

Basic Tax Law Test Study Guide

Basic Scenario 1: Adam Baker

	<i>Tax Topic</i>	<i>Page # in 4012</i>	<i>Notes</i>
1	Filing Status	B-12 through B-15	Choose the best one
2	Deductions	F-3 through F-4	

Basic Scenario 2: Cameron and Deirdre Edmunds

	<i>Tax Topic</i>	<i>Page # in 4012</i>	<i>Notes</i>
3	Earned Income Tax Credit	Section I	Focus on I3-I4
4	Earned Income Tax Credit	I-3	Part A Rules for Everyone What counts as earned income?

Basic Scenario 3: Eric and Fiona Fisher

NOTE: Re-Test scenario interview notes (page 62 in Pub. 6744) Ian's age should be 17

	<i>Tax Topic</i>	<i>Page # in 4012</i>	<i>Notes</i>
5	Nonrefundable Credits (Child Tax Credit)	G-4 through G-7	Review information for Child Tax Credit, Additional Child Tax Credit, and Credit for Other Dependents
6	Additional Child Tax Credit	G-4 through G-7	This amount is slightly different than last year.

Basic Scenario 4: Jack and Diane Gibson

	<i>Tax Topic</i>	<i>Page # in 4012</i>	<i>Notes</i>
7	Nonrefundable Credits	G-4 through G-7	
8	Earned Income Tax Credit	Section I	

Basic Scenario 5: Jasmine Harris

	<i>Tax Topic</i>	<i>Page # in 4012</i>	<i>Notes</i>
9	Earned Income Tax Credit	Section I	
10	Income (Retirement Distribution)	See Note	Review Pub. 4491-page 11-11

Basic Scenario 6: Lucas Turner

	<i>Tax Topic</i>	<i>Page # in 4012</i>	<i>Notes</i>
11	Income (Unemployment)	Section D	Look at the chart of taxable and non-taxable income.
12	Credits	Section I Section J	Review eligibility for each credit
13	Adjustments (Student Loan Interest)	E-17	

Basic Scenario 7: Owen and Kimberly Walker

In this scenario:

- Simple wages, retirement, dividend, and scholarship income along with education expenses.
- Education expenses-See tab J to see if they qualify for an education credit, which credit they might be eligible for, and what expenses are allowable.

PLEASE NOTE: There is an ERROR on page 42, SSA-1099 Box 5 should be \$15,000.

Use the TaxSlayer Practice Lab to prepare the tax return. The summary print view of the 1040 may not be correct. Take the action to print the return as a PDF to see the 1040.

	<i>Tax Topic</i>	<i>Page # in 4012</i>	<i>Notes</i>
14	Deduction (Standard Deduction)	F-3 through F-4	Look at the tax return you generated at Form 1040, Line 12
15	Education Credit	Section J	Look at the tax return you generated at Schedule 8863, Line 27
16	Nonrefundable Credits	G-4 through G-7	Look at the tax return you generated at Schedule 8812, Line 6
17	Federal Tax Withholding	See Note	You can add the amounts on the forms provided by the taxpayers, and you can view it on form 1040, Line 25d
18	Social Security (Taxable Amount)	See Note	If taxed, and how much, depends on filing status and total income. Look on form 1040, Line 6b
19	Income (Dividends)	See Note	See Pub. 4491 8-12 for a description/definition of what qualified dividends are.

Basic Scenario 8: Zoe Watson

In this scenario:

- Zoe has two children she supports, that have earned wages and lived at home. Look at the Dependency section, can she claim them? Go through the tables PUB 4012-page C3-C4.
- It says Zoe received disability pension benefits, but she has not reached the minimum retirement age of her employer's plan. There is a caution note in the middle of PUB 4491 page 11-2. Also, look at the 1099-R then look at PUB 4012-page D48-D50 under Box 7 Code 3. **watch what happens to the retirement income on the 1040 Page 1! (In real life—you would have to ask the client if they have reached retirement age for their company yet)

	<i>Tax Topic</i>	<i>Page # in 4012</i>	<i>Notes</i>
20	Income (Pension)	D-48 through D-50	See Note Above Look at your Form 1040, Line 1 (Wages) and 5 (Pensions)-where did the money end up?
21	Filing Status	B-12 through B-15	Which one is the best? We want to give them the one with the highest standard deduction they qualify for.
22	Earned Income Tax Credit	I-2 through I-4	Pull a print PDF of the return and look for a Schedule EIC to see which children are listed there.
23	Dependency	C-3	Review intake form and interview notes

			Look at who is on the 1040 page 1, under the dependent section of the return you generated.
24	Finishing the Return	K-27	

Basic Scenario 9: Hailey Simpson

In this scenario:

- The spouse, Liam, passed away in 2021; What will be Hailey's filing status for this return? See Decision Tree Pub. 4012 B12-B15.
- Hailey took money from her IRA account in January to pay for living expenses.
 - Has she reached retirement age?
 - Will she get penalized? If so, is there an exemption for her this year to avoid a penalty? See Pub. 4012 D48-D50 (look up the code) then go to pages H6-H7 to see if there are exceptions.
- Zoe was a teacher and purchased supplies for her class. See PUB 4012-page E-8 to see if she qualifies to claim the expense.
- Gambling winnings—See PUB 4012-page D-1, Does gambling have to be reported? Then See D-53
- Day care expenses PUB 4012 pages G10 through claimed G14. Who qualifies, what expenses are allowed.

Use the TaxSlayer Practice Lab to prepare the tax return. The summary print view of the 1040 may not be correct. Take the action to print the return as a PDF to see the 1040.

NOTE: Page 52, Hailey Simpson's Savings Account number 987654321

	<i>Tax Topic</i>	<i>Page # in 4012</i>	<i>Notes</i>
25	Income (Gambling Winnings)	D-3 and D-65	
26	Filing Status	B-12 through B-15	We want to give them the one with the highest standard deduction they qualify for.
27	Early Distribution Tax	D-48 though D-50 H-6 through H-7	See Note Above Check Schedule 2, is there an amount on line 8?
28	Credits	Section G	Look at the return, Schedule 8812, Line 5, if there is an amount there then they qualified for the CTC. If there is an amount on Line 7 then they qualified for Credit for Other Dependent.
29	Finishing the Return	K-22 through K-23	
30	Adjustments	E-8	Look at the PDF of the 1040 you created; how much is on Line 11?