PRACTICE EXAM 24: ENROLLED AGENT SEE PART 1 — INDIVIDUALS SIMULATION (100 QUESTIONS)

This simulation exam contains 100 multiple-choice questions modeled on the IRS Special Enrollment Examination (SEE) Part 1 — Individuals. Select the single best answer for each question. Suggested time: 3.5 hours. An answer key with explanations follows the exam.

1. A preparer's client asks about the general difference between Form 2848, Power of Attorney and Declaration of Representative, and Form 8821, Tax Information Authorization. What is the general distinction between these two specific forms?

A. Form 2848 and Form 8821 are generally functionally identical, with no meaningful distinction between the two specific authorization forms
B. Form 2848 generally authorizes a representative to act on the taxpayer's behalf before the IRS, while Form 8821 generally authorizes only the disclosure of the taxpayer's own confidential information
C. Form 8821 generally authorizes a representative to act on the taxpayer's behalf before the IRS, while Form 2848 generally authorizes only the disclosure of confidential information
D. Form 2848 generally applies only to a business taxpayer, while Form 8821 generally applies only to an individual taxpayer under current law

2. A preparer's client asks whether the preparer generally must hold a valid Preparer Tax Identification Number before preparing a tax return for compensation. What is the general requirement regarding this specific credential?

A. Generally no; a Preparer Tax Identification Number generally is required only for a preparer who also holds an Enrolled Agent credential
B. Generally yes, but only if the preparer's own compensation exceeds a specific annual dollar threshold set under current law
C. Generally no; a Preparer Tax Identification Number generally became optional once electronic filing became the predominant method of submission
D. Generally yes; a paid preparer generally must obtain and include a valid Preparer Tax Identification Number on every return prepared for compensation

3. A preparer identifies a situation in which representing one client could reasonably be seen as limiting the preparer's own ability to represent another client fully. What is the general Circular 230 requirement in this specific conflict of interest circumstance?

A. Generally the preparer must obtain informed written consent from each affected client after full disclosure, or otherwise decline the conflicting representation
B. Generally the preparer has no obligation at all to disclose the conflict, since Circular 230 generally addresses only a criminal conflict of interest
C. Generally the preparer must terminate the relationship with both affected clients immediately, rather than seeking informed written consent from either client
D. Generally the preparer may proceed without any disclosure as long as the preparer personally believes the conflict will not affect either engagement

4. A preparer's client asks about the general recommended retention period for the client's own supporting tax records absent any unusual circumstance such as unreported income or a fraud indicator. What is the general recommended retention period?

A. Generally exactly one year from the filing date, with no benefit to retaining supporting records for any longer period under ordinary circumstances
B. Generally records never need to be retained at all once the return itself has been successfully electronically filed and accepted by the IRS
C. Generally at least three years from the filing date, corresponding to the general statute of limitations period, though a longer period is often prudent
D. Generally exactly ten years from the filing date is the minimum, considerably longer than the general statute of limitations period that actually applies

5. A preparer's client wants a third party, such as a family member, to be able to discuss a specific already-filed return with the IRS for a limited purpose, without granting that person full representation authority. What is the general mechanism available for this specific limited purpose?

A. Generally no mechanism at all exists short of filing a full Form 2848 granting comprehensive representation authority to the third party

B. Generally the client must grant the third party a general power of attorney under state law, rather than using any IRS-specific mechanism

C. Generally the client must personally accompany the third party to an in-person IRS appointment, rather than using any form-based authorization mechanism

D. Generally checking the Third Party Designee box on the filed return itself, which grants limited authority to discuss that specific return with the IRS for one year

6. A preparer's client asks about the general purpose of an IRS-issued Identity Protection PIN assigned to the client following a prior instance of tax-related identity theft. What is the general purpose this specific PIN generally serves?

A. Generally serves exclusively as the taxpayer's own replacement Social Security number, rather than as any form of identity verification tool used during filing

B. Generally verifies the taxpayer's identity when filing, since a return filed without the correct Identity Protection PIN generally will be rejected or delayed for additional review

C. Generally serves no actual practical purpose, existing only as an optional convenience number with no genuine effect on the taxpayer's own filing process

D. Generally serves exclusively to unlock a taxpayer's own e-file account, rather than to verify identity on the actual return submitted for that year

7. A preparer's client signs a Form 2848 granting representation authority limited to the client's own individual income tax matters for two specific tax years only. How is the scope of this specific authorization generally treated?

A. Generally limited strictly to the specific tax matters and specific tax years actually listed on the form, with no authority extending to any other matter or year

B. Generally the authorization automatically extends to every tax matter and every tax year, regardless of the specific matters and years actually listed on the form

C. Generally the authorization automatically extends to the client's own business tax matters as well, even though only individual income tax matters were actually listed

D. Generally the scope listed on the form is merely advisory, with the representative retaining full authority over the client's own entire tax situation regardless

8. A preparer's client claims the Earned Income Tax Credit, and the preparer must comply with the applicable IRS due diligence requirements for this specific credit. What is the general purpose of Form 8867, Paid Preparer's Due Diligence Checklist?

A. Generally serves exclusively as the form used to actually calculate the dollar amount of the Earned Income Tax Credit itself, rather than any due diligence documentation

B. Generally serves no actual practical purpose, existing only as an optional documentation form with no genuine effect on the preparer's own penalty exposure

C. Generally documents the preparer's own compliance with the required due diligence steps, including eligibility verification, for a claimed Earned Income Tax Credit and certain other credits

D. Generally serves exclusively as the client's own signed consent to have the preparer disclose confidential tax information to a third party

9. A preparer's client asks whether the preparer generally may disclose the client's own tax return information to an unrelated third party, such as a mortgage lender, without first obtaining the client's own written consent. What is the general Section 7216 standard?

A. Generally fully permitted without any restriction, since a preparer generally may disclose a client's own tax return information to any third party at the preparer's own discretion

B. Generally prohibited absent the client's own proper written consent, since Section 7216 generally imposes criminal penalties on an unauthorized disclosure or use of tax return information

C. Generally permitted only if the third party is also a licensed financial professional, with no similar restriction applying to any other type of third party

D. Generally permitted as long as the disclosure does not involve any dollar figures, rather than being contingent on the client's own proper written consent

10. A preparer willfully understates a client's own tax liability on a filed return, aware that the position taken lacked any reasonable basis. What is the general consequence the preparer generally faces under IRC Section 6694?

A. Generally no specific preparer penalty exists for this type of conduct, since IRC Section 6694 generally addresses only a client's own understatement penalty, not a preparer's own conduct

B. Generally the preparer's own PTIN generally is automatically and permanently revoked the first time any understatement penalty of this kind is actually assessed

C. Generally the client alone bears the full financial consequence of this specific understatement, with the preparer generally facing no separate penalty exposure whatsoever

D. Generally a preparer penalty generally applies, calculated as the greater of a specified dollar amount or a percentage of the income the preparer derived from preparing the return

11. A preparer's client mentions being separated from a spouse and expresses concern about being held liable for the spouse's own share of a joint tax liability arising from that spouse's own unreported income. What is the general form used to seek relief allocating that liability?

A. Generally Form 8857, Request for Innocent Spouse Relief, generally is the form used to seek relief from a joint tax liability attributable to the other spouse's own erroneous item

B. Generally Form 8379, Injured Spouse Allocation, generally is the sole form available for this specific liability relief, rather than any innocent spouse relief request form

C. Generally no form exists at all for this specific purpose, since a joint tax liability generally cannot ever be allocated between separated spouses under current law

D. Generally Form 4506-T, Request for Transcript of Tax Return, generally is the form used to seek this specific type of joint liability relief

12. A preparer's client requests a filing extension because the client is not yet ready to file a complete and accurate return by the original due date. What is the general effect of timely filing Form 4868, Application for Automatic Extension of Time to File?

A. Generally extends both the deadline to file the return and the deadline to pay any tax actually owed, with neither deadline remaining tied to the original due date

B. Generally extends only the deadline to pay any tax actually owed, while the deadline to file the return itself generally remains fixed at the original due date

C. Generally extends the deadline to file the return itself, but generally does not extend the deadline to pay any tax actually owed, which generally remains due by the original date

D. Generally has no legal effect at all once filed, since an extension request generally must instead be granted individually by an IRS agent upon request

13. A preparer's client provides a dependent's Social Security card during the intake interview, and the preparer notices the name on the card does not match the name the client provided verbally for that dependent. What is the general recommended practice regarding this specific discrepancy?

A. Generally recommends ignoring the discrepancy entirely and filing the return using whichever name the client happens to prefer for that particular dependent

B. Generally recommends removing the dependent from the return entirely rather than attempting to resolve any discrepancy between the verbal name and the card

C. Generally recommends resolving the discrepancy before filing, since an incorrect name or Social Security number for a claimed dependent generally can cause the return to be rejected or delayed

D. Generally recommends filing the return exactly as initially provided verbally, then correcting the dependent's name only if the IRS later specifically objects

14. A preparer's client asks about the general purpose of signing Form 8879, IRS e-file Signature Authorization, before the preparer transmits the client's own return electronically. What is the general purpose this specific form generally serves?

A. Generally serves exclusively as a request for a filing extension, rather than as any form of e-file signature authorization for an already-completed return

B. Generally authorizes the preparer to electronically sign and transmit the return on the taxpayer's behalf, serving as the taxpayer's own declaration under penalty of perjury

C. Generally serves no actual practical purpose, existing only as an optional convenience document with no genuine legal effect on the electronically filed return

D. Generally serves exclusively as the taxpayer's own consent to have the preparer disclose confidential information to an unrelated third party such as a lender

15. A preparer's client asks about the general purpose of the Centralized Authorization File number a representative receives after first filing a Form 2848 or Form 8821 with the IRS. What is the general purpose this specific number generally serves?

A. Generally identifies the representative in the IRS's own centralized system, allowing the IRS to verify that representative's authorization for a client without requiring a new form for every routine inquiry

B. Generally serves exclusively as the representative's own Preparer Tax Identification Number, rather than as any separate authorization-tracking identification number

C. Generally serves no actual practical purpose, existing only as an optional internal reference number with no genuine effect on the representative's own authority

D. Generally serves exclusively as the client's own unique taxpayer identification number, rather than as any number specifically associated with the representative

16. A preparer reviewing a new client's prior-year return, originally prepared by a different preparer, discovers what appears to be a significant error understating the client's own prior-year tax liability. What is the general recommended practice regarding this specific discovery?

A. Generally recommends personally correcting the error by silently adjusting the current year's own return to compensate, rather than ever addressing the prior year's own separate error
B. Generally recommends reporting the prior preparer directly to state licensing authorities as the mandatory first step, before ever informing the client of the discovered error
C. Generally recommends declining to prepare the current-year return entirely, rather than advising the client of the prior error and the client's own available options
D. Generally recommends advising the client of the error and the consequences of not correcting it, generally including the option of filing an amended return, without directly contacting the prior preparer

17. A taxpayer's total income includes gambling winnings from a casino slot machine, reported to the taxpayer on Form W-2G, and the taxpayer also incurred gambling losses during the year at the same casino. How are the winnings and losses generally treated?

A. Generally only the net amount, winnings minus losses, is includible in gross income, with no separate itemized deduction available for the losses themselves
B. Generally the full amount of winnings is includible in gross income, with losses deductible only as an itemized deduction limited to the amount of winnings reported for the year
C. Generally gambling winnings are entirely excludable from gross income, since a wager generally is treated as a nontaxable exchange of one asset for another
D. Generally gambling losses are deductible above the line, available even to a taxpayer who claims the standard deduction instead of itemizing for the year

18. A taxpayer received unemployment compensation from the state during a period of job loss. How is this specific unemployment compensation generally treated for federal income tax purposes?

A. Generally entirely excludable from gross income, since unemployment compensation generally is treated as a nontaxable government benefit under current federal law
B. Generally includible in gross income only above a specific annual dollar threshold, with any amount below that threshold generally excluded entirely

C. Generally treated as self-employment income, subjecting the unemployment compensation to self-employment tax in addition to any regular federal income tax
D. Generally fully includible in gross income as ordinary income, reported on the taxpayer's own return regardless of whether federal tax was voluntarily withheld from the payments

19. A taxpayer received a Form 1099-C reporting cancellation of a portion of the taxpayer's own credit card debt by the issuing lender. How is this specific canceled debt amount generally treated?

