

# APA Certified Payroll Professional (CPP) Practice Exam (Sample)

## Study Guide



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

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# Table of Contents

<b>Copyright</b> .....	<b>1</b>
<b>Table of Contents</b> .....	<b>2</b>
<b>Introduction</b> .....	<b>3</b>
<b>How to Use This Guide</b> .....	<b>4</b>
<b>Questions</b> .....	<b>5</b>
<b>Answers</b> .....	<b>8</b>
<b>Explanations</b> .....	<b>10</b>
<b>Next Steps</b> .....	<b>16</b>

# 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

- 1. What does Box 12 Code "J" indicate regarding sick pay?**
  - A. Sick pay not included as income**
  - B. Designated Roth contributions**
  - C. Uncollected Medicare tax on tips**
  - D. Excludable moving expense reimbursements**
- 2. What is the federal income tax rate for supplemental withholding on bonuses and commissions?**
  - A. 31%**
  - B. 28%**
  - C. 22% (37% if over \$1 million)**
  - D. 10%**
- 3. Which document identifies the tax obligations due to the IRS for an employee?**
  - A. W-2**
  - B. W-4**
  - C. 1099**
  - D. W-10**
- 4. What is the mileage rate for business travel per mile?**
  - A. \$0.525**
  - B. \$0.545**
  - C. \$0.555**
  - D. \$0.575**
- 5. An employee's gross for the year is 30,000. In which box on Form W-2 must employer-provided dependent care assistance be included when it exceeds \$5,000?**
  - A. Box 1 and 10**
  - B. Box 1, 3 and 5**
  - C. Box 10**
  - D. Box 1, 3, 5 and 10**

- 6. What is the primary purpose of the 1099-R tax form?**
- A. To report wages from employment**
  - B. To report distributions from pensions and retirement plans**
  - C. To report mortgage interest payments**
  - D. To report capital gains from investments**
- 7. What does a credit to an account typically signify in double-entry bookkeeping?**
- A. Increase in an asset account**
  - B. Decrease in a capital account**
  - C. Decrease in a liability account**
  - D. Increase in a liability account**
- 8. What does ERISA stand for?**
- A. Employee Retirement Income Security Act**
  - B. Employer Reporting Insurance Standards Act**
  - C. Employer Required Insurance Security Act**
  - D. Employment Reconciliation Income Standards Act**
- 9. How much is deductible for qualified transportation/vanpool expenses?**
- A. \$200**
  - B. \$220**
  - C. \$260**
  - D. \$300**
- 10. Form W-7 is used for which purpose?**
- A. Application for employer Federal ID**
  - B. Application for IRS Individual TIN**
  - C. Application for a Social Security Number**
  - D. Approval of federal tax exemptions**



## **Answers**

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

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## **Explanations**

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**1. What does Box 12 Code "J" indicate regarding sick pay?**

- A. Sick pay not included as income**
- B. Designated Roth contributions**
- C. Uncollected Medicare tax on tips**
- D. Excludable moving expense reimbursements**

Box 12 Code "J" on the W-2 form signifies that the sick pay reported is not subject to income tax. This code is used to indicate that the employer has provided sick pay to an employee, and specific tax treatments apply. The funds reported with this code are generally characterized as non-taxable income, meaning that they are not included in the employee's gross income for federal tax purposes. Understanding this code is crucial for employees and payroll professionals because it directly affects how sick pay is reported for taxation. Recognizing that not all payments received during sick leave are treated as taxable income allows for accurate tax reporting and compliance with IRS regulations. The other choices relate to different tax matters. Designated Roth contributions involve the payment of taxes upfront for retirement savings. Uncollected Medicare tax on tips refers to additional taxes that may need to be paid on certain types of income. Excludable moving expense reimbursements deal with tax treatments for costs associated with relocating for work. Each of these codes serves a distinct purpose and indicates different tax implications, thereby differentiating them from the specific function of Code "J".

