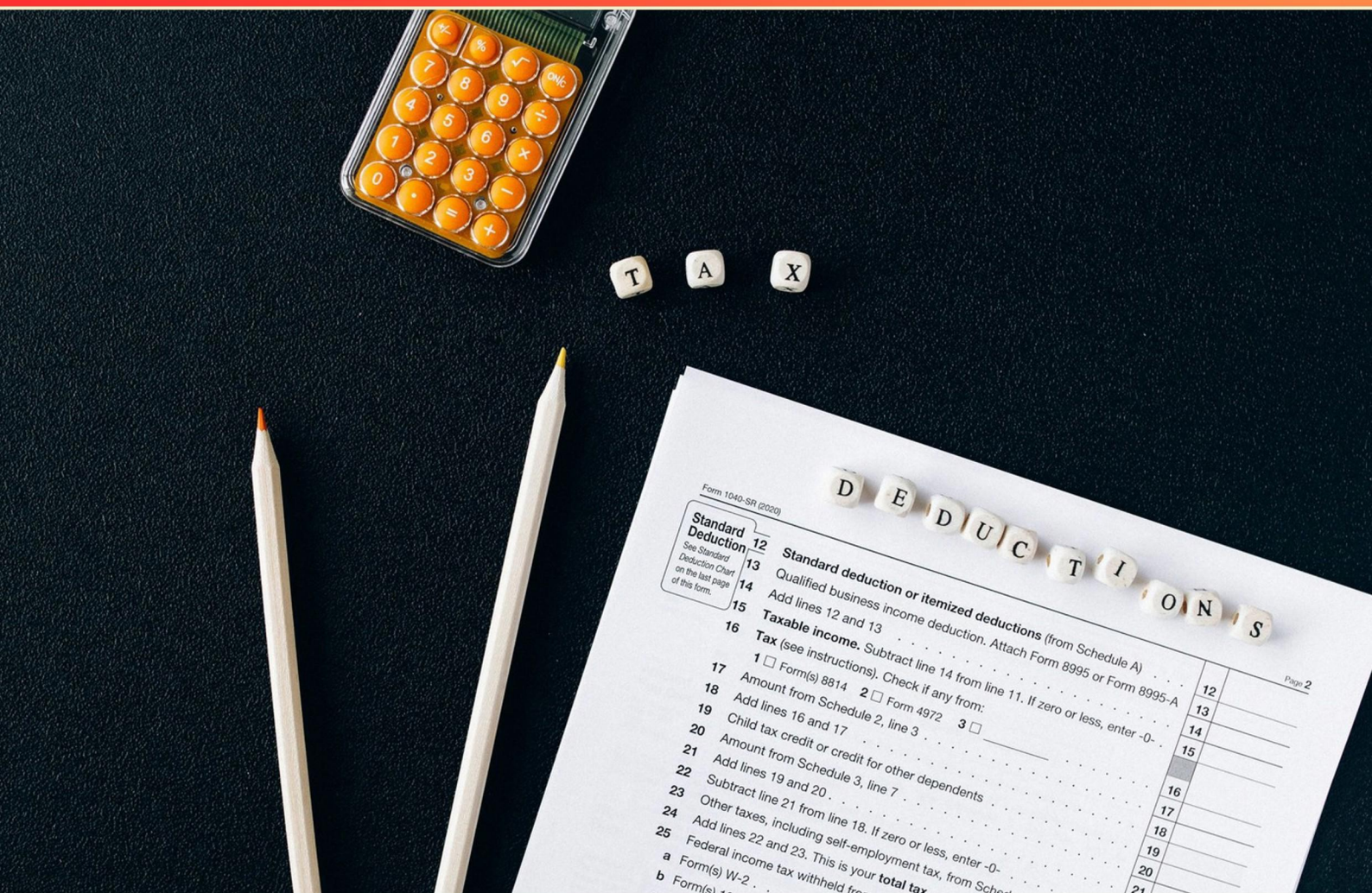


INTUIT ACADEMY TAX LEVEL 1 PRACTICE TEST (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

