

FEDERAL INCOME TAX ACCOUNTING (140)

REGIONAL – 2020

Multiple Choice & Short Answer Section:

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

Production Portion:

Job 1: Taxable Income Calculation _____ (15 points)

Job 2: AGI, Tax Liability, and Due/Refund _____ (57 points)

TOTAL POINTS _____ (**112 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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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 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:

This test is using 2018 Federal Income Tax Laws.

Part 1 Multiple Choice: 20 questions, 2 points each for a total of 40 points

Choose the best answer or statement for each of the following questions.

1. A taxpayer's AGI includes all except
 - a. W2 income
 - b. Self-employment income
 - c. Dividend Income
 - d. Worker's Compensation

2. Qualified Dividends are taxed at a _____ than other ordinary income.
 - a. Higher rate
 - b. Lower rate
 - c. Universal rate
 - d. The same rate

3. AGI is the acronym for
 - a. Adjusted Gain Income
 - b. Alternative Gross Income
 - c. American Gross Income
 - d. Adjusted Gross Income

4. The standard deduction for 2018 for a Head of Household individual was?
 - a. \$12,000
 - b. \$24,000
 - c. \$18,000
 - d. None of the above

5. What is the personal and dependency exemption amount for 2017?
 - a. \$4,000
 - b. \$4,100
 - c. \$4,050
 - d. None of these are correct

6. If Hugh is a single taxpayer, with no children, and provides 55% support for his mother and father all year long (they do not live with him), what filing status would he file under?
 - a. Single
 - b. Parent Guardian
 - c. Head of Household
 - d. Married

7. If a single taxpayer is blind and over 65 years of age, how much would the total standard deduction be for 2017?
 - a. \$15,200
 - b. \$12,000
 - c. \$15,600
 - d. \$14,600

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8. A married filing joint couple that has taxable income of \$108,000 would be considered in which tax bracket?
 - a. 32%
 - b. 28%
 - c. 24%
 - d. 22%

9. When using the Age Test for determining exemptions, a 25 year old son, living with you full time, would be considered a dependent if?
 - a. Unable to hold down a job
 - b. Permanently disabled
 - c. Lost their job over from violations of OSHA laws
 - d. All of the above

10. For 2018 the child tax credit is how much per qualifying child?
 - a. \$1,000
 - b. \$2,000
 - c. \$1,500
 - d. \$500

11. The Child Tax Credit is a credit that can be...
 - a. Non Refundable only
 - b. Deduction for AGI
 - c. Refundable only
 - d. Can be Refundable and Non refundable

12. For a taxpayer in the 22% tax bracket, how much tax would be calculated on \$10,000 of Qualified Dividends of their taxable income (assuming all the qualified dividends fall in the 22% range of income)?
 - a. \$2,500
 - b. \$1,500
 - c. \$2,200
 - d. \$2,000

13. In 2018 you purchased & sold 10 shares of a stock paying \$62 each and selling them for \$48 each. In addition, you sold 15 shares of stock you purchased 10 years ago (costing \$30 each) for \$53 each, your Net Capital Gain would be?
 - a. \$140
 - b. \$345
 - c. \$205
 - d. \$200

14. In April of 2018 you put into service a Rental Property costing \$270,000. It has been determined the land is considered to be \$40,000 of the purchase price. How much depreciation will you take the first year on this rental (round to the nearest dollar)?
 - a. \$5,925
 - b. \$6,955
 - c. \$6,622
 - d. \$5,228

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15. Which of the following is generally not taxable income for Federal tax purposes?
 - a. Municipal bond interest
 - b. \$12,000 gift of money from your parents
 - c. Worker's Compensation Payments
 - d. All of the above

16. Which of the following is taxable to the individual receiving it?
 - a. Child support payments
 - b. Unemployment benefits
 - c. Accountable plan employee expenses
 - d. Scholarships used for tuition

17. Rental monies received during the year are \$850 per month for seven months. Expenses for the rental total \$4,664. How much rental income/loss will be reported?
 - a. \$5,536 income
 - b. \$1,286 loss
 - c. \$5,536 loss
 - d. \$1,286 income

