% of the reward amount received, with the remaining 50% generally treated as an entirely tax-exempt finder's fee

D. Generally treated as a nontaxable return of the taxpayer's own capital, rather than as any form of currently taxable income received from another party

33. A taxpayer's total income includes amounts earned from operating a small online business selling handmade goods, conducted with a genuine, regular, and continuous profit motive throughout the year. How is the net profit from this specific online business generally treated for federal income tax purposes?

A. Generally treated as passive investment income, exactly the same treatment that generally applies to ordinary dividend income received from a taxable brokerage account

B. Generally entirely tax-exempt, since income earned from a small online business is generally treated as a hobby regardless of the actual specific profit motive involved

C. Generally treated as a nontaxable return of the taxpayer's own capital, rather than as any form of currently taxable self-employment or business income

D. Generally treated as self-employment income, reportable on Schedule C, and generally subject to self-employment tax in addition to regular federal income tax on the resulting net profit

34. A taxpayer's total income includes a distribution from a traditional IRA that the taxpayer, now age 45, took specifically to pay for qualifying higher education expenses for the taxpayer's own dependent child. How is this specific IRA distribution generally treated regarding the 10% early distribution penalty?

A. Generally entirely tax-exempt and entirely excepted from the 10% penalty, since a distribution used for qualifying higher education expenses is generally excluded from taxable income altogether

B. Generally still subject to the full 10% early distribution penalty in every case, since the specific higher education expense exception generally applies only to a Roth IRA, not a traditional IRA

C. Generally excepted from the 10% early distribution penalty up to the amount of the dependent child's qualifying higher education expenses, though the distribution itself remains includible in ordinary taxable income

D. Generally excepted from ordinary income tax entirely, but the 10% early distribution penalty generally still fully applies regardless of the qualifying education expense involved

35. A taxpayer's total income includes amounts received as jury duty pay from the taxpayer's own county court system during the year the taxpayer served on a jury. How is this specific jury duty pay generally treated for federal income tax purposes?

A. Generally entirely tax-exempt, since jury duty pay is generally treated as a nontaxable reimbursement for the specific civic inconvenience of serving on a jury

B. Generally fully taxable as other income, though a taxpayer who was required to remit the jury duty pay to an employer that continued paying the taxpayer's regular salary may generally deduct that remitted amount

C. Generally taxable only at the specific reduced flat 10% rate reserved specifically for jury duty pay under current federal tax law, rather than at ordinary rates

D. Generally treated as self-employment income, subjecting the jury duty pay to self-employment tax in addition to any regular income tax that might otherwise apply

36. A taxpayer's total income includes a payment received under a state's paid family leave program, funded through mandatory employee payroll contributions, while the taxpayer was on leave caring for a newborn child. How is this specific paid family leave benefit generally treated for federal income tax purposes?

A. Generally taxable as income, similar to how state unemployment compensation is generally treated, though a preparer should generally verify the specific state program's own particular funding and tax treatment rules

B. Generally entirely and always tax-exempt in every case, regardless of the specific state program's own particular funding structure or applicable tax treatment rules

C. Generally taxable only at the specific reduced flat 10% rate reserved specifically for state paid family leave benefits under current federal tax law

D. Generally treated as self-employment income, subjecting the paid family leave benefit to self-employment tax in addition to any regular income tax that might apply

37. A taxpayer's total itemized deductions include $4,000 in unreimbursed investment interest expense, paid on a loan used to purchase taxable bonds, while the taxpayer's net investment income for the year is only $2,500. How is this specific investment interest expense generally limited?

A. Generally the entire $4,000 is fully deductible in the current year, without regard to the taxpayer's own actual net investment income limitation for the year

B. Generally limited to $0, since investment interest expense is generally never deductible at all under any circumstances, regardless of the taxpayer's own net investment income

C. Generally limited to $2,500, the taxpayer's own net investment income for the year, with the remaining $1,500 in excess investment interest generally carried forward to future tax years

D. Generally limited to exactly 50% of the total investment interest expense actually paid, rather than being limited by the taxpayer's own actual net investment income

38. A taxpayer's Form 1098-T reports $7,000 in qualified tuition expenses paid for the taxpayer's own graduate-level coursework, and the taxpayer has already claimed the American Opportunity Credit for four prior tax years for this same taxpayer. What education credit, if any, remains generally available?

A. Generally no education credit of any kind remains available at all, since exhausting the American Opportunity Credit's four-year limit generally eliminates eligibility for any other education credit

B. Generally the American Opportunity Credit remains fully available for a fifth consecutive year, since the four-year limitation generally applies only to undergraduate coursework specifically

C. Generally only a specific education-related itemized deduction remains available, since neither the American Opportunity Credit nor the Lifetime Learning Credit permits any further claims

D. Generally the Lifetime Learning Credit may still be available, since it is not subject to the same four-year limitation that applies specifically to the American Opportunity Credit

39. A taxpayer's total itemized deductions include $12,000 in mortgage interest on acquisition debt for the taxpayer's primary residence, and the taxpayer's total acquisition debt balance is well within the applicable current-law debt limit for full interest deductibility. What is the general treatment of this specific mortgage interest?

A. Generally deductible only as an above-the-line adjustment to income, rather than as any form of itemized deduction on Schedule A

B. Generally fully deductible as an itemized deduction, subject to the taxpayer choosing to itemize rather than claim the standard deduction for the year

C. Generally deductible only as a nonrefundable tax credit, rather than as any form of itemized home mortgage interest deduction on Schedule A

D. Generally not deductible at all under current law, regardless of whether the taxpayer's total acquisition debt actually falls within the applicable current-law debt limit

40. A taxpayer's total Child Tax Credit calculation involves a qualifying child under age 17 and a household modified AGI that exceeds the applicable phase-out threshold for the taxpayer's filing status. How is the otherwise allowable Child Tax Credit generally treated in this specific situation?

A. Generally reduced by a specific statutory percentage for each increment of modified AGI exceeding the applicable phase-out threshold, until the credit is either fully phased out or the child ages out
B. Generally entirely eliminated in full the moment modified AGI exceeds the applicable phase-out threshold by even a single dollar, with no gradual reduction ever actually applying
C. Generally entirely unaffected by the taxpayer's modified AGI, since the Child Tax Credit generally has no income-based phase-out limitation of any kind under current law
D. Generally converted automatically into a fully refundable credit once modified AGI exceeds the applicable phase-out threshold, rather than being reduced in any way at all

41. A taxpayer's total itemized deductions include $1,800 paid in points to obtain a mortgage used to purchase the taxpayer's new primary residence, with the points meeting all applicable requirements to be treated as prepaid interest deductible in full in the year paid. How are these specific points generally treated?

A. Generally must be amortized and deducted ratably over the entire life of the mortgage loan, rather than being fully deductible in a single year
B. Generally not deductible at all under any circumstances, regardless of whether the points otherwise meet the specific requirements for current deductibility
C. Generally fully deductible in the year paid as home mortgage interest, since the points here meet the specific requirements to be treated as currently deductible prepaid interest
D. Generally deductible only as a nonrefundable tax credit, rather than as any form of itemized home mortgage interest deduction on Schedule A

42. A taxpayer's total Retirement Savings Contributions Credit, the Saver's Credit, calculation involves a taxpayer who is claimed as a dependent on another taxpayer's own return. How is this specific dependent taxpayer's own eligibility for the Saver's Credit generally treated?

A. Generally fully eligible for the Saver's Credit at the standard applicable credit rate, exactly the same treatment that generally applies to any non-dependent taxpayer
B. Generally entirely ineligible for the Saver's Credit, since the statute specifically excludes any taxpayer who is claimed as a dependent on another taxpayer's own return, regardless of that dependent's own contributions
C. Generally eligible for the Saver's Credit, but only at a specific reduced flat 5% credit rate reserved specifically for a taxpayer claimed as a dependent

D. Generally eligible for the Saver's Credit only if the dependent taxpayer's own retirement contribution actually exceeds a specific minimum statutory dollar threshold amount

43. A taxpayer's total charitable contribution deduction for the year includes a $10,000 cash donation to a qualified public charity, and the taxpayer's AGI for the year is $40,000. What is the general AGI-based percentage limitation that applies to this specific type of cash charitable contribution?

A. Generally limited to 60% of the taxpayer's AGI for a cash contribution to a qualified public charity, meaning the full $10,000 is deductible here since it falls within that 60% limitation
B. Generally limited to 20% of the taxpayer's AGI for any type of charitable contribution, regardless of whether the contribution is cash or a different type of property
C. Generally limited to 30% of the taxpayer's AGI for a cash contribution specifically, rather than the higher percentage limitation that actually applies to this type of contribution
D. Generally not subject to any AGI-based percentage limitation at all, regardless of the specific type of property contributed or the specific type of charity involved

44. A taxpayer's total Child and Dependent Care Credit calculation involves qualifying expenses paid to a summer day camp so the taxpayer could work, for the taxpayer's 8-year-old qualifying child. How is this specific summer day camp expense generally treated for purposes of the credit?

A. Generally not treated as a qualifying expense at all, since any type of camp, whether a day camp or an overnight camp, is always entirely excluded from credit eligibility
B. Generally treated as a qualifying expense only if the day camp specifically focuses exclusively on academic tutoring, rather than general recreational or athletic activities
C. Generally treated as a qualifying medical expense deduction instead, rather than as any form of qualifying expense for the separate Child and Dependent Care Credit
D. Generally treated as a qualifying work-related expense eligible for the credit, since a day camp, unlike an overnight camp, generally qualifies as a form of care allowing the taxpayer to work

45. A taxpayer's total itemized deductions include unreimbursed expenses for a qualifying appraisal obtained to substantiate the fair market value of a noncash charitable contribution of artwork valued at $15,000. How is the cost of this specific qualified appraisal generally treated?

A. Generally fully deductible as an additional part of the charitable contribution deduction itself, added directly on top of the $15,000 appraised value of the donated artwork

B. Generally deductible as an above-the-line adjustment to income, rather than as any form of itemized deduction related to the charitable contribution requirement

C. Generally deductible only as a nonrefundable tax credit, rather than as any form of itemized deduction related to the underlying charitable contribution requirement

D. Generally not deductible as part of the charitable contribution itself, since the appraisal fee is generally treated as a separate expense rather than as part of the actual value of the donated property

46. A taxpayer's total qualified business income deduction calculation involves a qualified REIT dividend received during the year, separate from any income earned through an actual pass-through trade or business the taxpayer might also operate. How is this specific qualified REIT dividend generally treated for QBI deduction purposes?