**2. What is the federal income tax rate for supplemental withholding on bonuses and commissions?**

- A. 31%**
- B. 28%**
- C. 22% (37% if over \$1 million)**
- D. 10%**

The federal income tax rate for supplemental withholding on bonuses and commissions is generally set at 22%. This fixed percentage is applicable when using the percentage method for withholding on supplemental wages. Additionally, if a bonus or commission exceeds \$1 million, the portion above that threshold is subject to a higher tax rate of 37%. This tiered approach is designed to align tax withholding with the progressive nature of the federal income tax system, ensuring that higher earnings are taxed at higher rates. While the other percentages presented may relate to specific situations or different categories of income, they do not apply to the standard federal supplemental withholding rate for bonuses and commissions. The 22% rate provides a straightforward guideline for employers to apply when calculating the tax withholding on these types of payments, making it a critical point for payroll professionals to understand.

**3. Which document identifies the tax obligations due to the IRS for an employee?**

- A. W-2**
- B. W-4**
- C. 1099**
- D. W-10**

The W-2 form is the document that identifies the tax obligations due to the IRS for an employee. Specifically, it provides a summary of an employee's earnings and the taxes withheld from their paycheck during the year, including federal income tax, Social Security tax, and Medicare tax. Employers are required to file W-2 forms with the IRS and provide copies to their employees by the end of January each year. This allows the IRS to track income and tax obligations accurately, ensuring that individuals report their income correctly on their tax returns. In contrast, the W-4 form is used by employees to inform their employer of their withholding preferences for federal income tax purposes. It does not directly indicate tax obligations but rather helps determine how much tax should be withheld from an employee's paycheck. The 1099 form is primarily used for reporting income received from sources other than an employer, such as freelance work or other non-employee compensation, and is generally associated with independent contractors rather than employees. The W-10 form is used for reporting the names and social security numbers of individuals providing dependent care services, which is not related to employee tax obligations. Thus, the W-2 stands out as the correct choice for identifying tax obligations owed to the IRS by employees.

**4. What is the mileage rate for business travel per mile?**

- A. \$0.525**
- B. \$0.545**
- C. \$0.555**
- D. \$0.575**

The correct answer reflects the standard mileage rate set by the IRS for business travel, which is designed to cover the costs of operating a vehicle for business purposes. In the context of the question, \$0.545 per mile signifies the amount that can be reimbursed to employees for business-related travel expenses when they use their personal vehicles. This rate incorporates various factors, including the cost of fuel, maintenance, depreciation, and insurance, providing a structured and consistent method for reimbursements. It is essential for payroll professionals to remain current with these rates as they may change annually, and accurately applying the correct rate is crucial for compliance and proper reimbursement practices in payroll operations. Understanding the mileage reimbursement rate is important not only for accurate payroll processing but also for ensuring employees are fairly compensated for business travel, thereby promoting transparency and trust within the organization. Adjusting to new rates each year is vital, as it directly affects business expenses and employee satisfaction.

**5. An employee's gross for the year is 30,000. In which box on Form W-2 must employer-provided dependent care assistance be included when it exceeds \$5,000?**

- A. Box 1 and 10**
- B. Box 1, 3 and 5**
- C. Box 10**
- D. Box 1, 3, 5 and 10**

When employer-provided dependent care assistance exceeds \$5,000, it must be reported in several key boxes on the Form W-2. Specifically, it is included in Box 1 (Wages, tips, other compensation), Box 3 (Social Security wages), Box 5 (Medicare wages), and Box 10 (Dependent care benefits). This comprehensive reporting ensures that the dependent care assistance is recognized for all applicable withholding calculations and provides a clear accounting of all taxable income for the employee. Box 1 captures the total taxable income, which includes the dependent care benefits when they exceed the exclusion limit. Box 3 and Box 5 reflect the amounts subject to Social Security and Medicare taxes, respectively, which are applicable to these benefits as they are considered part of the employee's total compensation package. Finally, Box 10 specifically shows the total dependent care benefits provided during the year. Including the benefits in all these boxes is crucial for accurate tax reporting and ensures compliance with IRS regulations regarding the treatment of such benefits.

**6. What is the primary purpose of the 1099-R tax form?**

- A. To report wages from employment**
- B. To report distributions from pensions and retirement plans**
- C. To report mortgage interest payments**
- D. To report capital gains from investments**

The primary purpose of the 1099-R tax form is indeed to report distributions from pensions and retirement plans. This form is issued by retirement plan administrators to individuals who receive distributions from retirement accounts such as IRAs, 401(k)s, and pensions. The information provided on the 1099-R form includes the total distribution amount, the taxable amount, any federal income tax withheld, and the type of distribution, making it essential for individuals when preparing their income tax returns. This form is specifically designed to capture the financial activities related to retirement funds, ensuring that individuals report their income correctly and comply with tax regulations concerning retirement distributions. The other options pertain to different types of income or financial activities, such as employment wages, mortgage interest payments, and capital gains, which are reported on separate forms and do not fall under the scope of the 1099-R.

