

Intuit Academy Tax Level 1 Practice Test (Sample)

Study Guide



Everything you need from our exam experts!

This is a sample study guide. To access the full version with hundreds of questions,

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SAMPLE

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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. Don't worry about getting everything right, 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, and take breaks to retain information better.

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.

7. Use Other Tools

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!

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Questions

- 1. What type of insurance premiums can exceed 7.5% of AGI for potential deductions?**
 - A. Health insurance premiums**
 - B. Long-term care insurance premiums**
 - C. Life insurance premiums**
 - D. Disability insurance premiums**
- 2. What is the amount Heather may be eligible to claim for the Child Tax Credit for her two children?**
 - A. \$2,000**
 - B. \$3,000**
 - C. \$4,000**
 - D. \$5,000**
- 3. Anwar calculated his tax liability as \$72,600. After applying a tax credit of \$1,200, what is his remaining balance?**
 - A. \$71,000**
 - B. \$71,200**
 - C. \$71,400**
 - D. \$72,000**
- 4. For S-Corporation election, which requirement must be fulfilled regarding shareholders?**
 - A. Must be U.S. residents**
 - B. Must be corporations**
 - C. Must be foreign entities**
 - D. Must be non-profits**
- 5. Which expense is considered an example of a tax-deductible above-the-line deduction?**
 - A. Mortgage interest**
 - B. State income taxes**
 - C. Student loan interest deduction**
 - D. Charitable contributions**

- 6. Can Jack and Ryan claim their newborn child as a dependent when the baby receives a social security number just before filing their tax return?**
- A. No, they cannot claim the child**
 - B. Yes, they can claim the child**
 - C. Only if the baby was born in 2022**
 - D. They can only claim the child if they had expenses**
- 7. Which of the following is not considered miscellaneous income?**
- A. Employment wages**
 - B. Medical and health care payments**
 - C. Royalty payments**
 - D. Unemployment compensation**
- 8. What is typically the outcome of a higher AGI regarding eligibility for tax credits?**
- A. More tax credits available**
 - B. Fewer restrictions on tax benefits**
 - C. None; AGI does not affect credits**
 - D. Ineligibility for all credits**
- 9. Which condition applies to capital gains from the sale of a primary residence?**
- A. They are always taxable**
 - B. They may incur special treatment if requirements are met**
 - C. They cannot exceed \$250,000**
 - D. They are non-taxable under all circumstances**
- 10. Do retirees with no income other than Social Security typically have to pay taxes on those benefits?**
- A. Yes, always**
 - B. No, typically not**
 - C. Only if they have investments**
 - D. Only if they are under 65**

Answers

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

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Explanations

1. What type of insurance premiums can exceed 7.5% of AGI for potential deductions?

- A. Health insurance premiums**
- B. Long-term care insurance premiums**
- C. Life insurance premiums**
- D. Disability insurance premiums**

Long-term care insurance premiums can exceed 7.5% of Adjusted Gross Income (AGI) for potential deductions because they are specifically recognized under tax law as qualifying medical expenses. The IRS allows taxpayers to deduct unreimbursed medical expenses that exceed a certain percentage of their AGI, and long-term care insurance falls into this category. The allowable deduction for long-term care premiums depends on the taxpayer's age and other factors, which can allow for a significant expense threshold. This treatment acknowledges the growing costs and financial burden associated with long-term care. In contrast, health insurance premiums may also be deductible but are typically subject to the same 7.5% threshold without the additional stipulations tied to age. Life and disability insurance premiums generally do not qualify for deductions in the same manner, as they are viewed primarily as personal expenditures related to insurance protection rather than as medical expenses. Understanding these nuances is crucial for tax planning and maximizing potential deductions.