A. Generally eligible for a 20% QBI-related deduction, calculated separately from, and not subject to the same wage and property limitations that apply to, a pass-through trade or business's own QBI

B. Generally entirely ineligible for any QBI-related deduction at all, since only income earned through an actual pass-through trade or business, and never a REIT dividend, qualifies

C. Generally eligible for a full 100% QBI-related deduction, rather than the lower 20% rate that actually applies to a qualified REIT dividend under current law

D. Generally eligible for the QBI deduction only if the taxpayer's total taxable income falls below the applicable lower threshold of the specified service trade or business phase-in range

47. A taxpayer's total Foreign Tax Credit calculation involves foreign income tax paid that exceeds the applicable Foreign Tax Credit limitation for the current tax year. How is this specific excess foreign tax credit amount generally treated?

A. Generally entirely and permanently forfeited in full for any amount exceeding the current-year limitation, with no carryback or carryforward option available at all

B. Generally converted automatically into an itemized deduction for the excess amount, rather than remaining available as any form of carried tax credit

C. Generally may be carried back one year and carried forward up to ten years, applied against the Foreign Tax Credit limitation in those specific other tax years

D. Generally must be immediately refunded in full to the taxpayer in the current year, regardless of the taxpayer's own actual current-year Foreign Tax Credit limitation

48. A taxpayer's total itemized deductions include $600 in tax preparation fees paid to a professional preparer for preparing the taxpayer's individual income tax return. How are these specific tax preparation fees generally treated for itemized deduction purposes under current law?

A. Generally fully deductible as an itemized deduction without any AGI floor or limitation at all applying, regardless of the amount actually paid for tax preparation
B. Generally not deductible at all under current law, since tax preparation fees were historically deductible as a miscellaneous itemized deduction subject to a 2% AGI floor, a category generally now suspended
C. Generally deductible as an above-the-line adjustment to income under current law, rather than remaining any form of itemized or miscellaneous deduction
D. Generally deductible only as a nonrefundable tax credit under current law, rather than as any form of itemized or above-the-line deduction of any kind

49. A taxpayer's total Earned Income Tax Credit calculation involves a taxpayer with no qualifying children who otherwise meets the general age, residency, and income requirements for the credit. What is the general treatment of EITC eligibility for a taxpayer with no qualifying children?

A. Generally entirely ineligible for any EITC at all, since the credit is generally available only to a taxpayer who actually has at least one qualifying child
B. Generally eligible for exactly the same maximum EITC amount as a taxpayer with three or more qualifying children, with no reduction at all applying based on the number of children
C. Generally eligible for the EITC only if the taxpayer with no qualifying children is also simultaneously claimed as a dependent on another taxpayer's own return
D. Generally still potentially eligible for a smaller EITC amount, since the credit is generally available to certain qualifying taxpayers with no qualifying children, subject to the applicable age and income requirements for that specific category

50. A taxpayer's total itemized deductions include unreimbursed expenses paid for a qualified long-term care insurance premium, subject to the applicable age-based dollar limitation for deductibility as a medical expense. How is this specific long-term care insurance premium generally treated?

A. Generally deductible as a qualifying medical expense on Schedule A, up to a specific age-based dollar limitation, and subject to the same overall 7.5% AGI floor that applies to other medical expenses
B. Generally fully deductible without any age-based dollar limitation at all applying, and without regard to the overall 7.5% AGI floor that otherwise applies to medical expenses
C. Generally not deductible at all under any circumstances, regardless of the taxpayer's own specific age or the amount of the premium actually paid during the year
D. Generally deductible only as a nonrefundable tax credit, rather than as any form of itemized medical expense deduction subject to the applicable 7.5% AGI floor

51. A taxpayer's total qualifying education expenses for the American Opportunity Credit include $3,000 in required course materials purchased directly from an off-campus retailer, rather than from the educational institution itself. How is this specific off-campus course material expense generally treated for credit purposes?

A. Generally not treated as a qualifying expense at all, since the American Opportunity Credit generally requires that all course materials be purchased directly from the specific educational institution itself
B. Generally still treated as a qualifying expense for the American Opportunity Credit, since required course materials generally qualify regardless of whether they were purchased directly from the institution or from an off-campus retailer
C. Generally treated as a qualifying expense only for the separate Lifetime Learning Credit, rather than for the American Opportunity Credit, regardless of where the materials were actually purchased
D. Generally treated as a qualifying medical expense deduction instead, rather than as any form of qualifying education expense for either specific education credit

52. A taxpayer's total Adoption Credit calculation involves qualified adoption expenses paid for the unsuccessful attempted adoption of a child, where the adoption was ultimately never actually finalized. How are these specific expenses generally treated for Adoption Credit purposes?

A. Generally entirely ineligible for the credit under all circumstances, since the Adoption Credit generally requires that the underlying adoption actually be successfully finalized in every single case
B. Generally eligible for the credit only if the taxpayer subsequently successfully adopts a completely different child within the same specific tax year as the original unsuccessful attempt
C. Generally still eligible for the credit in certain circumstances, since qualified adoption expenses paid for an unsuccessful attempt to adopt a non-special-needs child may generally still qualify, subject to the applicable timing rules

D. Generally eligible only for a specific separate itemized deduction, rather than for any form of Adoption Credit, since the underlying adoption was never actually finalized

53. A taxpayer's total itemized deductions include $3,500 in unreimbursed expenses paid for the cost of a qualifying capital improvement made to a personal residence specifically to accommodate the taxpayer's own diagnosed medical condition, such as installing a wheelchair ramp. How is this specific capital improvement expense generally treated?

A. Generally fully deductible as a qualifying medical expense in its entirety, without regard to whether the improvement actually increased the home's own fair market value at all

B. Generally not deductible at all as a medical expense under any circumstances, regardless of the specific medical necessity or purpose of the capital improvement made

C. Generally deductible only as a nonrefundable tax credit, rather than as any form of itemized medical expense deduction subject to the applicable 7.5% AGI floor

D. Generally deductible as a qualifying medical expense to the extent the cost of the improvement exceeds any resulting increase in the home's own fair market value

54. A taxpayer's total itemized deductions include $2,000 paid for professional dues and journal subscriptions required to maintain the taxpayer's own professional license, in the taxpayer's capacity as a common-law employee rather than a self-employed individual. How are these specific unreimbursed professional expenses generally treated under current law?

A. Generally not deductible at all under current law, since these unreimbursed employee expenses were historically deductible only as a miscellaneous itemized deduction subject to a 2% AGI floor, a category generally now suspended

B. Generally fully deductible as an above-the-line adjustment to income under current law, exactly the same treatment that now generally applies to these specific expenses

C. Generally fully deductible as an itemized deduction under current law, with no AGI floor at all now applying to this specific category of unreimbursed employee expense

D. Generally deductible only as a nonrefundable tax credit under current law, rather than remaining any form of itemized or above-the-line deduction of any kind

55. A taxpayer's total Premium Tax Credit eligibility calculation involves a taxpayer whose household income falls below 100% of the federal poverty line for the taxpayer's family size, but the taxpayer is lawfully present in the United States and not eligible for Medicaid. How is this specific taxpayer's PTC eligibility generally treated?

A. Generally entirely ineligible for the Premium Tax Credit under all circumstances, since the credit generally requires household income to be at least 100% of the federal poverty line in every case
B. Generally eligible for the Premium Tax Credit only if the taxpayer's household income actually reaches at least 400% of the federal poverty line for the taxpayer's specific family size
C. Generally still potentially eligible for the Premium Tax Credit under a specific statutory exception for certain lawfully present individuals who are not eligible for Medicaid, despite falling below the general 100% federal poverty line threshold
D. Generally eligible for the Premium Tax Credit, but only through a specific separate itemized deduction, rather than through the actual Premium Tax Credit mechanism itself

56. A taxpayer's total itemized deductions include a $500 payment made to a political campaign committee supporting a candidate for local elected office. How is this specific political campaign contribution generally treated for itemized deduction purposes?

A. Generally fully deductible as a charitable contribution, exactly the same treatment that generally applies to a comparable cash donation made to a qualified 501(c)(3) charity
B. Generally not deductible at all as a charitable contribution or as any other type of itemized deduction, since a payment to a political campaign or committee is generally never deductible under current law
C. Generally deductible as a miscellaneous itemized deduction, subject to the applicable 2% AGI floor that historically applied to that specific deduction category
D. Generally deductible as an above-the-line adjustment to income, rather than as any form of itemized deduction subject to any AGI-based percentage limitation

57. A taxpayer's total tax liability calculation involves comparing the taxpayer's tax computed under the regular tax rate schedule against a specific alternative tax computation applicable when the taxpayer has a net capital gain. What is the general purpose of this specific alternative computation?

A. Generally ensures the taxpayer's entire taxable income, including ordinary income, is taxed at the lower preferential capital gain rate rather than at any ordinary rate at all
B. Generally ensures the taxpayer's net capital gain is taxed at a rate higher than the taxpayer's own regular ordinary marginal tax rate, rather than at any preferential rate

C. Generally has no actual practical effect at all on the taxpayer's final computed tax liability, regardless of the specific amount of net capital gain involved

D. Generally ensures the taxpayer's net capital gain is taxed using the applicable preferential capital gain rates rather than being taxed entirely at the taxpayer's higher ordinary marginal rates

58. A taxpayer's total tax liability calculation involves the specific treatment of unearned income for a dependent child subject to the kiddie tax, where the child's total unearned income for the year is below the applicable minimum kiddie tax threshold. How is this specific below-threshold unearned income generally treated?

A. Generally still fully subject to the kiddie tax and taxed at the parent's marginal rate, regardless of whether the child's total unearned income actually falls below the applicable threshold

B. Generally entirely tax-exempt in every case, since any unearned income below the applicable kiddie tax threshold is generally excluded from taxable income altogether

C. Generally not subject to the kiddie tax at all, since the kiddie tax generally applies only to a child's net unearned income exceeding the applicable minimum statutory threshold amount

D. Generally taxed at a single flat 37% rate regardless of the amount, rather than being either exempt from the kiddie tax or taxed at the child's own rate

59. A taxpayer's total tax liability calculation reflects a specific penalty for the failure to timely file a return, separate from any separate penalty that might also apply for failure to timely pay the tax actually owed. What is the general relationship between these two specific separate penalties when both apply to the same return?

