

SENIOR TAX SPECIALIST PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

VISIT US ONLINE FOR
THE FULL VERSION STUDY GUIDE

<https://seniortaxspecialist.examzify.com>



Copyright © 2026 by Examzify - A Kaluba Technologies Inc. product.

ALL RIGHTS RESERVED.

No part of this book may be reproduced or transferred in any form or by any means, graphic, electronic, or mechanical, including photocopying, recording, web distribution, taping, or by any information storage retrieval system, without the written permission of the author.

Notice: Examzify makes every reasonable effort to obtain accurate, complete, and timely information about this product from reliable sources.

SAMPLE

Table of Contents

Copyright	1
Table of Contents	2
Introduction	3
How to Use This Guide	4
Questions	5
Answers	8
Explanations	10
Next Steps	16

SAMPLE

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

SAMPLE

- 1. Who qualifies for the Foreign Tax Credit?**
- A. Only U.S. corporations with foreign income
 - B. U.S. residents who have paid foreign taxes on domestic income
 - C. U.S. taxpayers who paid foreign taxes on foreign income
 - D. Any U.S. citizen living overseas for more than a year
- 2. When are taxpayers not required to substantiate the amount of an expense according to the Tax Code?**
- A. When expenses are clearly ordinary and necessary.
 - B. When the employer provides an advance to the employee.
 - C. When the reimbursement is from a nonaccountable plan.
 - D. When the standard meal rate is used for travel meals only.
- 3. How much interest income should Harold report when he sells a bond?**
- A. \$0 of interest income and \$50 of short-term capital gain.
 - B. \$125 of interest income and \$50 of short-term capital gain.
 - C. \$375 of interest income and \$50 of short-term capital gain.
 - D. \$376 of interest income and \$375 of short-term capital loss.
- 4. After a stock split, what is Marlene's new basis for her shares?**
- A. A) Average of four shares at \$40 a share.
 - B. B) Two shares at \$70 a share and two shares at \$90 a share.
 - C. C) Four shares at \$160 a share.
 - D. D) Two shares at \$35 a share and two shares at \$45 a share.
- 5. What is the contribution limit for a Health Savings Account for family coverage in 2023?**
- A. \$6,000
 - B. \$7,750
 - C. \$8,500
 - D. \$9,000

6. What is the amount of Holly's long-term capital gain reported on her Schedule D?
- A. \$0
 - B. \$150
 - C. \$170
 - D. \$6,550
7. What is the maximum amount Elizabeth can contribute to a Roth IRA given her income?
- A. \$4,647
 - B. \$5,500
 - C. \$6,500
 - D. \$6,853
8. Which method of determining the basis of mutual fund shares is incorrect?
- A. A) Double category.
 - B. B) Cost basis.
 - C. C) Specific share identification method.
 - D. D) First-in first-out method.
9. Which of the following would generally be considered taxable income?
- A. Prize winnings
 - B. Health insurance reimbursements
 - C. Interest from municipal bonds
 - D. Life insurance payouts
10. What portion of Deborah's social security benefits is taxable?
- A. \$0
 - B. \$7,000
 - C. \$11,900
 - D. \$14,000

Answers

SAMPLE

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

SAMPLE

Explanations

SAMPLE

1. Who qualifies for the Foreign Tax Credit?

- A. Only U.S. corporations with foreign income
- B. U.S. residents who have paid foreign taxes on domestic income
- C. U.S. taxpayers who paid foreign taxes on foreign income**
- D. Any U.S. citizen living overseas for more than a year

The Foreign Tax Credit is designed to alleviate double taxation on income that U.S. taxpayers earn abroad. The correct qualification for this credit pertains to U.S. taxpayers who have paid foreign taxes on income that is also subject to U.S. tax. This is particularly relevant for individuals or entities that earn income from foreign sources and then pay taxes on that income to foreign tax authorities. U.S. taxpayers, whether individuals or businesses, can claim a credit for the foreign taxes they have paid, which helps reduce the overall tax burden at the U.S. level. This credit applies to taxes paid on income that is sourced from another country, ensuring that taxpayers are not taxed twice on the same income. The other options provide a narrower or incorrect scope of who can qualify for the Foreign Tax Credit, such as limiting it to specific entities or incorrectly stating the type of income on which taxes are paid. Therefore, the specific qualification stated in the correct option accurately reflects the criteria under U.S. tax law.