2. What is the amount Heather may be eligible to claim for the Child Tax Credit for her two children?

- A. \$2,000**
- B. \$3,000**
- C. \$4,000**
- D. \$5,000**

To determine the correct amount Heather may be eligible to claim for the Child Tax Credit, it's important to understand the eligibility criteria and the credit amounts associated with dependent children. For the tax year 2023, the Child Tax Credit provides a maximum of \$2,000 for each qualifying child under the age of 17. Since Heather has two qualifying children, the maximum potential credit she could claim would be \$2,000 multiplied by 2, which equals \$4,000. This credit is designed to help families by reducing their tax liability and can be partially refundable, depending on the family's income and tax situation. Therefore, given that she has two children, the eligibility calculation brings us to the conclusion that Heather can claim \$4,000 for the Child Tax Credit. Options reflecting amounts lower than \$4,000 do not account for both of Heather's children, and the option above that amount does not align with the maximum allowable credit structure for this tax credit.

3. Anwar calculated his tax liability as \$72,600. After applying a tax credit of \$1,200, what is his remaining balance?

- A. \$71,000**
- B. \$71,200**
- C. \$71,400**
- D. \$72,000**

To find Anwar's remaining balance after applying the tax credit, you start with the initial tax liability of \$72,600. The purpose of a tax credit is to directly reduce the amount of tax owed, so when you apply the tax credit of \$1,200, you subtract this amount from the initial liability. Calculating this involves the following steps: 1. Start with the tax liability: \$72,600. 2. Subtract the tax credit: \$1,200. When you do the math, it looks like this: $\$72,600 - \$1,200 = \$71,400$. This result of \$71,400 represents Anwar's remaining tax balance after the tax credit has been applied. Therefore, the correct answer reflects this calculation and provides the accurate remaining tax liability he needs to pay after benefiting from the tax credit.

4. For S-Corporation election, which requirement must be fulfilled regarding shareholders?

- A. Must be U.S. residents**
- B. Must be corporations**
- C. Must be foreign entities**
- D. Must be non-profits**

For an S-Corporation election, the requirement regarding shareholders is that they must be U.S. residents. This is a fundamental criterion because S-Corporations are intended to be closely held corporations, and the tax benefits they offer are designed for domestic entities. S-Corporations allow income to pass through to shareholders, avoiding double taxation. However, to qualify for this election, shareholders must be individuals who are U.S. citizens or resident aliens, or certain trusts and estates. The other options do not meet the criteria defined by the IRS for S-Corporation eligibility. Corporations, foreign entities, and non-profits cannot serve as shareholders in an S-Corporation, as this would contradict the purpose and structure of an S-Corp, which aims to provide pass-through taxation and limited liability primarily to U.S. resident individuals and specific permitted entities.

5. Which expense is considered an example of a tax-deductible above-the-line deduction?

- A. Mortgage interest**
- B. State income taxes**
- C. Student loan interest deduction**
- D. Charitable contributions**

A tax-deductible above-the-line deduction is one that can be subtracted from gross income to arrive at the adjusted gross income (AGI), regardless of whether the taxpayer itemizes deductions or takes the standard deduction. The student loan interest deduction qualifies as an above-the-line deduction because it allows individuals to deduct a portion of interest paid on student loans, up to a specific limit, directly from their gross income. This deduction is beneficial because it reduces taxable income and may lead to a lower tax liability, making it accessible to a broad range of taxpayers. Importantly, it can still be claimed even if the taxpayer chooses to take the standard deduction. In contrast, mortgage interest, state income taxes, and charitable contributions are all considered itemized deductions. These can only be deducted if the taxpayer opts to itemize deductions on Schedule A, meaning they have to forego the standard deduction to benefit from them.

6. Can Jack and Ryan claim their newborn child as a dependent when the baby receives a social security number just before filing their tax return?

- A. No, they cannot claim the child**
- B. Yes, they can claim the child**
- C. Only if the baby was born in 2022**
- D. They can only claim the child if they had expenses**

Jack and Ryan can claim their newborn child as a dependent because the child received a Social Security number just before filing their tax return. The IRS requires that a child must have a valid Social Security number to be claimed as a dependent. Since the baby has obtained this important identification number, Jack and Ryan meet this requirement. Additionally, the timing of the birth does not affect their ability to claim the child as a dependent for the tax year in which they give birth, as long as the Social Security number is issued before the return is filed. They do not need to have incurred any specific expenses related to the child in order to claim the dependent as part of their tax return.

