

INTUIT TURBO TAX LEVEL 1 PRACTICE EXAM (SAMPLE)

STUDY GUIDE



Prepare with structure. Pass with confidence



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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. Is "Dependent Care Benefits" a box on Form W-2?**
 - A. Yes, it's reported on line 10
 - B. No
 - C. Only if applicable
 - D. It depends on filing status
- 2. Can a married couple with two qualifying dependents claim a Child and Dependent Care Credit if they have childcare expenses?**
 - A. Yes, if the expenses enable them to work
 - B. No, expenses do not matter
 - C. Only if they have a qualifying income
 - D. Not if both are employed
- 3. Can the purchase of a computer specifically for gaming be categorized as a business expense?**
 - A. Yes, if it is used in a business context
 - B. No, it is a personal expense
 - C. Yes, if it is part of employee benefits
 - D. No, because it falls under capital expenses
- 4. Are royalties received by a partnership reported on Schedule E?**
 - A. No, they are excluded from reporting.
 - B. Yes, they should be reported on page 1 of Schedule E.
 - C. Yes, but only for partnerships active in trading.
 - D. No, they should be included in Schedule C.
- 5. Is the finance charge on a credit card exclusive to the consulting business a deductible expense?**
 - A. No, it is a personal expense
 - B. Yes, it is necessary for operations
 - C. No, business expenses cannot include interest
 - D. Yes, but only if documented

- 6. What type of income can be reported using Schedule C?**
- A. Rental income
 - B. Wages from a job
 - C. Business income from self-employment
 - D. Interest income from savings
- 7. What is the primary benefit of using TurboTax?**
- A. It guarantees the highest refund
 - B. It simplifies the tax filing process for individuals
 - C. It automatically calculates state tax laws
 - D. It provides premium accounting services
- 8. What is one way TurboTax assists first-time users?**
- A. By simplifying the language used in forms
 - B. By offering free consultations
 - C. By providing step-by-step guidance throughout the filing process
 - D. By allowing users to skip sections of filing
- 9. What action should a taxpayer take if they realize they forgot to claim a deduction?**
- A. Leave it and hope their refund is sufficient
 - B. File an amendment to their tax return
 - C. Change their tax filing status
 - D. Contact the IRS for guidance
- 10. What does 'AGI' stand for in tax preparation?**
- A. Adjusted Gross Income
 - B. Averaged Gross Income
 - C. Annual General Income
 - D. Aggregated Gross Income

Answers

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

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Explanations

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1. Is "Dependent Care Benefits" a box on Form W-2?

A. Yes, it's reported on line 10

B. No

C. Only if applicable

D. It depends on filing status

"Dependent Care Benefits" are indeed reported on Form W-2 in box 10. This box is specifically designated to report the amount of dependent care benefits provided to an employee by the employer. These benefits can include contributions made to a dependent care flexible spending account or amounts paid directly by the employer for dependent care services. This information is important for taxpayers because it helps them determine their eligibility for the Dependent Care Tax Credit when filing their taxes. Reporting these benefits accurately ensures that the taxpayer can properly account for any assistance received for dependent care expenses throughout the year. In contrast, the other options do not accurately describe the nature of dependent care benefits in relation to Form W-2. Depending on the individual's situation or their filing status does not determine whether box 10 is used for reporting these benefits; it is a standard procedure on the form for all employees who received such benefits.

2. Can a married couple with two qualifying dependents claim a Child and Dependent Care Credit if they have childcare expenses?

A. Yes, if the expenses enable them to work

B. No, expenses do not matter

C. Only if they have a qualifying income

D. Not if both are employed

A married couple with two qualifying dependents can indeed claim a Child and Dependent Care Credit if they have childcare expenses that enable them to work, making the first answer correct. To elaborate, the Child and Dependent Care Credit is specifically designed to assist families with young children or dependents who require care so that the parents can work or look for work. The IRS stipulates that for expenses to qualify for the credit, they must be incurred for the care of a qualifying child or dependent and should be necessary for the parents to maintain their employment. This means that if the couple can demonstrate that their childcare expenses are directly linked to their ability to work, they will meet the requirements for claiming the credit. The context surrounding the other options can clarify why they do not apply. While having a qualifying income is relevant for determining eligibility for certain credits, the Child and Dependent Care Credit specifically requires that expenses are incurred to allow parents to work. It's also not true that expenses do not matter; they are a central part of the eligibility criteria. Lastly, both parents being employed does not disqualify them from claiming the credit; in fact, having both parents working can further justify the need for childcare expenses. Therefore, the key factor remains that the expenses

