

**1.** A single taxpayer with an AGI (and modified AGI) of \$240,000, which includes \$190,000 of salary and \$50,000 of long-term capital gains. What is the Net Investment Income tax liability this year, rounded to the nearest whole dollar amount?

- a. \$1,920      b. \$1,840      c. \$2,220      d. \$1,520      e. Other

**2.** Sean files as a single taxpayer and claims one personal exemption.

Sean's regular taxable income is \$200,000. He itemizes deductions for regular tax purposes. He paid:

(1) charitable contributions of \$7,000,

(2) residential real estate taxes of \$1,000,

(3) state income taxes of \$4,000,

(4) interest on a home equity loan of \$2,000 (proceeds to purchase a car), and

(5) miscellaneous itemized deductions of \$3,000 (after applying the "2% of AGI" rule).

What is Sean's AMTI?

- a. \$213,350      b. \$214,050      c. \$218,650      d. \$214,150      e. Other

**3.** Juanita is married and files a joint tax return with her husband.

Their AMT base is \$220,000, which includes \$20,000 of qualified dividends.

What is their tentative minimum tax?

- a. \$55,274      b. \$50,150      c. \$58,050      d. \$59,350      e. Other

**4.** Steve's regular federal income tax is \$10,000.

His tentative minimum tax (TMT) is \$24,000. What is his AMT?

- a. \$24,000      b. \$14,000      c. \$10,000      d. \$0      e. Other

**5.** Rhianna and Jay are married filing jointly.

They have six children for whom they may claim the child tax credit.

Their AGI was \$123,440.

What amount of child tax credit may they claim on their tax return?

- a. 5,300      b. 6,000      c. \$12,000      d. \$4,000      e. Other

**6.** Jerry (age 15) is claimed as a dependent by his parents Matt and Mary.

Jerry received \$5,000 of qualified dividends and he received \$800 from a part time job.

What is his taxable income?

- a. \$100      b. \$3,900      c. \$4,650      d. \$4,850      e. Other

**7.** Wanda (who is single with no dependent) owns and operates a CPA firm in Charlotte. Her gross income from the practice was \$200,000.

She incurred total expenses of \$60,000 for salaries, rent, supplies, etc. (not considering self-employment tax and her health insurance premiums). She had no other income.

What is her deduction for self-employment tax (rounded to nearest dollar)?

- a. \$9,222   b. \$7,650   c. \$18,257   d. \$8,529   e. Other

**8. Ann** is 15 years old and qualifies as a dependent on her parents' tax return.

She earned \$4,000 from a part-time job and received \$900 of dividend income.

What is **Ann's** federal taxable income?

- a. \$550   b. \$700   c. \$650   d. \$0   e. Other

**9.** Robert (age 12) received interest income of \$1,500 from a corporate bond.

Robert lives with his parents and he is their dependent.

His parents' marginal tax rate is 28%. What is Robert's gross tax liability?

- a. \$50   b. \$45   c. \$154   d. \$109   e. Other

**10.** A single (head of household) taxpayer reports following federal individual income tax information.

Regular taxable income	\$100,000
Regular income tax before credits	?
Alternative minimum taxable income	\$200,000

How much AMT is owed by this taxpayer?

- a. \$32,125   b. \$25,323   c. \$25,909   d. \$23,908   e. Other

**11.** Which of these items is added to regular taxable income in computing alternative minimum taxable income?

- a. Home mortgage interest expense.   c. Private activity bond interest  
b. Employee moving expenses.   d. Charitable contributions.

**12.** Bob and Beth are married and have two children ages 12 and 10.

Their adjusted gross income for the current year is \$120,000.

What amount can they claim for the child tax credit?

- a. \$ 500   b. \$ 800   c. \$1,000   d. \$1,500   e. \$2,000

1 D

<b>Single</b>	<b>Case A</b>
<b>Wages- earned equally by spouses</b>	<b>\$190,000</b>
<b>Dividends, Interest and LTCG</b>	<b>50,000</b>
<b>Modified Adjusted Gross Income (MAGI )</b>	<b>240,000</b>
<b>Less Threshold Amount</b>	<b>(200,000)</b>
<b>Excess over threshold</b>	<b>40,000</b>
<b>Medicare Surtax (Sec. 1411)</b>	
<b>Lesser of:</b>	
<b>1) AGI Over \$250,000</b>	<b>40,000</b>
<b>2) Net Investment Inc.</b>	<b>50,000</b>
<b>Amount subject to tax.</b>	<b>40,000</b>
<b>Tax Rate</b>	<b>3.8%</b>
<b>Amount of tax on investment income</b>	<b>\$1,520</b>

2 B

<b>1</b>	<b>Start with regular taxable income - above. (Before NOL)</b>	<b>\$200,000</b>
<b>2</b>	Add back <b>exemptions</b> for self, spouse, dependents	<b>4,050</b>
<b>3</b>	Subtotal (This is where you start on Form 6251)	<b>204,050</b>
<b>4</b>	Add back <b>standard deduction</b> (or itemized deductions <b>not allowed</b> in computing AMT). Real estate taxes	<b>1,000</b>
	State income tax	<b>4,000</b>
	Interest-home equity loan	<b>2,000</b>
	Misc. itemized deductions	<b>3,000</b>
<b>5</b>	<b>Adjust</b> regular taxable income for items with a substitute AMT method. (Percentage of Completion Method, Incentive options, etc.)	
<b>6</b>	Add <b>AMT preferences</b> (Private activity bond interest, etc.)	<b>\$0</b>
<b>7</b>	Subtract net operating loss allowed for AMT	
<b>8</b>	<b>AMTI [Combine amounts in lines 3 through 7, to get AMTI]</b>	<b>214,050</b>