VISIT US ONLINE FOR
THE FULL VERSION STUDY GUIDE

<https://intuitacademytaxlvl1.examzify.com>



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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 required for home-equity loan interest to be deductible?**
 - A. The loan must be used for personal expenses
 - B. The loan must be used to buy, build, or repair a home
 - C. The loan must be larger than \$50,000
 - D. The loan must be taken from a bank
- 2. Which of the following is a deductible expense for self-employed individuals?**
 - A. Personal living expenses
 - B. Health insurance premiums
 - C. Luxury vehicle expenses
 - D. Entertainment expenses
- 3. What is the tax rate for net capital gains if a married couple filing jointly has an income less than \$80,800?**
 - A. 10%
 - B. 15%
 - C. 20%
 - D. 0%
- 4. Under which circumstance is an employer required to file a W-2 form?**
 - A. Receiving a non-cash payment
 - B. You are paid a salary for services
 - C. You are an independent contractor
 - D. Your employer has underpaid you
- 5. How much can taxpayers claim under the Child Tax Credit for each child under the age of 17?**
 - A. Up to \$1,000
 - B. Up to \$2,000
 - C. Up to \$3,000
 - D. Up to \$4,000

- 6. What is Sophia's final net loss that she can deduct against other types of income for the year based on her trading results?**
- A. \$12,000
 - B. \$3,000
 - C. \$8,000
 - D. \$15,000
- 7. What income forms might classify as miscellaneous income?**
- A. Rents and royalties
 - B. Employment wages
 - C. Guaranteed payments
 - D. Health insurance reimbursements
- 8. Who can receive a qualified distribution from a Roth IRA?**
- A. Only the original account holder
 - B. The account holder and their spouse only
 - C. Beneficiaries or the estate of the account holder
 - D. Anyone the account holder chooses
- 9. What do partially refundable tax credits offer?**
- A. They provide a credit that can offset more than taxes owed
 - B. They provide only a percentage as a tax refund
 - C. They are not available to low-income earners
 - D. They are only applicable for taxpayers with dependents
- 10. Which supplemental schedule may be required for Riana if her total taxable interest exceeds a certain limit?**
- A. Schedule A
 - B. Schedule B
 - C. Schedule C
 - D. Schedule D

Answers

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

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Explanations

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1. What is required for home-equity loan interest to be deductible?

- A. The loan must be used for personal expenses
- B. The loan must be used to buy, build, or repair a home**
- C. The loan must be larger than \$50,000
- D. The loan must be taken from a bank

The deductibility of home-equity loan interest hinges on the purpose for which the loan proceeds are used. When the loan is utilized specifically to buy, build, or significantly improve the taxpayer's main home or a second home, the interest paid on that loan is considered deductible. This means that homeowners can reduce their taxable income by the amount of interest they pay on a home-equity loan that meets these specific criteria. Using the proceeds for other types of personal expenses or unrelated purposes would not qualify for this deduction. Additionally, there are no stipulations regarding a minimum loan amount for deductibility, or that the loan must be from a particular type of lender, such as a bank, making these factors irrelevant to the requirement for interest deductibility.

2. Which of the following is a deductible expense for self-employed individuals?

- A. Personal living expenses
- B. Health insurance premiums**
- C. Luxury vehicle expenses
- D. Entertainment expenses

Health insurance premiums are considered a deductible expense for self-employed individuals. This deduction is particularly beneficial as it allows self-employed individuals to reduce their taxable income. When self-employed individuals pay for their own health insurance, they can deduct the premiums paid for themselves, their spouse, and their dependents, provided certain conditions are met. This deduction is an "above-the-line" deduction, meaning it can be claimed even if the individual does not itemize deductions on their tax return. The other options listed do not qualify as deductible expenses for self-employed individuals. Personal living expenses are generally non-deductible as they do not directly relate to business operations. Luxury vehicle expenses are subject to strict limitations and are often partially deductible only if the vehicle is used for business purposes and not for personal use. Similarly, entertainment expenses, while they may be partially deductible in certain situations, have been significantly limited under tax reforms and are not commonly acceptable as deductibles for self-employed individuals.