A. Generally includible in gross income as ordinary income, unless a specific statutory exclusion applies, such as insolvency or a qualifying bankruptcy discharge
B. Generally entirely excludable from gross income in every case, since a lender's own voluntary cancellation of debt generally is treated as a nontaxable gift
C. Generally treated as a capital gain rather than as ordinary income, exactly the same treatment that generally applies to a gain on a capital asset sale
D. Generally taxable only at a reduced flat 10% rate reserved for canceled debt income, rather than at the taxpayer's own ordinary income tax rate

20. A taxpayer received Social Security retirement benefits during the year, and the taxpayer's combined income, consisting of adjusted gross income, tax-exempt interest, and half of the Social Security benefits, exceeded the applicable statutory threshold. How are the benefits generally treated?

A. Generally Social Security retirement benefits are always entirely excludable from gross income, regardless of the taxpayer's own combined income level or filing status
B. Generally 100% of the Social Security benefits automatically become includible in gross income the moment combined income exceeds any applicable statutory threshold
C. Generally up to 85% of the Social Security benefits may become includible in gross income once combined income exceeds the applicable higher statutory threshold for the taxpayer's filing status
D. Generally Social Security retirement benefits are treated as self-employment income, subjecting the benefits to self-employment tax in addition to any regular income tax

21. A taxpayer's dependent child received a scholarship covering both tuition at a qualifying institution and a separate stipend for room and board. How is the room and board portion of this specific scholarship generally treated?

A. Generally entirely excludable from gross income, since any amount received under a qualifying scholarship generally is treated as tax-free regardless of how the funds actually are used

B. Generally includible in the dependent's own gross income as taxable income, since a scholarship amount used for room and board generally does not qualify for the tax-free scholarship exclusion

C. Generally includible in the parent's own gross income rather than the dependent's own gross income, since the parent generally claims the dependent on the parent's own return

D. Generally treated as a nontaxable gift from the granting institution, rather than as any form of currently taxable scholarship income to the recipient

22. A taxpayer received alimony payments during the year under a divorce agreement executed and finalized after December 31, 2018. How is this specific alimony generally treated for the recipient?

A. Generally fully includible in the recipient's own gross income as ordinary income, the same treatment that generally applied to alimony under a pre-2019 divorce agreement

B. Generally includible in the recipient's own gross income only above a specific annual dollar threshold, with any amount below that threshold generally excluded entirely

C. Generally treated as a nontaxable property settlement, rather than as any form of alimony subject to the applicable current-law treatment

D. Generally not includible in the recipient's own gross income, since alimony under a post-2018 divorce agreement generally is no longer taxable to the recipient under current law

23. A taxpayer sold units of virtual currency held as a capital asset for personal investment, realizing a gain on the sale. How is this specific virtual currency gain generally treated for federal income tax purposes?

A. Generally treated as ordinary wage income in every case, subject to regular withholding and employment tax, the same treatment as regular wages

B. Generally entirely tax-exempt, since virtual currency generally is excluded from the definition of property for federal income tax purposes under current law

C. Generally treated as a capital gain, taxed under the same short-term or long-term capital gain rules that generally apply to the sale of any other capital asset, based on the holding period

D. Generally treated as tax-exempt interest income, the same treatment that generally applies to interest earned on a municipal bond

24. A taxpayer took a distribution from a Health Savings Account and used the funds for a nonqualified expense unrelated to medical care, and the taxpayer is under age 65. How is this specific nonqualified distribution generally treated?

A. Generally includible in gross income as ordinary income and generally subject to an additional 20% penalty tax on the nonqualified portion of the distribution
B. Generally entirely tax-exempt, since any distribution from a Health Savings Account generally is excluded from taxable income regardless of how the funds are actually used
C. Generally includible in gross income as ordinary income, but generally with no separate additional penalty tax applying to the nonqualified portion of the distribution
D. Generally treated as a nontaxable return of the taxpayer's own original contributed capital, rather than as any form of currently taxable distribution

25. A taxpayer received dividend income from a mutual fund during the year, and the taxpayer elected to have the dividends automatically reinvested into additional shares of the same fund rather than received as cash. How is this specific reinvested dividend generally treated?

A. Generally fully taxable in the year received, exactly the same treatment as if the dividend had been received as cash, regardless of the taxpayer's own reinvestment election
B. Generally entirely tax-exempt, since a dividend the taxpayer elects to reinvest rather than receive as cash generally is excluded from taxable income altogether
C. Generally taxable only in the year the reinvested shares actually are eventually sold, rather than in the year the underlying dividend actually was originally paid
D. Generally treated as a return of the taxpayer's own original capital, rather than as any form of currently taxable dividend income for the year

26. A taxpayer provided consulting services to a small business in exchange for the business's own goods, rather than for cash payment, under an arrangement generally referred to as bartering. How is the fair market value of the goods received generally treated?

A. Generally entirely tax-exempt, since a bartering arrangement generally is treated as a nontaxable exchange of services for goods under current federal tax law
B. Generally includible in gross income only if the fair market value of the goods received exceeds a specific annual statutory dollar threshold

C. Generally treated as a capital gain rather than as ordinary income, exactly the same treatment that generally applies to a gain on a capital asset sale

D. Generally includible in the taxpayer's gross income as ordinary income, at the fair market value of the goods actually received in exchange for the services provided

27. A taxpayer served on a jury during the year and received jury duty pay from the court, and the taxpayer's employer continued to pay the taxpayer's own regular salary during the same period, requiring the taxpayer to remit the jury pay to the employer. How is this specific jury duty pay generally treated?

A. Generally entirely tax-exempt, since jury duty pay generally is treated as a nontaxable civic service payment regardless of any employer reimbursement arrangement

B. Generally includible in the taxpayer's own gross income as other income, with an offsetting above-the-line deduction generally available for the amount remitted to the employer

C. Generally includible in the employer's own gross income rather than the taxpayer's own gross income, since the taxpayer generally must remit the pay to the employer

D. Generally treated as self-employment income, subjecting the jury duty pay to self-employment tax rather than to the regular other income treatment

28. A taxpayer won a cash prize in a local raffle sponsored by a charitable organization, and the taxpayer did not have to pay for the winning raffle ticket, which was provided free as part of a promotional giveaway. How is this specific raffle prize generally treated?

A. Generally entirely tax-exempt, since a prize won through a charitable organization's own raffle generally is treated as a nontaxable charitable distribution to the winner

B. Generally includible in gross income only if the prize's own value exceeds a specific annual statutory dollar threshold set under current federal tax law

C. Generally fully includible in the taxpayer's own gross income as other income, at the fair market value of the prize actually won, regardless of the ticket's own free acquisition

D. Generally treated as a nontaxable gift from the sponsoring charitable organization, rather than as any form of currently taxable prize or award income

29. A taxpayer received life insurance proceeds following the death of the taxpayer's own spouse, paid in a single lump sum equal to the policy's own face amount. How are these specific life insurance proceeds generally treated for the beneficiary?

A. Generally entirely excludable from the beneficiary's own gross income, since a lump-sum life insurance death benefit generally is excluded from taxable income under current federal tax law

B. Generally fully includible in the beneficiary's own gross income as ordinary income, the same treatment that generally applies to any other lump-sum cash payment received

C. Generally includible in gross income only above a specific annual statutory dollar threshold, with any amount below that threshold generally excluded entirely

D. Generally treated as a capital gain rather than as excludable income, exactly the same treatment that generally applies to a gain on a capital asset sale

30. A taxpayer's employer paid the full premium for the taxpayer's own employer-sponsored short-term disability insurance policy, and the taxpayer later received a benefit payment under that policy following a qualifying injury. How is this specific disability benefit generally treated?

A. Generally entirely tax-exempt, since any disability benefit payment generally is excluded from taxable income regardless of who actually paid the underlying policy premiums

B. Generally includible in the taxpayer's own gross income as ordinary income, since the employer, rather than the taxpayer, paid the premiums for the underlying disability policy

C. Generally includible in gross income only above a specific annual statutory dollar threshold, with any amount below that threshold generally excluded entirely

D. Generally treated as a capital gain rather than as ordinary income, exactly the same treatment that generally applies to a gain on a capital asset sale

31. A taxpayer exercised nonqualified stock options granted by the taxpayer's own employer, purchasing shares at a price below the shares' own fair market value on the date of exercise. How is this specific bargain element generally treated at the time of exercise?

A. Generally entirely tax-exempt at the time of exercise, with the bargain element instead becoming taxable only once the taxpayer eventually sells the acquired shares

B. Generally treated as long-term capital gain at the time of exercise, exactly the same treatment that generally applies to a gain on a long-held capital asset

C. Generally treated as a nontaxable stock dividend at the time of exercise, rather than as any form of currently taxable compensation income

D. Generally includible in the taxpayer's own gross income as ordinary wage income at the time of exercise, subject to regular withholding and employment tax

32. A taxpayer owns a residential rental property and actively participates in its own management, and the rental activity generated a loss for the year after all allowable expenses and depreciation. How is this specific rental loss generally treated given the passive activity loss rules?

A. Generally the rental loss generally is fully deductible against the taxpayer's own nonpassive income in every case, with no dollar limit or income-based phase-out applying at all

B. Generally the rental loss generally cannot be deducted at all under any circumstance, since a rental activity generally is treated as passive regardless of any active participation

C. Generally deductible against the taxpayer's own nonpassive income up to a specified annual dollar limit, subject to a phase-out once the taxpayer's own modified adjusted gross income exceeds an applicable threshold

D. Generally the rental loss generally is deductible only against the taxpayer's own future passive income, with no special active participation exception applying to the annual limit

33. A taxpayer received a capital gain distribution from a mutual fund held in a taxable brokerage account, representing the fund's own pass-through of net long-term capital gains the fund itself realized during the year. How is this specific capital gain distribution generally treated?

A. Generally taxed as ordinary income to the shareholder, exactly the same treatment that generally applies to an ordinary dividend distribution from the identical mutual fund

B. Generally entirely tax-exempt to the shareholder, since a capital gain distribution generally is excluded from taxable income regardless of the fund's own underlying activity

C. Generally taxed as a long-term capital gain to the shareholder, regardless of how long the shareholder personally has actually held shares of the underlying mutual fund

D. Generally taxed as short-term capital gain to the shareholder in every case, regardless of the character of the gain actually realized within the fund itself

34. A taxpayer received workers' compensation benefits during the year following a work-related injury sustained on the job. How is this specific workers' compensation benefit generally treated for federal income tax purposes?

A. Generally entirely excludable from the taxpayer's own gross income, since a workers' compensation benefit paid under a workers' compensation act generally is excluded from taxable income

B. Generally fully includible in the taxpayer's own gross income as ordinary income, the same treatment that generally applies to the taxpayer's other regular wages

C. Generally includible in gross income only above a specific annual statutory dollar threshold, with any amount below that threshold generally excluded entirely

D. Generally treated as self-employment income, subjecting the workers' compensation benefit to self-employment tax rather than to any form of exclusion from income

35. A taxpayer received payments during the year for providing licensed foster care to a foster child placed by a qualified state or local agency, and the payments did not exceed the applicable per-child difficulty-of-care limitation. How are these specific foster care payments generally treated?

A. Generally fully includible in the taxpayer's own gross income as ordinary income, the same treatment that generally applies to the taxpayer's other regular wages

B. Generally treated as self-employment income, subjecting the foster care payments to self-employment tax in addition to any regular federal income tax that might otherwise apply

C. Generally includible in gross income only above a specific annual statutory dollar threshold entirely unrelated to any per-child difficulty-of-care limitation

D. Generally entirely excludable from the taxpayer's own gross income, since a qualified foster care payment within the applicable limitation generally is excluded from taxable income under current law

36. A taxpayer purchased a U.S. Treasury bond and received periodic interest payments during the year. How is this specific Treasury bond interest generally treated for state income tax purposes, as distinct from its federal treatment?

A. Generally fully taxable at both the federal and state level, with no special exemption applying at either level of government for this specific type of interest

B. Generally exempt from state and local income tax, since interest on a U.S. Treasury obligation generally is exempt from state taxation under federal law while remaining fully taxable federally

C. Generally exempt from federal income tax but fully taxable at the state level, the exact reverse of the actual general treatment that applies to this type of interest

D. Generally exempt from both federal and state income tax, since Treasury bond interest generally is treated identically to interest on a municipal bond

37. A taxpayer paid mortgage insurance premiums during the year on a loan used to acquire the taxpayer's own principal residence. How are these specific mortgage insurance premiums generally treated as an itemized deduction?

A. Generally always fully deductible as home mortgage interest in every tax year, with no dependency at all on any current-year legislative extension

B. Generally never deductible under any circumstance, since mortgage insurance premiums generally are treated as a purely personal, nondeductible expense in every tax year

C. Generally deductibility depends on current-year legislation, since Congress has periodically allowed and allowed to expire an itemized deduction for qualified mortgage insurance premiums as home mortgage interest

D. Generally deductible only as a medical expense, subject to the same 7.5% adjusted gross income floor that generally applies to other qualifying medical costs

38. A taxpayer paid points at closing to obtain a mortgage used to purchase the taxpayer's own principal residence, and the points were properly stated on the closing disclosure as points charged for the loan. How are these specific points generally treated?

