

Federal Tax Test No. 2. Chapters 4- 7.**See last 2 Pages for Tax Tables****Fall, 2015. The University of North Carolina at Charlotte****Test No. _____**

Name _____ Row In Class _____

INSTRUCTIONS: This test is "open book," which means you may use your textbook during the test. You may also use notes. The test contains 25 multiple-choice questions. A question may cover material from more than one chapter. Some answers may be rounded to nearest dollar. Assume the tax year is 2015, unless a question indicates otherwise. Avoid all appearances of impropriety. If you see any sign of impropriety, please prepare an anonymous note and slide it under the instructor's office door.

Failure to follow instructions below will result in a 10 point reduction in your grade.

Multiple Choice- 25 questions count 4 points each for a total of 100 Points.

1. Use a soft-lead pencil
2. Enter name in appropriate space (above on this page). Write clearly.
3. Enter above the row number for your seat in the regular class (write above on this page).

On the Opscan Sheet

5. Enter name (last name first) in the area for "NAME."
6. Enter test number (found in top right corner of this page) in "special codes" area.
7. Blacken the area in the circle containing the appropriate letter for each question.

For each question, choose the best answer.

1. Which one of these expenditures is not a deduction from adjusted gross income?

- a. Charitable Contribution c. Casualty losses e. Home mortgage interest
b. Alimony payments d. State income taxes

2. [§163] Amanda paid interest of \$15,000 on her \$300,000 acquisition debt for her home (fair market value of \$500,000), \$5,000 of interest on her \$70,000 home-equity loan, \$1,000 of credit card interest, and \$3,000 of margin interest on a loan from her stock broker for the purchase of stock.

Assume that Amanda has \$1,400 of interest income this year and no investment expense.

How much of the interest expense may she deduct this year?

- a. \$28,000. b. \$25,000. c. \$24,000. d. \$21,400. e. Other

3. [§213] Juan incurs the following medical expenses during the current tax year:

Surgeon's fees	\$2,200
Medical insurance premiums	1,600
Hospital fees	800
Prescription drugs	310
Cost of eye glasses	200
Vitamins bought without prescription	300

Juan's adjusted gross income for the year is \$40,000. He receives a \$500 reimbursement from his insurance company. Determine the amount of his medical expense deduction for the current year.

- a. \$ - 0 - b. \$ 410 c. \$610 d. \$1,400 e. \$1,610

4. [§164, 111] **Mary** provided this information about to her state income taxes:

State income taxes withheld in 2015	\$4,500
Refund of 2014 state income tax, received in 2015	400
Deficiency paid in 2015 after audit of her 2013 state income tax return:	
State income tax	800
Interest on state income tax liability	100

A state income tax refund of \$200 for 2015 will be claimed on the 2015 **state** income tax return filed on April 15, 2016. What is her deduction for state income taxes on her **2015 federal tax return**?

- a. \$3,500 b. \$3,700 c. \$4,100 d. \$5,300 e. Other

5. Dan has AGI of \$50,000 and paid the following taxes during this tax year.

State income tax withholding	\$1,400
State income tax estimated payments	750
Federal income tax withholding	3,000
Social Security tax withheld from wages	2,100
State excise tax on liquor	400
Automobile license (based on the car's weight)	300
State sales tax paid	475

Calculate how much Dan can deduct for taxes as itemized deductions this year.

- a. \$4,250 b. \$2,150 c. \$4,500 d. \$4,300 e. Other

6. [§170(b)(1)(C)(i)] Taxpayer donated stock (capital gain property) to a public charity in 2015. She bought the stock 3 years ago for \$110,000. On the date of the gift, it had a fair market value of \$300,000. What is her maximum charitable contribution deduction for 2015, if her AGI is \$400,000?

- a. \$120,000 b. \$200,000 c. \$150,000 d. \$110,000 e. None of the above

7. [§165] Roberta's residence was totally destroyed by fire. The residence had an adjusted basis of \$150,000 and a FMV of \$180,000 before the fire. Roberta received insurance reimbursement of \$120,000 for the destruction of her home. Roberta's adjusted gross income was \$80,000. She had no casualty gains. What amount of the **fire loss** was Roberta entitled to claim as an itemized deduction on her tax return?