3. Can the purchase of a computer specifically for gaming be categorized as a business expense?

- A. Yes, if it is used in a business context
- B. No, it is a personal expense**
- C. Yes, if it is part of employee benefits
- D. No, because it falls under capital expenses

The classification of a computer purchased specifically for gaming as a business expense hinges on its use in relation to business activities. A gaming computer can only be categorized as a business expense if it is utilized directly for business-related tasks. If the primary purpose of the purchase is for personal use and entertainment, such as gaming, then it is considered a personal expense. This is because business expenses must be necessary and ordinary for the operation of a trade or business. In scenarios where the computer serves a dual purpose, such as gaming and business productivity, a portion of the cost might be deductible if it's proportionally used for business activities. However, since the question specifies that the computer is specifically for gaming, it does not meet the criteria for business expense classification. The distinction between personal and business expenses is crucial in tax considerations, and personal expenses are typically not deductible. This clear boundary helps clarify why the correct answer identifies the purchase as falling under personal expenses in this context.

4. Are royalties received by a partnership reported on Schedule E?

- A. No, they are excluded from reporting.
- B. Yes, they should be reported on page 1 of Schedule E.**
- C. Yes, but only for partnerships active in trading.
- D. No, they should be included in Schedule C.

Royalties received by a partnership are indeed reported on Schedule E. This schedule is specifically designed for income or losses from real estate and royalty payments, among other things. When a partnership receives royalties, these amounts are considered passive income and are properly reported on Schedule E because it details the supplemental income or loss from various sources, including partnerships, S corporations, estates, trusts, and other pass-through entities. When filling out Schedule E, partnerships report the total royalty income, and this provides a clear record for the IRS of all passive income sources. This is important for tax purposes, as the nature of the income helps determine how it should be taxed and what deductions may apply. Options discussing exclusion or inclusion on other forms, such as Schedule C, do not align with IRS reporting guidelines for partnership income. Schedule C is used primarily for reporting income from self-employment, which does not typically apply to income received from royalties by a partnership. Hence, the choice of reporting royalties on page 1 of Schedule E is the accurate process in this context.

5. Is the finance charge on a credit card exclusive to the consulting business a deductible expense?

- A. No, it is a personal expense
- B. Yes, it is necessary for operations**
- C. No, business expenses cannot include interest
- D. Yes, but only if documented

The finance charge on a credit card used exclusively for a consulting business is considered a deductible expense because it is necessary for the operations of the business. When determining what constitutes a deductible business expense, it is important to focus on whether the expense is both ordinary and necessary for the business to operate. In the case of finance charges, they serve as a cost of obtaining financing for business expenses, which can include costs for supplies, services, and other operational needs. Since the charge is incurred as a result of using credit to run the business, it directly contributes to the overall functioning of the business, therefore qualifying as a necessary expense. Other choices suggest that the finance charge could be personal or not allowable as a business expense, but since the charge is exclusively related to business activities, it does not fall under personal expenses. The claim that business expenses cannot include interest charges is inaccurate, as interest on business loans or credit utilized for business purposes is typically deductible. Lastly, while proper documentation is always beneficial for substantiating any deductions, the essential factor in this case is that the finance charge is indeed a necessary part of running the consulting business and meets the criteria for being a deductible expense.

6. What type of income can be reported using Schedule C?

- A. Rental income
- B. Wages from a job
- C. Business income from self-employment**
- D. Interest income from savings

Schedule C is specifically designed for reporting income earned from self-employment. This includes various forms of business income, such as profits from a sole proprietorship, freelance work, or any other form of earnings that are derived from operating a business. Self-employed individuals utilize Schedule C to detail their income, as well as their deductible expenses, ultimately determining their net profit or loss from the business operation. In this context, the other options do not apply to Schedule C. Rental income is typically reported on Schedule E, wages from a job are reported on Form 1040 and are subject to income tax withholding by the employer, while interest income from savings is also reported directly on Form 1040. Therefore, Schedule C is uniquely tailored for self-employed individuals to provide an accurate account of their business income.