A. Generally, when both penalties apply for the same month, the failure-to-file penalty is generally reduced by the amount of the failure-to-pay penalty for that same specific month, to avoid an excessive combined penalty

B. Generally, the two penalties are always simply added together in full for every month, without any reduction or coordination at all between the two separate penalty amounts

C. Generally, only the failure-to-pay penalty can ever actually apply in any situation, since the failure-to-file penalty was entirely and permanently eliminated under current law

D. Generally, only the failure-to-file penalty can ever actually apply in any situation, since the failure-to-pay penalty was entirely and permanently eliminated under current law

60. A taxpayer's total tax liability calculation involves the general concept of tax basis in property, relevant to computing gain or loss on a future sale of that specific property. What is the general purpose that a taxpayer's basis in property generally serves in this overall tax calculation?

A. Generally serves no actual practical purpose at all in computing gain or loss, since gain or loss is generally computed using only the property's own sale price

B. Generally serves as the benchmark amount subtracted from the amount realized on a sale to determine the taxpayer's taxable gain or deductible loss on that specific property

C. Generally serves only to determine the specific holding period of the property, rather than to determine the actual amount of any taxable gain or deductible loss

D. Generally serves only for property tax assessment purposes at the state and local level, rather than for any federal income tax gain or loss calculation purpose

61. A taxpayer's total tax liability calculation involves the general concept of constructive receipt, relevant to determining the specific tax year in which a cash-method taxpayer must include an item of income. What is the general meaning of this specific constructive receipt doctrine?

A. Generally, income is includible only in the specific tax year the taxpayer actually physically deposits the funds into a bank account, regardless of when it was actually made available

B. Generally, income is includible when it is made available to the taxpayer without substantial restriction, even if the taxpayer has not yet actually physically taken possession of the funds

C. Generally, income is includible only once the taxpayer has actually spent the funds on a specific qualifying personal expense, rather than merely having access to the funds

D. Generally, the constructive receipt doctrine applies only to a corporate taxpayer, with an individual cash-method taxpayer generally being entirely exempt from this specific doctrine

62. A taxpayer's total tax liability calculation reflects the specific treatment of a below-market loan made between family members, where the lender charges an interest rate below the applicable federal rate. What is the general tax consequence of this specific type of below-market loan arrangement?

A. Generally, the foregone interest is generally treated as a gift from the lender to the borrower, and, depending on the loan's purpose, may also generally be treated as imputed interest income to the lender

B. Generally, a below-market family loan generally has no tax consequence at all to either the lender or the borrower, regardless of the specific amount of foregone interest involved

C. Generally, the entire principal amount of the below-market loan is generally treated as fully taxable income to the borrower in the year the loan is actually made

D. Generally, the below-market loan is generally treated as fully deductible interest expense to the lender, rather than as any form of imputed income or gift

63. A taxpayer's total tax liability calculation involves the general concept of the holding period for capital gain property, relevant to determining whether a subsequent sale produces short-term or long-term capital gain or loss. What is the general rule for determining whether property has actually been held long-term?

A. Generally, property must be held for at least exactly six months before its sale generally produces long-term rather than short-term capital gain or loss under current law

B. Generally, property must be held for at least exactly two full years before its sale generally produces long-term rather than short-term capital gain or loss under current law

C. Generally, property must be held for more than one year, meaning at least one year and one day, before its sale generally produces long-term rather than short-term capital gain or loss

D. Generally, the specific holding period requirement has no actual bearing at all on whether a sale produces short-term or long-term capital gain or loss treatment

64. A taxpayer's total tax liability calculation involves the general concept of a taxpayer's amount realized on the sale of property, relevant to computing the taxpayer's resulting taxable gain or deductible loss. What does this specific amount realized generally include?

A. Generally includes only the actual cash portion of the sale price received, with any other property received or any liability assumed by the buyer generally entirely excluded

B. Generally includes only the taxpayer's own original cost basis in the property sold, rather than any amount actually received or realized as part of the sale itself

C. Generally includes only the fair market value of any property received, with any actual cash portion received generally entirely excluded from the amount realized calculation

D. Generally includes the total cash received, the fair market value of any other property received, and the amount of any liability the buyer assumed or that was otherwise discharged as part of the sale

65. A taxpayer's total tax liability calculation involves the general treatment of a nonbusiness bad debt, meaning a debt that became entirely worthless during the year and was not connected to the taxpayer's own trade or business. How is this specific nonbusiness bad debt generally treated?

A. Generally treated as an ordinary business loss, deductible in full against ordinary income, exactly the same treatment that generally applies to a genuine business bad debt

B. Generally not deductible at all under any circumstances, regardless of how long the underlying debt had actually been outstanding or how clearly worthless it has become

C. Generally treated as a short-term capital loss in the year the debt actually becomes entirely worthless, regardless of how long the underlying debt itself had actually been outstanding

D. Generally treated as a long-term capital loss in every case, regardless of how long the underlying nonbusiness debt had actually been outstanding before becoming worthless

66. A taxpayer's total tax liability calculation involves the general concept of an installment sale, where the taxpayer sells property and receives payment for that property over more than one tax year. How is gain on this specific type of installment sale generally reported, absent an election out of installment method treatment?

A. Generally reported in full entirely in the specific year of the actual sale, regardless of the fact that payment itself is actually being received over more than one tax year

B. Generally reported in full entirely in the specific final year payment is actually received, rather than being recognized proportionally across each of the individual years payment is received

C. Generally entirely tax-exempt, since gain on an installment sale is generally never actually taxable at all under current law, regardless of the specific payment schedule involved

D. Generally reported proportionally as each installment payment is actually received, using the gross profit percentage applicable to the specific sale, rather than being fully recognized in the year of the actual sale

67. A taxpayer's total tax liability calculation involves the general concept of Section 121 exclusion for gain on the sale of a taxpayer's own principal residence, where the taxpayer meets the applicable ownership and use tests. What is the general maximum amount of gain a single taxpayer may generally exclude under this specific provision?

A. Generally the entire amount of gain, regardless of amount, may always be fully excluded for a single taxpayer who meets the applicable ownership and use tests

B. Generally up to $250,000 of gain may be excluded for a single taxpayer who meets the applicable ownership and use tests, with a higher amount generally available for a married couple filing jointly

C. Generally no gain at all may ever be excluded under this specific provision for a single taxpayer, with the exclusion generally available only to a married couple

D. Generally up to $500,000 of gain may be excluded for a single taxpayer, exactly the same maximum exclusion amount that generally applies to a married couple filing jointly

68. A taxpayer's total tax liability calculation involves the general concept of recapture of depreciation previously claimed on real property, relevant when that property is later sold at a gain. What is the general treatment of this specific unrecaptured Section 1250 gain for an individual taxpayer?

A. Generally taxed at a maximum specific rate of 25%, to the extent of the prior depreciation claimed, rather than at the standard 0%, 15%, or 20% preferential long-term capital gain rates

B. Generally taxed entirely at the taxpayer's own highest ordinary marginal tax rate, exactly the same treatment that generally applies to short-term capital gain rather than long-term gain

C. Generally entirely tax-exempt, since depreciation recapture on real property is generally excluded from taxable income altogether once the underlying real property has actually been sold

D. Generally taxed at a flat 10% rate in every case, rather than at the higher specific 25% maximum rate that actually applies to this type of recaptured gain

69. A taxpayer's total tax liability calculation involves the general concept of a taxpayer's filing requirement based on gross income, relevant to determining whether the taxpayer must actually file a federal income tax return for the year at all. What generally determines this specific minimum filing requirement threshold?

A. Generally determined based solely on the taxpayer's total net worth, rather than on the taxpayer's own specific filing status, age, or total gross income for the year

B. Generally determined based solely on whether the taxpayer actually owns any real property at all, rather than on the taxpayer's own specific gross income for the year

C. Generally applies uniformly to every taxpayer regardless of filing status, age, or total gross income, with no variation at all in the applicable specific filing threshold amount

D. Generally determined based on the taxpayer's filing status, age, and total gross income for the year, compared against a specific applicable statutory threshold amount that varies by those factors

70. A taxpayer's total tax liability calculation involves the general concept of a substitute Form W-2, sometimes referred to as Form 4852, used when a taxpayer has not actually received an expected Form

W-2 from an employer by the applicable filing deadline. What is the general purpose of this specific substitute form?

A. Generally allows the taxpayer to entirely and permanently exclude the missing wage income from the return, rather than requiring any estimate of that income at all
B. Generally allows the employer, rather than the taxpayer, to file the substitute form directly with the IRS, rather than the taxpayer completing and filing it themselves
C. Generally allows the taxpayer to estimate wages and withholding based on the best available information, such as a final pay stub, and still timely file the return despite the missing official Form W-2
D. Generally allows the taxpayer to automatically obtain an extension of the applicable filing deadline, rather than actually requiring the taxpayer to estimate and report the missing wage information

71. A taxpayer's total tax liability calculation involves the general concept of a taxpayer's recognized gain on the sale of Section 1244 stock, small business corporation stock meeting specific statutory requirements, where the sale actually results in a loss rather than a gain. How is a loss on this specific type of qualifying stock generally treated?

A. Generally treated as an ordinary loss, up to a specific applicable annual dollar limitation, rather than being treated entirely as a capital loss subject to the standard capital loss limitation rules
B. Generally treated entirely as a long-term capital loss in every case, regardless of the taxpayer's own actual specific holding period in the qualifying Section 1244 stock
C. Generally not deductible at all under any circumstances, regardless of the specific amount of the loss or the taxpayer's own actual holding period in the qualifying stock
D. Generally treated entirely as a short-term capital loss in every case, regardless of the taxpayer's own actual specific holding period in the qualifying Section 1244 stock

72. A taxpayer's total tax liability calculation involves the general concept of the specific tax treatment of Social Security and Medicare tax withheld from a taxpayer's own wages, relevant to whether this specific withheld amount is generally deductible on the taxpayer's own individual income tax return. What is the general treatment of this specific withheld amount?