- a. \$30,000 b. \$21,900 c. \$1,960 d. \$0 e. Other

8. Joan is a sales manager for Big Corporation in Charlotte. This year, Joan made two business trips to New York to visit the purchasing manager at Rich Corporation. The purpose of the visits was to convince Rich Corporation to start buying office supplies from Big Corporation. Big Corporation does not provide reimbursement for employee business travel expenses. Joan's adjusted gross income is \$100,000 for the current year. Joan incurred the following expenses for the two trips to New York:

Air fare	\$1,500
Lodging	\$1,000
Meals	\$600

What is the amount of Joan deduction for these expenses after application of any AGI limitations?

- a. \$3,100 b. \$2,800 c. \$800 d. \$1,100 e. Other

9. Mary Kay is single and has three dependent children. In 2015, Mary Kay has **AGI of \$400,000**. She files as a head of household. The exemptions phased-out threshold for a head of household is \$284,050. Calculate her deductible total personal and dependency exemptions.

- a. \$960 b. \$200 c. \$3,460 d. \$0 e. Other

10. Jeremy earned \$100,000 in salary and **\$16,000** in interest income during the year.

Jeremy also has a long-term capital gain of \$4,000. Jeremy has two qualifying dependent children who live with him. Neither of his dependents qualifies for the child tax credit.

He qualifies to file as head of household and has \$17,000 in itemized deductions.

What is Jeremy's tax liability before credits (for withholding, etc.)? Use the 2015 tax rate schedules.

- a. 14,172.50 b. \$16,403.5 c. \$17,001.00 d. \$16,672.50 e. Other

18. An individual had salary income and capital gains and losses as follows:

Tax Year:	2015	2016	2017
Salary	\$40,000	\$120,000	\$120,000
Long-term capital gain	\$0	\$2,000	\$0
Long-term capital (loss)	(\$10,000)	\$0	\$10,000
Short-term capital gain	\$14,000	\$0	\$0
Short-term capital (loss)	\$0	(\$17,000)	\$0

She is single, and has no deduction for AGI, other than capital losses.

She claims deductions totaling \$20,000 each year for her exemption and itemized deductions.

What is her tax rate for the capital gains in 2015?

- a. 0% b. 10% c. 15% d. 28% e. Other

19. Sarah purchased a home on January 1, 2008 for \$200,000, and later sold the home for \$800,000 in 2015. She used home as her principal residence from January 1, 2008 until she sold it on December 30, 2015. In 2015, Sarah met John, who lived in California.

John moved into Sarah's home in November, 2015. They were married on December 25, 2015.

What amount of gain will be recognized on the sale of this home, on their 2015 joint return?

- a. \$0 b. \$100,000 c. \$350,000 d. \$600,000 e. Other

20. Anwar owns a rental home and is involved in maintaining the home and approving renters. During the year he has a net loss of \$8,000 from renting the home. His only other source of income during the year was his salary of \$140,000. How much of Anwar's \$8,000 rental loss can he deduct currently if he has no sources of passive income?

- a. \$0 b. \$5,000 c. \$20,000 d. \$25,000 e. \$8,000

21. Clem is a self-employed carpenter. Clem's wife, Wanda, works as a grade school teacher. They file a joint tax return. Clem and his wife are covered by a health insurance plan provided by Wanda's employer. This year Clem spent \$500 for materials and supplies related to his job. Clem and Wanda own a garage downtown that they rent to a local business for storage. This year they incurred \$1,250 in utilities and depreciation of \$780 related to the garage. Clem paid total self-employment tax of \$15,300.

What is the total amount of their deductions for AGI?

- a. \$10,180 b. \$2,350 c. \$8,120 d. \$0 e. Other

22. Shirley is not covered by a retirement plan at work. Her husband is also not covered by a retirement plan at work. Both are 62 years old. Their combined AGI is \$280,000, all from their salaries. What is the maximum amount of deductible contribution that Shirley may make to her traditional IRA in 2015?