7. What is the primary benefit of using TurboTax?

- A. It guarantees the highest refund
- B. It simplifies the tax filing process for individuals**
- C. It automatically calculates state tax laws
- D. It provides premium accounting services

Using TurboTax primarily benefits individuals by simplifying the tax filing process. This software is designed with user-friendly features that guide taxpayers through the often complex tax preparation tasks. It offers intuitive step-by-step instructions and prompts that help users accurately complete their tax returns. The software also provides explanations for various tax forms and deductions, making it easier for individuals to understand their tax situations and compliance requirements. While other options hint at advantages TurboTax may offer, they do not encapsulate the essence of its primary function as effectively. For instance, the guarantee of the highest refund is not explicitly a feature of TurboTax; rather, it helps users maximize deductions and credits based on available options. Automatic calculations for state tax laws are certainly helpful, but they are a part of the simplification process rather than the core benefit itself. Lastly, premium accounting services suggest a level of complexity that goes beyond the needs of most individual taxpayers, as TurboTax primarily targets the average person looking to file their taxes more easily.

8. What is one way TurboTax assists first-time users?

- A. By simplifying the language used in forms
- B. By offering free consultations
- C. By providing step-by-step guidance throughout the filing process**
- D. By allowing users to skip sections of filing

One significant way TurboTax assists first-time users is by providing step-by-step guidance throughout the filing process. This feature is particularly valuable for individuals who may be unfamiliar with tax regulations and the required documentation, as it breaks down complex tax concepts into manageable parts. As users navigate through the software, they receive prompts and questions tailored to their specific situations, which helps to ensure that they do not overlook critical information and that their returns are accurate. The step-by-step guidance effectively leads users through each section of the tax return, helping them understand what information is needed and when. This process builds confidence for newcomers by minimizing the intimidation factor associated with tax filing and allowing them to feel supported and informed as they complete their returns.

9. What action should a taxpayer take if they realize they forgot to claim a deduction?

- A. Leave it and hope their refund is sufficient
- B. File an amendment to their tax return**
- C. Change their tax filing status
- D. Contact the IRS for guidance

If a taxpayer realizes they forgot to claim a deduction, the most appropriate action is to file an amendment to their tax return. Amending a tax return allows the taxpayer to correct errors or omissions, including missed deductions that could increase their refund or reduce their tax liability. This process involves completing Form 1040-X, which is the amended U.S. individual income tax return, and sending it to the IRS along with any necessary documentation to support the claimed deduction. Taking the step to amend the tax return is important because it ensures that the taxpayer can receive the tax benefits they are entitled to. By filing an amendment, the taxpayer can correct their return within a specific time frame, which generally includes the current tax year plus two previous years for claiming refunds related to deductions. In contrast, leaving it as is and hoping for a sufficient refund does not address the oversight and could result in the taxpayer potentially missing out on funds owed to them. Changing the tax filing status or contacting the IRS for guidance might provide some information, but neither action directly resolves the issue of unclaimed deductions in an effective manner. Amending the return is the proactive solution that directly corrects the mistake.

10. What does 'AGI' stand for in tax preparation?

- A. Adjusted Gross Income**
- B. Averaged Gross Income
- C. Annual General Income
- D. Aggregated Gross Income

AGI stands for Adjusted Gross Income, which is a critical figure in tax preparation as it affects how much of your income is subject to taxation and your eligibility for various deductions and credits. Adjusted Gross Income is calculated by taking your total gross income and then subtracting specific deductions, such as contributions to retirement accounts, student loan interest, and tuition fees. This adjustment allows taxpayers to arrive at a more accurate representation of their income after accounting for these deductions, which can influence their overall tax liability. Understanding AGI is essential for tax strategizing, as it serves as the basis for determining eligibility for tax benefits that have AGI limits. In contrast, terms like Averaged Gross Income, Annual General Income, or Aggregated Gross Income are not established concepts in tax preparation and do not carry the same significance.

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://intuitturbotaxlvl1.examzify.com>

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

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