

# 15-Hour California Real Estate Tax Law Course (Qualifying Education) Practice Test (Sample)

## Study Guide



**Everything you need from our exam experts!**

**This is a sample study guide. To access the full version with hundreds of questions,**

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# Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

# How to Use This Guide

**This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:**

## 1. Start with a Diagnostic Review

**Skim through the questions to get a sense of what you know and what you need to focus on. Don't worry about getting everything right, your goal is to identify knowledge gaps early.**

## 2. Study in Short, Focused Sessions

**Break your study time into manageable blocks (e.g. 30 - 45 minutes). Review a handful of questions, reflect on the explanations, and take breaks to retain information better.**

## 3. Learn from the Explanations

**After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.**

## 4. Track Your Progress

**Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.**

## 5. Simulate the Real Exam

**Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.**

## 6. Repeat and Review

**Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning.**

## 7. Use Other Tools

**Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.**

**There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly — adapt the tips above to fit your pace and learning style. You've got this!**

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## **Questions**

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- 1. What is Antonia's allowable California IRA deduction?**
  - A. \$0
  - B. \$1,000
  - C. \$5,000
  - D. \$4,000
- 2. Peyton, a California resident on active military duty, is transferred to North Carolina. What amount of his income remains taxable in California?**
  - A. All \$48,000
  - B. \$4,000
  - C. \$16,000
  - D. \$0
- 3. What does California law state about trade or business expense deductions for payments to exclusive clubs?**
  - A. No deductions are allowed
  - B. Deductions are allowed under specific circumstances
  - C. Only membership initiation fees are not deductible
  - D. Deductions are allowed for club dues
- 4. How are bonus depreciation amounts treated under California tax law?**
  - A. They are not allowed
  - B. They are fully allowed
  - C. They are allowed at a reduced rate
  - D. They are subject to a cap
- 5. Which of the following does California tax according to state law?**
  - A. Railroad benefits paid by individual railroads
  - B. Long-term capital gains on stocks
  - C. Sale of primary residences
  - D. Income derived from municipal bonds

**6. Which of the following cannot legally be included in a prenuptial agreement?**

- A. Division of property**
- B. Debt responsibilities**
- C. Child custody arrangements**
- D. Child support agreements**

**7. For California tax purposes, what is the percentage for bonus depreciation under the Tax Cuts and Jobs Act?**

- A. 50%**
- B. 75%**
- C. 100%**
- D. No bonus depreciation**

**8. For property placed in service after what year does California conform to the Federal MACRS 39-year recovery period?**

- A. 1985**
- B. 1986**
- C. 1987**
- D. 1988**

**9. If a spouse was a nonresident for the whole year, what is the impact on their California tax filing?**

- A. They cannot file jointly**
- B. They must pay federal taxes only**
- C. They can file separately**
- D. They must declare combined income**

**10. Which taxpayers are subject to the Federal special allowance rules for rental real estate losses in California?**

- A. Only commercial property owners**
- B. Those who do not actively participate**
- C. Those who actively participate in real estate activities**
- D. All taxpayers**

## **Answers**

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1. D
2. B
3. A
4. A
5. A
6. D
7. D
8. C
9. C
10. C

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## **Explanations**

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## 1. What is Antonia's allowable California IRA deduction?

- A. \$0
- B. \$1,000
- C. \$5,000
- D. \$4,000**

Antonia's allowable California IRA deduction is determined by a combination of factors, including her filing status, age, and income level. In California, individual taxpayers can generally deduct contributions to a traditional IRA subject to certain conditions. The deduction limit for an IRA contribution is set by IRS guidelines, which for most taxpayers under the age of 50 is \$6,000, and for those aged 50 and older, there is a catch-up provision that allows for additional contributions. In some cases, specific California rules may adjust these limits. The figure of \$4,000 as the allowable deduction likely indicates that Antonia is in a situation where certain deductions have been limited due to her income level or filing status. For example, if she is covered by a retirement plan at work and her income exceeds certain thresholds, her ability to take the full deduction may be reduced. Thus, the deduction of \$4,000 is the correct amount she can claim based on these typical scenarios, reflecting either a partial deduction or some adjustment due to other income factors or retirement plan coverage.

## 2. Peyton, a California resident on active military duty, is transferred to North Carolina. What amount of his income remains taxable in California?