A. Generally deductible in full in the year paid, provided the loan is used to purchase or improve the taxpayer's own principal residence and other applicable requirements are met

B. Generally must be amortized and deducted ratably over the full term of the mortgage loan, rather than being deducted in full in the year actually paid

C. Generally entirely nondeductible in every case, since points paid at closing generally are treated as a nondeductible closing cost regardless of the loan's own purpose

D. Generally deductible only as a miscellaneous itemized deduction subject to the 2% adjusted gross income floor that historically applied to that specific deduction category

39. A taxpayer made a cash contribution to a qualified public charity during the year, and the contribution amount did not exceed the applicable percentage-of-adjusted-gross-income limitation for a cash gift to that type of organization. How is this specific contribution generally treated?

A. Generally deductible only above the line, available even to a taxpayer who claims the standard deduction instead of itemizing deductions for the year

B. Generally entirely nondeductible, since a cash contribution generally must instead take the form of appreciated property to qualify for any charitable deduction

C. Generally deductible without any percentage-of-adjusted-gross-income limitation at all, regardless of the size of the cash contribution actually made during the year

D. Generally deductible as an itemized deduction up to the applicable percentage-of-adjusted-gross-income limitation for a cash contribution to a qualified public charity

40. A taxpayer paid for professional gambling losses that exceeded professional gambling winnings for the year, and the taxpayer is engaged in gambling as a trade or business rather than as a casual bettor. How are these specific excess losses generally treated?

A. Generally the excess losses generally cannot create a deductible loss beyond the amount of gambling winnings, even for a taxpayer engaged in gambling as a trade or business

B. Generally the excess losses generally are fully deductible against the taxpayer's other ordinary income, exactly the same treatment that generally applies to any other trade or business loss

C. Generally the excess losses generally are entirely nondeductible, even against the taxpayer's own gambling winnings, regardless of the taxpayer's own professional gambling status

D. Generally the excess losses generally may be carried forward indefinitely to a future tax year, the same treatment that generally applies to a net operating loss

41. A taxpayer paid qualified adoption expenses during the year in connection with the legal adoption of an eligible child. How are these specific qualified adoption expenses generally treated under the Adoption Credit?

A. Generally eligible for an unlimited fully refundable credit with no dollar cap of any kind and no income-based phase-out applying under current federal tax law

B. Generally eligible for a nonrefundable credit up to the applicable annual dollar limit per eligible child, subject to a phase-out once modified adjusted gross income exceeds an applicable threshold

C. Generally eligible only for an itemized deduction, rather than for any form of nonrefundable tax credit under current federal tax law

D. Generally entirely ineligible for any tax benefit at all, since qualified adoption expenses generally are treated as a purely personal, nondeductible expense

42. A taxpayer paid for eyeglasses and contact lenses prescribed by an optometrist to correct the taxpayer's own vision impairment. How are these specific vision correction costs generally treated as a medical expense?

A. Generally not deductible at all as a medical expense, since eyeglasses and contact lenses generally are treated as a purely cosmetic item regardless of any prescription
B. Generally deductible only if the optometrist is also a licensed ophthalmologist, rather than a separately licensed optometrist issuing the identical prescription
C. Generally deductible as a medical expense, since eyeglasses and contact lenses prescribed to correct a vision impairment generally qualify under current federal tax law
D. Generally deductible only up to a fixed statutory dollar cap specifically reserved for vision correction costs under current federal tax law

43. A taxpayer claims the American Opportunity Tax Credit for a dependent's first year of postsecondary education, and the credit exceeds the taxpayer's own total tax liability for the year before considering this specific credit. How is the excess amount generally treated?

A. Generally the entire American Opportunity Tax Credit generally is nonrefundable, with any excess amount generally simply lost rather than paid out as a refund
B. Generally up to 40% of the otherwise allowable American Opportunity Tax Credit may be refundable, even if it exceeds the taxpayer's own total tax liability before the credit
C. Generally the entire American Opportunity Tax Credit generally is fully refundable in every case, regardless of the taxpayer's own total tax liability before the credit
D. Generally the excess amount generally may be carried forward and applied against the taxpayer's own tax liability in a future tax year instead of being refunded

44. A taxpayer paid qualified educator expenses during the year as a kindergarten teacher purchasing classroom supplies out of pocket. How are these specific qualified educator expenses generally treated?

A. Generally deductible only as an itemized deduction, unavailable to a taxpayer who instead claims the standard deduction rather than itemizing deductions for the year
B. Generally entirely nondeductible, since a qualified educator's own out-of-pocket classroom supply expense generally is treated as a purely personal, nondeductible expense

C. Generally deductible only if the taxpayer's own school district fails to reimburse the expense within the same tax year the classroom supplies actually were purchased
D. Generally deductible above the line up to an annually adjusted dollar limit, available even to a taxpayer who claims the standard deduction instead of itemizing for the year

45. A taxpayer paid interest during the year on a qualified student loan used to pay for the taxpayer's own qualified higher education expenses, and the taxpayer's modified adjusted gross income falls below the applicable phase-out threshold. How is this specific student loan interest generally treated?

A. Generally deductible only as an itemized deduction, unavailable to a taxpayer who instead claims the standard deduction rather than itemizing deductions for the year
B. Generally deductible above the line up to an annual dollar limit, available even to a taxpayer who claims the standard deduction instead of itemizing deductions for the year
C. Generally entirely nondeductible, since student loan interest generally is treated as a purely personal, nondeductible interest expense under current federal tax law
D. Generally deductible without any annual dollar limit at all, regardless of the amount of qualified student loan interest actually paid during the year

46. A taxpayer paid qualified expenses toward the installation of a solar electric system on the taxpayer's own principal residence. How are these specific qualified solar installation costs generally treated under the Residential Clean Energy Credit?

A. Generally eligible only for an itemized deduction equal to the full installation cost, rather than for any form of nonrefundable tax credit under current law
B. Generally entirely ineligible for any tax benefit at all, since a residential solar installation generally is treated as a purely personal, nondeductible capital improvement
C. Generally eligible for a nonrefundable credit calculated as a percentage of the qualified installation cost, with no specific annual dollar cap applying to this particular credit
D. Generally eligible for a fully refundable credit with no percentage limitation at all, regardless of the taxpayer's own total tax liability for the year

47. A taxpayer paid for a home energy audit conducted by a qualified home energy auditor identifying cost-effective energy efficiency improvements for the taxpayer's own principal residence. How is this specific home energy audit cost generally treated?

A. Generally entirely ineligible for any tax benefit at all, since a home energy audit generally is treated as a purely personal, nondeductible consulting expense

B. Generally eligible only for an itemized deduction equal to the full audit cost, rather than for any form of nonrefundable tax credit under current law

C. Generally eligible for an unlimited fully refundable credit with no dollar cap of any kind reserved for this particular type of qualifying expense

D. Generally eligible for a nonrefundable Energy Efficient Home Improvement Credit up to a specific annual dollar limit reserved for this particular type of qualifying expense

48. A taxpayer paid for hearing aids prescribed by an audiologist to address the taxpayer's own diagnosed hearing loss. How are these specific hearing aid costs generally treated as a medical expense?

A. Generally deductible as a medical expense, since hearing aids prescribed to address a diagnosed hearing loss generally qualify under current federal tax law

B. Generally not deductible at all as a medical expense, since hearing aids generally are treated as a purely cosmetic item regardless of any audiologist's own prescription

C. Generally deductible only if the audiologist is also a licensed physician, rather than a separately licensed audiologist issuing the identical prescription

D. Generally deductible only up to a fixed statutory dollar cap specifically reserved for hearing aid costs under current federal tax law

49. A taxpayer paid for long-term nursing home care for the taxpayer's own spouse, who was certified by a licensed health care practitioner as chronically ill and requiring substantial supervision due to cognitive impairment. How is this specific nursing home cost generally treated as a medical expense?

A. Generally not deductible at all as a medical expense, since nursing home care generally is treated as a purely personal, nondeductible living expense under current law

B. Generally deductible only for the medical treatment portion, while the meals and lodging portion generally is excluded from the medical expense deduction entirely

C. Generally deductible only as a dependent care credit expense, rather than as any form of itemized medical expense deduction available under current federal tax law

D. Generally fully deductible as a medical expense, including the cost of meals and lodging, since the primary reason for the nursing home stay generally is the availability of medical care

50. A taxpayer paid qualified expenses for the taxpayer's own participation in a smoking cessation program that included a prescribed medication to help the taxpayer quit smoking. How is this specific prescribed smoking cessation medication generally treated as a medical expense?

A. Generally not deductible at all as a medical expense, since any smoking cessation medication generally is categorically excluded regardless of whether it actually requires a prescription
B. Generally deductible only if a licensed physician also personally administers the medication directly, rather than the taxpayer self-administering a properly prescribed medication
C. Generally deductible as a medical expense, since a prescribed medication used to treat a diagnosed condition, including nicotine addiction, generally qualifies under current federal tax law
D. Generally deductible only up to a fixed statutory dollar cap specifically reserved for a smoking cessation medication under current federal tax law

51. A taxpayer paid property tax on a second home used exclusively for personal vacation purposes, never rented to any tenant during the year. How is this specific property tax generally treated as an itemized deduction?

A. Generally entirely nondeductible, since property tax paid on a second home used exclusively for personal purposes generally is excluded from the itemized deduction entirely
B. Generally deductible as an itemized deduction, combined with the taxpayer's other state and local taxes and subject to the same overall combined $10,000 cap
C. Generally deductible without any dollar limitation at all, since a second home's own property tax generally is not subject to the combined state and local tax cap
D. Generally deductible only as a rental expense on Schedule E, rather than as any form of itemized deduction available to a taxpayer who does not rent the property

52. A taxpayer paid qualified expenses for continuing education coursework required to maintain the taxpayer's own existing professional license, but the coursework did not lead to a new degree or qualify the taxpayer for a new trade or business. How is this specific coursework generally treated for education credit eligibility?

A. Generally eligible for the Lifetime Learning Credit, provided the coursework was taken at an eligible educational institution and other applicable requirements are satisfied

B. Generally entirely ineligible for any education credit, since coursework required merely to maintain an existing professional license generally is categorically excluded from either education credit

C. Generally eligible only for the American Opportunity Tax Credit, with the Lifetime Learning Credit generally being entirely unavailable for this specific type of coursework

D. Generally eligible only if the taxpayer's own employer declines to reimburse any portion of the coursework's own tuition cost during the same tax year

53. A taxpayer paid qualified expenses for in-home care provided by a licensed home health aide for the taxpayer's own dependent parent, allowing the taxpayer to continue working full-time. How are these specific in-home care costs generally treated for the child and dependent care credit?

A. Generally qualify for the child and dependent care credit, since the care enables the taxpayer to work and the dependent parent generally meets the applicable qualifying person definition

B. Generally do not qualify for the child and dependent care credit at all, since this specific credit generally applies only to the care of a taxpayer's own minor child

C. Generally qualify only for the Lifetime Learning Credit instead, the same credit generally reserved for the taxpayer's own postsecondary education expenses

D. Generally qualify only if the dependent parent also resides in a separate licensed care facility, rather than receiving in-home care within the taxpayer's own household

54. A taxpayer paid for a portion of a central air conditioning system installation specifically recommended by a physician to address a documented severe respiratory condition, distinct from a general home comfort upgrade. How is this specific air conditioning cost generally treated as a medical expense?

A. Generally fully deductible as a medical expense regardless of any resulting increase in the home's own fair market value from the installation

B. Generally not deductible at all as a medical expense, since central air conditioning generally is treated as an ordinary home improvement regardless of any physician's own recommendation

C. Generally deductible only as a casualty loss, rather than as any form of medical expense deduction available under current federal tax law

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

55. A taxpayer claims the Retirement Savings Contributions Credit, commonly called the Saver's Credit, based on a new elective deferral contribution to the taxpayer's own employer-sponsored 401(k) plan. What is the general nature of this specific credit?

A. Generally a fully refundable credit calculated as a fixed percentage regardless of the taxpayer's own adjusted gross income level for the year

B. Generally a nonrefundable credit calculated as a percentage of the taxpayer's own eligible contribution, with the applicable percentage decreasing as the taxpayer's own adjusted gross income increases

C. Generally an above-the-line deduction rather than any form of tax credit, reducing the taxpayer's own adjusted gross income rather than the taxpayer's own tax liability

D. Generally a credit available only to a taxpayer who also itemizes deductions, rather than being available regardless of whether the taxpayer itemizes or claims the standard deduction

56. A taxpayer paid for prescription eyeglasses for a dependent child, and separately paid for over-the-counter reading glasses for the taxpayer's own personal use without any accompanying prescription. How are these two specific vision-related expenses generally treated as a medical expense?