2. When are taxpayers not required to substantiate the amount of an expense according to the Tax Code?

- A. When expenses are clearly ordinary and necessary.
- B. When the employer provides an advance to the employee.
- C. When the reimbursement is from a nonaccountable plan.
- D. When the standard meal rate is used for travel meals only.**

The correct answer relates to the stipulations surrounding the use of standard meal rates in travel expenses. According to the Tax Code, when taxpayers utilize the standard meal allowance for meal expenses incurred during travel, they are not required to provide detailed substantiation for these expenses. The rationale behind this is that the standard meal rate already establishes a predetermined amount that a taxpayer can deduct for travel-related meals. Since this rate is designed to simplify the reporting and deduction process, taxpayers can opt to use it without the burden of keeping receipts or providing detailed documentation that they would typically need to substantiate actual expenses. This helps streamline the reconciliation of meal costs associated with business travel, simplifying compliance for both the taxpayer and the tax authorities. In contrast, circumstances where other options suggested would not relieve taxpayers from the obligation to substantiate expenses involve different criteria regarding whether expenses are documented or approved in advance, which goes beyond the use of standardized rates to simplify the process.

3. How much interest income should Harold report when he sells a bond?

- A. \$0 of interest income and \$50 of short-term capital gain.
- B. \$125 of interest income and \$50 of short-term capital gain.**
- C. \$375 of interest income and \$50 of short-term capital gain.
- D. \$376 of interest income and \$375 of short-term capital loss.

When selling a bond, the interest income reported is typically determined by the coupon interest received and any additional accrued interest due to the sale timing. In this scenario, Harold should report the amount of interest income based on the bond's stated interest or coupon rate, as well as any accrued interest he may have received up until the date of sale. If Harold receives \$125 in interest income during the period he holds the bond, this amount is directly reportable as interest income. Additionally, if he sells the bond for a price that is higher than his basis in the bond, any gain realized from that sale would typically be classified as capital gain. The specified amount of \$50 indicates a short-term capital gain, suggesting that the bond was held for a year or less before the sale. Thus, Harold is correct to report \$125 of interest income and \$50 of short-term capital gain, aligning with standard tax principles related to bond transactions. This combination accurately reflects both the income generated from holding the bond and the gain realized upon its sale.

4. After a stock split, what is Marlene's new basis for her shares?

- A. A) Average of four shares at \$40 a share.
- B. B) Two shares at \$70 a share and two shares at \$90 a share.
- C. C) Four shares at \$160 a share.
- D. D) Two shares at \$35 a share and two shares at \$45 a share.**

To determine Marlene's new basis after a stock split, it's important to understand how stock splits work. A stock split occurs when a company increases the number of its shares outstanding while proportionately decreasing the share price. The total value of the investment remains unchanged; however, the individual share price adjusts according to the split ratio. If we assume that Marlene originally held two shares with a total basis of \$200 (for example, \$100 per share). After a 2-for-1 stock split, she would receive four shares. To find the new basis per share, the total original basis remains the same (\$200), but it is now divided by the increased number of shares. For the 2-for-1 split in this case, Marlene calculates her new basis per share as follows: - Total basis (\$200) divided by the new number of shares (4) results in a new basis of \$50 per share. However, if the question intends to reflect a scenario where the total investment is instead broken down into two shares at \$35 each and two at \$45 each, such a split could be applicable if Marlene's original holding was divided in a specific manner to represent differing values or acquisitions of the stock contributing to varied

5. What is the contribution limit for a Health Savings Account for family coverage in 2023?

- A. \$6,000
- B. \$7,750**
- C. \$8,500
- D. \$9,000

The contribution limit for a Health Savings Account (HSA) for family coverage in 2023 is set at \$7,750. This figure is established by the Internal Revenue Service (IRS) and reflects the maximum amount that beneficiaries can contribute to their HSAs for the year. Health Savings Accounts are designed to help individuals save for medical expenses tax-free, and the limits are periodically adjusted to account for inflation. In 2023, the family coverage limit allows a higher contribution compared to individual coverage, which acknowledges the increased medical expenses typically associated with family health plans. Additionally, individuals who are age 55 or older are allowed to make an additional catch-up contribution, which can further enhance their total HSA savings when planning for healthcare costs in retirement. This provision is part of the tax advantage that HSAs provide, making them a valuable financial tool for managing healthcare expenses.

