

H&R BLOCK INCOME TAX PRACTICE EXAM (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. Which of the following accounts allows contributions that are not tax-deductible?**
 - A. Traditional IRA
 - B. Roth IRA
 - C. Employer-funded retirement plan
 - D. 401(k) plan
- 2. What is required for a child to maintain dependency status as a full-time student?**
 - A. Enrollment in any school
 - B. Completion of high school
 - C. Enrollment in college or university
 - D. Study for a minimum of 12 hours a week
- 3. Which type of compensation plan allows tax-deferred contributions to the employee?**
 - A. 403(b) Plans
 - B. 401(k) Plans
 - C. IRAs
 - D. Pension Plans
- 4. What does "Adjusted Basis" refer to in terms of property?**
 - A. The initial purchase price before selling
 - B. The value after applying depreciation
 - C. The original cost plus adjustments
 - D. The market value at the time of sale
- 5. W-2 Box 12 Code N is similar to which other code?**
 - A. Code J
 - B. Code M
 - C. Code K
 - D. Code L

6. What does Schedule C report?

- A. Gain or Loss From Sale of Assets
- B. Profit or Loss From Business
- C. Income from Wages and Salaries
- D. Capital Gains and Losses

7. Is net income derived from business included in gross income?

- A. No, it is excluded
- B. Yes, it is included
- C. Only for sole proprietors
- D. It depends on the business structure

8. Which tax filing status requires that both spouses report their total income on one tax return?

- A. Single
- B. Married Filing Separately
- C. Married Filing Jointly
- D. Head of Household

9. What do the At-Risk Rules pertain to in tax regulations?

- A. Limiting deductions based solely on personal income
- B. Limiting deductible losses based on cash invested and legally obligated debt
- C. Maximizing tax benefits for high earners
- D. Eliminating tax liabilities for partnerships

10. Which test must be met regarding joint returns to qualify for EIC?

- A. The QC must file a joint return with a spouse
- B. The QC cannot file a joint return unless to claim a refund
- C. The QC must always file a joint return
- D. The QC must file separately from any siblings

Answers

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

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Explanations

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1. Which of the following accounts allows contributions that are not tax-deductible?

- A. Traditional IRA
- B. Roth IRA**
- C. Employer-funded retirement plan
- D. 401(k) plan

A Roth IRA is an account that allows individuals to make contributions that are not tax-deductible. When you contribute to a Roth IRA, you do so with after-tax dollars, meaning the contributions do not reduce your taxable income for the year. However, the key benefit of a Roth IRA is that qualified withdrawals during retirement are tax-free, which includes both the original contributions and any investment earnings. This differs from options like a Traditional IRA, where contributions may be deductible, thus reducing taxable income in the year the contribution is made. Employer-funded retirement plans and 401(k) plans typically involve pre-tax contributions that lower your taxable income for the year as well. Consequently, the tax treatment of contributions to a Roth IRA stands out because of the non-deductibility of those contributions, paired with the significant tax-free withdrawal benefit in retirement.

2. What is required for a child to maintain dependency status as a full-time student?

- A. Enrollment in any school
- B. Completion of high school
- C. Enrollment in college or university**
- D. Study for a minimum of 12 hours a week

For a child to maintain dependency status as a full-time student, they must be enrolled in a qualified educational institution, such as a college or university. This requirement ensures that the student is pursuing higher education, which typically involves both structured learning and academic rigor. The IRS defines a full-time student as someone who is enrolled for the number of hours or courses the school considers to be full-time. While enrollment in any school may seem appealing, it does not specifically address the need for the institution to be a college or university level, which is critical for dependency status under tax guidelines. Additionally, merely completing high school does not satisfy the full-time student criteria since it does not imply further education. As for the minimum study requirement, while it reflects academic commitment, it does not independently confirm the status of being enrolled in a recognized institution that offers college-level education. Therefore, enrollment in a college or university is essential for ensuring that a student qualifies for dependency status.

