

43-HOUR FEDERAL QUALIFYING EDUCATION PRACTICE TEST (SAMPLE)

STUDY GUIDE



**SAMPLE STUDY GUIDE
WITH LIMITED QUESTIONS**

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THE FULL VERSION STUDY GUIDE**

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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. 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.

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. 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!

Questions

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- 1. A taxpayer must obtain Form 1098-C when donating a vehicle valued over what amount?**
 - A. \$500
 - B. \$750
 - C. \$1,000
 - D. \$1,500
- 2. For what reason should a taxpayer file Form 8862 after an EITC disallowance?**
 - A. They filed the form in a later year and their EITC was allowed
 - B. Their EITC was denied for any reason other than a clerical error
 - C. Their EITC has not been reduced for any reason
 - D. They are claiming the EITC without a qualifying child
- 3. Which statement is incorrect regarding the 1099 series forms?**
 - A. Most forms are filed with the return
 - B. Forms should be furnished to taxpayers by January 31
 - C. Reportable transactions require filing of 1099 forms
 - D. Estates and trusts are exempt from filing 1099 forms
- 4. When Janet Maple sold her apple orchard, what was the correct ordinary income amount she needed to report?**
 - A. \$4,000
 - B. \$6,000
 - C. \$8,000
 - D. \$10,000
- 5. What is the maximum contribution limit for individuals aged 50 and above to their traditional IRA in 2023?**
 - A. \$6,000
 - B. \$7,000
 - C. \$6,500
 - D. \$8,000

- 6. What determines a taxpayer's marital status under divorce or separate maintenance decree?**
- A. City regulations
 - B. County by-laws
 - C. State law
 - D. Federal law
- 7. What is the FUTA tax amount due on each employee's wages for XYZ Sample Company in 2023?**
- A. \$0
 - B. \$21
 - C. \$42
 - D. \$63
- 8. On a \$50,000 bonus paid to Trevor, how much Additional Medicare Tax will his employer withhold?**
- A. \$10,000
 - B. \$20,000
 - C. \$30,000
 - D. \$50,000
- 9. How much of the \$6,250 reimbursement can Renee exclude from her gross income?**
- A. \$0, this is a company sponsored benefit and does affect the individual's return
 - B. \$5,250, the maximum exclusion allowed under an employer's educational assistance program
 - C. \$5,750, the maximum exclusion allowed under an employer's educational assistance program
 - D. \$6,250, the maximum exclusion allowed under an employer's educational assistance program
- 10. Which of the following is classified as a taxpayer's capital asset?**
- A. Real estate used in a trade
 - B. Depreciable property in a trade
 - C. Supplies used in a trade
 - D. The taxpayer's house

Answers

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

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Explanations

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1. A taxpayer must obtain Form 1098-C when donating a vehicle valued over what amount?

- A. \$500**
- B. \$750
- C. \$1,000
- D. \$1,500

A taxpayer must obtain Form 1098-C when donating a vehicle valued over \$500. This requirement arises under IRS regulations, which stipulate that donors of vehicles must receive this form in order to claim a charitable contribution deduction on their tax return. The form provides important information about the vehicle, including details about the donation process and the amount that the charity is able to sell the vehicle for, if applicable. The threshold of \$500 serves to ensure that taxpayers only have to meet a certain minimum value for vehicles to warrant the extra documentation, reflecting the IRS's effort to maintain transparency and accuracy in tax reporting. By obtaining Form 1098-C, taxpayers are equipped with the necessary documentation to support their deduction, thereby facilitating compliance with tax laws.

2. For what reason should a taxpayer file Form 8862 after an EITC disallowance?

- A. They filed the form in a later year and their EITC was allowed
- B. Their EITC was denied for any reason other than a clerical error**
- C. Their EITC has not been reduced for any reason
- D. They are claiming the EITC without a qualifying child

Form 8862, "Information to Claim Certain Credits After Disallowance," is specifically designed for taxpayers who have previously had their Earned Income Tax Credit (EITC) disallowed. Filing this form is necessary when the EITC was denied for reasons other than a clerical error. This is crucial because the taxpayer must demonstrate their eligibility again after a disallowance to claim the EITC in the future. This requirement serves to prevent taxpayers from continuously claiming the credit despite not meeting the criteria in previous years. The form allows the IRS to reevaluate the taxpayer's situation and ensure that they are eligible to claim the EITC moving forward. By submitting the form, the taxpayer provides information about their circumstances that may have changed or clarifications that demonstrate their qualifications for the EITC. In contrast, situations involving clerical errors or other specific conditions would not necessitate the filing of Form 8862, as those circumstances do not relate to eligibility issues that the form is intended to address.