3. What is the tax rate for net capital gains if a married couple filing jointly has an income less than \$80,800?

- A. 10%
- B. 15%
- C. 20%
- D. 0%**

For the tax year, the tax rate for net capital gains is determined by the taxpayer's income level. When a married couple filing jointly has a total income of less than \$80,800, their net capital gains fall within the 0% tax rate bracket. This means that they do not owe any taxes on long-term capital gains, which typically apply to assets held for more than one year. The rationale behind this is to encourage investment and stimulate the economy, allowing taxpayers in lower income brackets to benefit from tax incentives on their investment income. Thus, if their taxable income is below the specified threshold, they enjoy the advantage of not being taxed on these gains, making it a key consideration for tax planning. As income increases beyond the \$80,800 threshold, different tax rates would apply to net capital gains, leading to potential taxation at 15% or 20% for higher income brackets. Therefore, understanding this income threshold and its implications is crucial for optimizing tax liabilities for married couples filing jointly.

4. Under which circumstance is an employer required to file a W-2 form?

- A. Receiving a non-cash payment
- B. You are paid a salary for services**
- C. You are an independent contractor
- D. Your employer has underpaid you

The requirement for an employer to file a W-2 form is associated with the payment of salaries and wages to employees. A W-2 form is used to report an employee's annual wages and the amount of taxes withheld from their paycheck. When an individual is considered an employee and is compensated with a salary for their services, the employer is obligated to provide a W-2 form at the end of the year. This form not only documents the income received but also reports the employee's contributions to Social Security and Medicare, along with any tax withholdings. In contrast, non-cash payments do not warrant the same reporting as they do not represent direct earnings in the form of cash or checks. Independent contractors receive a different form, the 1099-MISC or 1099-NEC, which is designated for reporting non-employee compensation. If an employee has been underpaid, it does not directly impact the employer's obligation to file a W-2, as filing is based on earned wages rather than any discrepancies in payment.

5. How much can taxpayers claim under the Child Tax Credit for each child under the age of 17?

- A. Up to \$1,000
- B. Up to \$2,000**
- C. Up to \$3,000
- D. Up to \$4,000

Taxpayers can claim up to \$2,000 for each qualifying child under the age of 17 under the Child Tax Credit. This credit is designed to provide financial assistance to families with children, which can help alleviate some expenses associated with raising kids. The maximum credit amount applies to eligible children who meet specific criteria set by the IRS, including age requirements and relationship to the taxpayer. While the other amounts listed might reflect various forms of credits or benefits, the Child Tax Credit has a defined limit of \$2,000 per qualifying child. This figure was established and reinforced by tax reform legislation, ensuring that families can receive a substantial credit to support them financially. Keeping updated on these limits and qualifying criteria is essential for accurate tax preparation and maximization of benefits.

6. What is Sophia's final net loss that she can deduct against other types of income for the year based on her trading results?

- A. \$12,000
- B. \$3,000**
- C. \$8,000
- D. \$15,000

To determine Sophia's final net loss that she can deduct against other types of income, it's important to understand the limitations set forth by the IRS regarding capital losses. Individuals can typically offset capital gains with capital losses and can use any remaining losses to offset ordinary income. In a calendar year, if the total net capital loss exceeds the \$3,000 limit, only \$3,000 can be deducted against other types of income for individuals who are filing as single or married filing jointly. This limit is set to prevent taxpayers from using a large capital loss to offset other income extensively. In this scenario, regardless of the total losses Sophia realized from her trading activity—be it \$12,000, \$15,000, or any other amount—she is capped at deducting only \$3,000 against her other income. Therefore, the correct answer reflects the IRS's rules regarding capital gains and losses, which is why a deduction of \$3,000 is appropriate in this context.