- a. \$0 b. \$2,200 c. \$3,500 d. \$5,500 e. \$6,500

23. Brooklyn is 39 years old in 2015. She has a balance of \$80,000 in her traditional account.

She decided to buy a new car. She withdrew \$30,000 from the IRA to help pay for the car.

She is currently in the 25 percent marginal tax bracket. What amount of the withdrawal, after tax considerations, will Brooklyn have available to purchase the car?

- a. \$0 b. \$30,000 c. \$20,500 d. \$19,500 e. Other

24. Sue rented her vacation home for 60 days at a fair rental rate of \$100 per day. She lived in the home 30 days. She has provided this information about income and expenses for the vacation home for the year.

Total Income and Expenses	Total						
Sue's gross rental income (60 days)	\$6,000						
Real estate taxes (total amount paid)	\$3,650						
Mortgage interest expense (total)	\$7,300						
Utilities & maintenance expense (total)	\$2,400						
Depreciation (total)	\$9,000						

How much depreciation can be deducted on her tax return, using any approved methods most favorable for the taxpayer? (This is not a leap year.)

- a. \$1,000 b. \$2,800 c. \$1,871 d. \$825 e. \$2,600

25. Juan obtains a new job in Los Angeles and moves from Charlotte to Los Angeles during the current year. He incurs the following moving expenses:

Transportation of household goods	\$6,000
House-hunting trips to Los Angeles	600
Cost of transporting Jay's family	2,300
Meals incurred while moving the family	200
Temporary living expenses while waiting for the new residence to be constructed	1,000

His new employer does not reimburse for moving expenses. What is Juan's moving expense deduction?

- a. \$ - 0 - b. \$ 9,500 c. \$8,300 d. \$ 9,000 e. Other

2015 Federal Tax Rate Schedule

Schedule X- Single		
If taxable income is over:	But not over:	The tax is:
\$ 0	\$ 9,225	10% of taxable income
\$ 9,225	\$ 37,450	\$922.50 plus 15% of the excess over \$9,225
\$ 37,450	\$ 90,750	\$5,156.25 plus 25% of the excess over \$37,450
\$ 90,750	\$ 189,300	\$18,481.25 plus 28% of the excess over \$90,750
\$ 189,300	\$ 411,500	\$46,075.25 plus 33% of the excess over \$189,300
\$ 411,500	\$ 413,200	\$119,401.25 plus 35% of the excess over \$411,500
\$ 413,200	—	\$119,996.25 plus 39.6% of the excess over \$413,200

Schedule Z-Head of Household		
If taxable income is over:	But not over:	The tax is:
\$ 0	\$ 13,150	10% of taxable income
\$ 13,150	\$ 50,200	\$1,315.00 plus 15% of the excess over \$13,150
\$ 50,200	\$ 129,600	\$6,872.50 plus 25% of the excess over \$50,200
\$ 129,600	\$ 209,850	\$26,722.50 plus 28% of the excess over \$129,600
\$ 209,850	\$ 411,500	\$49,192.50 plus 33% of the excess over \$209,850
\$ 411,500	\$ 439,000	\$115,737.00 plus 35% of the excess over \$411,500
\$ 439,000	—	\$125,362.00 plus 39.6% of the excess over \$439,000

Schedule Y-1-Married Filing Jointly of Qualifying Widow(er)		
If taxable income is over:	But not over:	The tax is:
\$ 0	\$ 18,450	10% of taxable income
\$ 18,450	\$ 74,900	\$1,845.00 plus 15% of the excess over \$18,450
\$ 74,900	\$ 151,200	\$10,312.50 plus 25% of the excess over \$74,900
\$ 151,200	\$ 230,450	\$29,387.50 plus 28% of the excess over \$151,200
\$ 230,450	\$ 411,500	\$51,577.50 plus 33% of the excess over \$230,450
\$ 411,500	\$ 464,850	\$111,324.00 plus 35% of the excess over \$411,500
\$ 464,850	—	\$129,996.50 plus 39.6% of the excess over \$464,850