A. Generally fully deductible as an itemized deduction, exactly the same general treatment that applies to state and local income tax withheld from the same taxpayer's wages

B. Generally not deductible at all on the taxpayer's own individual income tax return, since Social Security and Medicare tax withheld from wages is generally not treated as a deductible expense of any kind

C. Generally deductible as an above-the-line adjustment to income, rather than remaining any form of nondeductible payroll tax withheld from the taxpayer's own wages

D. Generally deductible only as a nonrefundable tax credit, rather than as any form of itemized or above-the-line deduction related to this specific withheld amount

73. A taxpayer's total tax liability calculation involves the general concept of a taxpayer electing to apply an overpayment of the current year's tax liability toward the following year's estimated tax obligation, rather than receiving that overpayment as an actual current-year refund. What is the general effect of this specific election?

A. Generally, the applied overpayment amount is generally entirely forfeited and permanently lost, rather than actually being credited toward any following year's estimated tax obligation

B. Generally, the applied overpayment amount is generally treated as a timely estimated tax payment for the following year, generally reducing that following year's own separate estimated tax obligation

C. Generally, the applied overpayment amount must generally still be separately and additionally paid again as part of the following year's own estimated tax obligation

D. Generally, this specific election is generally not actually permitted at all under current law, requiring every taxpayer to always receive any overpayment as an actual current-year refund

74. A taxpayer's total tax liability calculation involves the general concept of a taxpayer's recognized gain or loss on the sale of a personal-use automobile, where the vehicle actually sold for less than the taxpayer's own original purchase price. How is this specific loss on a personal-use vehicle generally treated?

A. Generally fully deductible as a capital loss, exactly the same general treatment that generally applies to a loss on the sale of a taxpayer's own investment property

B. Generally fully deductible as an ordinary loss, rather than being limited to treatment as a capital loss subject to the standard capital loss limitation rules

C. Generally not deductible at all, since a loss on the sale of personal-use property, including a personal-use automobile, is generally not deductible for federal income tax purposes under current law

D. Generally deductible only as a nonrefundable tax credit, rather than as any form of capital or ordinary loss deduction related to the sale of personal-use property

75. A taxpayer asks an Enrolled Agent for general guidance on the tax implications of paying off a mortgage entirely versus keeping the mortgage and investing the equivalent funds elsewhere, given the taxpayer currently claims the standard deduction rather than itemizing. What is one general factor relevant to this specific comparison?

A. Since the taxpayer already claims the standard deduction, the mortgage interest is generally not actually providing any current itemized tax benefit, which can generally make paying off the mortgage comparatively more attractive than it would be for an itemizing taxpayer
B. The mortgage interest deduction generally provides exactly the same tax benefit to every taxpayer, regardless of whether that taxpayer itemizes deductions or instead claims the standard deduction
C. Paying off a mortgage generally always provides a better financial outcome than investing elsewhere, regardless of the specific mortgage interest rate or the taxpayer's own itemization status
D. Keeping a mortgage generally always provides a better financial outcome than paying it off, regardless of the specific investment return actually available or the taxpayer's own itemization status

76. A taxpayer asks an Enrolled Agent for general guidance on the potential benefit of timing the sale of a highly appreciated capital asset to occur in a tax year the taxpayer expects to have unusually low ordinary income. What is the general reasoning behind this specific timing strategy?

A. The specific timing of a capital asset sale generally has no effect at all on the applicable long-term capital gain rate, regardless of the taxpayer's total taxable income for that year
B. Selling a highly appreciated capital asset always generally triggers the same flat 20% rate regardless of the taxpayer's total taxable income or the specific timing of the sale
C. Selling in a lower-income year generally always increases the applicable capital gain rate, rather than potentially allowing access to a lower preferential rate bracket
D. Since the applicable long-term capital gain rate generally depends on the taxpayer's total taxable income, selling in a lower-income year can generally allow more of the gain to be taxed at the lower 0% or 15% preferential rate

77. A taxpayer asks an Enrolled Agent for general guidance on the tax implications of gifting appreciated stock directly to an adult child in a lower tax bracket, rather than the taxpayer selling the stock and gifting the resulting cash proceeds instead. What is one general consideration relevant to this specific comparison?

A. Gifting appreciated stock directly generally has no effect at all on the recipient's own basis, since the recipient always automatically receives a fully stepped-up fair market value basis
B. Gifting appreciated stock directly generally always triggers immediate capital gain recognition to the original taxpayer-donor, exactly the same treatment that would apply to an outright sale
C. Gifting appreciated stock directly is generally never permitted at all under current law, requiring the taxpayer to always first sell the stock before making any gift of the proceeds
D. Gifting the appreciated stock directly generally transfers the taxpayer's own carryover basis and holding period to the recipient, potentially allowing the recipient to sell it later at their own generally lower capital gain rate

78. A taxpayer asks an Enrolled Agent for general guidance on the tax treatment of a Coverdell Education Savings Account compared to a 529 college savings plan for a family saving toward a child's future education expenses. What is one general distinction the Enrolled Agent might discuss regarding these two specific savings vehicles?

A. A Coverdell ESA and a 529 plan are generally functionally identical in every single respect, with no meaningful distinction at all between the two specific savings vehicles
B. A Coverdell ESA generally has a lower annual contribution limit per beneficiary than a 529 plan, though a Coverdell ESA can generally also be used more broadly for certain qualifying K-12 expenses
C. A Coverdell ESA generally has a substantially higher annual contribution limit per beneficiary than a 529 plan, the exact reverse of the actual correct general comparison
D. Only a 529 plan, and never a Coverdell ESA, can generally ever be used at all for any qualifying elementary or secondary school education expense of any kind

79. A taxpayer asks an Enrolled Agent for general guidance on the tax treatment of setting up a spousal IRA for a nonworking spouse who has no earned income of their own for the year. What is the general requirement that allows this specific spousal IRA contribution strategy to work?

A. Generally requires the working spouse to have sufficient earned income to cover the combined contributions to both the working spouse's own IRA and the nonworking spouse's separate spousal IRA, and generally requires filing a joint return
B. Generally requires the nonworking spouse to independently have their own separate earned income before any spousal IRA contribution can actually be made on that spouse's behalf

C. Generally requires the couple to file as Married Filing Separately, rather than jointly, before any spousal IRA contribution strategy actually becomes available to the couple

D. Generally has no earned income requirement of any kind at all, allowing a spousal IRA contribution regardless of either spouse's own actual total combined earned income

80. A taxpayer asks an Enrolled Agent for general guidance on the tax treatment of establishing a revocable living trust as part of the taxpayer's own estate planning, specifically regarding whether this type of trust changes the taxpayer's own current individual income tax reporting. What is the general answer to this specific question?

A. Generally, establishing a revocable living trust always generally requires the trust itself to file a completely separate Form 1041, with no income at all reported on the grantor's own individual return

B. Generally, establishing a revocable living trust generally eliminates the grantor's own individual income tax filing requirement entirely, regardless of the grantor's own other separate sources of income

C. Generally, a revocable living trust is generally treated as a grantor trust for income tax purposes, meaning the trust's income generally continues to be reported directly on the grantor's own individual income tax return

D. Generally, a revocable living trust is generally taxed using the trust's own separate, compressed income tax rate schedule, rather than being reported on the grantor's own individual return

81. A taxpayer asks an Enrolled Agent for general guidance on the tax advisability of exercising a nonqualified stock option early in the year the option is scheduled to expire, rather than waiting until closer to the actual expiration date. What is one general factor the Enrolled Agent might discuss regarding this specific timing decision?

A. The specific timing of exercising a nonqualified stock option within the same tax year generally has no effect at all on the taxpayer's own resulting tax planning options

B. Exercising a nonqualified stock option is generally never actually taxable at all under any circumstances, regardless of the specific timing of the exercise within the tax year

C. Waiting until the very last possible day of the year to exercise a nonqualified stock option is always generally the single most tax-advantaged specific approach in every situation

D. Exercising earlier in the year can generally provide more time before year-end to plan for the resulting ordinary income inclusion and any related tax payment or withholding obligation triggered by the exercise

82. A taxpayer asks an Enrolled Agent for general guidance on the tax treatment of establishing a Coverdell ESA or 529 plan compared to simply using a custodial UTMA account for a child's future education savings. What is one general trade-off the Enrolled Agent might discuss regarding this specific comparison?

A. A 529 plan or Coverdell ESA generally offers tax-advantaged growth specifically earmarked for education, while a UTMA account generally offers more flexibility in how the funds may ultimately be used, but without the same specific education-related tax advantages
B. A 529 plan, a Coverdell ESA, and a UTMA account are generally functionally identical in every respect, with no meaningful trade-off at all between these three specific savings vehicles
C. A UTMA account generally offers the exact same tax-advantaged growth specifically earmarked for education that a 529 plan or Coverdell ESA generally offers, with no meaningful distinction
D. A 529 plan or Coverdell ESA generally offers unlimited flexibility in how the funds may ultimately be used, exactly the same flexibility that a UTMA account generally offers

83. A taxpayer asks an Enrolled Agent for general guidance on the tax advisability of accelerating a planned large itemized deduction, such as a major charitable contribution, into the current tax year rather than the following year, given the taxpayer expects a significantly higher marginal tax bracket in the current year. What is the general reasoning behind this specific timing strategy?

A. The specific timing of a large itemized deduction generally has no effect at all on the resulting tax savings, regardless of the taxpayer's own marginal tax bracket in either year
B. Accelerating the deduction into the higher-bracket current year can generally produce greater tax savings, since a given dollar of deduction is generally worth more in tax savings at a higher marginal tax rate
C. Deferring the deduction into the following, lower-bracket year would generally always produce greater tax savings than accelerating it into the current, higher-bracket year
D. A large itemized deduction is generally always worth exactly the same fixed dollar amount in tax savings, regardless of the taxpayer's own specific marginal tax bracket in any year

84. A taxpayer asks an Enrolled Agent for general guidance on the tax implications of a taxpayer's decision to convert a traditional 401(k) account balance directly to a Roth 401(k) account within the same employer plan, rather than rolling the funds out to an external IRA first. What is one general consideration relevant to this specific in-plan Roth conversion?

