

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

Study Guide



Everything you need from our exam experts!

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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. What is the maximum tip credit allowed for tipped employees?**
 - A. \$4.00**
 - B. \$5.12**
 - C. \$6.00**
 - D. \$7.25**

- 2. In which state does Bob's employer determine his minimum wage based on his work location?**
 - A. Vermont**
 - B. New Jersey**
 - C. New York**
 - D. Massachusetts**

- 3. Once GTL Insurance coverage becomes taxable, it is subject to which tax types?**
 - A. FITW and FUTA only**
 - B. SS/Medi and FUTA only**
 - C. FITW only**
 - D. SS/Medi only**

- 4. Which of the following should be part of a disaster recovery plan?**
 - A. Arrange office equipment rental**
 - B. Keep backup files off premises**
 - C. Communicate the plan**
 - D. All the above**

- 5. What does Box 12 Code "N" represent in relation to tax reporting?**
 - A. Uncollected Medicare tax on value of GTL insurance > \$50,000**
 - B. Section 401(k) elective deferrals**
 - C. Designated Roth contributions under a section 401(k) plan**
 - D. Uncollected social security tax on value of GTL insurance >\$50K**

- 6. Which statement is not true of an accountable plan?**
- A. Employees must have paid deductible expenses**
 - B. Amounts paid under an accountable plan are wages**
 - C. Employees must account for expenses within a reasonable time**
 - D. Employees must return excess amounts within a reasonable time**
- 7. Aliens who must file a tax return but are not eligible for a social security number should request which form from the IRS?**
- A. A. W-7**
 - B. B. W-9**
 - C. C. SS-5**
 - D. D. SS-9**
- 8. The 8/80 Rule for overtime applies to:**
- A. Health Care workers**
 - B. Government employees**
 - C. Public School employees**
 - D. Police and firefighters**
- 9. What is the Foreign Earned Income Exclusion limit for the tax year?**
- A. \$100,000**
 - B. \$102,500**
 - C. \$104,100**
 - D. \$106,000**
- 10. What amount must be paid to an independent contractor before a 1099-MISC is required?**
- A. \$300 or more**
 - B. \$500 or more**
 - C. \$600 or more**
 - D. \$700 or more**

Answers

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

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Explanations

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1. What is the maximum tip credit allowed for tipped employees?

- A. \$4.00
- B. \$5.12**
- C. \$6.00
- D. \$7.25

The maximum tip credit allowed for tipped employees can vary based on federal and state regulations, but under federal law, as of 2023, the maximum tip credit allowed is \$5.12 per hour. This amount is intended to help employers offset the minimum wage they must pay to tipped employees, who can be paid a reduced cash wage as long as the combination of that wage and tips meets or exceeds the federal minimum wage of \$7.25 per hour. Employers are responsible for ensuring that tipped employees receive at least the Federal minimum wage when tips are included. If a tipped employee does not earn enough in tips to reach the minimum wage, the employer must make up the difference. Therefore, the \$5.12 tip credit represents a specific balance that has been established federally, which helps in maintaining fair labor practices while allowing for flexibility within the tipping service industry. Understanding this maximum tip credit is vital for payroll professionals to ensure compliance with wage laws and to properly calculate wages for tipped employees.

2. In which state does Bob's employer determine his minimum wage based on his work location?

- A. Vermont
- B. New Jersey
- C. New York**
- D. Massachusetts

The correct answer is New York because, in this state, minimum wage is determined by the location where the work is performed, rather than solely by the employer's headquarters or where the business is incorporated. New York has different minimum wage rates that vary by geographic area, which means that if Bob is working in a specific city or region within New York, his minimum wage could be higher or lower depending on that location. For example, New York City has a higher minimum wage than other areas in the state, reflecting the higher cost of living in urban settings. This localized approach ensures that workers are compensated fairly relative to the economic conditions of the area where they actually work. Other states listed may have different rules regarding minimum wage determination, where state-wide rates apply uniformly regardless of the location. This makes New York's approach unique in that it actively considers the geographical factors impacting wage levels.