3 A

<b>10</b>	<b>Taxable Excess- Base for AMT Tax Computation</b>	<b>220,000</b>
	Less amount of qualified dividends	<b>20,000</b>
	<b>Amount taxed at regular rates</b>	<b>200,000</b>
<b>11</b>	<b>Tax on line 10</b>	
	Up to: <b>186,300</b> 26% <b>186,300</b>	<b>48,438</b>
	above: <b>186,300</b> 28% <b>13,700</b>	<b>3,836</b>
	Subtotals	<b>200,000</b> <b>52,274</b>
	Qualified dividends      15% <b>20,000</b>	<b>3,000</b>
	Tentative minimum tax before foreign tax credit	<b>55,274</b>
<b>12</b>	Subtract foreign tax credit	
<b>13</b>	<b>Subtotal - This is tentative minimum tax</b>	<b>55,274</b>
<b>14</b>	Enter regular income tax from page 2 of Form 1040	
<b>15</b>	<b>If TMT (Line 13) exceeds Regular tax (Line 14), excess is AMT</b>	

4 B

<b>13</b>	<b>Tentative minimum tax</b>	<b>24,000</b>
<b>14</b>	Regular income tax	<b>\$10,000</b>
<b>15</b>	<b>If TMT (Line 13) exceeds Regular tax (Line 14), excess is AMT</b>	<b>\$14,000</b>

5 A

**Child Credit**

Adjusted Gross Income		\$123,440
Amount of credit per child		1,000
Number of children under 17		6
Total credit before phaseout		6,000
Phase Out		
<b>Threshold</b>	<b>\$110,000</b>	
AGI above Threshold	\$13,440	
Number of layers at \$1,000 per layer	14	
Phaseout per layer	\$50	
Phase-out		700
<b>Child Credit</b>		<b>\$5,300</b>

6 C

<b>Jerry</b>			
Wages - Earned Income			\$800
Dividend Income - Unearned Income			5,000
			5,800
Standard Deduction: Greater of:			
1. Base deduction		\$1,050	
2. Earned income +	\$350	1,150	1,150
<b>Taxable Income</b>			<b>\$4,650</b>

7 A	Net profit on Schedule C	\$140,000		
	Factor for S.E. tax base	92.35%		
	Base for S.E. Tax	<b>\$129,290</b>		
	Amount subject to 15.3%	\$118,500	15.30%	<b>\$18,131</b>
	Amount subject to 2.9%	\$10,790	2.90%	<b>\$313</b>
	Self-employment tax			<b>\$18,443</b>
	Self-employment tax deduction			<b>\$9,222</b>

8 A	<b>ANN</b>		
	Wages		\$4,000
	Dividend Income		900
			4,900
	Standard Deduction: Greater of:		
	1. Base deduction, or	\$1,050	
	2. Earned income + \$350	4,000	4,350
	<b>Taxable Income</b>		<b>\$550</b>

9 B	<b>Robert</b>		
	Interest Income		1,500
	Standard Deduction: Greater of:		
	1. Base deduction, or	\$1,050	1,050
	2. Earned income + \$350		
	<b>Taxable Income</b>		<b>450</b>
<b>Tax rate</b>		<b>10%</b>	
		<b>\$45</b>	

10 D	<b>Taxable Income</b>			<b>\$100,000</b>
	<b>Tax Computations:</b>	<b>Base</b>	<b>Rate</b>	<b>Tax</b>
	Next to top layer	50,400		6,898
	Top layer	49,600	25%	12,400
	<b>Totals</b>	<b>\$100,000</b>		<b>\$19,298</b>
	<b>Regular taxable income</b>			<b>100,000</b>
	<b>Adjustments and preferences (types not identified)</b>			<b>100,000</b>
	<b>AMTI</b>			<b>200,000</b>
	Subtract "AMT Exemption "			<b>(33,825)</b>
	<b>Taxable Excess- Base for AMT Tax Computation</b>			<b>166,175</b>
	Tax on taxable excess, 26% of first		\$186,300	<b>43,206</b>
	28% of amount over		\$186,300	
	<b>Get subtotal - This is tentative minimum tax</b>			<b>43,206</b>
	Regular income tax			<b>19,298</b>
	<b>Excess of TMT over regular tax is AMT</b>			<b>23,908</b>
	<b>Amount of Exemption Before Reduction</b>			<b>\$53,900</b>
	<b>AMTI</b>	<b>200,000</b>		
	<b>Threshold (H of H)</b>	<b>119,700</b>		
	<b>Excess of AMTI over threshold</b>	<b>80,300</b>		
	<b>Phaseout percentage - 25%</b>		<b>25%</b>	
<b>Exemption disallowed</b>			<b>(20,075)</b>	
<b>Exemption allowed</b>			<b>\$33,825</b>	

11 C

**12 D Child Credit - Bob and Beth**

Adjusted Gross Income		\$120,000
Amount of credit per child		1,000
Number of children under 17		2
Total credit before phaseout		2,000
Phase Out		
<b>Threshold</b>	<b>\$110,000</b>	
AGI above Threshold	\$10,000	
Number of layers at \$1,000 per layer	10	
Phaseout per layer	\$50	
Phase-out		500
<b>Child Credit</b>		<b>\$1,500</b>