

# Enrolled Agent 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

- 1. For mutual fund taxable capital gain distributions to be long-term, what minimum holding period is required?**
  - A. 6 months**
  - B. 1 year**
  - C. 2 years**
  - D. Always considered long-term**
- 2. If a person has unreimbursed medical expenses exceeding the 7.5% threshold, what can they potentially claim?**
  - A. A standard deduction**
  - B. Itemized deductions for medical expenses**
  - C. Only credits for medical expenses**
  - D. No deductions at all**
- 3. Which type of account is specifically excluded from contributions under a health care flexible spending arrangement?**
  - A. Health savings account**
  - B. Health reimbursement account**
  - C. Insurance premium account**
  - D. None of the above**
- 4. What is the maximum deduction for student loan interest paid for the year?**
  - A. \$1,000**
  - B. \$2,500**
  - C. \$5,000**
  - D. \$6,000**
- 5. How should royalties from a book that was not part of an individual's regular job be reported?**
  - A. Schedule C**
  - B. Schedule E**
  - C. Schedule D**
  - D. Nontaxable income**

- 6. What percentage of gambling losses can be used to offset gambling winnings?**
- A. 50%**
  - B. 100%**
  - C. 75%**
  - D. 25%**
- 7. What is the relationship between nontaxable interest and taxable income for social security benefits?**
- A. Nontaxable interest counts towards total taxable income**
  - B. Nontaxable interest is exempt**
  - C. Nontaxable interest reduces taxable income**
  - D. Nontaxable interest is entirely taxable**
- 8. When refinancing, how is the cost of points deducted compared to a purchase loan?**
- A. All costs can be deducted immediately in both cases**
  - B. Points are amortized over the life of the loan for refinances**
  - C. Points are fully deductible in the year of refinance**
  - D. Points cannot be deducted at all on refinances**
- 9. What type of expense is classified as an improvement for tax purposes?**
- A. General repairs**
  - B. Maintenance costs**
  - C. Upgrading a roof**
  - D. Utilities**
- 10. In the case of a registered domestic partnership with a qualifying child, who is eligible to claim the child as a dependent?**
- A. Both parents may claim the child as dependent**
  - B. Parent "A" may claim the child as dependent**
  - C. Parent "B" may claim the child as dependent**
  - D. Neither parent may claim the child as dependent**



## **Answers**

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

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## **Explanations**

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**1. For mutual fund taxable capital gain distributions to be long-term, what minimum holding period is required?**

**A. 6 months**

**B. 1 year**

**C. 2 years**

**D. Always considered long-term**

Mutual fund capital gain distributions are treated as long-term capital gains regardless of how long an investor has held the shares of the mutual fund. This is because the gains distributed by the mutual fund originate from the sale of securities held by the fund for longer than a year. When mutual funds sell investments at a profit, they realize capital gains, which they are required to distribute to shareholders at least once a year. The IRS recognizes these distributions as long-term, provided they stem from long-term capital gains, meaning that the underlying investments were held for more than one year. This classification offers favorable tax rates compared to short-term capital gains, which are taxed at ordinary income tax rates. Thus, there is no minimum holding period required for individual shareholders of the mutual fund in order to receive long-term capital gain treatment on these distributions.

**2. If a person has unreimbursed medical expenses exceeding the 7.5% threshold, what can they potentially claim?**

**A. A standard deduction**

**B. Itemized deductions for medical expenses**

**C. Only credits for medical expenses**

**D. No deductions at all**

When a person has unreimbursed medical expenses that exceed the threshold of 7.5% of their adjusted gross income (AGI), they can potentially claim itemized deductions for those medical expenses on their tax return. This means that any qualifying medical costs that surpass that percentage can be aggregated and deducted, thus reducing their taxable income. The rationale for this deduction is to provide tax relief for individuals who incur significant medical expenses. The IRS allows taxpayers to itemize their deductions, which includes not only medical expenses but also other deductible expenses like mortgage interest and state taxes, thus allowing for a more personalized tax benefit based on their specific financial circumstances. Claiming itemized deductions for medical expenses is beneficial because it directly lowers the tax burden for those who have faced high health-related costs that were not covered by insurance. When someone has medical expenses that qualify and exceed the 7.5% AGI threshold, it signifies that these out-of-pocket costs are substantial enough to warrant a tax benefit. The options suggesting a standard deduction, credits for medical expenses, or no deductions at all do not apply in this context, as they do not accurately reflect how the tax code treats medical expenses that exceed the specified AGI percentage threshold.