Schedule Y-2- Married Filing Separately		
If taxable income is over:	But not over:	The tax is:
\$ 0	\$ 9,225	10% of taxable income
\$ 9,225	\$ 37,450	\$922.50 plus 15% of the excess over \$9,225
\$ 37,450	\$ 75,600	\$5,156.25 plus 25% of the excess over \$37,450
\$ 75,600	\$ 115,225	\$14,693.75 plus 28% of the excess over \$75,600
\$ 115,225	\$ 205,750	\$25,788.75 plus 33% of the excess over \$115,225
\$ 205,750	\$ 232,425	\$55,662.00 plus 35% of the excess over \$205,750
\$ 232,425	—	\$64,998.25 plus 39.6% of the excess over \$232,425

2014 Federal Tax Rate Schedule

Schedule X—Single		
If taxable income is over:	But not over:	The tax is:
\$ 0	\$ 9,075	10% of taxable income
\$ 9,075	\$ 36,900	\$907.50 plus 15% of the excess over \$9,075
\$ 36,900	\$ 89,350	\$5,081.25 plus 25% of the excess over \$36,900
\$ 89,350	\$ 186,350	\$18,193.75 plus 28% of the excess over \$89,350
\$ 186,350	\$ 405,100	\$45,353.75 plus 33% of the excess over \$186,350
\$ 405,100	\$ 406,750	\$117,541.25 plus 35% of the excess over \$405,100
\$ 406,750	—	\$118,118.75 plus 39.6% of the excess over \$406,750

Schedule Z—Head of Household		
If taxable income is over:	But not over:	The tax is:
\$ 0	\$ 12,950	10% of taxable income
\$ 12,950	\$ 49,400	\$1,295.00 plus 15% of the excess over \$12,950
\$ 49,400	\$ 127,550	\$6,762.50 plus 25% of the excess over \$49,400
\$ 127,550	\$ 206,600	\$26,300.00 plus 28% of the excess over \$127,550
\$ 206,600	\$ 405,100	\$48,434.00 plus 33% of the excess over \$206,600
\$ 405,100	\$ 432,200	\$113,939.00 plus 35% of the excess over \$405,100
\$ 432,200	—	\$123,424.00 plus 39.6% of the excess over \$432,200

Schedule Y-1—Married Filing Jointly or Qualifying Widow(er)		
If taxable income is over:	But not over:	The tax is:
\$ 0	\$ 18,150	10% of taxable income
\$ 18,150	\$ 73,800	\$1,815.00 plus 15% of the excess over \$18,150
\$ 73,800	\$ 148,850	\$10,162.50 plus 25% of the excess over \$73,800
\$ 148,850	\$ 226,850	\$28,925.00 plus 28% of the excess over \$148,850
\$ 226,850	\$ 405,100	\$50,765.00 plus 33% of the excess over \$226,850
\$ 405,100	\$ 457,600	\$109,587.50 plus 35% of the excess over \$405,100
\$ 457,600	—	\$127,962.50 plus 39.6% of the excess over \$457,600

Schedule Y-2—Married Filing Separately		
If taxable income is over:	But not over:	The tax is:
\$ 0	\$ 9,075	10% of taxable income
\$ 9,075	\$ 36,900	\$907.50 plus 15% of the excess over \$9,075
\$ 36,900	\$ 74,425	\$5,081.25 plus 25% of the excess over \$36,900
\$ 74,425	\$ 113,425	\$14,462.50 plus 28% of the excess over \$74,425
\$ 113,425	\$ 202,550	\$25,382.50 plus 33% of the excess over \$113,425
\$ 202,550	\$ 228,800	\$54,793.75 plus 35% of the excess over \$202,550
\$ 228,800	—	\$63,981.25 plus 39.6% of the excess over \$228,800

Basic Standard Deduction Amounts

Filing Status	2014 Deduction	2015 Deduction
Married Filing Jointly	\$12,400	\$12,600
Qualifying Widow or Widower	\$12,400	\$12,600
Married Filing Separately	\$ 6,200	\$ 6,300
Head of Household	\$ 9,100	\$ 9,250
Single	\$ 6,200	\$ 6,300