A. An in-plan Roth conversion is generally never actually taxable at all, unlike a traditional-to-Roth IRA conversion, which is generally always taxable in the year of the conversion

B. An in-plan Roth conversion is generally available under every single employer 401(k) plan without exception, regardless of whether that specific plan actually offers this particular conversion option

C. An in-plan Roth conversion is generally taxable in the year of conversion, similar to a traditional-to-Roth IRA conversion, and the plan must generally actually allow this specific type of in-plan conversion option

D. An in-plan Roth conversion generally requires the taxpayer to first separate from service with the employer, rather than being available to a taxpayer who is still actively employed there

85. A taxpayer asks an Enrolled Agent for general guidance on the tax advisability of maximizing contributions to a traditional 401(k) versus a Roth 401(k), given the taxpayer currently expects to be in a substantially lower tax bracket during retirement than during the taxpayer's current working years. What is the general reasoning an Enrolled Agent might generally offer?

A. Generally, if the taxpayer expects a substantially lower tax bracket in retirement, contributing to the traditional 401(k) can generally be more advantageous, since the current deduction is worth more now while withdrawals will generally be taxed at that lower future rate

B. Generally, the choice between a traditional and a Roth 401(k) contribution generally has no relationship at all to the taxpayer's own expected future tax bracket in retirement

C. Generally, a Roth 401(k) is always generally the more advantageous choice in every single situation, regardless of the taxpayer's own expected future tax bracket in retirement

D. Generally, contributions to a traditional 401(k) are generally never actually tax-deductible at all in the current year, regardless of the taxpayer's own expected future tax bracket

86. A taxpayer asks an Enrolled Agent for general guidance on the general advisability of paying quarterly estimated tax payments online through the IRS's own electronic payment system, rather than mailing a paper check with a Form 1040-ES payment voucher. What is one general advantage of the electronic payment method the Enrolled Agent might mention?

A. Generally provides no actual advantage at all over mailing a paper check, since both payment methods are generally treated identically in every single respect by the IRS

B. Generally requires the taxpayer to pay a substantially higher payment amount than would otherwise be required when using the traditional paper check payment method instead

C. Generally provides immediate confirmation of the payment and generally reduces the risk of a lost or delayed paper check causing an inadvertent late-payment penalty

D. Generally is only available to a taxpayer who has no other outstanding balance due with the IRS from any specific prior tax year at all

87. A taxpayer asks an Enrolled Agent for general guidance on the tax treatment of naming a trust, rather than an individual beneficiary directly, as the designated beneficiary of a traditional IRA. What is one general consideration the Enrolled Agent might discuss regarding this specific beneficiary designation choice?

A. Naming a trust as beneficiary generally has no effect at all on how the inherited IRA's required minimum distributions must actually be calculated, regardless of the trust's own specific terms

B. Naming a trust as beneficiary can generally provide additional control over how and when the inherited IRA funds are actually distributed, but generally requires the trust to meet specific requirements to be treated as a see-through trust for RMD purposes

C. Naming a trust as beneficiary is generally never actually permitted at all under current law, requiring every IRA owner to always name only an individual as the designated beneficiary

D. Naming a trust as beneficiary generally always results in the entire IRA balance becoming immediately and fully taxable in a single lump sum upon the IRA owner's own death

88. A taxpayer's individual income tax return reflects a distribution received from a qualified employee stock ownership plan, an ESOP, where the distribution consists partly of employer stock with net unrealized appreciation. How is the NUA portion of this specific ESOP distribution generally treated at the time of the actual distribution?

A. Generally fully currently taxable as ordinary income at the time of distribution, exactly the same treatment that generally applies to the plan's own cost basis portion of the stock

B. Generally entirely and permanently tax-exempt, regardless of whether the recipient ever actually later sells the distributed employer stock at any point in the future

C. Generally subject to the 10% early distribution penalty automatically on the entire NUA amount, regardless of the recipient's own age at the specific time of distribution

D. Generally not currently taxable at the time of distribution, with the NUA portion generally deferred and taxed as capital gain only when the stock is actually later sold by the recipient

89. A taxpayer's individual income tax return reflects income earned by the taxpayer as a professional gambler who conducts gambling activities with regularity, continuity, and a genuine profit motive, rather than merely as a casual recreational gambler. How is this specific professional gambling income generally treated?

A. Generally treated exactly the same as a casual recreational gambler's winnings, reported as other income, with losses deductible only as a miscellaneous itemized deduction subject to the same limitations

B. Generally entirely tax-exempt, since professional gambling income is generally treated as a nontaxable hobby activity regardless of the genuine profit motive actually involved

C. Generally treated as self-employment income reportable on Schedule C, generally subject to self-employment tax, with gambling losses generally deductible as a business expense up to the amount of gambling winnings

D. Generally treated as passive investment income, exactly the same treatment that generally applies to ordinary dividend income received from a taxable brokerage account

90. A taxpayer's individual income tax return reflects income earned by a U.S. citizen taxpayer working temporarily in a foreign country under an assignment expected to last less than one year, making the taxpayer ineligible for the Foreign Earned Income Exclusion under either the bona fide residence or physical presence test. How is this specific foreign income generally treated?

A. Generally entirely excluded from the taxpayer's U.S. taxable income automatically, regardless of whether the taxpayer actually satisfies either the bona fide residence or physical presence test

B. Generally included in the taxpayer's worldwide taxable income on the U.S. return, with a Foreign Tax Credit potentially available for any foreign income tax the taxpayer actually paid on that same income

C. Generally taxed exclusively in the foreign country where the work was actually performed, with no U.S. federal income tax reporting requirement ever applying at all

D. Generally taxed at a special flat 30% U.S. withholding rate, rather than being included as ordinary income subject to the taxpayer's own regular marginal tax rate

91. A taxpayer's individual income tax return reflects a distribution received as a beneficiary of a decedent's traditional IRA, where the beneficiary is not the decedent's own surviving spouse and does not qualify as an eligible designated beneficiary under the specific applicable statutory categories. How are required minimum distributions generally treated for this specific type of inherited IRA?

A. Generally must be fully distributed from the inherited IRA within 10 years following the original account owner's death, under the specific 10-year rule applicable to most non-spouse, non-eligible-designated beneficiaries
B. Generally may be stretched out and distributed gradually over the entire remaining life expectancy of the beneficiary, exactly the same treatment historically available to every type of designated beneficiary
C. Generally must be fully distributed from the inherited IRA within exactly one single year following the original account owner's death, rather than over any longer specific distribution period
D. Generally has no distribution requirement of any kind at all, allowing the beneficiary to indefinitely retain the inherited IRA funds within the account without any specific withdrawal deadline

92. A taxpayer's individual income tax return reflects income earned as a real estate professional, meeting the specific statutory requirements to be treated as materially participating in real estate rental activities for purposes of the passive activity loss rules. What is the general significance of qualifying for this specific real estate professional status?

A. Generally has no actual practical effect at all on the tax treatment of the taxpayer's own rental real estate losses, regardless of whether the specific statutory requirements are actually met
B. Generally requires the taxpayer's rental real estate losses to instead be treated as entirely nondeductible, rather than being treated more favorably as nonpassive losses
C. Generally applies only to a taxpayer who owns rental real estate through a formally structured limited partnership, rather than to a taxpayer who owns rental property directly and individually
D. Generally allows rental real estate losses to be treated as nonpassive, rather than passive, potentially allowing those losses to be deducted in full against the taxpayer's other ordinary income without the usual passive activity loss limitation

93. A taxpayer's individual income tax return reflects a distribution received from a qualified plan pursuant to a Qualified Domestic Relations Order, a QDRO, issued as part of the taxpayer's own divorce settlement. How is a distribution made directly to the taxpayer's former spouse under this specific QDRO generally treated for tax purposes?

A. Generally taxable to the former spouse who actually receives the distribution under the QDRO, rather than remaining taxable to the original plan participant, and generally not subject to the 10% early distribution penalty
B. Generally remains fully taxable to the original plan participant, rather than to the former spouse who actually receives the distribution, regardless of the specific terms of the QDRO

C. Generally entirely tax-exempt to both the original plan participant and the receiving former spouse, regardless of the specific terms of the underlying QDRO
D. Generally subject to the full 10% early distribution penalty in every case, regardless of the former spouse's own age at the specific time the distribution is actually received

94. A taxpayer's individual income tax return reflects income earned by the taxpayer as a member of the clergy who has properly filed Form 4361 to elect out of Social Security and Medicare coverage for services performed as a minister, based on the minister's own religious or conscientious objection. How does this specific election generally affect the minister's own income tax return?

A. Generally entirely exempts the minister from any federal income tax at all on the minister's own ministerial earnings, in addition to exempting the minister from self-employment tax
B. Generally requires the minister to instead pay a substantially higher flat rate of federal income tax on the minister's own ministerial earnings, as a specific consequence of making this election
C. Generally has no legal effect at all under current law, since Form 4361 was entirely and permanently eliminated as an available election for any member of the clergy
D. Generally has no effect at all on the minister's own regular federal income tax liability, since the election generally exempts only self-employment tax on ministerial earnings, not regular income tax

95. A taxpayer's individual income tax return reflects a distribution received from a health savings account used for a nonqualifying, non-medical expense, where the taxpayer is under age 65 at the time of the distribution. How is this specific nonqualifying HSA distribution generally treated?

A. Generally entirely tax-exempt in every case, regardless of whether the distribution was actually used for a qualifying medical expense or for some other nonqualifying purpose
B. Generally includible in taxable income and generally subject to an additional 20% penalty tax on the nonqualifying distribution amount, since the taxpayer is under age 65 at the time of the distribution
C. Generally includible in taxable income, but generally not subject to any additional penalty tax at all, regardless of the taxpayer's own specific age at the time of the distribution
D. Generally subject to a flat 10% penalty tax, rather than the higher 20% penalty tax that actually applies to a nonqualifying HSA distribution taken before age 65

96. A taxpayer's individual income tax return reflects income earned as a household employee, such as a nanny or a home health aide, working directly for a private family rather than for any staffing agency or business entity. How is this specific household employee's own income generally treated for tax purposes?