**3. Which type of account is specifically excluded from contributions under a health care flexible spending arrangement?**

- A. Health savings account**
- B. Health reimbursement account**
- C. Insurance premium account**
- D. None of the above**

In the context of a health care flexible spending arrangement (FSA), there are certain accounts and contributions that are specifically excluded. A health care flexible spending arrangement is designed to allow employees to set aside pre-tax dollars for eligible medical expenses. This type of account has defined limits and specific rules about what can and cannot be contributed. When considering the provided options, a health savings account (HSA), health reimbursement arrangement (HRA), and insurance premium accounts all serve distinctly different purposes as compared to a health care FSA. Health savings accounts are tax-advantaged accounts that can be funded with employee and employer contributions to pay for qualified medical expenses, but they operate under different IRS rules and contribution limits. Health reimbursement accounts are designed to reimburse employees for out-of-pocket medical costs, but they are not considered part of the FSA. Insurance premium accounts, which are used to pay for various types of insurance premiums, also do not fall within the contribution parameters for an FSA. Given this context, it is accurate to state that none of the accounts listed would be eligible for contributions under a health care flexible spending arrangement. Therefore, selecting "none of the above" reflects a clear understanding that these accounts are categorically different, and hence, contributions from

**4. What is the maximum deduction for student loan interest paid for the year?**

- A. \$1,000**
- B. \$2,500**
- C. \$5,000**
- D. \$6,000**

The maximum deduction for student loan interest paid during the tax year is indeed \$2,500. This deduction is available to qualifying taxpayers who have paid interest on a qualified student loan, which is typically a loan taken out to pay for education expenses for the taxpayer, their spouse, or dependents. To qualify for this deduction, a taxpayer must meet several criteria, including income limits, and the loan must be primarily used for qualified higher education expenses. The \$2,500 deduction is an "above-the-line" deduction, meaning it can be claimed regardless of whether a taxpayer itemizes deductions or takes the standard deduction. This makes it particularly advantageous, as it can directly reduce taxable income. Taxpayers should be aware that the deduction phases out at higher income levels, so those who earn above a certain threshold may receive a reduced deduction or no deduction at all. This detail highlights the importance of understanding both the eligibility criteria and the limits associated with the deduction.

**5. How should royalties from a book that was not part of an individual's regular job be reported?**

**A. Schedule C**

**B. Schedule E**

**C. Schedule D**

**D. Nontaxable income**

Royalties from a book that are not part of an individual's regular job should be reported on Schedule E. This is because Schedule E is specifically designed for reporting income from rental real estate, royalties, partnerships, S corporations, estates, trusts, and residuals. When an individual earns royalties from work that is more of a secondary venture—like writing a book rather than it being part of their main employment—this income is considered passive or portfolio income rather than self-employment income. Therefore, it's not appropriate for Schedule C, which is used for business income that arises from self-employment activities. Moreover, royalties do not fit the nature of capital assets typically reported on Schedule D, which deals with capital gains and losses from the sale of assets. Lastly, royalties are generally considered taxable income, not nontaxable, so they cannot be classified as such. Consequently, reporting royalties on Schedule E aligns with IRS guidelines for this type of income.

**6. What percentage of gambling losses can be used to offset gambling winnings?**

**A. 50%**

**B. 100%**

**C. 75%**

**D. 25%**

Gambling losses can fully offset gambling winnings for tax purposes, meaning that taxpayers can deduct their total gambling losses from their total gambling winnings on their tax return. This deduction is limited to the amount of gambling income reported; thus, if a taxpayer has \$5,000 in winnings and \$5,000 in losses, they can report their net gambling income as zero. This allowance highlights the government's recognition of the risks associated with gambling and provides a measure to ensure that taxpayers are not taxed on income that they ultimately do not retain. It is essential to maintain accurate records of both winnings and losses to substantiate the deductions claimed. In contrast, options that suggest partial offsets, like 25%, 50%, or 75%, do not reflect the actual tax code, which permits the full amount of losses to be deducted, contingent upon reporting equivalent winnings.