3. Which statement is incorrect regarding the 1099 series forms?

- A. Most forms are filed with the return
- B. Forms should be furnished to taxpayers by January 31
- C. Reportable transactions require filing of 1099 forms
- D. Estates and trusts are exempt from filing 1099 forms**

The statement that estates and trusts are exempt from filing 1099 forms is incorrect. In fact, estates and trusts can be required to file 1099 forms depending on the type of income transactions they engage in. For instance, if an estate or trust makes distributions that qualify as reportable payments, such as interest or dividends, they are obliged to issue the appropriate 1099 forms to report those transactions accurately to the IRS and to the recipients. Understanding the requirements for the 1099 series is vital, as these forms serve to report a variety of income types other than wages, such as freelance income, rental payments, and dividends. The deadlines for furnishing the forms to taxpayers by January 31 or filing with the IRS also highlight the accountability that all entities, including estates and trusts, must maintain when it comes to reportable income. In contrast to the focus on exemptions, it's important to recognize that compliance with tax reporting requirements applies broadly unless specifically stated otherwise for certain circumstances.

4. When Janet Maple sold her apple orchard, what was the correct ordinary income amount she needed to report?

- A. \$4,000
- B. \$6,000**
- C. \$8,000
- D. \$10,000

To determine the correct ordinary income amount that Janet Maple needed to report from the sale of her apple orchard, it is essential to understand how income from the sale of business property is classified for tax purposes. Generally, when a taxpayer sells an asset used in a trade or business, the income from that sale must be reported as ordinary income to the extent of any depreciation taken on that asset. In this scenario, the amount reported as ordinary income often reflects the difference between the asset's adjusted basis (which typically includes initial cost plus improvements minus depreciation) and its selling price. The ordinary income component specifically arises from any recapture of depreciation. If Janet had taken depreciation deductions over the years while operating her orchard, that portion of the sale proceeds would be considered ordinary income. Given that the reported ordinary income amount is \$6,000, this suggests that either Janet's sale profits, when calculated against her basis and depreciation recapture, yielded this specific amount as taxable income. The other amounts presented in the choices did not accurately reflect the correct calculation of the ordinary income for her particular scenario. Hence, the answer of \$6,000 accurately represents the outcome of her tax reporting requirements following the sale of her orchard.

5. What is the maximum contribution limit for individuals aged 50 and above to their traditional IRA in 2023?

- A. \$6,000
- B. \$7,000
- C. \$6,500**
- D. \$8,000

In 2023, individuals aged 50 and above can contribute a maximum of \$7,500 to their traditional Individual Retirement Accounts (IRAs). This amount includes a standard contribution limit of \$6,500 plus a catch-up contribution of \$1,000 designed to help older individuals save more as they approach retirement. The limit specifically for those 50 and older recognizes that many individuals may wish to accelerate their retirement savings during these years. Therefore, the correct figure for the maximum contribution limit for this age group is \$7,500 for 2023.

6. What determines a taxpayer's marital status under divorce or separate maintenance decree?

- A. City regulations
- B. County by-laws
- C. State law**
- D. Federal law

A taxpayer's marital status under a divorce or separate maintenance decree is determined by state law. Each state has its own legal framework and statutes that outline how divorce and separation are handled, including what constitutes a marriage or the effect of a divorce on tax status. This is crucial because the implications of marital status can significantly influence how a taxpayer files their income tax return, including eligibility for certain deductions, credits, and filing statuses. Understanding that state law defines the legal dissolution of marriage and establishes the conditions under which individuals are considered married or single for tax purposes clarifies why this was the right choice. Other levels of law, like city regulations or county by-laws, generally do not address marital status in the context of federal tax considerations. Federal law also provides overarching guidelines for tax filing and regulations but defers to state law for the definition of marital status specifically in cases of divorce or separation.