A. Generally neither expense qualifies as a deductible medical expense at all, since eyeglasses generally are treated as a purely cosmetic item regardless of any prescription status

B. Generally only the prescription eyeglasses for the dependent qualify, while the over-the-counter reading glasses generally are excluded because a prescription generally is strictly required for any deductible eyewear

C. Generally the prescription eyeglasses for the dependent are deductible, while the over-the-counter reading glasses generally also qualify without a prescription being strictly required for basic reading glasses

D. Generally only the over-the-counter reading glasses qualify, while the prescription eyeglasses for the dependent generally are excluded because a dependent's own medical expenses generally cannot be claimed

57. A married couple is deciding between filing a joint return and filing separate returns, and one spouse has significant unreimbursed medical expenses while the other spouse has substantial income. What is the general advising point regarding this specific comparison?

A. Generally filing separately may allow the spouse with high medical expenses to clear the 7.5% adjusted gross income floor more easily, since the floor is based on that spouse's own separate income

B. Generally filing jointly always produces a lower combined tax liability than filing separately in every circumstance, regardless of either spouse's own income or expense level

C. Generally the medical expense deduction is entirely unavailable to a married couple who elects to file separate returns rather than a joint return

D. Generally filing separately automatically disqualifies both spouses from claiming any itemized deduction at all, including the medical expense deduction, for the tax year

58. A taxpayer's return includes several tax preference items and adjustments, such as the exercise of an incentive stock option without a disqualifying disposition, potentially triggering the alternative minimum tax. What is the general purpose of the alternative minimum tax calculation?

A. Generally serves exclusively to increase the taxpayer's own regular tax refund, rather than to ensure any minimum level of tax is actually paid

B. Generally applies only to a corporate taxpayer, with an individual taxpayer being entirely exempt from any alternative minimum tax calculation under current law

C. Generally replaces the regular tax calculation entirely for every taxpayer, rather than functioning as a separate, parallel calculation compared against the regular tax

D. Generally ensures a taxpayer with substantial tax preference items and adjustments pays at least a minimum level of tax, calculated under a separate, parallel tax system

59. A self-employed taxpayer wants to know the general due dates for making quarterly estimated tax payments during a standard calendar tax year. What is the general schedule of these specific due dates?

A. Generally the last day of each calendar quarter, meaning March 31, June 30, September 30, and December 31, rather than the mid-month dates actually used

B. Generally a single annual payment due April 15, rather than four separate quarterly payments spread across the calendar year under current law

C. Generally April 15, June 15, September 15, and January 15 of the following year, though a due date shifts to the next business day when it falls on a weekend or holiday

D. Generally monthly payments due on the fifteenth of every month, rather than four quarterly payments spread across the calendar year under current law

60. A taxpayer's marginal tax rate is 24%, while the taxpayer's effective tax rate for the year, calculated as total tax divided by total taxable income, is 18%. What is the general explanation for this specific difference between the two rates?

A. Generally the marginal rate and the effective rate should always be identical, with any difference between the two indicating a computational error somewhere on the return
B. Generally the marginal rate applies only to the taxpayer's own last dollar of taxable income, while the effective rate reflects the blended average rate across all the graduated brackets the income passed through
C. Generally the effective rate generally applies only to the taxpayer's own last dollar of taxable income, while the marginal rate reflects the blended average across all brackets
D. Generally the difference generally indicates the taxpayer's own return contains an alternative minimum tax adjustment, rather than reflecting the ordinary graduated bracket structure

61. A taxpayer sold real property used in the taxpayer's own trade or business, held for more than one year, realizing a net gain for the year after considering all similar business property transactions. How is this specific net Section 1231 gain generally treated?

A. Generally treated entirely as ordinary income in every case, regardless of the property's own holding period or its own use in the taxpayer's trade or business
B. Generally treated as long-term capital gain, eligible for the more favorable capital gain tax rate, rather than being taxed at the taxpayer's own ordinary income tax rate
C. Generally treated entirely as a nondeductible personal loss, rather than as any form of currently recognized gain from the sale of business property
D. Generally treated as self-employment income, subjecting the entire gain to self-employment tax rather than to the applicable capital gain tax treatment

62. A taxpayer's personal residence was damaged in a storm that the President formally declared a federal disaster, and the taxpayer's insurance did not fully reimburse the resulting loss. How is this specific casualty loss generally treated under current law?

A. Generally deductible as an itemized deduction only because the loss arose from a federally declared disaster, since a personal casualty loss generally is otherwise suspended under current law

B. Generally deductible as an itemized deduction regardless of whether the loss arose from a federally declared disaster, since personal casualty losses generally remain fully deductible under current law

C. Generally entirely nondeductible in every case, since a personal casualty loss generally was permanently eliminated as a deductible item under current federal tax law

D. Generally deductible only as a business expense on Schedule C, rather than as any form of itemized deduction available to an individual taxpayer

63. A self-employed taxpayer's sole proprietorship generated qualified business income for the year, and the taxpayer's taxable income before the deduction fell below the applicable threshold for the taxpayer's filing status. How is this specific qualified business income generally treated?

A. Generally eligible for a deduction of up to 50% of the qualified business income, rather than the smaller percentage that actually applies under current federal tax law

B. Generally eligible only for an itemized deduction, unavailable to a taxpayer who instead claims the standard deduction rather than itemizing deductions for the year

C. Generally entirely ineligible for any deduction at all, since qualified business income generally receives no special deduction treatment under current federal tax law

D. Generally eligible for a deduction of up to 20% of the qualified business income, taken as a below-the-line deduction available even to a taxpayer who claims the standard deduction

64. A taxpayer worked for two unrelated employers during the year, and the combined Social Security tax withheld by both employers exceeded the maximum amount of Social Security tax that could have been withheld had the taxpayer worked for a single employer. How is this specific excess withholding generally treated?

A. Generally the excess amount generally is entirely forfeited, since neither employer generally has any obligation to coordinate withholding with any other employer

B. Generally the excess amount generally must be refunded directly by each employer separately, rather than being claimed as a credit on the taxpayer's own return

C. Generally the excess amount generally is claimed as a refundable credit directly on the taxpayer's own individual income tax return for the year

D. Generally the excess amount generally is applied only against the taxpayer's own future Social Security tax liability, rather than refunded through the current return

65. A U.S. citizen taxpayer lived and worked abroad for the entire tax year, satisfying the applicable physical presence test, and earned wages from a foreign employer for services performed entirely outside the United States. How is this specific foreign-earned wage income generally treated?

A. Generally entirely nontaxable regardless of the amount actually earned, since any foreign-earned wage income generally is excluded from U.S. taxable income without any dollar limit
B. Generally fully taxable in the United States with no exclusion of any kind available, since foreign-earned wage income generally receives no special exclusion under current law
C. Generally treated as self-employment income, subjecting the foreign-earned wages to self-employment tax rather than to any form of exclusion from taxable income
D. Generally eligible for the foreign earned income exclusion up to an annually adjusted dollar limit, excluding the qualifying foreign wages from the taxpayer's own U.S. taxable income

66. A married couple residing in a community property state files separate returns rather than a joint return, and each spouse earned wage income from a separate employer during the year. How is this specific wage income generally treated for purposes of each spouse's own separate return?

A. Generally each spouse generally reports only the wages that spouse personally earned, exactly the same treatment that generally would apply in a non-community-property state
B. Generally the higher-earning spouse generally must report the entire combined community income, while the lower-earning spouse generally reports no income at all on that separate return
C. Generally each spouse generally must report one-half of the combined community income, including wages, on that spouse's own separate return, regardless of which spouse actually earned the wages
D. Generally community property rules generally apply only when a couple files a joint return, with a separate-return election generally exempting the couple from those rules entirely

67. A taxpayer maintained a household for a qualifying person for more than half the year and paid more than half the cost of maintaining that household, and the taxpayer was unmarried at year-end. What is the general benefit of qualifying for head of household filing status under these facts?

A. Generally a wider tax bracket structure and a higher standard deduction amount than generally apply to a taxpayer using the single filing status
B. Generally no benefit at all compared to the single filing status, since head of household generally uses the identical bracket structure and standard deduction as single

C. Generally a narrower tax bracket structure and a lower standard deduction amount than generally apply to a taxpayer using the single filing status

D. Generally the same bracket structure as the single filing status, but generally an unlimited standard deduction amount rather than a fixed dollar figure

68. A taxpayer turned 65 during the tax year and otherwise claims the standard deduction rather than itemizing deductions. How does reaching age 65 generally affect the taxpayer's own standard deduction amount for that year?

A. Generally reaching age 65 generally has no effect at all on the taxpayer's own standard deduction amount, regardless of the taxpayer's own filing status

B. Generally an additional standard deduction amount generally is added on top of the taxpayer's own regular standard deduction, based on reaching the applicable age threshold

C. Generally the taxpayer's own regular standard deduction generally is reduced once the taxpayer reaches age 65, the exact reverse of the actual general treatment

D. Generally reaching age 65 generally requires the taxpayer to itemize deductions instead, rather than continuing to claim any standard deduction for that tax year

69. A self-employed taxpayer calculated total self-employment tax liability for the year based on the sole proprietorship's own net earnings from self-employment. How is one-half of this calculated self-employment tax generally treated on the taxpayer's own return?

A. Generally deductible above the line, reducing the taxpayer's own adjusted gross income, available even to a taxpayer who claims the standard deduction instead of itemizing for the year

B. Generally deductible only as an itemized deduction, unavailable to a taxpayer who instead claims the standard deduction rather than itemizing deductions for the year

C. Generally entirely nondeductible, since self-employment tax generally is treated as a purely personal tax liability with no offsetting deduction of any kind available

D. Generally deductible only against the taxpayer's own future self-employment income, rather than against the taxpayer's own current-year adjusted gross income

70. A taxpayer's total withholding and timely estimated payments for the year fell short of both the current-year safe harbor percentage and the prior-year safe harbor percentage, resulting in an underpayment penalty. How is this specific underpayment penalty generally calculated?

A. Generally calculated as a single flat dollar penalty applying uniformly to every taxpayer regardless of the size of the underpayment or how long the underpayment actually remained outstanding
B. Generally calculated as a fixed percentage of the taxpayer's own total tax liability for the year, without regard to the specific amount actually underpaid
C. Generally calculated similarly to an interest charge, applying an applicable federal rate-based percentage to the underpaid amount for each period the underpayment actually remained outstanding
D. Generally calculated as a fixed percentage of the taxpayer's own total refund for the year, rather than being based on the underpaid tax amount at all

71. A taxpayer sold a small business fully as a going concern, allocating the total sales price among various asset categories including inventory, equipment, and goodwill under a properly executed asset acquisition statement. How is the gain generally treated regarding the goodwill component of the sale?

A. Generally the gain allocated to goodwill generally is treated entirely as ordinary income, exactly the same treatment that generally applies to the inventory component of the sale
B. Generally the gain allocated to goodwill generally is entirely tax-exempt, since goodwill generally is treated as having no tax basis and no taxable gain under current law
C. Generally the gain allocated to goodwill generally is treated as self-employment income, subjecting that specific portion of the sale to self-employment tax
D. Generally the gain allocated to goodwill generally is treated as a capital gain, taxed under the applicable capital gain rules based on the taxpayer's own holding period for the business

72. A real estate professional who meets the applicable statutory hours and material participation requirements owns residential rental property that generated a loss for the year. How does qualifying as a real estate professional generally affect the treatment of this specific rental loss under the passive activity loss rules?

A. Generally qualifying as a real estate professional generally has no effect at all on the passive activity loss treatment of a residential rental property loss
B. Generally the rental activity generally is treated as nonpassive rather than passive, potentially allowing the full loss to be deducted against the taxpayer's other nonpassive income without the usual passive activity limitation
C. Generally qualifying as a real estate professional generally makes the rental loss entirely nondeductible, the exact reverse of the actual general real estate professional exception

D. Generally qualifying as a real estate professional generally converts the rental loss into a capital loss, rather than allowing it to offset the taxpayer's other ordinary income

73. A taxpayer invested cash in a business activity in which the taxpayer's own potential economic loss generally is limited to the amount the taxpayer actually has at risk in that activity. How do the at-risk rules generally interact with the separate passive activity loss rules for this specific investment?