7. What income forms might classify as miscellaneous income?

- A. Rents and royalties**
- B. Employment wages
- C. Guaranteed payments
- D. Health insurance reimbursements

Rents and royalties are categorized as miscellaneous income because they do not fall under the standard classifications of earned income like wages or salaries. Miscellaneous income includes various types of revenue that do not have a specific form of tax documentation associated with them, making it necessary for taxpayers to report such income on their tax returns accurately. Rents received from leasing property and royalties earned from intellectual property are common examples of this type of income, as they are typically received independently from regular employment or contractual paychecks, and they may not necessarily have a dedicated Form W-2 or Form 1099 associated with them. In contrast, employment wages are reported on Form W-2, guaranteed payments are typically treated as business income under Form 1065 for partnerships, and health insurance reimbursements fall under different categories like employee benefits rather than miscellaneous income. Understanding these distinctions helps taxpayers correctly categorize their income for tax purposes.

8. Who can receive a qualified distribution from a Roth IRA?

- A. Only the original account holder
- B. The account holder and their spouse only
- C. Beneficiaries or the estate of the account holder**
- D. Anyone the account holder chooses

A qualified distribution from a Roth IRA is typically tax-free and penalty-free, provided certain conditions are met, such as the account being held for at least five years and the account holder being at least 59½ years old at the time of withdrawal. Beneficiaries or the estate of the account holder can indeed receive distributions from a Roth IRA without incurring penalties, as they are seen as designated beneficiaries. Upon the death of the account holder, the assets of the Roth IRA can pass to named beneficiaries, allowing them to make withdrawals that qualify for tax-free treatment as long as the distribution meets the requirements set forth by the IRS. The other options suggest limitations on who can receive these distributions, which do not align with the structure of Roth IRAs. Only restricting distributions to the original account holder or their spouse does not account for the rights beneficiaries have upon the account holder's death. Additionally, allowing anyone the account holder chooses to receive distributions without consideration of beneficiary rules would not accurately reflect the regulatory framework governing IRAs.

9. What do partially refundable tax credits offer?

- A. They provide a credit that can offset more than taxes owed
- B. They provide only a percentage as a tax refund**
- C. They are not available to low-income earners
- D. They are only applicable for taxpayers with dependents

Partially refundable tax credits are designed to provide a benefit that can result in a refund even if the taxpayer's liability is less than the total credit amount. This means that if the tax credit exceeds the amount of taxes owed, the taxpayer can receive a portion of the remaining credit as a cash refund. This is particularly beneficial for taxpayers who may have a low tax liability or none at all but still deserve some financial relief based on their qualifications for the credit. This structure helps to promote equity, allowing low- to moderate-income taxpayers to receive financial assistance when they might not have a large tax bill but still face significant economic challenges. The result is that while the credit cannot exceed the total owed in taxes, taxpayers can still benefit from the excess amount in the form of a refund.

10. Which supplemental schedule may be required for Riana if her total taxable interest exceeds a certain limit?

- A. Schedule A
- B. Schedule B**
- C. Schedule C
- D. Schedule D

When an individual's total taxable interest exceeds \$1,500, they are required to complete Schedule B. This schedule is specifically designed to report interest and ordinary dividends. It provides a detailed breakdown of the sources of interest income and helps ensure that all income is accurately reported on the tax return. Schedule A is primarily used for itemized deductions, Schedule C is for profit or loss from a business, and Schedule D is focused on capital gains and losses. Therefore, these schedules are not applicable in the context of reporting excess interest income. Schedule B's purpose directly aligns with the reporting needs when taxable interest exceeds the specified limit.

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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!

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