7. Which of the following is not considered miscellaneous income?

- A. Employment wages**
- B. Medical and health care payments**
- C. Royalty payments**
- D. Unemployment compensation**

Employment wages are categorized as earned income rather than miscellaneous income. This classification is significant because wages are part of an employee's compensation for work performed and are subject to payroll taxes, withholding, and reporting requirements that differ from those of miscellaneous income. In contrast, miscellaneous income typically includes various types of income that do not fit neatly into standard categories. Medical and health care payments, royalty payments, and unemployment compensation are all considered miscellaneous income because they represent payments not related directly to employment or a business entity's regular income-producing activities. Understanding these distinctions is vital for accurate tax reporting and compliance with IRS regulations.

8. What is typically the outcome of a higher AGI regarding eligibility for tax credits?

- A. More tax credits available**
- B. Fewer restrictions on tax benefits**
- C. None; AGI does not affect credits**
- D. Ineligibility for all credits**

A higher Adjusted Gross Income (AGI) typically leads to fewer tax credits available. Many tax credits are designed to be phased out or reduced as AGI increases, meaning that individuals with a higher AGI may no longer qualify for some credits or may have a reduced amount of those credits available to them. For instance, credits such as the Earned Income Tax Credit have specific income thresholds, and as a taxpayer's AGI exceeds these thresholds, they will not be eligible for the credit. The idea that fewer restrictions on tax benefits could apply to those with higher AGI positions does not align with how many tax credits are structured. In reality, higher AGI can lead to stricter limits on eligibility for benefits. Thus, understanding the relationship between AGI and the availability of tax credits is essential for effective tax planning and ensuring that one can take advantage of potential benefits when applicable.

9. Which condition applies to capital gains from the sale of a primary residence?

A. They are always taxable

B. They may incur special treatment if requirements are met

C. They cannot exceed \$250,000

D. They are non-taxable under all circumstances

The condition that capital gains from the sale of a primary residence may incur special treatment if requirements are met is accurate because of the primary residence exclusion rules under the Internal Revenue Code. According to these provisions, individuals can exclude up to \$250,000 of capital gains from the sale of their primary residence if they meet specific criteria, including owning and living in the home for at least two of the five years prior to the sale. This treatment incentivizes homeownership and helps homeowners retain more funds from the sale of their home without facing taxation on the entire gain. If both spouses meet the ownership and use tests, they can exclude up to \$500,000 of gain if they file jointly. These provisions highlight the importance of understanding the requirements necessary to qualify for this exclusion. By meeting the specific criteria set forth by the IRS, taxpayers may significantly reduce or even eliminate their capital gains tax liability from the sale of their primary residence, making it a beneficial aspect of tax law for homeowners.

10. Do retirees with no income other than Social Security typically have to pay taxes on those benefits?

A. Yes, always

B. No, typically not

C. Only if they have investments

D. Only if they are under 65

Retirees who receive only Social Security benefits typically do not have to pay federal income taxes on those benefits. The taxation of Social Security is based on combined income, which includes adjusted gross income, nontaxable interest, and half of the Social Security benefits received. For many retirees with limited income, especially those whose income is solely from Social Security, their total combined income falls below the threshold for taxation, meaning they do not owe any taxes on their Social Security benefits. The thresholds for combined income vary by filing status. When a retiree's income is low and does not exceed these thresholds, the benefits remain untaxed. It is important for retirees to be aware of their total income sources, as additional non-Social Security income could potentially raise their total income enough to incur taxes on a portion of their Social Security benefits. However, in instances where Social Security is their only source of income, they usually find themselves in a tax-free situation. This understanding provides retirees clarity in managing their tax liabilities and financial planning for retirement, as maintaining awareness of their income levels can help them avoid unexpected tax burdens.

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://intuitacademytaxlvl1.examzify.com>

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