A. Generally always treated as self-employment income reportable on Schedule C, regardless of the specific level of behavioral and financial control the household employer actually exercises
B. Generally entirely tax-exempt, since income earned as a household employee working directly for a private family is generally treated as a nontaxable form of compensation
C. Generally treated as wage income reportable on Form W-2 if the household employer meets the applicable threshold requiring so-called nanny tax withholding and reporting obligations
D. Generally treated as passive investment income, exactly the same treatment that generally applies to ordinary dividend income received from a taxable brokerage account

97. A taxpayer's individual income tax return reflects income from a partnership in which the taxpayer is a limited partner, rather than a general partner, with no active management role or material participation in the underlying partnership business. How is the limited partner's own distributive share of partnership income generally treated for self-employment tax purposes?

A. Generally always subject to self-employment tax, exactly the same treatment that generally applies to a general partner's own distributive share of that same partnership's income
B. Generally entirely tax-exempt from both self-employment tax and regular income tax, regardless of the limited partner's own specific level of participation in the partnership
C. Generally excluded from self-employment tax for a genuine limited partner who does not materially participate in the partnership's business, unlike the treatment generally applied to a general partner's own distributive share
D. Generally subject to self-employment tax only if the limited partner's own distributive share exceeds a specific minimum statutory dollar threshold amount for the year

98. A taxpayer's individual income tax return reflects income earned by the taxpayer as an au pair or exchange visitor present in the United States under a J-1 visa, generally treated as a nonresident alien for a specific initial period under the applicable substantial presence test exception. How is this specific au pair's income generally treated during that initial nonresident period?

A. Generally taxed under standard resident alien Form 1040 rules on worldwide income, exactly the same treatment that generally applies to a U.S. citizen taxpayer during that same specific period

B. Generally entirely tax-exempt from any form of U.S. federal income tax at all during the specific applicable exempt individual period, regardless of the actual amount of income earned

C. Generally subject to the full combined Social Security and Medicare tax withholding, exactly the same treatment that generally applies to a U.S. citizen employee during that same period

D. Generally taxed under Form 1040-NR nonresident alien rules on U.S.-source income, generally exempt from Social Security and Medicare tax withholding during the specific applicable exempt individual period

99. A taxpayer's individual income tax return reflects a distribution received from a decedent's Roth IRA by a non-spouse beneficiary, where the original Roth IRA had already satisfied the applicable five-year holding period requirement before the original account owner's death. How is this specific inherited Roth IRA distribution generally treated?

A. Generally fully taxable as ordinary income to the beneficiary, exactly the same treatment that generally applies to an inherited traditional IRA distribution received by that same type of beneficiary

B. Generally entirely tax-free to the beneficiary, since a qualified Roth IRA distribution generally remains tax-free even when received by an inheriting non-spouse beneficiary, provided the five-year holding period was already satisfied

C. Generally taxable only as to 50% of the distribution amount, with the remaining 50% generally treated as an entirely tax-exempt return of the original owner's own contributions

D. Generally subject to the 10% early distribution penalty automatically, regardless of the fact that the applicable five-year holding period had already actually been fully satisfied

100. A taxpayer's individual income tax return reflects income earned by the taxpayer as a foster parent, receiving qualified payments from a state or local government agency, or from certain qualified foster care placement agencies, to care for a foster child placed in the taxpayer's own home. How is this specific qualified foster care payment generally treated?

A. Generally excludable from gross income to the extent the payment represents a qualified foster care payment for the care of a qualified foster individual placed in the taxpayer's own home

B. Generally fully taxable as ordinary income, exactly the same treatment that generally applies to income earned from operating an unrelated active trade or business

C. Generally taxable only at the specific reduced flat 10% rate reserved specifically for qualified foster care payments under current federal tax law, rather than being fully excluded

D. Generally treated as self-employment income, subjecting the qualified foster care payment to self-employment tax in addition to any regular income tax that might otherwise apply

Answer Key and Explanations — Practice Exam 13

1. D — A preparer should generally provide the client a complete copy of the finished return for review before e-filing, since a taxpayer should generally understand and have the opportunity to review the contents of a return before authorizing the preparer to submit it, consistent with general professional and ethical preparer standards.

2. A — When a source document like Form 1095-A conflicts with a client's own verbal recollection, a preparer should generally investigate the discrepancy directly with the client to establish the actual correct facts before filing, since accurate reporting depends on properly resolving which specific coverage situation genuinely applied during that particular tax year.

3. C — An Account Transcript generally shows basic account activity, such as payments, penalties, and adjustments, for a specific tax year, while a Record of Account Transcript generally combines the information from both the Account Transcript and the Return Transcript into a single, more comprehensive combined document covering that same tax year.

4. B — A paid preparer generally must retain either a copy of each prepared return or a list containing certain identifying client information for a specific minimum retention period, generally three years, helping ensure the preparer can respond to IRS inquiries and demonstrate compliance with applicable recordkeeping and due diligence requirements under the law.

5. D — A paid preparer generally has specific additional due diligence requirements for certain refundable and other credits, including the Earned Income Tax Credit, the Child Tax Credit, and the American Opportunity Credit, generally documented using Form 8867, reflecting Congress's specific concern about erroneous claims for these particular credits over the years.

6. A — A CP14 notice is generally the first notice in the IRS's standard balance-due collection notice sequence, generally informing the taxpayer of the specific amount owed and the general payment options available, with subsequent notices generally following in an escalating sequence if that balance remains unresolved by the taxpayer over time.

7. B — Both signing a tax return and providing tax advice outside the context of actual return preparation are generally subject to specific professional standards of conduct under Circular 230, though the precise documentation, disclosure, and realistic-possibility-of-success requirements can generally differ somewhat depending on the specific nature of the professional service actually provided.

8. C — A preparer should generally include unreported cash tip income on the client's return, since a taxpayer generally must report all taxable income actually received during the year, including cash tips, regardless of whether that specific income was separately reported to the employer or appeared on any official information return like a Form W-2.

9. A — The IRS generally requires a properly completed and signed written authorization, such as Form 2848 for representation authority or Form 8821 for more limited disclosure authority, and generally does not accept an oral, unwritten authorization for a third party to discuss or represent a taxpayer's own confidential tax matters with the IRS.

10. C — Under Circular 230, a contingent fee, meaning a fee based on a percentage of a taxpayer's refund or another specific tax outcome, is generally prohibited for preparing an original tax return, though certain narrow exceptions generally exist, such as for services rendered in connection with an IRS examination of, or challenge to, an original or amended return.

11. D — When a preparer notices bank deposits that do not correspond to any disclosed income source, the preparer generally has a duty to make reasonable, specific follow-up inquiries with the client, since simply ignoring an apparent inconsistency, or conversely assuming the worst without asking, would both generally fall short of the preparer's general due diligence obligations.

12. B — The IRS Annual Filing Season Program is generally a voluntary continuing education program that provides participating preparers with limited representation rights for returns they themselves prepared and signed, while Enrolled Agent status generally requires passing a comprehensive exam and provides full, unlimited representation rights before the IRS for any taxpayer in any matter.

13. B — Letter 4883C is generally sent by the IRS when it suspects a filed return may be associated with identity theft, generally requesting the taxpayer verify their own identity, often through a specific phone call or online verification process, before the IRS will continue processing the return and issue any resulting refund.

14. A — Form 8879 alone generally does not substitute for providing the client an actual complete copy of the prepared return itself, since the two documents generally serve distinct purposes; Form 8879 generally authorizes e-file submission, while a complete copy of the return generally allows the client to actually review its full substantive content before authorizing that filing.

15. C — A tax deduction generally reduces taxable income by the amount of a specific qualifying expense, such as a mortgage interest deduction, or by a standard flat amount, while a personal exemption, as it historically applied under prior law, generally reduced taxable income by a specific flat per-person statutory amount for the taxpayer, spouse, and each dependent claimed.

16. D — A preparer who reasonably expects to file more than a specific threshold number of individual income tax returns during the year is generally required under the IRS e-file mandate to file those returns electronically, absent a specific limited exception, such as a taxpayer's own explicit opt-out election to have their particular return paper-filed instead.

17. A — The personal-use portion of an employer-provided vehicle is generally includible in the employee's taxable wages, based on the fair market value of that specific personal use, using one of several IRS-approved valuation methods, while the business-use portion generally remains excludable as a nontaxable working condition fringe benefit under the rules.

18. B — A qualified disaster relief payment received in connection with a federally declared disaster, such as a grant to help repair storm damage to a personal residence, is generally excludable from federal gross income to the extent it reimburses reasonable and necessary personal, family, living, or funeral expenses not otherwise compensated by insurance or another source.

19. C — Income earned within a traditional IRA, including dividends, interest, and capital gains, generally accumulates on a tax-deferred basis and is generally not currently taxable in the year earned; taxation is generally deferred until the taxpayer actually takes a distribution from the account, at which point the distribution is generally taxed as ordinary income.

20. D — Gambling winnings reported on Form W-2G are generally fully includible as other income on the taxpayer's return, with any federal income tax the casino actually withheld at the time of payout generally claimed as a credit against the taxpayer's total tax liability, similar to how withholding from wages is generally credited against tax owed.

21. A — A distribution from a nonqualified deferred compensation plan is generally fully taxable as ordinary income in the year actually received by the taxpayer, and, unlike a distribution from a qualified retirement plan, is generally not eligible for the favorable tax-free rollover treatment into a traditional IRA or another qualified retirement plan account.

22. C — A capital gain distribution reported on Form 1099-DIV from a mutual fund is generally treated as long-term capital gain to the shareholder, regardless of how long the taxpayer has actually personally held the underlying mutual fund shares, since the distribution reflects the fund's own underlying long-term gains realized from portfolio securities the fund itself held long-term.

23. B — Payments received under a structured settlement annuity established as part of a personal physical injury lawsuit settlement are generally entirely tax-exempt, consistent with the general rule excluding damages received on account of personal physical injury or physical sickness from gross income, regardless of whether the settlement is actually paid as a lump sum or as periodic structured payments.

24. D — Under the specific personal residence rental exception, sometimes called the Augusta Rule, rental income from a personal residence rented for fewer than 15 days during the year is generally entirely excluded from gross income, and the related rental expenses are correspondingly generally not deductible, since the rental period here, 10 days, falls below that specific 15-day statutory threshold.

25. A — Severance pay received following an involuntary termination of employment is generally fully taxable as ordinary wage income in the year actually received, and is generally subject to the same regular federal income tax withholding and standard employment tax treatment, including Social Security and Medicare tax, that applies to the employee's other regular wages.

