

FEDERAL INCOME TAX ACCOUNTING (140)

—Post-secondary—

REGIONAL – 2016



Finance Events Sponsored by the American Institute of Certified Public Accounts.

Multiple Choice, Journal Entries, Matching Section:

Multiple Choice (20 @ 2 points each) _____ (40 points)

Production Portion:

Job 1: Rummel 1040 _____ (52 points)

Job 2: Spender Schedule A _____ (48 points)

TOTAL POINTS _____ (**140 points**)

Failure to adhere to any of the following rules will result in disqualification:

1. Contestant must hand in this test booklet and all printouts. Failure to do so will result in disqualification.
2. No equipment, supplies, or materials other than those specified for this event are allowed in the testing area. No previous BPA tests and/or sample tests or facsimile (handwritten, photocopied, or keyed) are allowed in the testing area.
3. Electronic devices will be monitored according to ACT standards.

No more than ten (10) minutes orientation

No more than 90 minutes testing time

No more than ten (10) minutes wrap-up

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Workplace Skills Assessment Program competition.

General Instructions

You will have 90 minutes to complete your work. The test is two parts, a multiple choice section and a problem section. **TAX YEAR 2014 IS USED FOR ALL QUESTIONS. Fill in all lines on the forms that are supposed to be filled in; it is not necessary to use cents.**

Your name and/or school name should **NOT** appear on any work you submit for grading. Write your contestant number in the upper right-hand corner of each page. Staple all pages in order before you turn in your test.

Multiple Choice (40 points, 2 points each)

Identify the letter of the choice that best completes the statement or answers the question.

1. A taxpayer whose spouse passed away in the current tax year can file
 - a. Single
 - b. Qualifying Widow(er)
 - c. Head of Household
 - d. Married Filing Joint

2. A stillborn child can be
 - a. Claimed as a dependent in the current year
 - b. Cannot be claimed as a dependent ever
 - c. Claimed as a dependent only if born in the US
 - d. None of the above is true

3. Itemized deductions for qualified medical expenses for a 40-year old taxpayer are reduced by
 - a. 10% of all income
 - b. 7% of AGI
 - c. 10% of AGI
 - d. 0, they are fully deductible with no reduction

4. What is the 2014 standard deduction for a taxpayer who is single, 32 years old, and legally blind?
 - a. \$6,200
 - b. \$9,100
 - c. \$7,750
 - d. \$9,300

5. What is the amount for the personal and dependency exemption for 2014?
 - a. \$3,950
 - b. \$5,700
 - c. \$3,900
 - d. \$3,800

6. As a Head of Household taxpayer with two qualifying children who provides 51% support for his mother all year long (she does not live with him), how many total exemptions can he claim?
 - a. 1
 - b. 3
 - c. 4
 - d. None of these are correct

7. Which of the following is *not* taxable as income?
 - a. Alimony received
 - b. 401K distributions received
 - c. Payments from a Roth IRA
 - d. Hobby income

8. A taxpayer with Qualified Dividend income that is in the 25% tax bracket will pay what percentage tax on those Qualified Dividends?
 - a. 15%
 - b. 10%
 - c. 0%
 - d. 25%

9. A taxpayer with three children, one is 8 years old, one is 16 years old, and the other child is 17 years old, will qualify for a maximum Child Tax Credit of how much?
 - a. \$0
 - b. \$1,000
 - c. \$2,000
 - d. \$3,000

10. If an unmarried taxpayer's spouse died (no qualifying children) four years ago, what is the taxpayer's filing status?
 - a. Head of Household
 - b. Qualifying Widow(er)
 - c. Single
 - d. Married Filing Joint

11. There are three types of taxable income and tax liability reductions that can be taken on Form 1040. They are:
 - a. Qualifying, Deductions, and Non qualifying
 - b. Refundable, Given, and Non refundable
 - c. Reductions, Credits and Subtractions
 - d. Deductions, Payments, and Credits

