# Oregon Tax Consultants Practice Exam (Sample)

## Study Guide

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# Questions

**1. Is any portion of the American Opportunity Credit refundable?**

**A. No, none is refundable**

**B. Yes, 20%**

**C. Yes, 40%**

**D. Yes, 10%**

**2. What does recapture refer to in tax terms?**

**A. The loss of tax deductions due to sale of property**

**B. The repayment of government loans**

**C. The amount of depreciation or deduction that must be reported as income when property is sold at a gain**

**D. The process of claiming back overstated taxes**

**3. Which form is utilized for filing corporate taxes in Oregon?**

**A. Oregon Form 40**

**B. Oregon Form 60**

**C. Oregon Form 20**

**D. Oregon Form 30**

**4. Which of the following types of payments is not considered alimony?**

**A. Spousal maintenance**

**B. Child support**

**C. Pension distributions**

**D. Loan repayments**

**5. What is a licensee labeled when deemed incompetent due to their conduct?**

**A. Adaptive**

**B. Incompetent**

**C. Irresponsible**

**D. Non-compliant**

**6. What is the treatment of tax deductions for Alimony after December 31, 2018?**

**A. They remain deductible for the payer and taxable for the receiver**

**B. They are no longer deductible nor taxable**

**C. They become partially taxable for the payer only**

**D. They remain fully deductible for the receiver**

**7. What are "Oregon Business Taxes"?**

**A. Taxes on personal income of residents.**

**B. Taxes imposed on corporations and businesses.**

**C. Federal taxes collected for Oregon businesses.**

**D. Taxes on sales made by businesses.**

**8. Which of the following is an example of an increase to basis?**

**A. Section 179 Deductions**

**B. Insurance reimbursements**

**C. Legal Fees related to property improvement**

**D. Nontaxable corporate distributions**

**9. Which of the following is a consequence of filing MFS?**

**A. Eligibility for additional tax credits**

**B. Higher tax rates and limitations on various tax benefits**

**C. Automatic exemption from tax audits**

**D. Increased deductibility of personal expenses**

**10. What is the rate of the Oregon state income tax for the highest bracket?**

**A. 10.5% for income over $100,000**

**B. 9.9% for income over $125,000 for single filers**

**C. 8.5% for income over $150,000**

**D. 7.5% for any income above $200,000**

# Answers

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

# Explanations

## 1. Is any portion of the American Opportunity Credit refundable?

**A. No, none is refundable**

**B. Yes, 20%**

**C. Yes, 40%**

**D. Yes, 10%**

**The American Opportunity Credit provides financial relief for eligible taxpayers in the form of a tax credit for qualified education expenses during the first four years of higher education. A significant aspect of this credit is that a portion of it is indeed refundable. Specifically, the refundable portion is 40% of the credit, with a maximum of $1,000 available as a refund if the taxpayer does not owe taxes. This means that if a taxpayer qualifies for the full credit amount of up to $2,500, they can receive up to $1,000 as a refund even if they have no tax liability. This feature is particularly beneficial as it allows taxpayers to benefit financially from higher education investments, encouraging continued education without the immediate burden of associated costs. In contrast, the other options suggest various refund percentages, but none of them accurately reflect the actual refundable portion of the American Opportunity Credit. Thus, understanding that the refundable aspect is capped at 40% is essential for effective planning around education-related tax credits.**

## 2. What does recapture refer to in tax terms?

**A. The loss of tax deductions due to sale of property**

**B. The repayment of government loans**

**C. The amount of depreciation or deduction that must be reported as income when property is sold at a gain**

**D. The process of claiming back overstated taxes**

**Recapture in tax terms specifically refers to the scenario in which a taxpayer must report previously deducted amounts as income when they sell an asset for more than its adjusted basis. This often occurs with depreciation or other deductions claimed on property. When an asset that has appreciated in value is sold, the Internal Revenue Code requires taxpayers to recapture the depreciation taken, resulting in a taxable amount. The rationale is that the deductions provided a tax benefit during ownership, and when the asset is sold at a gain, those deductions are effectively reversed up to the amount of gain realized. Thus, the correct interpretation of recapture aligns with the idea that the taxpayer must report the depreciation or deduction as income, correcting the tax treatment for taxpayers who benefited from the deductions during the holding period. The other options do not accurately describe recapture. The loss of tax deductions due to the sale of property is more of a consequence rather than the definition of recapture; repayment of government loans does not fall under tax recapture; and the process of claiming back overstated taxes relates to tax refunds or adjustments, which is fundamentally different from the concept of recapturing previously taken deductions.**

