

# Donors Tax Practice Test (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

- 1. If the donation involves conjugal/community property, what is the filing requirement regarding tax returns?**
  - A. Both spouses must file a joint return.**
  - B. Each spouse shall file separate returns for their respective shares.**
  - C. Only one return is required by either spouse.**
  - D. Return filing is optional for one spouse.**
- 2. A stockholder's donation to a corporation is subject to donor's tax based on which principle?**
  - A. Entity Theory**
  - B. Lifeblood Theory**
  - C. Benefit Received Principle**
  - D. Tax Benefit Rule**
- 3. What is indicated by the term "present interest" in donations?**
  - A. Gifts that are immediately available to the recipient**
  - B. Gifts that have been promised but not yet given**
  - C. Gifts with no restrictions attached**
  - D. Gifts that are non-cash in nature**
- 4. If a gift is made by a nonresident, where may the return be filed?**
  - A. Only in the Philippines**
  - B. With the Philippine Embassy or consulate**
  - C. With the local government**
  - D. Directly with the donee**
- 5. What is not considered as intangible personal property in this context?**
  - A. Franchises exercised in the Philippines**
  - B. Shares of stocks of a domestic corporation**
  - C. Bonds issued by a foreign corporation with business situs in the Philippines**
  - D. Shares of stocks issued by a foreign corporation**

- 6. What type of tax is the gift tax categorized as?**
- A. Excise Tax**
  - B. Property Tax**
  - C. Donee's Tax**
  - D. Poll Tax**
- 7. Are gifts made by will subject to donor's tax?**
- A. Yes, they are taxable**
  - B. No, they fall under estate tax**
  - C. Only if they exceed the annual exclusion**
  - D. Depends on the property's value**
- 8. Under which of the following scenarios would a donation NOT be considered taxable?**
- A. Conditional gifts of cash**
  - B. Gifts between relatives**
  - C. Gifts that exceed the annual exclusion amount**
  - D. Gifts made with no expectation of return benefits**
- 9. What happens if a donor exceeds the required 10% of taxable income for a donation?**
- A. They can avoid taxes with education exemptions**
  - B. It triggers donor's taxes on the excess**
  - C. It remains exempt from tax considerations**
  - D. There are no repercussions for exceeding**
- 10. Which of the following does not result in a gross gift?**
- A. Donation to a government entity**
  - B. Private document donation to a sibling**
  - C. Donation of real property with encumbrance**
  - D. Donation to a charitable organization**



## **Answers**

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

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## **Explanations**

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**1. If the donation involves conjugal/community property, what is the filing requirement regarding tax returns?**

**A. Both spouses must file a joint return.**

**B. Each spouse shall file separate returns for their respective shares.**

**C. Only one return is required by either spouse.**

**D. Return filing is optional for one spouse.**

When a donation involves conjugal or community property, the correct approach is for each spouse to file separate returns for their respective shares. In many jurisdictions, especially in community property states, both spouses have equal ownership rights over property generated during the marriage. This means that when a gift or donation is made from community property, each spouse holds an interest in the donated property. Consequently, when reporting the donation for tax purposes, it is important for each spouse to accurately reflect their share of the donation in their respective tax returns. This separation of reporting helps to clarify the ownership of the donation and ensures that both parties are compliant with tax regulations regarding their individual interests. Options that suggest that only one joint return is necessary or that filing is optional for one spouse do not align with the requirement to delineate ownership in community property situations. Therefore, the necessity for separate filings is designed to uphold tax compliance and transparency between both parties involved in the donation.

**2. A stockholder's donation to a corporation is subject to donor's tax based on which principle?**

**A. Entity Theory**

**B. Lifeblood Theory**

**C. Benefit Received Principle**

**D. Tax Benefit Rule**

The principle underlying donor's tax in the context of a stockholder's donation to a corporation is best captured by the Tax Benefit Rule. This rule posits that a donor may be subject to tax if the recipient corporation benefits from the donation. Essentially, if a stockholder's contribution provides a tangible benefit to the corporation, it triggers a tax liability for the donor. When evaluating a donation from a stockholder to a corporation, the Tax Benefit Rule takes into account the value received by the corporation as a result of the donation. This aligns with the idea that the intention behind the donation, whether it is to support the corporation's operations or enhance its capital, can lead to a tax implication for the donor. By recognizing the direct benefit that the corporation receives from the contribution, the Tax Benefit Rule creates a basis for imposing a donor's tax. In contrast, entity theory focuses on the separate existence of the corporation from its shareholders and generally does not address the tax implications of donations. The lifeblood theory emphasizes the necessity of capital for a corporation's survival, which can relate to why the corporation might benefit from donations but does not directly establish a tax basis. Lastly, the benefit received principle typically revolves around the treatment of benefits received by the donor rather than