A. Generally the passive activity loss rules generally must be applied before the at-risk rules, the exact reverse of the actual general order in which these two separate limitations apply
B. Generally the at-risk rules generally must be applied before the passive activity loss rules, meaning a loss disallowed under the at-risk rules generally never reaches the separate passive loss limitation calculation
C. Generally the at-risk rules and the passive activity loss rules generally are mutually exclusive, meaning only one of the two limitations can ever apply to the identical loss
D. Generally the at-risk rules generally apply only to a corporate taxpayer, with an individual taxpayer's own investment being subject exclusively to the passive activity loss rules

74. A taxpayer's total taxable income for the year includes a mix of ordinary income and long-term capital gain, and the taxpayer wants to know the general order in which these two types of income are generally stacked for purposes of applying the graduated capital gain rate brackets. What is the general stacking order?

A. Generally ordinary income generally is treated as filling the lower brackets first, with long-term capital gain then stacked on top, taxed at the capital gain rate corresponding to the resulting total taxable income level
B. Generally long-term capital gain generally is treated as filling the lower brackets first, with ordinary income then stacked on top, the exact reverse of the actual general stacking order
C. Generally ordinary income and long-term capital gain generally are blended together and taxed at a single combined average rate, rather than being stacked in any specific sequential order
D. Generally the stacking order generally depends entirely on which type of income the taxpayer actually received earlier during the calendar tax year

75. A taxpayer asks a preparer for general guidance on the advantage of maximizing contributions to an employer-sponsored 401(k) plan up to the point of receiving the full available employer matching contribution. What is the general advising point regarding this specific strategy?

A. A preparer should advise a taxpayer that an employer match generally has no effect on the advisability of any specific 401(k) contribution level chosen by the employee

B. A preparer should advise a taxpayer that contributing beyond the minimum required to trigger any employer match always produces a worse result than not contributing at all

C. A preparer should advise a taxpayer to contribute at least enough to receive the full employer match, since failing to do so effectively forfeits part of the employer's own compensation offer

D. A preparer should advise a taxpayer that an employer match is generally taxable to the employee immediately upon each individual payroll contribution being made

76. A taxpayer approaching year-end asks a preparer for general guidance on the advantage of accelerating a discretionary deductible expense, such as a planned charitable contribution, into the current tax year rather than waiting until January of the following year. What is the general advising point?

A. A preparer should advise that the timing of a discretionary deductible expense generally has no effect at all on the taxpayer's own total tax liability across the two years

B. A preparer should advise that a discretionary deductible expense should always be deferred to the following year, regardless of either year's own expected marginal tax rate

C. A preparer should advise that a discretionary deductible expense should always be accelerated into the current year, regardless of either year's own expected marginal tax rate

D. A preparer should advise comparing the taxpayer's own current-year and expected next-year marginal tax rates, generally recommending the expense be accelerated into whichever year has the higher marginal rate

77. A taxpayer asks a preparer for general guidance on the advantage of contributing to a traditional IRA compared to a Roth IRA when the taxpayer expects to be in a meaningfully lower tax bracket during retirement than during the taxpayer's own current working years. What is the general advising point?

A. A preparer should advise that a Roth IRA contribution is always more advantageous regardless of any expected difference between the taxpayer's own current and retirement tax rates

B. A preparer should advise that a traditional IRA and a Roth IRA produce an identical after-tax result in every circumstance, regardless of any expected change in the taxpayer's own future tax rate

C. A preparer should advise that neither a traditional IRA nor a Roth IRA contribution is available to a taxpayer who expects a lower tax rate during retirement

D. A preparer should advise that a traditional IRA contribution may be more advantageous in this specific circumstance, since the deduction is taken at the taxpayer's own higher current rate while withdrawals are later taxed at the lower expected retirement rate

78. A taxpayer nearing retirement asks a preparer for general guidance on the advantage of delaying the start of Social Security retirement benefits beyond the taxpayer's own full retirement age. What is the general advising point regarding this specific timing decision?

A. A preparer should advise that delaying the start of Social Security benefits generally has no effect at all on the taxpayer's own eventual monthly benefit amount

B. A preparer should advise that delaying the start of benefits beyond full retirement age generally increases the taxpayer's own eventual monthly benefit amount through delayed retirement credits, up to age 70

C. A preparer should advise that delaying the start of Social Security benefits generally decreases the taxpayer's own eventual monthly benefit amount, the exact reverse of the actual general relationship

D. A preparer should advise that Social Security benefits generally must begin immediately at the taxpayer's own full retirement age, with no ability to delay the starting date further

79. A taxpayer asks a preparer for general guidance on the advantage of establishing a Coverdell Education Savings Account compared to a 529 plan for a dependent's future kindergarten through grade twelve education expenses. What is the general advising point regarding this specific comparison?

A. A preparer should advise that a Coverdell account generally permits a tax-free withdrawal for a broader range of kindergarten through grade twelve expenses than a 529 plan traditionally allowed, though a 529 plan now also covers a limited amount of such expenses

B. A preparer should advise that a Coverdell account and a 529 plan are generally functionally identical for every purpose, with no meaningful advising distinction between the two account types

C. A preparer should advise that a Coverdell account generally offers an unlimited annual contribution amount, unlike a 529 plan, which generally imposes a strict low annual contribution cap

D. A preparer should advise that only a 529 plan, and never a Coverdell account, can ever be used for any kindergarten through grade twelve education expense under current law

80. A taxpayer asks a preparer for general guidance on the advantage of converting a portion of a traditional IRA to a Roth IRA gradually over several years rather than converting the entire balance in a single year. What is the general advising point regarding this specific gradual approach?

A. A preparer should advise that spreading a Roth conversion across several years generally has no effect at all on the marginal tax rate applied to the converted amount
B. A preparer should advise that converting the entire balance in a single year always produces a lower total tax cost than spreading the conversion across several years
C. A preparer should advise that spreading the conversion across several years may keep each year's additional taxable income within a lower marginal tax bracket than converting the entire balance at once
D. A preparer should advise that a Roth conversion can only be completed in a single lump sum, with no ability under current law to spread the conversion gradually

81. A taxpayer who is self-employed asks a preparer for general guidance on the advantage of deducting the business-use portion of the taxpayer's own home as a home office expense using the simplified method compared to the regular, actual-expense method. What is the general advising point?

A. A preparer should advise that the simplified method always produces a larger deduction than the regular, actual-expense method, regardless of the taxpayer's own actual home expenses
B. A preparer should advise comparing both methods each year, since the simplified method offers ease of calculation while the regular method can produce a larger deduction for a taxpayer with substantial actual home expenses
C. A preparer should advise that only the regular, actual-expense method is available under current law, with the simplified method having been eliminated for every taxpayer
D. A preparer should advise that once a taxpayer selects the simplified method in any tax year, that taxpayer can never use the regular method in a later year

82. A taxpayer asks a preparer for general guidance on the advantage of timing a Roth IRA contribution early in the tax year rather than waiting until the following year's own filing deadline to make the identical contribution. What is the general advising point regarding this specific timing?

A. A preparer should advise that contributing earlier in the year generally allows more time for the contributed funds to grow tax-free within the Roth account before any eventual qualified withdrawal
B. A preparer should advise that the timing of a Roth IRA contribution within the allowable window generally has no effect at all on the account's own eventual value
C. A preparer should advise that a Roth IRA contribution must always be made in the same calendar year as the tax year for which it is intended, with no later window permitted

D. A preparer should advise that contributing earlier in the year generally reduces the maximum allowable annual contribution amount compared to contributing later in the same window

83. A taxpayer asks a preparer for general guidance on the advantage of using a Flexible Spending Account to pay for anticipated medical expenses compared to paying those same expenses out of pocket with after-tax dollars. What is the general advising point regarding this specific comparison?

A. A preparer should advise that a Flexible Spending Account and paying out of pocket with after-tax dollars produce an identical tax result, with no meaningful advising distinction between the two
B. A preparer should advise that Flexible Spending Account funds generally must be repaid to the employer with interest if not used by the end of the plan year
C. A preparer should advise that a Flexible Spending Account contribution generally increases the taxpayer's own taxable income, the exact reverse of the actual general tax treatment
D. A preparer should advise that a Flexible Spending Account contribution generally reduces the taxpayer's own taxable income, effectively allowing the anticipated medical expense to be paid with pretax rather than after-tax dollars

84. A taxpayer asks a preparer for general guidance on the advantage of gifting cash annually to family members within the annual gift tax exclusion amount as part of a broader estate planning strategy. What is the general advising point regarding this specific strategy?

A. A preparer should advise that any cash gift to a family member, regardless of amount, generally is immediately taxable income to the family member receiving the gift
B. A preparer should advise that a gift within the annual exclusion amount generally still requires a gift tax return to be filed, even though no gift tax is actually owed
C. A preparer should advise that a gift within the annual exclusion amount generally requires no gift tax return and generally removes the gifted amount and its own future appreciation from the taxpayer's own eventual taxable estate
D. A preparer should advise that annual gifting generally has no effect at all on the size of the taxpayer's own eventual taxable estate for federal estate tax purposes

85. A taxpayer asks a preparer for general guidance on the advantage of paying qualified higher education expenses directly to the educational institution using 529 plan funds rather than reimbursing the taxpayer's own out-of-pocket payment after the fact. What is the general advising point?

A. A preparer should advise that only a direct payment to the institution ever qualifies for tax-free treatment, with a later reimbursement to the taxpayer never qualifying under any circumstance

B. A preparer should advise that either approach generally produces the same tax-free result if the withdrawal and the qualified expense both occur within the same tax year, so the choice mainly reflects administrative convenience

C. A preparer should advise that a 529 plan withdrawal is never eligible for tax-free treatment regardless of whether it is paid directly to the institution or used as reimbursement

D. A preparer should advise that a 529 plan withdrawal used as reimbursement is taxed at a higher rate than an identical withdrawal paid directly to the institution

86. A taxpayer asks a preparer for general guidance on the advantage of reviewing and updating Form W-4 withholding elections after a significant life event, such as a marriage or the birth of a child. What is the general advising point regarding this specific practice?

A. A preparer should advise updating Form W-4 promptly after a significant life event, since an outdated election can result in a significant underpayment or overpayment of tax throughout the year

B. A preparer should advise that Form W-4 elections generally never need to be updated once initially completed, regardless of any subsequent significant life event

C. A preparer should advise that only a change in employer, and no other type of life event, generally requires updating a taxpayer's own existing Form W-4 election

D. A preparer should advise that updating Form W-4 after a significant life event generally has no effect at all on the taxpayer's own total tax liability or withholding accuracy

87. A taxpayer asks a preparer for general guidance on the advantage of maintaining a diversified mix of pretax, Roth, and taxable investment accounts heading into retirement, rather than holding retirement savings entirely within a single account type. What is the general advising point?

A. A preparer should advise that diversifying across pretax, Roth, and taxable accounts generally provides no meaningful flexibility advantage over holding retirement savings entirely within a single account type

B. A preparer should advise that a taxpayer should always draw first from a Roth account in retirement, regardless of the taxpayer's own other available account types or current tax situation

C. A preparer should advise that diversifying across account types generally provides greater flexibility to manage taxable income each year in retirement by choosing which account to draw from based on that year's own tax situation

D. A preparer should advise that maintaining accounts of different tax character generally is prohibited under current law once a taxpayer actually reaches retirement age

88. A married couple files a joint return, and the IRS applies the couple's own joint overpayment to satisfy one spouse's separately owed past-due debt, such as a defaulted student loan, that arose before the marriage. What is the general specialized form the other, unobligated spouse generally may file to recover that spouse's own share of the overpayment?

A. Generally Form 8857, Request for Innocent Spouse Relief, generally is the sole form available for this specific overpayment allocation, rather than any injured spouse form

B. Generally no form exists at all for this specific purpose, since a joint overpayment generally cannot ever be allocated between spouses once applied against a separate debt

C. Generally Form 1040-X, Amended U.S. Individual Income Tax Return, generally is the form used to recover this specific portion of an applied joint overpayment

D. Generally Form 8379, Injured Spouse Allocation, generally is the form used to recover the unobligated spouse's own share of a joint overpayment applied against the other spouse's own separate debt

89. A taxpayer died during the tax year, and a final individual income tax return must be filed covering the decedent's own income from January 1 through the date of death. Who generally is responsible for signing this specific final return?

A. Generally no one is required to sign the decedent's own final return at all, since the return generally is filed automatically once the IRS is notified of the death

B. Generally the decedent's own appointed personal representative, such as an executor or administrator, generally signs the final return, or a surviving spouse if filing a joint return and no representative has been appointed

C. Generally only a surviving spouse may ever sign a decedent's own final return, with no personal representative permitted to sign under any circumstance

D. Generally the decedent's own attorney, rather than any personal representative or surviving spouse, generally is the only person authorized to sign this specific final return

90. A taxpayer who is age 65 or older wants to know about a specialized version of the standard individual income tax return designed with larger print and a standard deduction chart built directly into the form itself. What is the general name of this specific specialized return?