26. D — A distribution from an employer-funded health reimbursement arrangement, used to reimburse the employee for substantiated qualifying medical expenses under the terms of the employer's own plan, is generally entirely tax-exempt to the employee, consistent with the general tax-favored treatment Congress has provided for various types of employer-sponsored health benefit arrangements.

27. B — A distribution from a qualified ABLE account, established for the benefit of an eligible individual with a disability, is generally entirely tax-exempt when the distribution is actually used to pay for the beneficiary's own qualifying disability-related expenses, consistent with the specific tax-favored treatment Congress created for this particular type of tax-advantaged savings account.

28. C — Interest the IRS pays on a delayed tax refund is generally fully taxable as ordinary interest income to the taxpayer in the year actually received, distinct from the underlying refund of the taxpayer's own overpaid tax itself, which is generally not taxable income, since it merely represents a return of the taxpayer's own funds.

29. A — Amounts received through a crowdfunding campaign are generally treated as a nontaxable gift to the recipient when the contributors gave the funds out of detached and disinterested generosity, without receiving any goods, services, or other consideration in return, a general treatment distinct from crowdfunding proceeds that instead represent taxable business revenue or compensation for services.

30. D — A lump-sum payment received for granting a permanent easement is generally treated as a reduction of the taxpayer's basis in the specific affected portion of land, effectively a partial sale of property rights, with any payment amount actually exceeding that basis generally treated as taxable capital gain, rather than as ordinary income.

31. C — Back pay received pursuant to a settlement of an employment discrimination lawsuit is generally fully taxable as ordinary wage income, since it generally represents compensation for lost wages the taxpayer would have otherwise received, a treatment generally distinct from a settlement amount specifically allocated to compensate for an actual personal physical injury or physical sickness.

32. B — A reward payment received for finding and returning lost property is generally fully taxable as ordinary income to the recipient in the year actually received, regardless of the voluntary nature of the payment, since it generally represents compensation for the recipient's own specific effort or service in locating and returning the property, rather than a detached and disinterested gift.

33. D — Net profit from an online business conducted with a genuine, regular, and continuous profit motive is generally treated as self-employment income, reportable on Schedule C, and is generally subject to self-employment tax, covering both the employer and employee equivalent shares of Social Security and Medicare tax, in addition to regular federal income tax on that same net profit.

34. C — A traditional IRA distribution used for qualifying higher education expenses for the taxpayer, spouse, or dependent child is generally excepted from the 10% early distribution penalty up to the amount of those expenses, though the distribution remains includible in ordinary taxable income, since only the penalty itself is excepted here.

35. B — Jury duty pay is generally fully taxable as other income reported on the taxpayer's return; however, a taxpayer who was required by an employer to remit the jury duty pay to that employer, in exchange for the employer continuing to pay the taxpayer's regular salary, may generally deduct the remitted amount as an above-the-line adjustment to income.

36. A — A payment received under a state paid family leave program is generally taxable as income, similar in general concept to how state unemployment compensation is generally treated, though the specific tax treatment can genuinely vary by state program and funding structure, so a preparer should generally verify the particular state program's own specific rules before finalizing the return.

37. C — The itemized deduction for investment interest expense is generally limited to the taxpayer's net investment income for the year; here, with $4,000 in expense and only $2,500 in net investment income, the deduction is generally limited to $2,500, with the remaining $1,500 in excess investment interest generally carried forward to be used in a future tax year.

38. D — While the American Opportunity Credit is generally limited to four total tax years of availability per eligible student, the separate Lifetime Learning Credit is generally not subject to that same four-year limitation and may generally remain available for qualifying graduate-level or other coursework, even after a taxpayer has already exhausted the American Opportunity Credit for that particular student.

39. B — Mortgage interest paid on qualifying acquisition debt for a taxpayer's primary residence, where the total acquisition debt balance falls within the applicable current-law debt limit, is generally fully deductible as an itemized deduction on Schedule A, subject to the taxpayer choosing to itemize deductions rather than claim the standard deduction for the year in question.

40. A — When a taxpayer's modified AGI exceeds the applicable phase-out threshold for the Child Tax Credit, the otherwise allowable credit is generally reduced by a specific statutory percentage for each increment, generally $1,000, of modified AGI exceeding that threshold, gradually reducing the available credit rather than eliminating it entirely at the very first dollar over the threshold.

41. C — Points paid to obtain a mortgage used to purchase a taxpayer's primary residence are generally fully deductible in the year paid as home mortgage interest, when the points meet all of the specific applicable requirements, such as being customary in the area and separately stated on the settlement statement, rather than needing to be amortized over the loan's life.

42. B — The Retirement Savings Contributions Credit, or Saver's Credit, statute specifically excludes any individual who is claimed as a dependent on another taxpayer's own return, meaning a dependent taxpayer is generally entirely ineligible for this specific credit, regardless of the dependent's own actual retirement account contributions made during that particular year.

43. A — A cash contribution to a qualified public charity is generally subject to an AGI-based percentage limitation of 60% of the taxpayer's AGI; here, 60% of the taxpayer's $40,000 AGI is $24,000, which exceeds the $10,000 actually contributed, so the full $10,000 cash contribution is generally deductible in the current year without any limitation actually applying.

44. D — The cost of a summer day camp is generally treated as a qualifying work-related expense eligible for the Child and Dependent Care Credit, since a day camp, unlike an overnight camp, which is specifically excluded, generally qualifies as a form of care that allows the taxpayer, and the taxpayer's spouse if also working, to be gainfully employed.

45. D — The cost of obtaining a qualified appraisal to substantiate a noncash charitable contribution is generally not deductible as part of the charitable contribution deduction itself, since the appraisal fee is generally treated as a separate expense from the value of the donated property, though it was historically potentially deductible as a miscellaneous itemized deduction before that category was generally suspended.

46. A — A qualified REIT dividend is generally eligible for a 20% deduction as part of the overall QBI deduction calculation, but this component is generally calculated separately from a pass-through business's own QBI, and is not subject to the same wage and property limitations that can otherwise limit a higher-income taxpayer's QBI deduction.

47. C — When a taxpayer's foreign income tax paid exceeds the applicable Foreign Tax Credit limitation for the current year, the excess amount is not lost entirely; it may generally be carried back one year and carried forward up to ten years, applied against the limitation calculated in those other specific tax years.

48. B — Tax preparation fees are generally not deductible at all under current law for most individual taxpayers, since this expense was historically deductible only as a miscellaneous itemized deduction subject to a 2% AGI floor, a deduction category that has generally been suspended, absent a specific narrow exception for certain types of taxpayers or business-related preparation costs.

49. D — A taxpayer with no qualifying children may still be eligible for a smaller EITC amount, since the credit is generally available to certain qualifying taxpayers with no qualifying children, subject to applicable age requirements and a generally lower income threshold and maximum credit than what applies to a taxpayer with qualifying children.

50. A — A qualified long-term care insurance premium is generally deductible as a qualifying medical expense on Schedule A, but only up to a specific age-based dollar limitation that increases with the taxpayer's own age, and remains subject to the same overall 7.5% AGI floor that applies to other unreimbursed qualifying medical expenses claimed on the return.

51. B — Required course materials, such as textbooks and supplies, generally qualify as an eligible expense for the American Opportunity Credit regardless of whether they were purchased directly from the educational institution or from an off-campus retailer, a distinct general treatment from the Lifetime Learning Credit, which generally requires the materials be paid directly to the institution as a condition of enrollment.

52. C — Qualified adoption expenses paid in connection with an unsuccessful attempt to adopt a child without special needs may generally still be eligible for the Adoption Credit under certain circumstances and timing rules, a treatment distinct from a domestic special-needs adoption, which generally allows the full credit regardless of qualified expenses actually paid.

53. D — A capital improvement made to a personal residence specifically to accommodate a taxpayer's own diagnosed medical condition, such as a wheelchair ramp, is generally deductible as a medical expense only to the extent the cost exceeds any resulting increase in the home's fair market value, since only that excess portion is a genuine medical expense.

54. A — Unreimbursed professional dues and journal subscriptions required to maintain a taxpayer's own professional license, incurred as a common-law employee, are generally not deductible under current law, since this expense was historically deductible only as a miscellaneous itemized deduction subject to a 2% AGI floor, a category now generally suspended entirely.

55. C — A specific statutory exception generally allows certain lawfully present individuals whose household income falls below 100% of the federal poverty line, but who are ineligible for Medicaid due to immigration status, to still potentially qualify for the Premium Tax Credit, recognizing some lawfully present individuals are excluded from Medicaid despite low income.

56. B — A payment made to a political campaign or committee is generally not deductible as a charitable contribution, or as any other itemized deduction, since political contributions are generally never deductible for federal income tax purposes, a treatment distinct from a contribution actually made to a qualified charitable organization under the Code.

57. D — The alternative tax computation applicable when a taxpayer has a net capital gain generally ensures that the capital gain portion of taxable income is taxed using the applicable preferential 0%, 15%, or 20% capital gain rates, rather than being taxed entirely at the taxpayer's potentially higher ordinary marginal tax rates that would otherwise apply under the regular tax rate schedule.

58. C — A dependent child's unearned income that falls below the applicable minimum kiddie tax threshold is generally not subject to the kiddie tax at all, since the kiddie tax generally applies only to net unearned income exceeding that threshold, with income below it generally taxed, if at all, at the child's own rate.

59. A — When both a failure-to-file penalty and a failure-to-pay penalty apply for the same month, the failure-to-file penalty is generally reduced by the amount of the failure-to-pay penalty imposed for that same specific month, a coordination rule generally intended to avoid an unduly excessive combined penalty amount being imposed on the taxpayer for that overlapping period.

60. B — A taxpayer's basis in property generally serves as the benchmark amount, generally reflecting the taxpayer's own cost or other basis in the property, that is subtracted from the amount realized on a subsequent sale or other disposition to determine the taxpayer's resulting taxable gain or deductible loss on that specific property for federal income tax purposes.

61. B — The constructive receipt doctrine generally provides that income is includible in a cash-method taxpayer's gross income in the specific tax year it is made available to the taxpayer without substantial restriction or limitation, even if the taxpayer has not yet actually physically taken possession of the funds, such as an uncashed check the taxpayer could have cashed before year-end.