**3. What is indicated by the term "present interest" in donations?**

- A. Gifts that are immediately available to the recipient**
- B. Gifts that have been promised but not yet given**
- C. Gifts with no restrictions attached**
- D. Gifts that are non-cash in nature**

The term "present interest" in donations refers to gifts that are immediately available to the recipient. This means that the recipient can access, use, or enjoy the benefits of the gift right away. Present interest is an important concept in the context of tax regulations, particularly in relation to the gift tax, as gifts with present interest qualify for the annual exclusion amount, allowing donors to give without incurring tax liabilities up to a certain limit. In contrast, gifts that have been promised but not yet given represent a future interest, as they are contingent upon some conditions or timelines before the recipient can access them. Gifts with restrictions could also potentially limit the recipient's immediate benefits, and thus would not meet the criteria for present interest. Likewise, gifts that are non-cash in nature, such as property or services, may not necessarily imply that they are available for immediate use and enjoyment. This distinction highlights why the correct choice focuses on the immediate availability of the gift to the recipient.

**4. If a gift is made by a nonresident, where may the return be filed?**

- A. Only in the Philippines**
- B. With the Philippine Embassy or consulate**
- C. With the local government**
- D. Directly with the donee**

The correct option signifies that when a nonresident makes a gift, the appropriate procedure for filing the return is to do so with the Philippine Embassy or consulate. This is essential because the rules governing the taxation of gifts made by nonresidents require that such returns be filed through an official diplomatic channel when the individual is not physically present in the country where the gift tax laws apply. Filing with the embassy or consulate enables nonresidents to comply with Philippine tax regulations and ensures that the necessary documentation reaches the proper authorities. It is a method that allows for the proper assessment and records of tax obligations while offering convenience to those who are outside the Philippine jurisdiction. Other options such as filing only in the Philippines, with a local government, or directly with the donee would not adhere to the official protocols established for nonresidents regarding gift taxation. These alternatives could lead to complications or non-compliance with the tax laws, emphasizing the importance of utilizing the designated channels established for nonresident transactions.

**5. What is not considered as intangible personal property in this context?**

- A. Franchises exercised in the Philippines**
- B. Shares of stocks of a domestic corporation**
- C. Bonds issued by a foreign corporation with business situs in the Philippines**
- D. Shares of stocks issued by a foreign corporation**

Intangible personal property refers to non-physical assets that have value, such as stocks, bonds, copyrights, and trademarks. In the context of this question, the correct answer identifies items that do not fit the definition of intangible personal property. Shares of stocks issued by a foreign corporation fall outside the definition of intangible personal property for the purposes of donor's tax. This is because such shares are typically not considered as directly contributing to a business or physical presence within the jurisdiction of the Philippines. Unlike other options that involve franchises, domestic shares, and bonds with a business presence in the Philippines, shares from a foreign corporation do not have a local situs, thus making them ineligible for certain tax considerations within the Philippine context. In contrast, franchises exercised within the country, shares of stocks from a domestic corporation, and bonds issued by foreign entities that operate substantively in the Philippines are all recognized as intangible personal property, as they either provide a direct economic benefit or represent ownership in a legal entity that engages in activity within the country.

**6. What type of tax is the gift tax categorized as?**

- A. Excise Tax**
- B. Property Tax**
- C. Donee's Tax**
- D. Poll Tax**

The gift tax is categorized as an excise tax because it is levied on the privilege of transferring property, particularly when one individual gives a gift to another. Excise taxes are typically imposed on specific activities, transactions, or privileges, rather than on income or property ownership. The gift tax specifically refers to the transfer of wealth from one person to another without receiving something of equal value in return, which qualifies it under the excise tax framework. Other types of taxes mentioned, like property tax, are based on the value of owned property and are typically assessed on real estate. A donee's tax would imply a tax assessed on the recipient of the gift, which does not align with how gift taxation is structured in the tax system. Meanwhile, a poll tax is a fixed tax imposed on individuals without regard to their income or property, which is unrelated to the concept of taxing gifts. Therefore, the classification as an excise tax highlights the nature of the gift tax as being associated with a specific transaction or transfer of wealth.