Amount of Each Additional Standard Deduction

	2014 Amount	2015 Amount
Married taxpayers 65 or over or blind	\$1,200	\$1,250
Single taxpayer or head of household who is 65 or over or blind	\$1,550	\$1,550

Personal and Dependency Exemption

2014 Exemption	2015 Exemption
\$3,950	\$4,000

Corporate Income Tax Rates

Taxable Income	Tax
< \$50,000	15% of the taxable income
\$50,000–\$75,000	\$7,500 + 25% of taxable income over \$50,000
\$75,000–\$100,000	\$13,750 + 34% of taxable income over \$75,000
\$100,000–\$335,000	\$22,250 + 39% of taxable income over \$100,000
\$335,000–\$10,000,000	\$113,900 + 34% of taxable income over \$335,000
\$10,000,000–\$15,000,000	\$3,400,000 + 35% of taxable income over \$10,000,000
\$15,000,000–\$18,333,333	\$5,150,000 + 38% of taxable income over \$15,000,000
Over \$18,333,333	35% of the taxable income

*JICA Wage Limit for 2015 = \$118,500
2014 = \$117,000*

Answers for Acct 4220 Test No. 2, Fall, 2015					
		Topic	Source	Chap	No.
1	B	Deduct for or from AGI			
2	D	Itemized deduction for interest			
3	C	Compute medical expense deduction	Connect Problem	7	32
4	D	Compute deduction for state income tax			
5	B	Compute deduction for taxes	Connect Problem	7	36
6	A	Charity deduction for appreciated property			
7	A, B, C, D, E	Casualty Loss - all students get credit			
8	C	Miscellaneous itemized deductions and 2% rule.			
9	A	Exemption phase-out.			
10	D	Compute tax: ordinary income and cap gain	Connect Problem	4	26
11	A	Filing status	Connect Problem	4	45
12	B	Taxable income, elderly couple with Soc. Sec.			
13	C	Amount withheld for Medicare tax			
14	A	Tax benefit rule - refund of state income tax	Connect Problem	5	51
15	C	Nonqualified stock option - income recognition			
16	A	Incentive stock option - income recognition			
17	D	Compute amount of income from annuity	Connect Problem	5	59
18	C	Tax rate paid on short-term capital gains			
19	C	Gain on sale of residence			
20	B	Passive loss deduction limit	Connect Problem	6	39
21	A	Deductions for a self-employed person	Connect Problem	6	50
22	E	IRA deduction limit for person with no employer plan			
23	D	Early withdrawal from IRA	Connect Problem	6	58
24	E	Vacation home			
25	C	Moving expense			

1 B

2 D	Interest on acquisition debt	\$15,000	\$15,000
	Interest on home equity debt	\$5,000	\$5,000
	Credit card interest	\$1,000	\$0
	Interest on margin loan	\$3,000	
	Amount of net investment income	\$1,400	
	Investment interest deduction		\$1,400
	Total Deduction		\$21,400

3 C **Juan**

Adjusted Gross Income		\$40,000
Surgeon's fees	\$2,200	
Medical insurance prem.	1,600	
Hospital fees	800	
Prescription drugs	310	
Cost of eye glasses	200	
Medical Expenses Paid	5,110	
Reimbursements	(500)	
Net	4,610	
Subtract 10% of AGI	(4,000)	
Deduction-Medical Expense		\$610

4 D

Mary	Yr. Received or paid	Data	Deduct 2015
Taxes withheld in 2015	2015	\$4,500	\$4,500
Refund received in 2015 of 2014 tax	2015	400	
This refund is reported as income-does not affect deduction			
Deficiency assessed & paid in 2015 for 2013:			
Tax	2015	800	800
Interest	2015	100	
Refund of 2015 State income taxes	2016	200	
Deduction for state income taxes for 2015			\$5,300

Interest on tax deficiency is not deductible.