62. A — Under the below-market loan rules, the foregone interest on a below-market loan between family members is generally treated as a gift from the lender to the borrower, and, depending on the loan's purpose and amount, the lender may also generally be required to report imputed interest income at the applicable federal rate.

63. C — Property must generally be held for more than one year, meaning a holding period of at least one year and one day, before its sale or other disposition generally produces long-term capital gain or loss, rather than short-term capital gain or loss, which generally applies to property held for one year or less before its sale.

64. D — A taxpayer's amount realized on the sale of property generally includes the total cash actually received, the fair market value of any other property received in the transaction, and the amount of any liability the buyer assumed or that was discharged as part of the sale, reflecting the full value received.

65. C — A nonbusiness bad debt, one not connected to the taxpayer's own trade or business, that becomes entirely worthless during the year is generally treated as a short-term capital loss in the year it becomes worthless, regardless of how long it was outstanding, unlike a genuine business bad debt, deductible as an ordinary loss.

66. D — Absent a taxpayer election out of installment method treatment, gain on a qualifying installment sale is generally reported proportionally as each individual installment payment is actually received, using the specific gross profit percentage applicable to that particular sale, rather than requiring the taxpayer to recognize the entire gain immediately in the single year the actual sale transaction occurred.

67. B — Under Section 121, a single taxpayer who meets the ownership and use tests, generally owning and using the property as a principal residence for at least two of the five years before the sale, may generally exclude up to $250,000 of gain, with a higher $500,000 exclusion for a married couple filing jointly.

68. A — Unrecaptured Section 1250 gain, reflecting prior depreciation claimed on real property later sold at a gain, is generally taxed at a maximum specific rate of 25% for an individual, to the extent of that depreciation, rather than at the lower standard preferential long-term capital gain rates applying to the remaining gain.

69. D — A taxpayer's minimum filing requirement is generally determined based on filing status, age, and total gross income for the year, compared against a specific applicable statutory threshold that generally varies by those factors, with a taxpayer whose gross income falls below that threshold generally not required to file a return.

70. C — Form 4852, a substitute for Form W-2, generally allows a taxpayer who has not received an expected Form W-2 from an employer by the applicable filing deadline to estimate wages and withholding based on the best available information, such as a final pay stub, and still timely file the return, despite the missing official wage statement from the employer.

71. A — A loss on the sale of qualifying Section 1244 small business corporation stock is generally treated as an ordinary loss, rather than a capital loss, up to a specific applicable annual dollar limitation, allowing the taxpayer to deduct it against ordinary income rather than being subject to the standard capital loss limitation rules.

72. B — Social Security and Medicare tax withheld from a taxpayer's own wages is generally not deductible on the individual income tax return, since this payroll tax withholding is generally not treated as a deductible expense, a distinct treatment from state and local income tax withheld, which may be deductible subject to the SALT cap.

73. B — When a taxpayer elects to apply a current-year overpayment toward the following year's estimated tax obligation, rather than receiving an actual refund, the applied amount is generally treated as a timely estimated tax payment for that following year, generally reducing the amount of separate additional estimated tax payments the taxpayer would otherwise need to make during that following year.

74. C — A loss on the sale of a personal-use automobile is generally not deductible for federal income tax purposes, since a loss on personal-use property is generally never deductible under current law, a treatment distinct from a gain on that same vehicle, which remains fully taxable as capital gain if it sold above cost.

75. A — Since this taxpayer already claims the standard deduction, the mortgage interest is generally not currently providing any itemized tax benefit, since it is not actually being separately deducted, which can generally make the pure economic comparison between paying off the mortgage and investing elsewhere comparatively simpler for this particular taxpayer.

76. D — Since the applicable long-term capital gain rate, 0%, 15%, or 20%, generally depends on total taxable income for the year, timing the sale of a highly appreciated capital asset to occur in a lower-income year can generally allow more of the resulting gain to be taxed at the lower preferential rate brackets.

77. D — Gifting appreciated stock directly to a family member generally transfers the taxpayer's own carryover basis and holding period to the recipient, rather than a stepped-up basis, which can potentially allow the recipient, if in a lower bracket, to later sell and pay capital gain tax at their own lower applicable rate.

78. B — An Enrolled Agent might generally discuss that a Coverdell Education Savings Account generally has a comparatively lower annual contribution limit per beneficiary than a 529 plan, though a Coverdell ESA can generally also be used more broadly for qualifying elementary and secondary school expenses, a distinction relevant to this comparison.

79. A — A spousal IRA contribution strategy generally requires the working spouse to have sufficient earned income to cover contributions to both the working spouse's own IRA and the nonworking spouse's separate spousal IRA, and generally requires a joint return, allowing a nonworking spouse to still contribute despite having no earned income.

80. C — A revocable living trust is generally treated as a grantor trust for federal income tax purposes, meaning the trust's income generally continues to be reported directly on the grantor's own individual income tax return, using the grantor's own Social Security number, since the grantor generally retains the power to revoke it.

81. D — An Enrolled Agent might generally discuss that exercising a nonqualified stock option earlier in the year, rather than waiting until closer to expiration, can generally provide more time before year-end to plan for the resulting ordinary income inclusion and any related tax payment or withholding obligation triggered by that exercise.

82. A — An Enrolled Agent might generally discuss that a 529 plan or Coverdell ESA generally offers tax-advantaged growth earmarked for education expenses, while a UTMA custodial account generally offers greater flexibility in how funds may ultimately be used once the beneficiary reaches majority, but without those same education-related tax advantages available.

83. B — An Enrolled Agent might generally explain that accelerating a large itemized deduction into a year the taxpayer expects a significantly higher marginal tax bracket can generally produce greater tax savings, since a given dollar of deduction is generally worth more when it offsets income taxed at that higher marginal rate.

84. C — An Enrolled Agent might generally explain that an in-plan Roth conversion within a 401(k) is generally taxable in the year of conversion, similar to a traditional-to-Roth IRA conversion, and that the employer plan itself must generally actually offer this specific in-plan conversion feature before the taxpayer can elect to use it.

85. A — An Enrolled Agent might generally explain that when a taxpayer expects a substantially lower tax bracket in retirement, contributing to a traditional 401(k) can generally be more tax-advantageous, since the current-year deduction is generally worth more at today's higher rate, while withdrawals will generally be taxed at that lower future rate.

86. C — An Enrolled Agent might generally mention that paying quarterly estimated tax electronically generally provides the taxpayer with immediate confirmation that the payment was actually received and properly processed, and generally reduces the risk of a lost, delayed, or misapplied paper check inadvertently causing an unintended late-payment penalty, compared to relying on traditional mail delivery for a paper check payment.

87. B — An Enrolled Agent might generally discuss that naming a trust as the designated beneficiary of a traditional IRA can generally provide additional control over how and when inherited funds are distributed to the ultimate beneficiaries, but generally requires the trust to meet specific requirements to be treated as a see-through trust.

88. D — The net unrealized appreciation portion of an ESOP distribution consisting of employer stock is generally not currently taxable at the time of the actual distribution; this NUA portion is generally deferred and taxed as capital gain only when the recipient later actually sells the distributed stock, a specific favorable tax treatment available for a qualifying lump-sum distribution of employer securities.

89. C — A taxpayer who conducts gambling activities with sufficient regularity, continuity, and a genuine profit motive to be considered a professional gambler generally reports the resulting income as self-employment income on Schedule C, generally subject to self-employment tax, with gambling losses generally deductible as a business expense, though still generally limited to the amount of gambling winnings for the year.

90. B — A U.S. citizen's foreign earned income remains generally included in worldwide taxable income reported on the U.S. return when the taxpayer does not satisfy either the bona fide residence test or the physical presence test required for the Foreign Earned Income Exclusion, though a Foreign Tax Credit may generally help offset foreign tax paid.

91. A — For a non-spouse beneficiary who does not qualify as an eligible designated beneficiary under the applicable statutory categories, such as a minor child of the decedent or a beneficiary who is disabled or chronically ill, the inherited traditional IRA generally must be fully distributed within 10 years following the account owner's death.

92. D — Qualifying as a real estate professional under the specific statutory requirements generally allows a taxpayer's rental real estate losses to be treated as nonpassive, potentially allowing those losses to be deducted in full against other ordinary income, without the passive activity loss limitation that otherwise restricts a passive rental loss to $25,000.

93. A — A distribution made directly to a former spouse pursuant to a Qualified Domestic Relations Order is generally taxable to that former spouse who actually receives it, rather than to the original plan participant, and is generally not subject to the 10% early distribution penalty given its underlying divorce-related origin here.

94. D — A minister's properly filed and approved Form 4361 election to opt out of Social Security and Medicare coverage generally exempts the minister from self-employment tax on qualifying ministerial earnings, based on religious or conscientious objection, but generally has no effect on the minister's own separate regular federal income tax liability.

95. B — A distribution from a health savings account used for a nonqualifying, non-medical expense is generally includible in taxable income and generally subject to an additional 20% penalty tax on that amount, since the taxpayer is under age 65 at the time of distribution, a penalty that no longer applies after age 65.

96. C — A household employee, such as a nanny or home health aide, working under the direction and control of a private family employer is generally treated as an actual employee, with income generally reportable on Form W-2 once the employer meets the applicable threshold triggering nanny-tax withholding and reporting obligations for that household.

97. C — A genuine limited partner's distributive share of partnership income is generally excluded from self-employment tax, reflecting the limited partner's own generally passive role and lack of material participation in the underlying partnership business, a distinct general treatment from a general partner's own distributive share, which is generally subject to self-employment tax due to that partner's own active management role.

98. D — An au pair or exchange visitor present under a J-1 visa is generally treated as a nonresident alien during a specific initial exempt individual period under the substantial presence test, generally filing Form 1040-NR and reporting U.S.-source income under nonresident alien rules, while generally remaining exempt from Social Security and Medicare tax withholding during that same specific applicable exempt period.

99. B — A distribution from an inherited Roth IRA is generally entirely tax-free to the non-spouse beneficiary who receives it, since a qualified Roth IRA distribution generally remains tax-free regardless of whether received by the original owner or an inheriting beneficiary, provided the account had already satisfied the five-year holding period requirement.

100. A — A qualified foster care payment received from a state, local government agency, or qualified foster care placement agency, to care for a qualified foster individual placed in the taxpayer's own home, is generally excludable from gross income, recognizing these payments as reimbursement for care costs rather than as taxable compensation.