**7. Are gifts made by will subject to donor's tax?**

- A. Yes, they are taxable
- B. No, they fall under estate tax**
- C. Only if they exceed the annual exclusion
- D. Depends on the property's value

Gifts made by will, also known as bequests, are not subject to donor's tax because they are classified under estate tax regulations. When an individual passes away and transfers property to heirs or beneficiaries through a will, the transfer occurs at death and falls under the purview of estate tax rather than the donor's tax, which applies to gifts made during a person's lifetime. Estate tax is calculated based on the total value of the decedent's estate at the time of their passing. In this context, any gifts made through a will are considered part of that estate and are taxed according to the estate tax rules, which take into account various deductions and exemptions. Donor's tax, on the other hand, applies to gifts made during an individual's life. Therefore, any lifetime gifts are evaluated for donor's tax, but those specified in a will are not.

**8. Under which of the following scenarios would a donation NOT be considered taxable?**

- A. Conditional gifts of cash
- B. Gifts between relatives**
- C. Gifts that exceed the annual exclusion amount
- D. Gifts made with no expectation of return benefits

A donation is typically not considered taxable when it meets certain criteria, such as when it is made without the expectation of receiving anything in return. Gifts between relatives generally fall into the category of gifts that are not taxable under certain limits defined by tax laws. These gifts can be transferred without incurring immediate tax liability, as long as they do not exceed the annual exclusion amount set by the Internal Revenue Service (IRS). In contrast, conditional gifts of cash could potentially become taxable if the conditions are not met, while gifts exceeding the annual exclusion amount could incur gift tax liability. Therefore, the nature of personal relationships in gifting can influence the tax implications, and gifts between relatives often benefit from more favorable tax treatment under the law.

**9. What happens if a donor exceeds the required 10% of taxable income for a donation?**

- A. They can avoid taxes with education exemptions**
- B. It triggers donor's taxes on the excess**
- C. It remains exempt from tax considerations**
- D. There are no repercussions for exceeding**

If a donor exceeds the required 10% of taxable income for a donation, it triggers donor's taxes on the excess amount. The rationale behind this is that the tax code imposes limits on how much can be deducted in charitable contributions in a given year. When a donation surpasses the allowable limit, the excess portion does not qualify for the tax deduction, which means the donor cannot reduce their taxable income by that excess amount. Typically, donors are incentivized to give but are also encouraged to contribute within reasonable bounds to prevent abuse of the tax benefits associated with charitable contributions. Therefore, any amount donated above the 10% threshold can lead to a tax liability, effectively resulting in taxes being assessed on the portion that is not deductible. This system is designed to ensure fairness and prevent potential exploitation of tax deductions by wealthy individuals or entities that may seek to significantly reduce their tax liability through large charitable donations.

**10. Which of the following does not result in a gross gift?**

- A. Donation to a government entity**
- B. Private document donation to a sibling**
- C. Donation of real property with encumbrance**
- D. Donation to a charitable organization**

When evaluating which scenario does not result in a gross gift, it's essential to consider the nature of each type of donation outlined in the options. A gross gift is typically defined as any transfer of money or property to another person, which can be subject to gift tax. A donation to a government entity is considered a gift, as it transfers value without expecting anything in return. Similarly, a donation to a charitable organization also qualifies as a gift because it represents a transfer of property or value meant to benefit the charity. When it comes to the donation of real property with encumbrance, this is still classified as a gift, even though the property is subject to a lien or mortgage. The value of the gift takes into account the current market value of the property minus any encumbrance. The donation to a sibling, particularly one where a private document is given without transferring a marketable or substantial asset, can be interpreted differently under tax laws. If this donation does not have applicable fair market value or fails to represent a significant value transfer, it may not be considered a gross gift for tax purposes, depending on specific interpretations of tax law. Thus, the private document donation to a sibling is the situation that can be seen as not resulting in a gross gift.



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

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