3. Which type of compensation plan allows tax-deferred contributions to the employee?

- A. 403(b) Plans
- B. 401(k) Plans**
- C. IRAs
- D. Pension Plans

The correct answer is 401(k) Plans because they allow employees to make contributions from their pre-tax income, which means that taxes on those contributions and the investment earnings are deferred until withdrawal, typically during retirement. This feature makes 401(k) Plans an attractive option for employees looking to save for retirement while also reducing their current taxable income. The contributions to a 401(k) are made before federal (and often state) taxes are calculated, providing immediate tax benefits. Furthermore, the growth of investments within the 401(k) account is also tax-deferred, meaning that employees do not pay taxes on gains until they begin to withdraw funds, generally after reaching age 59½. This tax deferral can lead to significant long-term savings compared to contributing to an account that does not have such a benefit. In contrast, while 403(b) Plans and IRAs also offer tax-deferred contributions, the specifics and limits can differ, making 401(k) Plans the most recognized option in the question regarding broad workplace compensation plans. Pension Plans, while providing a source of retirement income, typically are funded by the employer rather than through employee contributions, further distinguishing them from the directed employee contributions characteristic of 401(k) Plans.

4. What does "Adjusted Basis" refer to in terms of property?

- A. The initial purchase price before selling
- B. The value after applying depreciation
- C. The original cost plus adjustments**
- D. The market value at the time of sale

The concept of "Adjusted Basis" in relation to property represents the original cost of the property plus any adjustments made to that cost over time. These adjustments can include factors such as improvements made to the property, certain closing costs, and any depreciation claimed on the property for tax purposes. This definition is crucial because the adjusted basis is used to determine the gain or loss upon sale; it provides a clearer picture by accounting for the original investment and any changes made over the holding period. Therefore, understanding the adjusted basis allows property owners to accurately report taxes when they sell the property, calculating the difference between the sale price and the adjusted basis to assess capital gains or losses. In contrast, some of the other options presented do not fully encompass the concept of adjusted basis. The initial purchase price alone does not account for any subsequent adjustments or depreciation that may have been applied. The value after applying depreciation could be part of the adjusted basis but does not factor in improvements or original costs. Lastly, the market value at the time of sale reflects current conditions in the market and does not relate to the basis established for the property itself.

5. W-2 Box 12 Code N is similar to which other code?

- A. Code J
- B. Code M**
- C. Code K
- D. Code L

Code N in Box 12 of the W-2 form indicates that the employee's contributions to a tax-advantaged savings plan, specifically the savings program for tax-exempt organizations, are reported. This is similar to Code M, which refers to contributions to a military retirement plan. Both codes pertain to specific types of retirement savings programs, highlighting a system to help individuals save for retirement while benefiting from potential tax advantages. Understanding the context and purpose of these codes is critical. They play an important role in determining how these contributions impact the employee's taxable income. Having both codes in mind allows taxpayers and tax preparers to identify and handle reported compensation effectively while ensuring compliance with IRS regulations. While the other codes do relate to different types of benefits or savings plans, they do not align with the nature of Code N as closely as Code M does. Thus, recognizing the similarities in their purpose helps in the correct interpretation and reporting of tax information.

6. What does Schedule C report?

- A. Gain or Loss From Sale of Assets
- B. Profit or Loss From Business**
- C. Income from Wages and Salaries
- D. Capital Gains and Losses

Schedule C is used by sole proprietors to report income or loss from their business activities. The primary focus of this schedule is to detail the profits or losses generated from the business, which includes various income sources and deductible business expenses directly associated with running the business. It allows business owners to indicate their total revenue, subtract business expenses, and ultimately arrive at either a profit or a loss for the tax year. In contrast, the other options relate to different tax reporting forms and contexts. For instance, gains or losses from the sale of assets are typically reported on Schedule D or Form 4797, rather than Schedule C. Income from wages and salaries would be reported on Form 1040 or the associated W-2, while capital gains and losses are also reported in the context of investment activities, specifically on Schedule D. Therefore, Schedule C specifically serves the purpose of reporting profit or loss from a business, distinguishing it clearly from other forms of income or financial activity.