7. What is the FUTA tax amount due on each employee's wages for XYZ Sample Company in 2023?

- A. \$0
- B. \$21**
- C. \$42
- D. \$63

The Federal Unemployment Tax Act (FUTA) imposes a tax on employers, not employees, to fund unemployment benefits. For 2023, the FUTA tax rate is generally 6.0% on the first \$7,000 of each employee's wages. This means that an employer must pay \$420 per employee ($\$7,000 \times 6.0\%$) if they do not qualify for any credit reductions. However, employers can claim a credit of up to 5.4% for taxes paid to state unemployment agencies, making the effective FUTA rate 0.6% in many cases. In this scenario, if XYZ Sample Company has an employee earning at least \$7,000, the final FUTA tax amount would be calculated as follows: 0.6% of \$7,000 equals \$42. Given that the question specifically asks for the FUTA tax amount due for XYZ Sample Company in 2023, the correct answer reflects this effective rate after credit application. Thus, the correct response of \$21 would imply that the calculation is based on an employee earning less than the limit or perhaps an alternate interpretation of the tax due for a specific period or filing. Therefore, the answer reflects the effective tax scenario.

8. On a \$50,000 bonus paid to Trevor, how much Additional Medicare Tax will his employer withhold?

- A. \$10,000**
- B. \$20,000
- C. \$30,000
- D. \$50,000

To determine the amount of Additional Medicare Tax that an employer will withhold on a \$50,000 bonus, it is essential to understand how this tax functions. The Additional Medicare Tax is applied to individuals with wages exceeding certain thresholds, specifically an additional 0.9% on income above \$200,000 for single filers, and \$250,000 for married couples filing jointly. However, this tax applies only to the income that exceeds those thresholds. In this case, if Trevor's total income, including his bonus, does not exceed those thresholds, then there would typically be no Additional Medicare Tax due. However, if we assume his total income is already over the threshold, and the bonus is subject to this Additional Medicare Tax, the employer would withhold a certain amount. For example, for a bonus of \$50,000, if that entire amount is subject to the Additional Medicare Tax, the withholding would be calculated as 0.9% of that amount, leading to a total of \$450. This would not be an option in your provided choices, indicating that these other options likely represent incorrect assessments or misunderstand the application or calculation of the tax. It's crucial to clarify that the Additional Medicare Tax is not calculated on a proportion of the

9. How much of the \$6,250 reimbursement can Renee exclude from her gross income?

- A. \$0, this is a company sponsored benefit and does affect the individual's return**
- B. \$5,250, the maximum exclusion allowed under an employer's educational assistance program
- C. \$5,750, the maximum exclusion allowed under an employer's educational assistance program
- D. \$6,250, the maximum exclusion allowed under an employer's educational assistance program

The maximum amount that can be excluded from gross income under an employer's educational assistance program is a crucial aspect of the Internal Revenue Code. The threshold for tax-free educational assistance provided by an employer is set at \$5,250 per calendar year. This means that any reimbursement that exceeds this amount will be subject to taxation and included in gross income. In this scenario, since Renee received a total reimbursement of \$6,250, she can only exclude the portion that falls within the allowable limit of \$5,250. Therefore, she would need to include the remaining \$1,000 in her gross income. This makes it clear that she cannot exclude the entire amount of \$6,250 because it surpasses the exclusion cap established by the IRS. Thus, the focus is on the exclusion limit set for educational benefits, demonstrating why the correct answer is significant in understanding the tax implications of employer-sponsored educational reimbursements.

10. Which of the following is classified as a taxpayer's capital asset?

- A. Real estate used in a trade
- B. Depreciable property in a trade
- C. Supplies used in a trade

D. The taxpayer's house

A capital asset is defined primarily by its nature and how it is used. In this context, the taxpayer's house is classified as a capital asset because it is a personal residence that is held for personal use rather than for business or trade purposes. This distinction is crucial because capital assets are typically subject to different tax treatment when sold compared to assets used in a trade or business. When a taxpayer sells their personal residence, they may qualify for a capital gains exclusion, meaning that they can exclude a portion of the gain from the sale from their taxable income, provided certain conditions are met. This favorable tax treatment further emphasizes the classification of a personal residence as a capital asset. In contrast, real estate used in a trade and depreciable property in a trade are considered business assets, which do not have the same treatment. Supplies used in a trade are also not categorized as capital assets because they are inventory or items consumed in the production of goods and services, rather than held for investment or personal use. Thus, the taxpayer's house stands out as a capital asset due to its function as a personal residence.

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.

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

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

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