**7. What is the relationship between nontaxable interest and taxable income for social security benefits?**

- A. Nontaxable interest counts towards total taxable income**
- B. Nontaxable interest is exempt**
- C. Nontaxable interest reduces taxable income**
- D. Nontaxable interest is entirely taxable**

Nontaxable interest indeed has a specific relationship with taxable income when it comes to calculating Social Security benefits. When determining if Social Security benefits are taxable, the IRS considers the total income, which includes adjusted gross income (AGI), half of Social Security benefits, and any nontaxable interest. While nontaxable interest itself is not included in the taxable income amount, it does contribute to the calculation of total income, which is crucial in determining the taxation of Social Security benefits. If the total income exceeds certain thresholds, a portion of the Social Security benefits becomes taxable. Thus, although the interest is nontaxable, it still plays a role in the overall income calculation that influences tax liability on Social Security benefits. In contrast, the other options inaccurately represent the treatment of nontaxable interest in this context. It does not exempt someone from taxation or reduce taxable income directly, nor is it deemed entirely taxable. Understanding this relationship is key for navigating the complexities of tax liabilities related to Social Security benefits.

**8. When refinancing, how is the cost of points deducted compared to a purchase loan?**

- A. All costs can be deducted immediately in both cases**
- B. Points are amortized over the life of the loan for refinances**
- C. Points are fully deductible in the year of refinance**
- D. Points cannot be deducted at all on refinances**

When refinancing a home loan, the treatment of points—fees paid at closing to lower the interest rate on a loan—differs from that of a purchase loan. In the case of a refinance, points are typically amortized over the life of the loan rather than being fully deductible in the year of refinancing. This means that if a homeowner pays points to acquire a lower interest rate on their refinance, they can deduct those points on their tax return over the period of the loan, usually 30 years for a standard mortgage. This approach contrasts with purchasing a home, where points may sometimes be deductible fully in the year they are paid, depending on the circumstances. By amortizing the points for refinances, taxpayers can spread the deduction across several years, aligning the tax benefit more closely with the loan period. This amortization reflects the cost of borrowing over time, recognizing the use of those funds rather than providing an immediate full deduction. Thus, understanding the nuances of these deductions is essential for effective tax planning related to mortgage financing.

**9. What type of expense is classified as an improvement for tax purposes?**

- A. General repairs**
- B. Maintenance costs**
- C. Upgrading a roof**
- D. Utilities**

When determining what constitutes an improvement for tax purposes, it's essential to consider the type of expense and how it affects the property's value or prolongs its useful life. An expense that qualifies as an improvement typically enhances the value of the property, adds to its usefulness, or extends its life, rather than merely maintaining it in its current state. Upgrading a roof falls into the category of an improvement because it not only enhances the functionality and aesthetic appeal of the property but can also significantly increase its value. Such an upgrade is viewed as a capital improvement. Capital improvements are generally capitalized, meaning the cost is added to the basis of the property rather than expensed in the year incurred, allowing for potential depreciation benefits in subsequent tax years. On the other hand, general repairs, maintenance costs, and utilities do not qualify as improvements because they are typically considered necessary to keep the property in operational condition without adding substantial value or extending its life. They are often expensed in the year they are incurred rather than being capitalized. Thus, the classification of upgrading a roof as an improvement is consistent with tax regulations regarding expenses that enhance the asset's overall value.

**10. In the case of a registered domestic partnership with a qualifying child, who is eligible to claim the child as a dependent?**

- A. Both parents may claim the child as dependent**
- B. Parent "A" may claim the child as dependent**
- C. Parent "B" may claim the child as dependent**
- D. Neither parent may claim the child as dependent**

In a registered domestic partnership where there is a qualifying child, the eligibility to claim the child as a dependent is primarily determined by the custody arrangement or the agreement between the parents regarding who has the right to claim the child. In this situation, if Parent "A" is the one who provides primary support and has custody of the child, then Parent "A" is eligible to claim the child as a dependent. The tax rules favor the custodial parent—the one with whom the child lived for the majority of the year—providing that this parent meets the other requirements for claiming the child. Factors like the length of time the child lived with each parent and the financial support provided are significant. This is why it is possible for only one parent to claim the child as a dependent in these partnerships, rather than both parents or neither parent, as the arrangement should reflect where the child primarily resides and who supports them.



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

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