

FEDERAL INCOME TAX ACCOUNTING (140)

—Post-secondary—

REGIONAL – 2018

Multiple Choice Section:

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

Production Portion:

Job 1: Bursack 1040 _____ (54 points)

Job 2: Hogstad Schedule A _____ (46 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 ninety (90) minutes testing time
No more than ten (10) minutes wrap-up

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General Instructions

You have been hired as a Financial Assistant and will be keeping the accounting records for Professional Business Associates, located at 5454 Cleveland Avenue, Columbus, Ohio 43231. Professional Business Associates provides accounting and other financial services for clients. You will complete jobs for Professional Business Associates' own accounting records, as well as for clients.

You will have ninety (90) minutes to complete your work. The test is divided into two parts. The multiple choice and short answer questions should be completed first, and then the accounting problems may be completed in any order.

Your name and/or school name should *not* appear on any work you submit for grading. Write your contestant number in the provided space. Staple all pages in order before you turn in your test.

Assumptions to make when taking this assessment:

2016 Federal Income Tax (IRS) rules apply.

Be sure to fill in forms completely including any boxes that need to be checked.

MULTIPLE CHOICE (40 points, 2 points each)

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

1. An married taxpayer living all year with their two children and spouse would have what filing status?
 - a. Married Filing Joint
 - b. Married with Children
 - c. Head of Household
 - d. Single

2. Which of the following is *not* a qualifying child?
 - a. A child living with the taxpayer
 - b. A child that lives with your brother
 - c. An adopted child
 - d. A child that is a stepson or daughter

3. The first line on page two of Form 1040 is _____.
 - a. American Gross Income
 - b. Alternative Gross Income
 - c. Adjusted Gross Income
 - d. Adjusted Gross Incentive

4. What was the standard deduction for 2016 for a Head of Household individual?
 - a. \$6,100
 - b. \$12,600
 - c. \$6,300
 - d. \$9,300

5. What is the amount for the personal and dependency exemption for 2016?
 - a. \$3,950
 - b. \$4,050
 - c. \$4,000
 - d. \$3,800

6. As a Head of Household taxpayer with two qualifying children who provides 75% support for his mother all year long (she does not live with him), how many exemptions can the taxpayer claim?
 - a. 0
 - b. 2
 - c. 3
 - d. None of these are correct

7. Which of the following is taxable as income?
 - a. Workers Compensation
 - b. Municipal Bond Interest
 - c. Payments from a Roth IRA
 - d. Unemployment Compensation

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

9. If a taxpayer has three children ages 8, 11, and 17, what is the amount of Child Tax Credit the taxpayer will qualify for?
 - a. \$0
 - b. \$1,000
 - c. \$2,000
 - d. \$1,200

10. If a taxpayer's spouse died (one qualifying child) one year ago, what is the taxpayer's filing status?
 - a. Head of Household
 - b. Qualifying Widow(er)
 - c. Single
 - d. Married Filing Joint

11. A reduction in tax liability is called a _____ whereas a reduction in income before tax is called a _____.
 - a. Deduction, Tax Credit
 - b. Refundable Credit, Liability Credit
 - c. Liability Credit, Refundable Credit
 - d. Tax Credit, Deduction

12. Taxpayers may get a _____ for interest paid to them during the tax year.
 - a. W-2G
 - b. 1099MISC
 - c. 1098INT
 - d. W-2

13. If you purchased a stock five months ago for \$2,500 and sold it in 2016 for \$800, what is the amount of loss you would recognize on Form 1040?
 - a. \$1,700 Short Term
 - b. \$0, no gains/losses can be taken on stocks
 - c. \$1,700 Long Term
 - d. \$800 Short Term

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14. A taxpayer received \$10,500 in child support, \$16,000 in alimony, and \$1,500 in family maintenance payments in 2016. How much of this is taxable?
- \$10,500
 - \$16,000
 - \$17,500
 - \$28,000
15. Which of the following payments is *not* taxable?
- IRA disbursement
 - Savings account interest
 - Interest from a certificate of deposit
 - \$5,000 gift from your parents
16. If a taxpayer has \$17,000 in social security benefits (plus other income) what is the maximum amount that could be taxable?
- \$8,500
 - \$14,450
 - \$17,000
 - \$0, social security benefits are never taxable
17. What is the maximum loss a taxpayer can take for capital losses?
- \$0, you cannot take a capital
 - \$1,000
 - \$1,500
 - \$3,000
18. A single taxpayer had a state tax refund of \$1,352 received in 2016 and their itemized deductions from 2015 were \$6,950. Standard deduction for a 2015 single taxpayer was \$6,300. How much of this refund is taxable for 2016?
- \$1,352
 - \$0, state refunds are not taxable
 - \$650
 - \$1,000
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
 - \$1,500
20. Which of the following are never refundable credits in 2016?
- Child Tax Credit
 - Earned Income Credit
 - Residential Energy Credit
 - American Opportunity Credit

Problem #1: (54 points, 2 points each)

Michael Bursack, a single taxpayer and a third grade teacher has the following income and adjustments to income for 2016:

| | |
|------------------------------------|----------|
| W-2 income | \$65,488 |
| Federal WH on W-2 | \$9,740 |
| Ordinary Dividends (not qualified) | \$170 |
| Municipal Bond Interest | \$1,025 |
| Savings Account Interest | \$10 |
| Election Poll Income | \$110 |
| Unemployment compensation | \$1,663 |
| Educator Expenses | \$362 |
| Student Loan Interest Paid | \$1,075 |

Use the attached Form 1040 to complete Mr. Bursack's Form 1040. He did not itemize in 2015 and will not itemize in 2016. His phone number is 715-555-5555.

Problem #2: (46 points, 2 points each)

Complete the attached Schedule A Form 1040 for Matilda Hogstad, a single taxpayer born in 1971. Her records show the following paid expense receipts during 2016. Her SS# is 344-98-0087 and her AGI is \$101,400. 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; make ALL calculations.**

| | |
|---|---------|
| Real Estate Taxes on main home | \$3,650 |
| Mortgage Interest on main home | \$4,333 |
| Cash Donations to qualified charities | \$3,100 |
| Interest paid on credit cards for personal expenses | \$ 866 |
| Personal property taxes | \$ 62 |
| Gambling losses (gambling income of \$400) | \$ 843 |
| Donated a doll house to Goodwill (FMV of \$55) | \$??? |
| Qualified Mortgage Interest on home equity loan | \$ 443 |
| Real Estate taxes on lake lot | \$2,054 |
| Medical expenses paid | \$5,900 |
| Unreimbursed employee expenses from Form 2106 | \$3,622 |
| State Income Tax Withholding from W-2 | \$5,588 |
| Tax preparation for 2015 paid in 2106 | \$ 325 |