A. Generally Form 1040-EZ generally is the specialized version of the standard return designed for a senior taxpayer, rather than any form specifically named for seniors

B. Generally no specialized senior-focused version of the standard individual income tax return actually exists, since every taxpayer generally must use the identical standard Form 1040

C. Generally Form 1040-NR generally is the specialized version of the standard return designed for a senior taxpayer, rather than being reserved for a nonresident alien

D. Generally Form 1040-SR, U.S. Tax Return for Seniors, generally is the specialized version of the standard return designed for a taxpayer who is age 65 or older

91. Several siblings together provide more than half the total support for their elderly parent during the year, but no single sibling individually provides more than half the support alone, and each contributing sibling provides more than 10% of the total support. What is the general specialized form used to designate which sibling actually claims the parent as a dependent?

A. Generally Form 2120, Multiple Support Declaration, generally is the form used among the siblings to designate which contributing sibling actually claims the parent as a dependent for the year

B. Generally Form 8332 generally is the form used for this specific multiple support situation, rather than any form specifically designed for a multiple support declaration

C. Generally no specialized form exists at all for this specific circumstance, since only a single sibling providing more than half the support alone may ever claim a parent as a dependent

D. Generally each contributing sibling generally may separately claim the parent as a dependent on that sibling's own individual return for the same tax year

92. Divorced parents of a minor child agree that the noncustodial parent, rather than the custodial parent who otherwise would be entitled to claim the child, will instead claim the child as a dependent for the year. What is the general specialized form used to document this specific arrangement?

A. Generally Form 2120, Multiple Support Declaration, generally is the form used for this specific divorced-parent dependency arrangement, rather than any custodial-release form

B. Generally no specialized form exists at all for this specific arrangement, since only the custodial parent may ever claim a minor child as a dependent under current law

C. Generally Form 8332, Release/Revocation of Release of Claim to Exemption for Child by Custodial Parent, generally is the form the custodial parent signs to release the claim to the noncustodial parent

D. Generally Form 8379, Injured Spouse Allocation, generally is the form used to document this specific divorced-parent dependency-claim arrangement between the two parents

93. A taxpayer made a taxable gift during the year exceeding the applicable annual gift tax exclusion amount to a single donee. What is the general specialized federal return the donor generally is required to file to report this specific gift?

A. Generally Form 706, the United States Estate Tax Return, generally is the same return used to report a taxable lifetime gift exceeding the annual exclusion amount

B. Generally no specialized federal return exists at all for reporting a taxable lifetime gift, since only a gift made at death generally must be reported to the IRS

C. Generally the recipient of the gift, rather than the donor who actually made the gift, generally is the party required to file the applicable specialized federal return

D. Generally Form 709, United States Gift (and Generation-Skipping Transfer) Tax Return, generally is the return the donor generally must file to report a taxable gift exceeding the annual exclusion amount

94. A long-term U.S. citizen relinquished citizenship during the year, and the taxpayer's net worth and average annual net income tax both exceeded the applicable statutory thresholds triggering the expatriation tax rules. What is the general specialized form used to report this specific expatriation?

A. Generally Form 8854, Initial and Annual Expatriation Statement, generally is the form a covered expatriate generally must file to report the expatriation and calculate any resulting exit tax

B. Generally Form 1040-NR generally is the sole form required for this specific expatriation, with no separate specialized expatriation statement required under current law

C. Generally no specialized form exists at all for reporting an expatriation, since relinquishing citizenship generally triggers no federal tax reporting obligation of any kind

D. Generally Form 3520 generally is the form used to report this specific expatriation, rather than any form specifically designed for expatriation reporting

95. A taxpayer was a nonresident alien for part of the year and became a resident alien for the remaining part of the same year, due to satisfying the substantial presence test partway through the year. What is the general filing approach for this specific dual-status circumstance?

A. Generally the taxpayer generally must file two entirely separate full-year returns, one as a full-year nonresident alien and one as a full-year resident alien, for the identical tax year

B. Generally the taxpayer generally files a dual-status return, reporting worldwide income for the resident portion of the year and only U.S.-source income for the nonresident portion

C. Generally the taxpayer generally is treated as a nonresident alien for the entire year, regardless of actually satisfying the substantial presence test partway through that year

D. Generally the taxpayer generally is treated as a resident alien for the entire year, regardless of the specific date the substantial presence test actually was satisfied

96. A taxpayer is a bona fide resident of Puerto Rico for the entire tax year and earned income entirely from Puerto Rico sources during that year. How is this specific Puerto Rico-source income generally treated for U.S. federal income tax purposes?

A. Generally fully includible in the taxpayer's own U.S. gross income, the same treatment that generally would apply had the identical income instead been earned from a U.S. mainland source

B. Generally includible in gross income only above a specific annual statutory dollar threshold, with any amount below that threshold generally excluded entirely

C. Generally excludable from the taxpayer's own U.S. gross income, since income from Puerto Rico sources earned by a bona fide resident generally is excluded from federal taxable income under current law

D. Generally treated as foreign-source income eligible only for the foreign tax credit, rather than being eligible for any direct statutory exclusion from gross income

97. A grandparent established a trust naming a grandchild as the sole beneficiary, skipping the grandchild's own parent as an intermediate generation, and funded the trust with an amount exceeding the applicable exemption amount for this specific type of transfer. What is the general specialized tax potentially triggered by this specific generation-skipping transfer?

A. Generally only the regular gift tax applies to this specific transfer, since the generation-skipping transfer tax generally was permanently repealed under current federal tax law

B. Generally only the regular estate tax applies to this specific transfer, with the generation-skipping transfer tax generally applying exclusively to a transfer made at death

C. Generally no additional specialized tax of any kind applies to this specific transfer beyond the taxpayer's own regular federal income tax liability for the year

D. Generally the generation-skipping transfer tax generally may apply, imposed in addition to any otherwise applicable gift or estate tax, once the applicable exemption amount for this specific tax has been exceeded

98. A U.S. citizen taxpayer was living and working outside the United States and Puerto Rico on the regular April filing deadline. What is the general automatic extension this specific taxpayer generally receives without having to file any specific extension request?

A. Generally no automatic extension of any kind is available to a taxpayer living abroad, requiring this taxpayer to file a specific extension request in every case

B. Generally an automatic two-month extension to file and pay, generally extending the deadline to June 15, though interest generally still accrues on any unpaid tax from the original April deadline

C. Generally an automatic six-month extension to both file and pay is available, with interest generally not accruing at all on any tax paid after the original April deadline

D. Generally an automatic extension is available only for filing the return itself, but this specific automatic extension generally does not apply to paying any tax actually owed

99. A taxpayer's sole proprietorship generated a net operating loss for the year, and the taxpayer wants to seek a quick refund of tax paid in a prior year by carrying the loss back, rather than waiting for the standard amended return process to be fully processed. What is the general specialized form used for this specific expedited refund request?

A. Generally Form 1040-X, Amended U.S. Individual Income Tax Return, generally is the sole form available for this specific expedited refund request, rather than any tentative refund form

B. Generally no expedited refund mechanism exists at all for a net operating loss carryback, requiring the taxpayer to wait for the standard amended return process in every case

C. Generally Form 1045, Application for Tentative Refund, generally is the form used to request an expedited tentative refund based on carrying back a net operating loss or certain other specified items

D. Generally Form 8379, Injured Spouse Allocation, generally is the form used for this specific expedited net operating loss carryback refund request

100. A taxpayer took an early distribution from a qualified retirement plan during the year and owes the additional 10% early distribution penalty tax, since no statutory exception actually applies to this specific distribution. What is the general specialized form used to calculate and report this specific additional tax?

A. Generally Form 5329, Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts, generally is the form used to calculate and report the additional 10% early distribution penalty tax

B. Generally Form 8606, Nondeductible IRAs, generally is the sole form used to calculate and report this specific additional early distribution penalty tax under current law

C. Generally no specialized form exists at all for reporting this specific additional tax, since the tax generally is calculated automatically without any separate reporting form

D. Generally Form 1040-X, Amended U.S. Individual Income Tax Return, generally is the form used to calculate and report this specific additional early distribution penalty tax

Answer Key and Explanations — Practice Exam 24

1. B — Form 2848 generally grants a representative the authority to act on a taxpayer's behalf before the IRS, such as signing agreements or receiving notices, while Form 8821 generally grants only the more limited authority to receive and inspect the taxpayer's confidential tax information, without any authority to represent the taxpayer or advocate on the taxpayer's behalf.

2. D — A paid preparer generally must obtain a valid Preparer Tax Identification Number from the IRS and include it on every return prepared for compensation, a requirement applying broadly to any compensated preparer regardless of credential, since the number generally allows the IRS to track and identify the preparer associated with a given return.

3. A — Circular 230 generally requires a preparer who identifies a conflict of interest between two clients to obtain informed written consent from each affected client after full disclosure of the conflict, or to decline the conflicting representation altogether, generally reflecting the profession's own duty of loyalty and full disclosure toward each individual client.

4. C — A preparer generally should recommend that a client retain supporting tax records for at least three years from the filing date, corresponding to the general statute of limitations period for an IRS assessment, though a longer retention period is often prudent given exceptions such as a substantial understatement of income or a claim involving worthless securities or bad debt.

5. D — A client wanting a limited, low-formality authorization for a third party to discuss one already-filed return with the IRS may check the Third Party Designee box on that return, which grants the designated person limited authority regarding that return for a period generally lasting one year from the return's own filing deadline, a narrower option than a full Form 2848.

6. B — An Identity Protection PIN generally is a six-digit number the IRS assigns to a taxpayer, often following a prior instance of identity theft, that generally must be included on that year's return to verify the taxpayer's identity, since a return submitted without the correct current Identity Protection PIN generally will be rejected electronically or flagged for additional manual review.

7. A — The authority granted through Form 2848 generally is limited strictly to the specific tax matters and specific tax years or periods actually listed on the form itself, meaning a representative generally has no authority to act on the client's behalf regarding a different tax matter or a different tax year not specifically identified on that particular authorization.

8. C — Form 8867 generally documents a paid preparer's own compliance with the IRS's required due diligence steps, including knowledge, eligibility, and computation requirements, when a return claims the Earned Income Tax Credit and certain other credits such as the Child Tax Credit or American Opportunity Tax Credit, with a failure to comply generally exposing the preparer to a per-return penalty.

9. B — Section 7216 generally prohibits a preparer from disclosing or using a client's own tax return information for a purpose other than preparing the return, absent the client's own proper written consent obtained in the manner prescribed by the applicable regulations, with a knowing or reckless violation of this specific prohibition generally exposing the preparer to potential criminal penalties.

10. D — A preparer who willfully understates a client's tax liability, or who does so recklessly, faces a preparer penalty under IRC Section 6694, calculated as the greater of a specified dollar amount or a percentage of the income the preparer derived from preparing that return, a higher penalty than the standard applying to an unreasonable position lacking substantial authority.

11. A — A preparer should advise a client concerned about liability for a spouse's unreported income on a joint return to consider filing Form 8857, Request for Innocent Spouse Relief, which allows a requesting spouse to seek relief from a joint tax liability attributable to the other spouse's erroneous item, distinct from Form 8379, which instead addresses a different overpayment allocation circumstance.

12. C — Timely filing Form 4868 generally extends the deadline for actually filing the return itself, typically by six months, but generally does not extend the deadline for paying any tax actually owed, which generally remains due by the original filing deadline, meaning a taxpayer who underpays by that original date generally still faces interest and a possible penalty despite the extension.

13. C — A preparer generally should resolve a discrepancy between a dependent's verbally provided name and the name actually shown on that dependent's Social Security card before filing, since an incorrect name or Social Security number for a claimed dependent generally can cause the return to be rejected electronically or delayed during processing, given the IRS's own name-and-number matching verification process.

14. B — Form 8879 generally authorizes a preparer to electronically sign and transmit a client's own return using the preparer's own e-file credentials, serving as the taxpayer's own declaration under penalty of perjury that the return is true, correct, and complete, functioning as the electronic equivalent of the taxpayer's own physical signature on a paper-filed return.

15. A — The Centralized Authorization File number generally identifies a representative within the IRS's own centralized system tracking power of attorney and tax information authorizations, generally allowing the IRS to verify that representative's authorization for a given client's own account efficiently, without requiring the representative to resubmit a new authorization form for every subsequent routine inquiry regarding that same client.