**7. What does a credit to an account typically signify in double-entry bookkeeping?**

- A. Increase in an asset account**
- B. Decrease in a capital account**
- C. Decrease in a liability account**
- D. Increase in a liability account**

In double-entry bookkeeping, a credit to an account typically signifies an increase in a liability account. This stems from the foundational principles of accounting where each transaction affects at least two accounts, maintaining a balance in the accounting equation ( $\text{Assets} = \text{Liabilities} + \text{Equity}$ ). When a liability account is credited, it signifies that the business has increased its obligations, whether that involves taking on more debt, owing more to creditors, or accumulating more liabilities. Conversely, debiting a liability account would reduce it, reflecting a payment or settlement of debt. This relationship between credits and debits in accounting helps ensure that the financial statements accurately represent the business's financial position. Understanding this fundamental aspect of double-entry bookkeeping is essential for anyone working in payroll and accounting.

**8. What does ERISA stand for?**

- A. Employee Retirement Income Security Act**
- B. Employer Reporting Insurance Standards Act**
- C. Employer Required Insurance Security Act**
- D. Employment Reconciliation Income Standards Act**

The correct answer, Employee Retirement Income Security Act, is significant as it establishes standards for pension and health plans in the private industry to provide protection for individuals in these plans. Enacted in 1974, ERISA aims to ensure that employees receive the benefits promised by their employers, particularly regarding retirement plans. The act oversees various aspects such as plan funding, fiduciary responsibilities, and the right of participants to sue for benefits and breaches of duty. It does not cover all employee benefits, but it is crucial for ensuring the stability and security of retirement plans, which enhances employee trust and commitment. Understanding ERISA is essential for payroll professionals as it directly affects how retirement plans are managed and reported on payroll. Recognizing ERISA's principles ensures compliance and helps organizations avoid legal pitfalls associated with benefit management.

**9. How much is deductible for qualified transportation/vanpool expenses?**

- A. \$200
- B. \$220
- C. \$260**
- D. \$300

The correct figure for deductible qualified transportation and vanpool expenses is \$260. This amount is aligned with tax guidelines that determine what employers can deduct for eligible commuting expenses provided to employees. The IRS establishes an annual limit on the amount of qualified transportation fringe benefits an employee can receive on a pre-tax basis. As of recent tax years, this limit has been adjusted to reflect inflation and changes in economic conditions. The \$260 limit typically covers expenses related to transit passes, vanpooling, and certain parking expenses incurred by employees as they commute to and from work. It's important for payroll professionals to stay updated with these limits each year, as they may change, impacting how companies account for employee benefits related to transportation. Understanding these deductions is vital for accurate payroll processing and ensuring compliance with tax regulations, which ultimately aids in tax reporting and minimizing potential liabilities.

**10. Form W-7 is used for which purpose?**

- A. Application for employer Federal ID
- B. Application for IRS Individual TIN**
- C. Application for a Social Security Number
- D. Approval of federal tax exemptions

Form W-7 is specifically designated as the application for the IRS Individual Taxpayer Identification Number (ITIN). This form is utilized by individuals who are required to have a taxpayer identification number but are not eligible for a Social Security Number (SSN). This includes foreign nationals, non-resident aliens, and individuals who are dependents or spouses of U.S. citizens or resident aliens. The purpose of Form W-7 is to facilitate the process of obtaining an ITIN, which is essential for tax reporting and compliance, allowing the IRS to accurately identify and track taxpayers who are not eligible for SSNs. This is particularly important for ensuring that all individuals, regardless of their immigration status, have a means to fulfill their tax obligations. In contrast, the other options relate to different functions that do not align with the purpose of Form W-7. For instance, the application for an employer's Federal ID, the Social Security Number application, and the approval of federal tax exemptions are governed by different forms and processes altogether. Each is specifically tailored to different tax identification needs.



## 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://apacpp.examzify.com>**

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