12. Sole Proprietor taxpayers who serve as subcontractors may have taxable income reported to them on what form?
 - a. W-2G
 - b. 1099MISC
 - c. 1098INT
 - d. W-2

13. If you purchased a stock five years ago for \$1,500 and sold it in 2014 for \$2,000, what is the amount of gain or loss you would recognize on Form 1040?
 - a. \$500 Short Term Gain
 - b. \$500 Short Term Loss
 - c. \$500 Long Term Gain
 - d. \$500 Long Term Loss

14. A taxpayer received \$2,500 in child support, \$2,000 in alimony, and \$500 in family maintenance payments in 2014. How much of this is taxable?
 - a. \$5,000
 - b. \$4,500
 - c. \$2,500
 - d. \$3,000

15. Which of the following interest payments is *not* taxable for Federal purposes?
 - a. Municipal bond interest
 - b. Savings account interest
 - c. Interest from a certificate of deposit
 - d. Interest received from a land contract

16. If a single taxpayer has \$21,000 in social security benefits (plus other income), what is the maximum amount that could be taxable?
 - a. 50%
 - b. 75%
 - c. 85%
 - d. \$0, social security benefits are never taxable

17. What is the maximum loss allowable for a tax year for passive income (active participants) in any one year?
 - a. \$0, you cannot take a passive loss
 - b. \$3,000
 - c. \$12,500
 - d. \$25,000

18. A single taxpayer had a state tax refund of \$1,452 received in 2014 and their itemized deductions from 2013 were \$7,050. Standard deduction for a 2013 single taxpayer was \$6,100. How much of this refund is taxable for 2014?
 - a. \$1,452
 - b. \$0, state refunds are not taxable
 - c. \$950
 - d. \$502

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19. What is the minimum amount of interest income or dividends that triggers the filing of a Schedule B (Form 1040)?
- Any amount; you must file a Schedule B whenever you have either income sources
 - \$1,000
 - Schedule B is filed by choice, there is no trigger amount
 - \$1,501
20. Which of the following are possible refundable credits in 2014?
- Child Tax Credit
 - Credit for Dependent Care
 - American Opportunity Credit
 - Both a and c

Part 2-

PROBLEM #1:

Joe Rummel, a single taxpayer and a seventh grade teacher, has the following income and adjustments to income for 2014:

W-2 income	\$58,664
Federal WH on W-2	\$ 8,740
Ordinary Dividends (not qualified)	\$265
Municipal Bond Interest	\$865
Savings Account Interest	\$80
Gambling Income	\$457
Unemployment compensation	\$3,765
Educator Expenses	\$470
Student Loan Interest Paid	\$1,300

Use the attached Form 1040 to complete Mr. Rummel's Form 1040. He did *not* itemize in 2013 and will not itemize in 2014. His phone number is 715-555-5555.

Part 2-**PROBLEM #2:**

Complete the attached Schedule A Form 1040 for Pam Spender, a 40-year old, single taxpayer. Her records show the following paid expense receipts during 2014. Her SS# is 344-98-0087 and her AGI is \$67,400. Fill in all expenses in the appropriate lines of the Schedule A provided; **do not omit any expenses whether they will be deductible or not.**

Real Estate Taxes on main home	\$3,452
Mortgage Interest on main home	\$4,912
Cash Donations to qualified charities	\$2,445
Interest paid on credit cards for personal expenses	\$ 612
Personal property taxes	\$ 60
Gambling losses (gambling income of \$250)	\$ 806
Donated clothes to Goodwill (FMV of \$70)	\$???
Mortgage Interest on home equity loan from remodel	\$1,655
Real Estate taxes on lake lot	\$1,488
Medical expenses paid	\$7,944
Unreimbursed employee expenses from Form 2106	\$2,652
State Income Tax Withholding from W-2	\$5,588
Tax preparation for 2013 paid in 2104	\$ 375