- A. All \$48,000
- B. \$4,000**
- C. \$16,000
- D. \$0

For active military personnel, income tax obligations can differ significantly due to specific regulations governing military members and their residence status. In California, service members' income may be taxable based on their residency status. When Peyton is transferred to North Carolina while still maintaining his military residency in California, the critical aspect is determining which portion of his income, if any, remains taxable in California. In this case, California law generally allows service members to be taxed on their income earned while stationed in California. However, once they are assigned to a different state, such as North Carolina in Peyton's case, only the income earned while physically present in California remains taxable. This income generally includes any income related to California sources or that has been generated while he was stationed there. If it is established that Peyton has earned \$48,000 total, and only a fraction of that (specifically \$4,000) was earned during his time in California before his transfer, then this \$4,000 would be the amount subject to California state income tax. Therefore, the correct understanding centers on the military tax rules which provide that only the income accrued while a service member is stationed in California is taxable.

### **3. What does California law state about trade or business expense deductions for payments to exclusive clubs?**

- A. No deductions are allowed**
- B. Deductions are allowed under specific circumstances**
- C. Only membership initiation fees are not deductible**
- D. Deductions are allowed for club dues**

California law specifically prohibits the deduction of trade or business expenses for payments made to exclusive clubs. This includes any dues paid for membership in such organizations, as they are generally considered personal expenses rather than ordinary and necessary expenses directly related to the conduct of a trade or business. The rationale behind this provision lies in distinguishing between business-related expenses and those considered to be for personal enjoyment, which exclusive club memberships typically fall into. This rule applies broadly, emphasizing that regardless of the nature of the business or the intended use of the club, these expenses will not be recognized as deductible. Understanding this aspect of tax law is crucial for real estate professionals and businesses operating in California, as it directly affects how they report expenses and maximize their allowable deductions.

### **4. How are bonus depreciation amounts treated under California tax law?**

- A. They are not allowed**
- B. They are fully allowed**
- C. They are allowed at a reduced rate**
- D. They are subject to a cap**

Under California tax law, bonus depreciation amounts are not allowed. This means that while federal tax law permits businesses to take a significant depreciation deduction for qualifying property, California does not conform to this federal provision. Instead, California has its own depreciation rules that differ significantly from the federal guidelines. Businesses operating in California must rely on the standard depreciation methods as prescribed by state law, which can result in higher taxable income for California tax purposes compared to federal taxes. This distinction is important for taxpayers to understand, as it can lead to discrepancies in tax liability based on the application of bonus depreciation at the federal level versus the inability to utilize it under California law. As a result, taxpayers should plan accordingly and may need to perform separate calculations for federal and state taxes to ensure compliance with the respective laws.

**5. Which of the following does California tax according to state law?**

- A. Railroad benefits paid by individual railroads**
- B. Long-term capital gains on stocks**
- C. Sale of primary residences**
- D. Income derived from municipal bonds**

California taxes various forms of income and benefits under its state tax laws. The selected answer pertains to \*\*railroad benefits paid by individual railroads\*\*, which are indeed subject to state taxation. California typically taxes benefits and income that are paid out or received, thereby including railroad benefits within its scope of taxable income. Meanwhile, the other options represent scenarios that California typically does not tax in the same manner. For example, long-term capital gains on stocks are generally taxed at a reduced rate, similar to the federal capital gains tax structure. The sale of primary residences, when certain conditions are met, can qualify for exclusion from taxable income, specifically under the federal tax code and corresponding state provisions. Income derived from municipal bonds, which is often exempt from both federal and state taxation, represents another type of income that California does not tax. This comprehension of California's tax structure highlights the state's approach to taxing different types of income and benefits, which is essential for understanding state tax obligations in real estate and financial dealings.

**6. Which of the following cannot legally be included in a prenuptial agreement?**

- A. Division of property**
- B. Debt responsibilities**
- C. Child custody arrangements**
- D. Child support agreements**

In the context of prenuptial agreements, child support agreements cannot be legally included because these provisions are subject to state guidelines and the best interests of the child. Courts typically retain the authority to determine child support in a way that reflects the specific needs of the child and the parents' financial situations at the time of the divorce or separation. While parents can agree on various financial matters in a prenuptial agreement, such as how to divide property or who is responsible for debts acquired during the marriage, agreements concerning child custody and support must ultimately pass judicial scrutiny. This ensures that the child's welfare remains the primary concern, preventing parents from contracting away their legal obligations to provide support. The state's interest in protecting the well-being of children overrides personal agreements between parents, making child support provisions unenforceable in prenuptial agreements.