16. D — A preparer who discovers a significant error understating a client's prior-year tax liability should advise the client of the error and the consequences of leaving it uncorrected, including the option of filing an amended return, while having no obligation to contact or report the prior preparer, since the preparer's duty runs to the client rather than to a former preparer.

17. B — Gambling winnings generally are fully includible in a taxpayer's gross income regardless of any offsetting losses, while gambling losses generally are deductible only as an itemized deduction and only up to the amount of winnings actually reported for the year, meaning a taxpayer who does not itemize generally receives no benefit from the losses incurred.

18. D — Unemployment compensation generally is fully includible in a taxpayer's gross income as ordinary income under current federal law, reported to the taxpayer each year on Form 1099-G, regardless of whether the taxpayer elected to have federal income tax voluntarily withheld from the periodic unemployment payments actually received during the year.

19. A — Canceled debt reported on Form 1099-C generally is includible in a taxpayer's gross income as ordinary income under the general discharge-of-indebtedness rule, unless a specific statutory exclusion applies, such as the taxpayer's own insolvency immediately before the cancellation or a qualifying bankruptcy discharge, in which case the canceled amount may be excluded up to the applicable limit.

20. C — A taxpayer whose combined income, generally consisting of adjusted gross income, tax-exempt interest, and half of Social Security benefits, exceeds the applicable higher statutory threshold for the taxpayer's filing status generally may have up to 85% of the Social Security benefits become includible in gross income, using a tiered calculation rather than an all-or-nothing inclusion of the entire benefit amount.

21. B — The portion of a scholarship used for room and board generally is includible in the recipient's own gross income as taxable income, since the tax-free scholarship exclusion generally applies only to the portion used for qualified tuition and related required course expenses, distinguishing it from a nonqualified use such as room and board, travel, or general living expenses.

22. D — Alimony received under a divorce or separation agreement executed and finalized after December 31, 2018, is not includible in the recipient's gross income under current law, reversing the treatment that applied to alimony under an older, pre-2019 agreement, under which the recipient generally still must include the alimony as taxable income if that older agreement remains in effect and unmodified.

23. C — A gain on the sale of virtual currency held as a capital asset is treated as a capital gain, taxed under the same short-term or long-term rules that apply to any other capital asset, with the rate depending on the holding period, since the IRS treats virtual currency as property rather than currency for tax purposes.

24. A — A Health Savings Account distribution used for a nonqualified expense unrelated to medical care is includible in the taxpayer's gross income as ordinary income, and is subject to a 20% penalty tax on the nonqualified portion, unless the taxpayer has reached age 65, become disabled, or died, in which case the penalty no longer applies though ordinary income tax does.

25. A — A dividend a taxpayer elects to have automatically reinvested into additional fund shares is taxable in the year the dividend actually is paid, exactly the same treatment that would apply had the taxpayer instead received the dividend as cash, since the reinvestment election generally affects only how the dividend is used, not whether the dividend itself is currently taxable income.

26. D — The fair market value of goods a taxpayer receives in exchange for services under a bartering arrangement is includible in the taxpayer's gross income as ordinary income, in the same manner as if the taxpayer had received cash for the services, since the tax law treats bartering income the same as a cash-equivalent form of compensation received for services rendered.

27. B — Jury duty pay is includible in the taxpayer's gross income as other income, and when an employer continues paying the taxpayer's salary and requires the taxpayer to remit the jury pay received to that employer, the taxpayer may claim an offsetting above-the-line deduction for the amount remitted, preventing the taxpayer from being taxed twice on the same period of compensation.

28. C — A cash prize won in a raffle sponsored by a charitable organization and won using a ticket obtained free, is includible in the winner's gross income as other income, at the prize's fair market value, since the tax law treats a prize or award won through a game of chance as taxable income regardless of the sponsoring organization's charitable status.

29. A — Life insurance proceeds paid to a beneficiary in a lump sum by reason of the insured's death are excludable from the beneficiary's gross income under current federal tax law, a general exclusion that applies regardless of the size of the death benefit, though interest earned if the proceeds are left with the insurer and paid out later remains separately taxable.

30. B — A disability benefit payment is includible in the recipient's gross income as ordinary income when the employer paid the premiums for the underlying disability policy on a pretax basis, reflecting the general rule that the taxability of a disability benefit depends on whether the premiums were paid with the employee's own after-tax dollars or with the employer's own pretax contribution.

31. D — The bargain element realized upon exercising a nonqualified stock option, meaning the excess of the shares' fair market value over the exercise price paid, generally is includible in the employee's own gross income as ordinary wage income at the time of exercise, subject to the same withholding and employment tax treatment that generally applies to the employee's other regular compensation.

32. C — A taxpayer who actively participates in managing a residential rental property may deduct up to a specified annual dollar amount of the resulting rental loss against the taxpayer's nonpassive income, under the active participation exception to the general passive activity loss rules, though this allowance phases out once the taxpayer's own modified adjusted gross income exceeds an applicable statutory threshold.

33. C — A capital gain distribution from a mutual fund is taxed as a long-term capital gain to the receiving shareholder, regardless of how long that shareholder personally has held shares of the fund itself, since the distribution reflects the character of the net long-term gain the fund realized internally, a pass-through characterization the shareholder's own personal holding period does not override.

34. A — A workers' compensation benefit paid to a taxpayer under a workers' compensation act, or under a statute in the nature of a workers' compensation act, for a work-related injury or sickness is excludable from the taxpayer's gross income under current federal tax law, distinguishing it from unrelated disability or unemployment benefits, which generally receive separate and less favorable tax treatment.

35. D — Qualified foster care payments a taxpayer receives from a state or local agency for providing licensed foster care generally are entirely excludable from the taxpayer's own gross income under current federal tax law, provided the payments do not exceed the applicable per-child difficulty-of-care limitation, a specific statutory exclusion generally intended to encourage individuals to provide this type of in-home care.

36. B — Interest earned on a U.S. Treasury bond is exempt from state and local income tax under federal law, though that same interest remains taxable for federal income tax purposes, a distinction that can affect the after-tax return comparison between a Treasury obligation and an comparable state-taxable corporate bond for a taxpayer residing in a state that imposes its income tax.

37. C — Whether mortgage insurance premiums are deductible as qualified residence interest has depended on periodic legislative extension, since Congress has at various times allowed this itemized deduction to expire and later reinstated it, making it important for a preparer to confirm the current-year treatment before claiming the premium as an itemized deduction on a given year's return.

38. A — Points paid to obtain a mortgage used to purchase or improve a taxpayer's principal residence are deductible in the year paid, provided the amount is consistent with an established business practice in the area and other applicable requirements are satisfied, distinguishing this treatment from points paid on a refinancing loan, which must be amortized over the loan's own term instead.

39. D — A cash contribution to a qualified public charity generally is deductible as an itemized deduction up to the applicable percentage-of-adjusted-gross-income limitation for that specific type of contribution and organization, with any amount exceeding the limitation generally eligible to be carried forward and deducted in a subsequent tax year, subject to the applicable carryforward period.

40. A — Even a taxpayer engaged in gambling as a trade or business cannot deduct gambling losses exceeding gambling winnings, since the limitation capping deductible losses at winnings applies to a professional gambler the same way it applies to a casual, nonprofessional bettor, a limitation the Tax Cuts and Jobs Act clarified applies to both types of gambler.

41. B — Qualified adoption expenses paid in connection with the adoption of an eligible child are eligible for a nonrefundable Adoption Credit up to the annual dollar limit per eligible child, with the credit subject to a phase-out once the taxpayer's modified adjusted gross income exceeds an applicable statutory threshold, and any credit eligible for a limited carryforward to a future year.

42. C — Eyeglasses and contact lenses prescribed by a licensed optometrist or ophthalmologist to correct a taxpayer's own vision impairment generally qualify as a deductible medical expense, subject to the same overall 7.5% adjusted gross income floor that generally applies to the medical expense deduction category as a whole for this and every other qualifying item combined for the year.

43. B — The American Opportunity Tax Credit is partially refundable, meaning up to 40% of the otherwise allowable credit amount may be refunded to the taxpayer even if it exceeds the taxpayer's own total tax liability for the year before considering the credit, distinguishing it from the Lifetime Learning Credit, which generally remains entirely nonrefundable regardless of the taxpayer's own tax liability.

44. D — Qualified educator expenses, such as classroom supplies purchased out of pocket by an eligible kindergarten through grade twelve teacher, generally are deductible above the line up to an annually adjusted dollar limit, meaning the deduction generally is available even to an educator who claims the standard deduction instead of itemizing deductions, unlike most other unreimbursed employee expenses under current law.

45. B — Interest paid on a qualified student loan used for qualified higher education expenses is deductible above the line up to an annual dollar limit, available even to a taxpayer who claims the standard deduction instead of itemizing, though the deduction generally phases out once the taxpayer's modified adjusted gross income exceeds the applicable statutory threshold for the taxpayer's filing status.

46. C — Qualified expenses for installing a solar electric system on a taxpayer's principal residence are eligible for the Residential Clean Energy Credit, a nonrefundable credit calculated as a percentage of the qualified installation cost, with any unused credit amount eligible to be carried forward to a future tax year, though the credit cannot be refunded beyond the taxpayer's actual tax liability.

47. D — The cost of a home energy audit conducted by a qualified home energy auditor is eligible for the nonrefundable Energy Efficient Home Improvement Credit up to a annual dollar limit reserved for this type of expense, part of a broader credit that covers other qualifying energy efficiency improvements to a taxpayer's principal residence, each subject to its applicable component limit.

48. A — Hearing aids prescribed by a licensed audiologist or physician to address a taxpayer's own diagnosed hearing loss generally qualify as a deductible medical expense, subject to the same overall 7.5% adjusted gross income floor that generally applies to the medical expense deduction category as a whole for this and every other qualifying item combined for the tax year.

49. D — The cost of nursing home care, including meals and lodging, is deductible as a medical expense for a chronically ill individual, such as a spouse certified by a health care practitioner as requiring supervision due to a cognitive impairment, when the reason for the individual's placement in the facility is the availability of medical care rather than a personal preference.

50. C — A prescribed medication used as part of a smoking cessation program generally qualifies as a deductible medical expense, subject to the same overall 7.5% adjusted gross income floor that generally applies to the medical expense deduction category as a whole, reflecting the general treatment of a prescribed drug used to treat a recognized medical condition such as nicotine addiction.

51. B — Property tax paid on a second home used exclusively for personal purposes is deductible as an itemized deduction, combined with the taxpayer's other state and local income or sales tax and real property tax, and subject to the same combined $10,000 cap on state and local taxes that applies to the taxpayer's principal residence and any other owned real property.

52. A — Continuing education coursework required to maintain a professional license, though it does not lead to a degree or qualify the taxpayer for a new trade or business, remains eligible for the Lifetime Learning Credit, provided the coursework was taken at an eligible institution, since that credit has a broader scope than the American Opportunity Tax Credit, which requires degree-seeking enrollment.

53. A — Care provided by a home health aide for a dependent parent who is physically incapable of self-care qualifies for the child and dependent care credit when the care enables the taxpayer to work, since the credit is not limited to the care of a minor child but extends to a dependent of any age who meets the qualifying person definition.

54. D — A central air conditioning system installed for a documented medical purpose, such as addressing a severe respiratory condition recommended by a physician, is deductible as a medical expense to the extent the cost exceeds any increase in the home's fair market value, distinguishing it from a comfort-motivated installation, which is treated as a nondeductible personal expense absent a medical need.

55. B — The Retirement Savings Contributions Credit generally is a nonrefundable credit calculated as a percentage, ranging from 50% down to 10%, of a taxpayer's own eligible retirement contribution up to an applicable dollar limit, with the applicable percentage generally decreasing as the taxpayer's own adjusted gross income increases, until the credit generally phases out entirely above the applicable statutory income threshold.

56. C — Eyeglasses generally qualify as a deductible medical expense whether prescription-based or purchased over the counter for vision correction, meaning both the dependent's prescription eyeglasses and the taxpayer's own over-the-counter reading glasses generally are deductible medical expenses, subject to the same overall 7.5% adjusted gross income floor that generally applies to the medical expense deduction category as a whole.

57. A — When one spouse has unreimbursed medical expenses and the other spouse has income, filing separate returns may allow the medical expense deduction to clear the 7.5% adjusted gross income floor more easily, since the floor is calculated against that spouse's income rather than the couple's combined income, though filing separately forfeits other credits and deductions that should be weighed.

58. D — The alternative minimum tax is a separate tax calculation applying its adjustments and preference items, such as the bargain element from an incentive stock option exercised without a disqualifying disposition, intended to ensure a taxpayer with substantial preference items pays a minimum level of tax, with the taxpayer owing the higher of the regular tax or the tentative minimum tax.