## 3. Which form is utilized for filing corporate taxes in Oregon?

- A. Oregon Form 40
- B. Oregon Form 60
- C. Oregon Form 20
- D. Oregon Form 30

**The correct form for filing corporate taxes in Oregon is Oregon Form 20. This form is specifically designed for corporations to report their income, deductions, and other pertinent tax information to the state of Oregon. It serves as the principal vehicle through which corporations comply with state tax requirements and ensure they are fulfilling their obligations related to corporate taxation. Oregon Form 20 provides a structure for corporations to accurately disclose their financial activity and compute the tax liability. This includes maintaining clarity on gross income, allowable deductions, and the net taxable income, all of which are essential for determining the correct amount of tax owed to the state. Understanding the purpose and application of various tax forms is crucial, as inaccuracies or the use of an incorrect form can lead to complications or penalties during the tax filing process.**

## 4. Which of the following types of payments is not considered alimony?

- A. Spousal maintenance
- B. Child support
- C. Pension distributions
- D. Loan repayments

**Alimony refers to financial support that one spouse pays to another after separation or divorce, intended to assist the lower-earning or non-working spouse. It is important to understand that certain payments are categorized distinctly from alimony due to their specific purposes. Child support, which is the payment made to assist in the upbringing and caring of children following a divorce or separation, is specifically designated for the benefit of the children and not for the needs of the spouse. Therefore, it does not qualify as alimony because alimony is meant for spousal support, while child support addresses the needs directly related to children. Payments classified as spousal maintenance, pension distributions, or loan repayments can have different implications depending on the context and terms defined in legal agreements; however, child support's fundamental purpose separates it from the realm of alimony, making it the clear choice that does not belong in the same category.**

## 5. What is a licensee labeled when deemed incompetent due to their conduct?

- A. Adaptive
- B. Incompetent
- C. Irresponsible
- D. Non-compliant

**When a licensee is labeled as incompetent due to their conduct, it signifies a failure to meet the professional standards required for their role. This designation typically indicates that the individual is unable to perform their duties correctly or effectively, possibly due to lack of knowledge, poor judgment, or a pattern of misconduct that undermines their ability to operate within the legal or ethical guidelines of their profession. Being categorized as incompetent highlights significant concerns regarding the individual's qualifications and reliability in fulfilling their responsibilities. This label serves as a critical warning not only for the affected licensee but also for clients and regulatory authorities, emphasizing the need for corrective measures, which could include additional training, supervision, or, in severe cases, revocation of the license. By contrast, terms like adaptive, irresponsible, or non-compliant reflect different aspects of behavior or performance but do not encompass the specific gravity associated with incompetence. Adaptive might imply a different approach or adjustment, irresponsible suggests a lack of accountability without necessarily indicating overall incompetence, and non-compliant usually refers to failure to adhere to regulations without explicitly commenting on overall capability. Thus, the term "incompetent" accurately captures the essence of the situation where a professional's conduct is questioned in terms of their ability to fulfill their obligations effectively.**

## 6. What is the treatment of tax deductions for Alimony after December 31, 2018?

- A. They remain deductible for the payer and taxable for the receiver
- B. They are no longer deductible nor taxable
- C. They become partially taxable for the payer only
- D. They remain fully deductible for the receiver

**After December 31, 2018, the treatment of tax deductions for alimony changed significantly due to the Tax Cuts and Jobs Act (TCJA). Under this act, alimony payments are no longer deductible by the payer, and they are not considered taxable income for the recipient. This change applies to divorce or separation agreements executed after this date or any modifications made to agreements that were in place before that date. Prior to 2019, alimony payments represented a financial arrangement that allowed the payer to reduce their taxable income through deductions while the recipient was required to report the payments as taxable income. The TCJA eliminated this practice, simplifying the tax implications of alimony. As a result, both the payer and recipient of alimony do not report these payments for tax purposes, reflecting a significant departure from previous tax law. This shift in treatment allows for clarity and uniformity in tax calculations regarding alimony, leading to more predictable financial scenarios for both parties involved in a divorce or separation.**