18. If you had a state tax refund of \$1,960 from 2017 tax filings that you received in 2018, how much would be taxable if you took the standard deduction in 2017?
 - a. All of it
 - b. Just \$1,000
 - c. None of it
 - d. Cannot be determined from the information given

19. Mary and Manny get their divorce finalized in 2018. The divorce decree stipulates that Mary is the custodial parent and Manny can claim their child, Murton, on "odd" numbered year's tax returns. If Manny is not in arrears for child support, which scenario should happen in the tax year 2020?
 - a. Manny claims Murton and gets the child tax credit
 - b. Mary claims Murton and Manny gets the child tax credit
 - c. Mary claims Murton and gets the child tax credit
 - d. Mary and Manny split the exemption

20. The company Jack works for has a non-accountable expense reimbursement system. If Jack saves all of his receipts and he still spent \$876 more than what he received, can he possibly deduct this difference?
 - a. Yes, on form 2106
 - b. Yes, he deducts it from his W2 income
 - c. No, he cannot claim this deduction
 - d. Only if he is self-employed

Problem 1: Calculating Taxable Income (5 questions @ 3 points each) 15 Points Total

<u>Taxpayer</u>	<u>AGI</u>	<u>Filing Status</u>	<u>Over 65</u>	<u>Blind</u>	<u>Total Exemptions</u>
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Brown	\$40,120	Single	No	No	1
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Taxable Income: _____

Horton	\$87,600	MFJ	No	No	5
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Taxable Income: _____

Klinger	\$69,740	HOH	Yes	No	2
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Taxable Income: _____

Belinger	\$140,120	MFS	No	No	3
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Taxable Income: _____

James	\$62,710	HOH	Yes	Yes	2
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Taxable Income: _____

Continue to next page...

Problem 2: Calculating AGI, Taxable Income, and Refund/Tax Due (19 questions @ 3 points each) 57 points total. (Round calculations to the nearest dollar.)

John and Carol Bleak are married and file a joint return. They have two children that live with them all year long; Angie is 7 years old and Tony is 12 years old. The Bleak's have the following income and deduction items:

1-W2 income: John = \$37,040 (\$2,100 in Fed WH) and Carol \$59,844 (\$5,000 in Fed WH)

2-Interest Income: \$131.15 interest from savings

3-Carol is a FT High School teacher and has spent \$214 in her own money for qualified classroom supplies.

4-The couple has \$120 in election poll income from serving the township during last fall's election.

5-John's company does not participate in a qualified tax deferred program so he will put \$3,000 in his IRA (as he has done in prior years) before April 15th.

Using the information above and the form 1040 and Schedule 1 at the end of this test complete the following questions:

FORM 1040 Page 2

1. What is the amount on line 1 of the 1040? _____
2. What is the amount on line 2b of the 1040? _____
3. What is the amount on line 6 of the 1040? _____

4. What is the amount on line 7 of the 1040? _____
5. What is the amount on line 8 of the 1040? _____
6. What is the amount on line 10 of the 1040? _____
7. What is the amount on line 11 of the 1040? _____
8. What is the amount on line 12 of the 1040? _____
9. What is the amount on line 13 of the 1040? _____