Refund of state income taxes is included in income under tax benefit rule.

5 B Connect homework problem'

6 A **Taxpayer: Stock is appreciated capital gain property limited to 30% of AGI.**

	Data	Return
Donation: Stock - capital gain property		
Adjusted Gross Income	\$400,000	\$400,000
Land given to public charity		
Cost	110,000	
Value	300,000	
Amount of contribution	300,000	
Limit as % of AGI	30%	
Limit - 30% using FMV		\$120,000
Alternative limit - 50% using cost as gift amount		\$110,000

7 B	Roberta	Omit	Info.
	Adjusted gross income		\$80,000
	Fair market value before the casualty		180,000
	Fair market value after the casualty		0
	Decline in value		180,000
	Cost basis		150,000
	Lesser of cost or decline in value		150,000
	Insurance proceeds		120,000
	Loss		30,000
	10% of AGI		(8,000)
	\$100 floor		(100)
	Deduction		\$21,900

Note: this is a casualty loss of personal use property.
With a casualty loss of business or investment property,
you would not deduct 10% of AGI or \$100.

8 C	Joan's Travel Expense		
	Joan's had a business trip from the Dallas to New York this year. During the trip, Joan incurred the following expenses:		
	Adjusted gross income		\$100,000
	Air fare	\$1,500	\$1,500
	Lodging	\$1,000	\$1,000
	Meals (50%)	\$600	\$300
	Total deductible expenses		\$2,800
	Less: 2% of AGI		\$2,000
	Total deductible expenses		\$800

See Sec. 274(n)

9 A	Exemption Phase-out	H of H	2015
	Adjusted gross income		\$400,000
	Threshold		\$284,050
	Amount above threshold		\$115,950
	Layer amount (\$2,500 or \$1,250)		\$2,500
	Number of layers		46.38
	Number of Layers rounded up		47.0
	Disallowed % (2% per layer)		94.00%
	Exemption amount	\$4,000	
	Number of exemptions	4	
	Total exemptions before phase-out	\$16,000	
	Exemption Deduction Disallowed		\$15,040
	Exemption Deduction Allowed		\$960

No Ans

10 D Jeremy, Head of Household, 2015

		Computation
Salary		\$100,000
Interest Income		\$16,000
Capital Gains		\$4,000
Itemized deductions or Std.	\$17,000	
Exemptions	\$12,000	(29,000)
Taxable Income		\$91,000
Remove Long-term Capital Gains		(\$4,000)
Income subject to ordinary tax rates		\$87,000

	Base	Rate	Tax
First layer for this taxpayer	50,200		6,872.50
Top layer for this taxpayer	36,800	25%	9,200.00
Total ordinary income and related tax	87,000		16,072.50
Capital Gain income and related tax	\$4,000	15%	600.00
Total income tax			16,672.50

11 A Homework. Mary does not qualify for exemption deduction for mother

12 B Sarah, Sam Joint Return 2015

Pension income		\$25,000
50% of benefits	\$6,000	
Other income	25,000	
Modified AGI	31,000	
MAGI threshold for taxation	32,000	
Taxable amount of SS benefits		0
Adjusted Gross Income		25,000
Exemptions		(8,000)
Basic standard deduction	12,600	
Additional std. deduction		
Amount	Number	
1,250	2	2,500
Standard Deduction	15,100	(15,100)
Taxable Income		\$1,900

13 C S. security & Medicare tax withheld 2015

Salary and bonus in 2015	\$220,000		
Limit for OASDI (6.2% tax)-2015	\$118,500		
Amount Subject to both taxes	\$118,500	7.65%	\$9,065.25
Additional Amt Subject to Medicare tax	101,500	1.45%	1,471.75
Total Tax	\$220,000		10,537.00

Medicare tax on bonus	20,000	1.45%	290.00
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14 A

Income tax refund, tax benefit rule	
State Income withheld in 2014	\$2,000
State Income Tax Refund for 2014	\$1,000
Total itemized deductions for 2014	\$7,000
Standard Deduction amount for 2014	\$6,200
Excess of Itemized Deduction over Standard Deduction	\$800
	A