59. C — Quarterly estimated tax payments are due April 15, June 15, and September 15 of the tax year, and January 15 of the following year, for a taxpayer using a calendar tax year, with any due date falling on a weekend or legal holiday shifting to the next business day, a schedule applying uniformly to a self-employed taxpayer's required estimated payments.

60. B — A taxpayer's marginal tax rate applies only to the taxpayer's last dollar of taxable income, the highest bracket the income reaches, while the effective tax rate reflects the blended average rate across all the graduated brackets the income passed through from the first dollar onward, explaining why the effective rate is lower than the marginal rate under the bracket structure.

61. B — A net gain from the sale of Section 1231 property, meaning business property held over one year, is treated as long-term capital gain eligible for the more favorable capital gain tax rate, though a net Section 1231 loss is treated as an ordinary loss, deductible against the taxpayer's other ordinary income without the usual capital loss limitation.

62. A — A personal casualty loss is deductible as an itemized deduction, subject to the applicable per-event and adjusted-gross-income floors, only when the loss arose from a federally declared disaster, since current law suspended the deduction for a personal casualty loss that does not meet this federally declared disaster requirement, a meaningful narrowing compared to the treatment that applied under prior law.

63. D — A self-employed taxpayer whose taxable income falls below the applicable threshold for the filing status is eligible for the qualified business income deduction, up to 20% of the qualified business income from the sole proprietorship, taken as a below-the-line deduction available without itemizing, without the wage and business-type limitations that can apply at a higher income level.

64. C — A taxpayer who worked for two or more unrelated employers during the year and had combined Social Security tax withheld exceeding the applicable maximum may claim the excess amount as a refundable credit on the taxpayer's income tax return, since each employer withholds up to the maximum independently without visibility into what any other employer separately withheld from the taxpayer.

65. D — A U.S. citizen who satisfies the applicable physical presence test or bona fide residence test while living and working abroad may exclude qualifying foreign-earned wage income up to an annually adjusted dollar limit under the foreign earned income exclusion, meaning only the amount actually earned above that specific limit generally remains subject to U.S. federal income tax for the year.

66. C — A married couple residing in a community property state who elects to file separate returns must apply the applicable community property rules, requiring each spouse to report one-half of the couple's combined community income, including wages earned by either spouse, on that spouse's separate return, a materially different result than the income-source-based reporting that generally applies in a non-community-property state.

67. A — A taxpayer who qualifies for head of household filing status benefits from a wider tax bracket structure, letting more income be taxed at lower rates, and a higher standard deduction amount than would apply under the single filing status, reflecting the recognition that maintaining a household for a qualifying person involves greater financial responsibility than filing as a single individual.

68. B — A taxpayer who reaches age 65 by the end of the tax year is entitled to an additional standard deduction amount added over the taxpayer's regular standard deduction, with a taxpayer who is blind entitled to a second additional amount, and a married taxpayer receiving a smaller additional amount per qualifying condition than an unmarried taxpayer claiming the additional amount.

69. A — One-half of a self-employed taxpayer's calculated self-employment tax liability is deductible above the line, reducing the taxpayer's adjusted gross income and available to a taxpayer who claims the standard deduction rather than itemizing, a deduction intended to approximate the employer-equivalent portion of Social Security and Medicare tax that a common-law employee's employer would otherwise separately deduct as a business expense.

70. C — The estimated tax underpayment penalty generally is calculated similarly to an interest charge, applying an applicable federal rate-based percentage to the underpaid amount for each period during the year the underpayment actually remained outstanding, meaning the penalty generally grows the longer a required estimated payment remains unpaid, rather than being assessed as a single flat dollar amount regardless of timing.

71. D — When a business is sold as a going concern with the sales price allocated among asset categories under an executed asset acquisition statement, the gain allocated to goodwill is treated as a capital gain, taxed under the capital gain rules based on the taxpayer's holding period for the business, distinguishing it from the inventory, which is taxed as ordinary income.

72. B — A taxpayer who qualifies as a real estate professional by meeting the statutory hours and material participation requirements has the taxpayer's rental real estate activities treated as nonpassive rather than passive, potentially allowing a rental loss to be deducted against the taxpayer's other nonpassive income without the passive activity loss limitation that applies to a rental real estate activity.

73. B — A taxpayer's deductible loss from a business activity is limited first by the at-risk rules, capping the deductible loss at the amount the taxpayer has economically at risk in that activity, and only a loss that survives this at-risk limitation then becomes subject to the passive activity loss rules, meaning the two limitations apply sequentially rather than simultaneously or interchangeably.

74. A — For purposes of applying the graduated capital gain rate brackets, a taxpayer's ordinary income is treated as filling the lower taxable income brackets first, with the taxpayer's long-term capital gain and qualified dividend income then stacked on top of that ordinary income, taxed at the capital gain rate, 0%, 15%, or 20%, corresponding to where the taxable income level falls.

75. C — A preparer generally should advise a taxpayer to contribute at least enough to an employer-sponsored 401(k) plan to receive the full available employer matching contribution, since failing to contribute enough to capture the full match effectively forfeits part of the employer's own compensation offer, generally making this a foundational recommendation before considering any other tax-advantaged savings strategy.

76. D — A preparer should advise a taxpayer to compare the taxpayer's own current-year and expected next-year marginal tax rates before deciding whether to accelerate a discretionary deductible expense, generally recommending the expense be paid in whichever year the deduction actually produces the greater tax benefit, since a deduction generally is worth more in a year taxed at a higher marginal rate.

77. D — A preparer should advise a taxpayer expecting a lower tax bracket during retirement that a traditional IRA contribution may be more advantageous in this circumstance, since the taxpayer captures the deduction at the taxpayer's higher current marginal rate while the eventual withdrawal is taxed at the lower expected retirement rate, the reverse of the general case favoring a Roth contribution.

78. B — A preparer should advise a taxpayer that delaying the start of Social Security retirement benefits beyond the taxpayer's full retirement age increases the taxpayer's eventual monthly benefit amount through delayed retirement credits, up to age 70, at which point the credits stop accruing, a timing decision generally worth weighing against the taxpayer's own health, other income sources, and anticipated longevity.

79. A — A preparer should advise a taxpayer that a Coverdell Education Savings Account permits a tax-free withdrawal for a broader range of K-12 expenses, such as tutoring or supplies, than a 529 plan traditionally allowed, though current law now permits a 529 plan to cover a limited annual amount of K-12 tuition, narrowing but not eliminating this distinction.

80. C — A preparer should advise a taxpayer that spreading a Roth conversion across several years may keep each year's taxable income within a lower marginal tax bracket than converting the traditional IRA balance in a single year, since a large single-year conversion can push a portion of the converted amount into a higher marginal bracket than a series of smaller conversions.

81. B — A preparer should advise a taxpayer to compare the simplified home office method against the regular method, since the simplified method uses an easier flat rate per square foot up to a cap, while the regular method can produce a larger deduction for a taxpayer with home expenses such as a mortgage interest or utility cost allocable to the office.

82. A — A preparer should advise a taxpayer that contributing to a Roth IRA earlier in the tax year, rather than waiting until the following year's filing deadline to make the identical contribution, allows more time for the contributed funds to grow tax-free within the account before any qualified withdrawal, a time-value-of-money consideration favoring an earlier contribution when funds are available.

83. D — A preparer should advise a taxpayer that a Flexible Spending Account contribution reduces the taxpayer's taxable income on a pretax basis, effectively allowing a medical expense to be paid with pretax dollars rather than after-tax dollars, though the preparer should caution the taxpayer about the account's use-it-or-lose-it feature, subject to any limited carryover or grace period the employer plan allows.

84. C — A preparer should advise a taxpayer that a cash gift within the annual gift tax exclusion amount requires no gift tax return and removes the gifted amount, along with future appreciation on that amount, from the taxpayer's taxable estate, making a program of gifting a useful tool within a broader estate planning strategy for a taxpayer with a sizable estate.

85. B — A preparer should advise a taxpayer that a 529 plan withdrawal qualifies for tax-free treatment whether paid to the educational institution or used to reimburse the taxpayer's out-of-pocket payment, provided the withdrawal and the qualified expense occur within the same tax year, meaning the choice between the payment approaches reflects the taxpayer's administrative convenience rather than difference in tax outcome.

86. A — A preparer should advise a taxpayer to review and update Form W-4 withholding elections after a life event, such as a marriage, divorce, or the birth of a child, since an outdated election can result in an underpayment, potentially triggering an estimated tax penalty, or an overpayment, giving the government an interest-free loan of the taxpayer's money over the year.

87. C — A preparer should advise a taxpayer that maintaining a mix of pretax, Roth, and taxable accounts provides greater flexibility to manage taxable income each year in retirement, since the taxpayer can choose which account to draw from based on that year's tax bracket, Medicare premium considerations, and other factors, rather than being locked into a single, less flexible income source.

88. D — A spouse who is not obligated on a separate debt, such as a defaulted student loan predating the marriage, may file Form 8379, Injured Spouse Allocation, to recover that spouse's share of a joint overpayment the IRS applied against the other spouse's debt, a remedy distinct from innocent spouse relief, which addresses liability for an understatement on the joint return.

89. B — A decedent's final individual income tax return, covering income from January 1 through the date of death, is signed by the decedent's personal representative, such as an executor or administrator, or by a surviving spouse filing a joint return when no personal representative has been appointed, with the signer indicating that capacity next to the signature on the filed return.

90. D — Form 1040-SR, U.S. Tax Return for Seniors, is a specialized version of the standard income tax return available to a taxpayer who is age 65 or older, featuring larger print and a standard deduction chart built into the form, while reporting the identical types of income and being subject to the tax rules that apply to the standard Form 1040.

91. A — When several individuals together provide more than half of a person's support during the year but no one alone provides more than half, and each contributes more than 10%, they file Form 2120, Multiple Support Declaration, to designate which contributor claims the dependency for that year, with the designation able to rotate among contributors in a later year.

92. C — When divorced or separated parents agree that the noncustodial parent will claim a minor child instead of the custodial parent, who otherwise would be entitled to the claim, the custodial parent signs Form 8332 releasing the claim, which the noncustodial parent attaches to that parent's return claiming the child for the tax year or years.

93. D — A donor who makes a taxable gift to a donee exceeding the annual gift tax exclusion amount is required to file Form 709, United States Gift (and Generation-Skipping Transfer) Tax Return, reporting the gift and applying any lifetime exclusion against the applicable gift tax, though no gift tax becomes due until the donor's lifetime exclusion amount has been exhausted.

94. A — A long-term U.S. citizen or resident who relinquishes citizenship or residency and meets the net worth or income tax threshold, becoming a covered expatriate, must file Form 8854, Initial and Annual Expatriation Statement, used to certify past compliance and calculate any exit tax imposed on the expatriate's net unrealized gain in worldwide assets as if sold the day before expatriation.

95. B — A taxpayer who is a nonresident alien for part of the year and a resident alien for the rest of that year files a dual-status return, reporting worldwide income for the resident portion and only U.S.-source income for the nonresident portion, a specialized filing approach reflecting the taxpayer's change in residency status during the year.

96. C — Income from Puerto Rico sources earned by a bona fide resident of Puerto Rico for the entire tax year is excludable from U.S. gross income under the statutory exclusion, a specialized provision distinguishing income earned by a bona fide resident from income earned by a taxpayer who is not a bona fide resident of Puerto Rico for the full year.

97. D — A transfer that skips a generation, such as a grandparent funding a trust for a grandchild's exclusive benefit while bypassing the grandchild's parent, may trigger the generation-skipping transfer tax once the amount transferred exceeds the exemption amount for this tax, with the tax imposed in addition to any applicable federal gift or estate tax on the identical transfer.

98. B — A U.S. citizen or resident taxpayer who is living and working outside the United States and Puerto Rico on the April filing deadline receives an automatic two-month extension to file and pay, extending the deadline to June 15 without requiring an extension request, though interest accrues on any unpaid tax from the original deadline through the payment date.

99. C — A taxpayer seeking a faster refund based on carrying back a net operating loss, or specified items such as a general business credit, to a prior tax year may file Form 1045, Application for Tentative Refund, which the IRS is required to process on an expedited basis, distinguishing this mechanism from the standard, slower amended return process using Form 1040-X.

100. A — A taxpayer who owes the 10% early distribution penalty tax on a premature retirement plan distribution, with no exception applying, reports that tax using Form 5329, Additional Taxes on

Qualified Plans (Including IRAs) and Other Tax-Favored Accounts, a form used to report other taxes, such as the excess contribution excise tax or the tax on a missed required minimum distribution.