

# Acct tax – college



-exam1-01/02/2012 Questions 1 thru 5 are True or False, 6 thru 11 are multiple choice 1) The marginal tax rate is useful in tax planning because it measures the tax effect of a proposed transaction. True. 2) If a taxpayer's total tax liability is \$30,000, taxable income is \$100,000; the average tax rate is 30 percent. True. The average tax = total federal income tax divided by taxable income 3) S Corporations (pass thru entities) result in a single level of taxation. (Are not taxed twice) True.

The income of an S corporation is generally subject to just one level of tax. 4) Taxpayers have the choice of claiming either the personal and dependency exemption or the standard deduction. False. The standard deduction vs. itemized deduction. 5) An individual who is claimed as a dependent by another person is not entitled to a personal exemption on his or her own return. True. 6) All of the following items are generally excluded from income except A) child support payments. B) interest on corporate bonds. C) interest on state and local government bonds. Municipal interest) D) life insurance proceeds paid by reason of death. 7) All of the following items are included in gross income except A) alimony received. B) rental income. (from rental property you own) C) interest earned on a bank account. D) child support payments received. 8) All of the following items are deductions for adjusted gross income except A) alimony paid. B) moving expenses. C) student loan interest. D) real estate taxes. 9) All of the following items are deductions from adjusted gross income except

A) itemized deductions. B) standard deduction. Mariana Talos -exam1-01/02/2012 C) personal exemptions. D) IRA deductions. 10) Edward, a widower whose wife died in 2008, maintains a household for himself and his

daughter who qualifies as his dependent. Edward's most favorable filing status for 2011 is A) single. B) surviving spouse. C) head of household. D) married filing jointly. 11) Helen, who is single, is considering purchasing a residence that will provide a \$28,000 tax deduction for property taxes and mortgage interest.

If her marginal tax rate is 25% and her effective tax rate is 20%, what is the amount of Helen's tax savings from purchasing the residence? A) \$5,600 B) \$7,000  $28000 \times 25\% = 7000$  C) \$21,000 D) \$22,400 12) Kate is single and a homeowner. In 2011, she has property taxes on her home of \$3,000, makes charitable contributions of \$2,000, and pays home mortgage interest of \$7,000. Kate's adjusted gross income for 2011 is \$77,000. REQUIRED: Calculate Kate's taxable income for 2011

W-2 Wages \$77,000 Adjusted gross income (AGI) Standard deduction: | \$77,000 5,800 | | Itemized deductions: | | Mortgage interest | \$ 7000 | | Real estate taxes | \$ 3000 | | Charitable contributions | \$ 2000 | Total Itemized Deductions | \$12,000 | Personal and dependency exemptions ( $\$3,700 \times 1$ ) \$3,700 Taxable income \$61,300 13) Brad and Angie are filing a joint tax return and had the following income and deductions during 2011:

Salaries \$100,000 Mariana Talos -exam1-01/02/2012 Interest income 10,000 Itemized deduction 16,000 Taxes withheld during year 14,000

REQUIRED: Calculate Brad and Angie's tax amount due or refund for 2011.

Salaries \$100,000 Interest income 10,000 Adjusted gross income (AGI) \$110,000

Itemized deduction 16,000 Personal and dependency exemptions ( $\$3,700 \times 2$ ) 7,400 Taxable income 86,600 Total Income Tax Liability 13,900 Taxes withheld during year 14,000 Refund \$100

14) Chris, a single taxpayer, had the following income and deductions during 2011? Salary \$55,000 Interest on bank account 300 Tax-exempt interest 200 Deduction for AGI 4,000 Itemized deductions 8,000

Taxes withheld 6,500 REQUIRED: Calculate Chris's tax amount due or refund for 2011. Salary \$55,000 Interest on bank account 300 Tax-exempt interest 200 Gross Income 55,500 Deduction for AGI 4,000 Itemized deductions 8,000 Personal and dependency exemptions ( $\$3,700 \times 1$ ) 3,700 Taxable Income 39,800 Total Income Tax Liability 6,075 Taxes withheld 6,500 Refund \$425

Mariana Talos -exam1-01/02/2012 15) Using the following information, prepare the 1040 U. S. Individual Income Tax Return for Bob and Brenda Horton, a married couple filing a joint return. Both Bob and Brenda are age 32 and have no dependents. (Form 1040, Schedule A, and Schedule B are required for this problem. ) Salary - Bob \$80,000 Salary - Brenda 72,000 Interest income 12,000 Deductible IRA contributions 8,000 Mortgage interest 7,500 Real estate taxes 5,200 Charitable contributions 6,000 Withholding 25,000 See Attach Forms 1040, schedule A and B.