3. Once GTL Insurance coverage becomes taxable, it is subject to which tax types?

- A. FITW and FUTA only**
- B. SS/Medi and FUTA only**
- C. FITW only**
- D. SS/Medi only**

The correct answer, which indicates that once Group Term Life (GTL) Insurance coverage becomes taxable, it is subject to Social Security (SS), Medicare (Medi), and Federal Income Tax Withholding (FITW), actually aligns with broader tax guidelines pertaining to employee benefits. When GTL coverage exceeds certain thresholds, it is included in the employee's taxable income. This inclusion mandates that the employer withhold Social Security and Medicare taxes from the employee's pay, as these taxes apply to all forms of compensation that are subject to withholding. Additionally, Federal Income Tax Withholding is related to the overall taxable income of the employee, meaning that when GTL coverage is added to an employee's taxable income, FITW applies as well. The confusion may arise when discussing the options provided. Some options suggest a limited scope of taxes applicable to the taxable GTL coverage. However, the comprehensive tax implications cover both Social Security and Medicare, making it important for payroll professionals to recognize how these taxes are applied in conjunction with GTL to ensure compliance with IRS regulations.

4. Which of the following should be part of a disaster recovery plan?

- A. Arrange office equipment rental**
- B. Keep backup files off premises**
- C. Communicate the plan**
- D. All the above**

A comprehensive disaster recovery plan is essential for any organization to ensure business continuity in the face of unexpected disruptions. Each component listed plays a critical role in helping to mitigate risks and recover operations effectively. Arranging for office equipment rental allows a business to maintain workflow and minimize downtime during a recovery period. By having equipment readily available in case of a disaster, organizations can quickly resume necessary operations without significant interruption. Keeping backup files off premises is a critical safeguard to ensure data integrity and availability. If a disaster affects the primary location, having backups stored safely elsewhere protects vital information and enables the organization to recover and restore systems more rapidly. Communicating the disaster recovery plan ensures that all employees are aware of the procedures they need to follow in an emergency. Clear communication promotes a quick and organized response, reducing confusion and improving the chances of effective recovery. Consequently, including all these elements in a disaster recovery plan is essential for creating a robust framework that addresses various aspects of recovery and continuity, thereby justifying why all the mentioned factors should indeed be part of the plan.

5. What does Box 12 Code "N" represent in relation to tax reporting?

- A. Uncollected Medicare tax on value of GTL insurance > \$50,000**
- B. Section 401(k) elective deferrals**
- C. Designated Roth contributions under a section 401(k) plan**
- D. Uncollected social security tax on value of GTL insurance >\$50K**

Box 12 Code "N" on a W-2 form specifically indicates the amount of uncollected Medicare tax on the value of group-term life (GTL) insurance coverage that exceeds \$50,000. This tax reporting is essential for reflecting the correct tax liabilities concerning fringe benefits, particularly in the context of group-term life insurance. When an employer provides group-term life insurance coverage to employees, the IRS allows for certain exclusions, but if the coverage exceeds \$50,000, the excess amount may indeed be subject to Medicare tax. Code "N" serves as a clear indicator to both employers and tax authorities regarding the uncollected Medicare tax specifically related to this excess coverage amount. Understanding the significance of this code is crucial for accurate tax reporting and compliance. Therefore, when items related to GTL insurance are reported, knowing which box and code to reference helps ensure that employees are correctly informed about their tax responsibilities and that employers can accurately fulfill their reporting obligations.

6. Which statement is not true of an accountable plan?

- A. Employees must have paid deductible expenses**
- B. Amounts paid under an accountable plan are wages**
- C. Employees must account for expenses within a reasonable time**
- D. Employees must return excess amounts within a reasonable time**

An accountable plan is a reimbursement arrangement that enables employers to reimburse employees for business expenses without those amounts being considered taxable income to the employee. In order for a plan to be considered accountable, it must meet specific criteria. The statement that is not true of an accountable plan is that amounts paid under an accountable plan are wages. In reality, reimbursements made under an accountable plan do not count as wages or taxable income if the plan meets IRS guidelines. Instead, these reimbursements are treated as non-taxable and do not need to be reported on the employee's W-2, provided the employee submits proof of expenses and the amounts are returned if they exceed what is allowable. This ensures that employees are not taxed on funds they had to spend out of pocket for business purposes, distinguishing accountable plans from non-accountable plans, where reimbursements are treated as wages. The other choices correctly outline the requirements of an accountable plan, emphasizing the importance of employees documenting their expenses, the obligation to return any excess reimbursements, and the necessity for employees to pay deductible expenses.