10. What is the amount on line 15 of the 1040? _____

11. What is the amount on line 16 of the 1040? _____

12. What is the amount on line 19 of the 1040? _____

13. What is the amount on line 20a of the 1040? _____

Problem #2: Schedule 1, Form 1040

1. What is the entries on line 21 of Sched 1? _____

2. What is the amount on line 23 of Sched 1? _____

3. What is the amount on line 32 of Sched 1? _____

4. What is the amount on line 36 of Sched 1? _____

Form	1040	Department of the Treasury—Internal Revenue Service U.S. Individual Income Tax Return	(99)	2018	OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.
Filing status: <input type="checkbox"/> Single <input checked="" type="checkbox"/> Married filing jointly <input type="checkbox"/> Married filing separately <input type="checkbox"/> Head of household <input type="checkbox"/> Qualifying widow(er)					
Your first name and initial		Last name		Your social security number	
USE THIS FOR PROBLEM #2		BLEAK			
Your standard deduction: <input type="checkbox"/> Someone can claim you as a dependent <input type="checkbox"/> You were born before January 2, 1954 <input type="checkbox"/> You are blind					
If joint return, spouse's first name and initial		Last name		Spouse's social security number	
		BLEAK			
Spouse standard deduction: <input type="checkbox"/> Someone can claim your spouse as a dependent <input type="checkbox"/> Spouse was born before January 2, 1954 <input type="checkbox"/> Full-year health care coverage or exempt (see inst.)					
<input type="checkbox"/> Spouse is blind <input type="checkbox"/> Spouse itemizes on a separate return or you were dual-status alien					
Home address (number and street). If you have a P.O. box, see instructions.				Apt. no.	Presidential Election Campaign (see inst.) <input type="checkbox"/> You <input type="checkbox"/> Spouse
City, town or post office, state, and ZIP code. If you have a foreign address, attach Schedule 6.					If more than four dependents, see inst. and ✓ here ▶ <input type="checkbox"/>
Dependents (see instructions):					
(1) First name		Last name	(2) Social security number	(3) Relationship to you	(4) ✓ if qualifies for (see inst.):
					Child tax credit <input type="checkbox"/> Credit for other dependents <input type="checkbox"/>
					<input type="checkbox"/> <input type="checkbox"/>
					<input type="checkbox"/> <input type="checkbox"/>
					<input type="checkbox"/> <input type="checkbox"/>
					<input type="checkbox"/> <input type="checkbox"/>
Sign Here Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.					
Joint return? See instructions. Keep a copy for your records.		Your signature	Date	Your occupation	If the IRS sent you an Identity Protection PIN, enter it here (see inst.)
					<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
		Spouse's signature. If a joint return, both must sign.	Date	Spouse's occupation	If the IRS sent you an Identity Protection PIN, enter it here (see inst.)
					<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
Paid Preparer Use Only		Preparer's name	Preparer's signature	PTIN	Firm's EIN
		Firm's name ▶	Firm's address ▶	Phone no.	Check if: <input type="checkbox"/> 3rd Party Designee <input type="checkbox"/> Self-employed

SCHEDULE 1
(Form 1040)

Department of the Treasury
Internal Revenue Service

Additional Income and Adjustments to Income

▶ Attach to Form 1040.
▶ Go to www.irs.gov/Form1040 for instructions and the latest information.

OMB No. 1545-0074

2018
Attachment
Sequence No. **01**

Name(s) shown on Form 1040

Your social security number

BLEAK

		Your social security number	
Additional Income	1-9b Reserved	1-9b	
	10 Taxable refunds, credits, or offsets of state and local income taxes	10	
	11 Alimony received	11	
	12 Business income or (loss). Attach Schedule C or C-EZ	12	
	13 Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ <input type="checkbox"/>	13	
	14 Other gains or (losses). Attach Form 4797	14	
	15a Reserved	15b	
	16a Reserved	16b	
	17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	17	
	18 Farm income or (loss). Attach Schedule F	18	
	19 Unemployment compensation	19	
	20a Reserved	20b	
21 Other income. List type and amount ▶ _____	21		
22 Combine the amounts in the far right column. If you don't have any adjustments to income, enter here and include on Form 1040, line 6. Otherwise, go to line 23	22		
Adjustments to Income	23 Educator expenses	23	
	24 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	24	
	25 Health savings account deduction. Attach Form 8889	25	
	26 Moving expenses for members of the Armed Forces. Attach Form 3903	26	
	27 Deductible part of self-employment tax. Attach Schedule SE	27	
	28 Self-employed SEP, SIMPLE, and qualified plans	28	
	29 Self-employed health insurance deduction	29	
	30 Penalty on early withdrawal of savings	30	
	31a Alimony paid b Recipient's SSN ▶ _____	31a	
	32 IRA deduction	32	
	33 Student loan interest deduction	33	
34 Reserved	34		
35 Reserved	35		
36 Add lines 23 through 35	36		