7. Is net income derived from business included in gross income?

- A. No, it is excluded
- B. Yes, it is included**
- C. Only for sole proprietors
- D. It depends on the business structure

Net income derived from business is included in gross income because, under the Internal Revenue Code, all income received by an individual or business, regardless of the source, must be reported unless specifically excluded by law. Gross income encompasses all income received in the form of money, goods, property, and services that are not exempt from tax. For individuals and entities engaged in a business, after deducting expenses directly associated with the operation of that business, the remaining net income contributes to the overall gross income reported on tax returns. This includes income from various business structures, including sole proprietorships, partnerships, and corporations. The other options would imply conditions under which net income might not be included in gross income, which is not accurate given the broad definition of gross income. Hence, the assertion that net income from business is included in gross income stands true for all business entities.

8. Which tax filing status requires that both spouses report their total income on one tax return?

- A. Single
- B. Married Filing Separately
- C. Married Filing Jointly**
- D. Head of Household

The filing status that requires both spouses to report their total income on one tax return is "Married Filing Jointly." This status allows married couples to combine their income and deductions on a single tax return, which often results in a lower tax liability compared to filing separately. By choosing this status, couples can benefit from a higher standard deduction, various tax credits, and potentially lower tax rates. This option is typically advantageous for many couples, as it maximizes the benefits available to them under the tax code. Other filing statuses, such as Single, Married Filing Separately, and Head of Household, do not require or allow for the combination of income on a joint tax return. Single and Head of Household are designed for individuals, while Married Filing Separately requires each spouse to report their income on individual returns, making it less beneficial in most cases compared to filing jointly.

9. What do the At-Risk Rules pertain to in tax regulations?

- A. Limiting deductions based solely on personal income
- B. Limiting deductible losses based on cash invested and legally obligated debt**
- C. Maximizing tax benefits for high earners
- D. Eliminating tax liabilities for partnerships

The At-Risk Rules are designed to limit the amount of deductible losses a taxpayer can claim to the amount they have at risk in an investment. This means that the loss a taxpayer can deduct on their tax return is restricted to their actual monetary investment, including cash they have contributed, and any obligations to repay debt that they are legally responsible for. When a taxpayer invests in a business or a certain type of partnership, they may be able to deduct losses from that investment on their tax return. However, the At-Risk Rules prevent taxpayers from taking full advantage of hypothetical or potential losses that exceed what they actually have invested. Essentially, if an investor has put in \$50,000 and has guaranteed a bank loan for an additional \$20,000, their maximum allowable loss deduction would be limited to that \$70,000. This regulation is intended to ensure that taxpayers do not claim undue tax benefits on losses that exceed their financial commitment to the investment. The other choices do not accurately reflect the purpose of the At-Risk Rules: they do not solely focus on personal income, do not aim to maximize tax benefits for high earners, nor do they eliminate tax liabilities for partnerships. The emphasis is specifically on actual financial commitment as defined by the contributions made

10. Which test must be met regarding joint returns to qualify for EIC?

- A. The QC must file a joint return with a spouse
- B. The QC cannot file a joint return unless to claim a refund**
- C. The QC must always file a joint return
- D. The QC must file separately from any siblings

To qualify for the Earned Income Credit (EIC), one of the stipulations regarding joint returns is that the qualified child (QC) cannot file a joint return unless it is solely to claim a refund. This means that if the QC is married and has chosen to file jointly with their spouse, they must meet the condition that the joint return is not for any other purpose than to seek a refund, particularly if the QC is not required to file a return based on income levels. When it comes to filing a joint return, this provision allows those who may typically not qualify for the EIC due to their filing status to still be considered for the credit if they are eligible. This emphasizes the importance of understanding filing requirements and the specific circumstances surrounding joint returns concerning EIC eligibility. For context, other options provided do not accurately reflect the criteria for EIC qualification. For example, stating that a QC must always file a joint return does not align with the flexibility allowed under IRS regulations. The tax code recognizes situations where filing jointly does not pertain to claiming the EIC, specifically when the primary goal is to secure a refund.

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://handrblockincometax.examzify.com>

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

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