7. Aliens who must file a tax return but are not eligible for a social security number should request which form from the IRS?

- A. A. W-7**
- B. B. W-9**
- C. C. SS-5**
- D. D. SS-9**

The correct form for aliens who must file a tax return but are not eligible for a Social Security number is the W-7 form. This form is specifically used to apply for an Individual Taxpayer Identification Number (ITIN), which is necessary for individuals who need to file a U.S. tax return but do not qualify for a Social Security number. The W-7 is crucial because it allows these individuals to fulfill their tax obligations without a Social Security number, enabling the IRS to process their tax returns appropriately. Having an ITIN helps to ensure compliance with U.S. tax laws, as individuals can report income and claim any eligible tax benefits or refunds. In contrast, the W-9 form is utilized by U.S. persons and businesses to provide a taxpayer identification number to parties that will report certain types of income. The SS-5 form is used to apply for a Social Security card and is not applicable for tax filing purposes without the issuance of a Social Security number. The SS-9 form is not a standard IRS form and does not apply in this context. Thus, the W-7 is the appropriate choice for aliens in this situation.

8. The 8/80 Rule for overtime applies to:

- A. Health Care workers**
- B. Government employees**
- C. Public School employees**
- D. Police and firefighters**

The 8/80 Rule for overtime is particularly relevant for healthcare workers. This rule allows for a different calculation of overtime compared to the standard 40-hour workweek. Under the 8/80 Rule, healthcare employers can calculate overtime based on hours worked in a 14-day period; employees must receive overtime pay for hours worked over 8 in a single day or over 80 in a two-week period. This flexibility comes from the unique scheduling needs often required in healthcare environments, accommodating shift work and extended hours that are common in that sector. In contrast, other categories of employees, such as government employees, public school employees, and police and firefighters, typically follow different overtime regulations based on federal, state, or local laws, which do not generally employ the 8/80 Rule. Instead, they might be subject to the standard 40-hour workweek overtime calculation or specific rules pertinent to their employment category. Thus, recognizing that the 8/80 Rule is tailored for healthcare workers helps clarify the unique considerations and legal framework associated with their work schedules.

9. What is the Foreign Earned Income Exclusion limit for the tax year?

- A. \$100,000**
- B. \$102,500**
- C. \$104,100**
- D. \$106,000**

The Foreign Earned Income Exclusion allows U.S. taxpayers living abroad to exclude a certain amount of their foreign-earned income from U.S. taxation, which can significantly reduce their tax liability. For the tax year in question, the limit is set at \$104,100. This figure is adjusted annually for inflation, which is why it can change from year to year. The amount of \$104,100 is the result of adjustments made to keep pace with inflation and reflects the limit established by the IRS for that specific year. This exclusion is beneficial for individuals working outside the United States, allowing them to retain a greater portion of their earnings without being taxed by the U.S. government. In this context, the other value choices do not reflect the correct exclusion limit, making them not applicable for the tax year being referred to. Understanding these figures is essential for anyone dealing with payroll or tax issues related to foreign income, as it impacts the financial planning of expatriates and their tax responsibilities.

10. What amount must be paid to an independent contractor before a 1099-MISC is required?

- A. \$300 or more**
- B. \$500 or more**
- C. \$600 or more**
- D. \$700 or more**

The requirement for issuing a 1099-MISC form to an independent contractor is set by the IRS. According to IRS guidelines, if payments to an independent contractor reach or exceed \$600 in a calendar year, the hiring entity must issue a 1099-MISC form. This form reports income other than wages, salaries, and tips, and is necessary for contractors to correctly report their income on their tax returns. This threshold ensures that the IRS is informed of earnings that independent contractors receive, allowing for accurate tax reporting and compliance. Payments that do not meet this \$600 minimum do not trigger the reporting requirement and therefore do not necessitate the issuance of a 1099-MISC. Understanding this requirement is crucial for businesses to avoid penalties and ensure compliance with tax reporting obligations.

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:

<https://apacpp.examzify.com>

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

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