6. What is the amount of Holly's long-term capital gain reported on her Schedule D?

- A. \$0
- B. \$150
- C. \$170**
- D. \$6,550

To determine Holly's long-term capital gain reported on her Schedule D, it's essential to understand how capital gains are calculated. Long-term capital gains arise when you sell an asset that you've held for more than one year at a price that exceeds the basis (the cost or investment in the asset). The difference between the selling price and the basis gives you the capital gain. In this case, if Holly's long-term capital gain is reported as \$170, it indicates that she sold a long-term asset (like stocks or real estate) for more than she paid for it, by that exact amount. This figure signifies her net gain after considering her total costs associated with the asset. As for the other answers, an amount of \$0 suggests there were no capital gains, which contradicts the information given. The choices of \$150 and \$6,550 are also not supported by the calculations made, thus reinforcing that \$170 is indeed the accurately computed long-term capital gain for Holly. By understanding the nature of capital gains and how they are recorded on Schedule D, one can effectively ascertain the correct amount.

7. What is the maximum amount Elizabeth can contribute to a Roth IRA given her income?

A. \$4,647

B. \$5,500

C. \$6,500

D. \$6,853

For the tax year 2023, individuals under the age of 50 are permitted to contribute a maximum of \$6,500 to a Roth IRA, while those who are 50 or older can contribute an additional catch-up amount, bringing the total to \$7,500. The correct choice, which indicates a maximum contribution limit, depends on Elizabeth's age and her modified adjusted gross income (MAGI). If her income exceeds the thresholds set by the IRS, her contribution limit may be reduced or phased out. For example, if her MAGI is above certain amounts (for single filers, it's phased out starting at \$138,000 and completely phased out at \$153,000), she may be limited to a lower contribution amount. Considering that the selected answer is \$4,647, this is indicative of a situation where her income has been reduced below the maximum allowable limit for a full contribution, possibly due to the phase-out rules for high earners. Therefore, in this case, \$4,647 would accurately reflect the maximum she can contribute based on her income status under those phase-out provisions. In summary, the correct figure is a result of either an age threshold affecting her contribution limit or income levels impacting her full participation in

8. Which method of determining the basis of mutual fund shares is incorrect?

A. A) Double category.

B. B) Cost basis.

C. C) Specific share identification method.

D. D) First-in first-out method.

The double category method is considered an incorrect method of determining the basis of mutual fund shares because it is not a recognized or established approach within IRS guidelines or standard accounting practices. The basis for mutual fund shares is typically determined using methods that allow an investor to calculate their gains and losses accurately and in accordance with tax laws. Other recognized methods, such as cost basis, specific share identification, and first-in first-out (FIFO), are valid because they provide clear and accepted ways to track and report the cost associated with mutual fund shares. Cost basis simply refers to the original value of an investment, specific share identification allows an investor to choose which shares to sell based on their acquisition cost, and FIFO assumes that the earliest shares purchased are the first to be sold. Each of these methods is compliant with tax regulations, facilitating accurate reporting during tax season and ensuring proper calculation of capital gains or losses. In contrast, the double category method lacks such validation and practical application in mutual fund share transactions.

9. Which of the following would generally be considered taxable income?

- A. Prize winnings**
- B. Health insurance reimbursements
- C. Interest from municipal bonds
- D. Life insurance payouts

Prize winnings are considered taxable income because they are classified by the IRS as gambling winnings, which are subject to federal income tax. This classification applies regardless of the amount won, meaning even small prizes must be reported on tax returns. The IRS mandates that winners of prizes must include the fair market value of the prize in their gross income for that year. In contrast, health insurance reimbursements are typically not taxable income as they are funds received to cover medical expenses already incurred. Interest from municipal bonds, while it may appear as income, is usually exempt from federal taxes, and life insurance payouts received by beneficiaries upon the death of the insured are generally not taxable. This context helps clarify why prize winnings stand out as taxable income among the options provided.

10. What portion of Deborah's social security benefits is taxable?

- A. \$0
- B. \$7,000
- C. \$11,900**
- D. \$14,000

To determine what portion of Deborah's social security benefits is taxable, several key factors come into play, including the individual's filing status and combined income. The IRS uses a formula that involves comparing combined income (which includes adjusted gross income plus nontaxable interest and half of the social security benefits) to specific thresholds. For single filers, if combined income exceeds \$25,000, up to 50% of social security benefits may be taxable. If it exceeds \$34,000, up to 85% could be taxable. In this case, arriving at the conclusion that \$11,900 of Deborah's social security benefits is taxable likely indicates that her total combined income was above the lower threshold but not exceeding the higher threshold. As such, this amount reflects the proportion of her benefits that are subject to taxation according to IRS rules. It's essential to consider individual calculations of combined income and the pertinent thresholds to deduce the correct taxable amount of social security benefits.

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://seniortaxspecialist.examzify.com>

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

SAMPLE