15 C

	Non-Qualified Stock Option	No. of Shares	Strike Price Per Share	FMV per share	Total Value	Amount Paid	Current Income	Ending Total Cost/basis
	Granted	100	\$5	\$5	\$500		\$0	
June 1, 2014	Vest	100	\$5	\$30	\$3,000		\$0	
June 1, 2014	Purchase	100	\$5	\$30	\$3,000	\$500	\$2,500	\$3,000
June 4, 2015	Sold	100	\$5	\$40	\$4,000		\$1,000	N/A

16 A

	Incentive Stock Option	No. of Shares	Strike Price Per Share	FMV per share	Total Value	Amount Paid	Current Income	Ending Total Cost/basis
	Granted	100	\$5	\$5	\$500		\$0	
June 1, 2014	Vest	100	\$5	\$30	\$3,000		\$0	
June 1, 2014	Purchase	100	\$5	\$30	\$3,000	\$500	\$0	\$500
June 4, 2015	Sold	100	\$5	\$40	\$4,000		\$3,500	N/A

17 D

Monthly benefit	\$1,500	\$2,000
Annual benefit	\$18,000	\$24,000
Annuity period	14.60	14.60
Total expected benefits	\$262,800	\$350,400
Cost	\$170,820	\$210,240
Exclusion Ratio	65.00%	60.00%
Monthly benefit	\$1,500	\$2,000
Exclusion	\$975	\$1,200
Income	\$525	\$800

18 C

Tax rate on ordinary income plus capital gain is 15%. Capital gains rate is 0%

19 C

Sale of Residence	
Selling price of house	\$800,000
Selling expenses	0
Amount realized	800,000
Basis of old house	200,000
Gain Realized	600,000
Exclusion	250,000
Gain - General rule	\$350,000

No. Ans
20 B

Anwar	
Loss for taxpayer(s)	\$8,000
Maximum write-off for managed real estate	25,000
AGI for taxpayer (without passive loss)	140,000
Threshold for phase-out	100,000
AGI in excess of phase-out threshold	40,000
Phase-out % for income above threshold	50%
Reduction in limit for write-off	20,000
Adjusted write-off limit	\$5,000
Actual write-off	\$5,000

21 A

Clem		
Supplies used in Clem's job		\$500
Utilities expense for rental property		1,250
Depreciation expense for rental property		780
Total amount of Self-employment tax	15,300	
Deductible part of Self-employment tax	50%	7,650
Total deductions for AGI		\$10,180

22 E Shirley. No employer coverage, so taxpayers use regular IRA deduction limit.

23 D Brooklyn

Distribution from traditional IRA	\$30,000
Income tax rate	25%
Income tax	\$7,500
Penalty - Early Distribution - 10%	\$3,000
Income tax & penalty	\$10,500
Available for new car purchase	\$19,500

24 E

Revenue & Expenses:	Total	Schedule E		Schedule A			
		Fraction (Col. 1 / Col. 2)		Rental Amounts	Fraction		Personal Amounts
		Rental Days	Total Days		Per. Use	Total	
Revenue	\$6,000			\$6,000			
Interest on mortgage	7,300	60	365	1,200	305	365	\$0
Property taxes	3,650	60	365	600	305	365	\$0
Total Interest & Taxes	\$10,950			1,800			\$0
Net income after Taxes & Interest				4,200			
Other Expense except Depreciation	\$2,400	60	90	1,600			
Net Income Before Depreciation				2,600			
Depreciation Expense	\$9,000	60	90	6,000			
Limit on Depreciation				2,600			
Net Income or Loss				\$0			

25 C Juan obtains a new job in Boston and moves from Reno during the current year.

He incurs the following moving expenses:		Return
Transportation of household goods	\$6,000	\$6,000
House-hunting trips to Boston	600	
Cost of transporting Jay's family	2,300	\$2,300
Meals incurred while moving the family	200	
Temporary living expenses while waiting for the new residence to be ready	1,000	
What is Juan's moving expense deduction?		\$8,300