## 7. What are "Oregon Business Taxes"?

**A. Taxes on personal income of residents.**

**B. Taxes imposed on corporations and businesses.**

**C. Federal taxes collected for Oregon businesses.**

**D. Taxes on sales made by businesses.**

**The term "Oregon Business Taxes" specifically refers to the taxes that are imposed on corporations and various businesses operating within the state. This encompasses several types of taxes that businesses may encounter, including the Corporate Excise Tax, Corporate Income Tax, and potentially others based on the nature of the business and its activities. These taxes are crucial for funding state services and infrastructure, and they are assessed based on the profits, activities, or other metrics pertinent to the business operations in Oregon. Businesses must be aware of their tax obligations in the state to ensure compliance and proper financial planning. In contrast to other options, taxes on personal income focus on individual earnings rather than business profits, while federal taxes are distinct from state-specific obligations and are not assessed specifically for Oregon businesses. Similarly, while sales taxes can be related to business activities, they are generally considered a separate category of taxation distinct from business-specific taxes. Thus, the option regarding taxes imposed on corporations and businesses accurately encapsulates the essence of Oregon Business Taxes.**

## 8. Which of the following is an example of an increase to basis?

**A. Section 179 Deductions**

**B. Insurance reimbursements**

**C. Legal Fees related to property improvement**

**D. Nontaxable corporate distributions**

**An increase to basis refers to any adjustment that raises the value of an asset for tax purposes. This typically occurs when investments or improvements are made to the property that enhance its value or extend its useful life. In this context, legal fees related to property improvement are indeed a legitimate example of an increase to basis. This is because these fees directly relate to enhancing the property, helping to create a more favorable tax situation when the property is sold or otherwise disposed of. When legal fees are incurred to improve a property—such as obtaining permits, compliance with zoning laws, or contractual agreements that increase the asset's value—they can be capitalized as part of the asset's basis. This adjustment allows for a higher basis calculation, potentially reducing taxable gain when the property is sold. Other options reflect transactions or deductions that do not directly enhance the value of the asset itself. For instance, Section 179 deductions allow for immediate expensing of certain asset costs, which typically reduces basis rather than increasing it. Insurance reimbursements also generally do not contribute to basis; rather, they reduce it in cases of loss recovery. Nontaxable corporate distributions similarly do not increase an individual's investment in the asset. Thus, the specific nature of legal fees tied to property improvements just**

## 9. Which of the following is a consequence of filing MFS?

- A. Eligibility for additional tax credits
- B. Higher tax rates and limitations on various tax benefits
- C. Automatic exemption from tax audits
- D. Increased deductibility of personal expenses

**Filing as Married Filing Separately (MFS) can lead to higher tax rates compared to filing jointly, as tax brackets tend to be less favorable for MFS filers. This filing status often eliminates or limits access to various tax benefits, such as certain credits and deductions that are typically available to those who file jointly. For example, the Child Tax Credit and education-related tax credits may be reduced or completely unavailable. By choosing to file MFS, couples may also face restrictions on deductions that are subject to income phase-outs. This can create a situation where the overall tax liability is higher when compared to filing jointly, making this consequence particularly significant for tax planning purposes. Thus, the implications of selecting the MFS status should be carefully considered, especially for couples who might otherwise benefit from filing jointly.**

## 10. What is the rate of the Oregon state income tax for the highest bracket?

- A. 10.5% for income over $100,000
- B. 9.9% for income over $125,000 for single filers
- C. 8.5% for income over $150,000
- D. 7.5% for any income above $200,000

**The highest bracket of the Oregon state income tax applies to individuals with taxable income exceeding a specific threshold. In the current rates, the tax rate for the highest bracket is indeed 9.9% for single filers with income over $125,000. This reflects the progressive nature of Oregon's income tax system, where individuals pay higher rates as their income increases. Understanding the specifics of the highest tax bracket is important for tax planning and compliance, ensuring individuals are prepared for their tax obligations based on their earnings. The threshold amount is also significant because it indicates at which income level an individual transitions to the higher tax rate, impacting their overall tax liability. The incorrect options reflect outdated or inaccurate figures for the current income tax brackets in Oregon. For example, the statement mentioning a 10.5% rate for income over $100,000 does not align with the current brackets as defined for single filers. This is crucial for taxpayers to know to plan their finances and compliance thoroughly.**