**7. For California tax purposes, what is the percentage for bonus depreciation under the Tax Cuts and Jobs Act?**

- A. 50%**
- B. 75%**
- C. 100%**

**D. No bonus depreciation**

The correct answer is that California does not conform to the federal bonus depreciation provisions established under the Tax Cuts and Jobs Act, which allows for 100% bonus depreciation. While the federal tax code gives taxpayers the ability to immediately deduct a significant portion of the cost of qualifying assets, California has chosen to maintain its own depreciation rules that do not include this bonus depreciation feature. Additionally, for California state tax purposes, most taxpayers will have to follow the Modified Accelerated Cost Recovery System (MACRS) rules without the allowance for bonus depreciation. This distinction is important for taxpayers to understand, as it affects their state tax liability differently than their federal taxes. Therefore, while the federal government allows a full deduction in the year of purchase for eligible assets, California does not permit any bonus depreciation, making the state tax impact less favorable in this respect.

**8. For property placed in service after what year does California conform to the Federal MACRS 39-year recovery period?**

- A. 1985**
- B. 1986**
- C. 1987**
- D. 1988**

The correct answer is 1987 because this is the year when the Tax Reform Act was enacted, which introduced the Modified Accelerated Cost Recovery System (MACRS). Under this system, real property (such as commercial buildings) placed in service after 1986 falls under the 39-year recovery period. California conforms to this federal approach starting with property placed in service in 1987. This alignment means that for tax purposes, California recognizes the same depreciation schedule established by the federal government for qualifying property, ensuring consistency in the treatment of property depreciation between state and federal tax regulations.

**9. If a spouse was a nonresident for the whole year, what is the impact on their California tax filing?**

- A. They cannot file jointly**
- B. They must pay federal taxes only**
- C. They can file separately**
- D. They must declare combined income**

A spouse who is a nonresident for the entire year can still file separately for California taxes. While California allows certain residents and nonresidents to file as married filing separately, this option is available to a nonresident spouse as well, given that they may have California-source income or wish to report their income in a way that aligns with their tax obligations. Filing separately can potentially provide clarity on tax liabilities, such as ensuring the nonresident spouse only pays taxes on income generated within California, rather than being taxed on worldwide income. This serves to limit their exposure to California state taxes, which is crucial for a nonresident. In this context, the other options do not apply as effectively. For instance, not being able to file jointly does not preclude the option to file separately, and while it is true that federal taxes must be filed, it is incorrect to state that the individual is limited to only those since they also must address state tax responsibilities. Furthermore, declaring combined income does not apply to nonresidents because they are only responsible for California-source income rather than combined income from both spouses.

**10. Which taxpayers are subject to the Federal special allowance rules for rental real estate losses in California?**

- A. Only commercial property owners**
- B. Those who do not actively participate**
- C. Those who actively participate in real estate activities**
- D. All taxpayers**

The Federal special allowance rules for rental real estate losses provide certain taxpayers the option to deduct losses from rental real estate against their ordinary income. This special provision is primarily applicable to those who are actively participating in real estate activities. Taxpayers who actively participate have a significant level of involvement in the management or financial decisions regarding the rental property, such as making management decisions, arranging for maintenance, or approving new tenants. This active participation can lead to eligibility for the special allowance, allowing them to deduct up to \$25,000 of rental real estate losses against other income, subject to certain income limitations. Although there can be nuances based on individual circumstances, the core principle is that it is only those who are actively involved in real estate activities who can benefit from the special allowance rules. Other categories, such as those who own commercial properties or do not participate, do not qualify for the same treatment under these regulations.

# Next Steps

**Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.**

**As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.**

**If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at [hello@examzify.com](mailto:hello@examzify.com).**

**Or visit your dedicated course page for more study tools and resources:**

**<https://15hrcarealestatetaxlaw.examzify.com>**

**We wish you the very best on your exam journey. You've got this!**

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