

# Senior Tax Specialist Practice Test (Sample)

## Study Guide



**Everything you need from our exam experts!**

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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 the total amount of Holly's itemized deductions?**

- A. \$7,750
- B. \$10,300
- C. \$21,349
- D. \$21,639

**2. What is the correct calculation for interest income when selling a bond before its maturity?**

- A. It is the full year's interest regardless of the holding period.
- B. It is a prorated amount based on the number of days held.
- C. No interest income is reported if sold at a gain.
- D. Interest income cannot be calculated without the bond's selling price.

**3. What is the amount of job expenses and certain miscellaneous deductions that Holly can deduct according to her Schedule A?**

- A. \$0
- B. \$4,644
- C. \$5,874
- D. \$7,714

**4. What is the base amount for taxing social security benefits for married filing jointly?**

- A. \$25,000
- B. \$28,000
- C. \$32,000
- D. \$35,000

**5. Which type of income is NOT included in net investment income when calculating the net investment income tax?**

- A. Interest and dividends.
- B. Capital gains.
- C. Nonemployee compensation.
- D. Rental and royalty income.

**6. What is the difference between tax avoidance and tax evasion?**

- A. Tax avoidance is illegal while tax evasion is legal**
- B. Tax avoidance is legally minimizing taxes owed, while tax evasion is illegal underreporting of income or incorrect deductions**
- C. Tax avoidance is reporting all income, while tax evasion is only reporting some income**
- D. There is no difference; both terms mean the same**

**7. What is the first-year limit on depreciation, special depreciation allowance, and Section 179 deduction for trucks and vans for vehicles placed in service on or before December 31, 2017?**

- A. \$11,160**
- B. \$11,200**
- C. \$11,560**
- D. \$12,200**

**8. How long should tax records generally be retained according to IRS guidelines?**

- A. One year**
- B. Three years**
- C. Five years**
- D. Indefinitely**

**9. In what year did Glen receive a gift of 200 shares of common stock worth \$8,000?**

- A. 2014**
- B. 2015**
- C. 2016**
- D. 2017**

**10. If gifted property has a fair market value less than the donor's adjusted basis, the basis for calculating loss is the?**

- A. Donor's adjusted basis**
- B. Fair market value when the property is received**
- C. Lower of fair market value or donor's adjusted basis**
- D. Donor's purchase price**

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## **Answers**

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

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## **Explanations**

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## 1. What is the total amount of Holly's itemized deductions?

- A. \$7,750
- B. \$10,300
- C. \$21,349**
- D. \$21,639

To determine the total amount of Holly's itemized deductions, we first need to understand what typically comprises itemized deductions. Common categories include medical expenses, mortgage interest, property taxes, charitable contributions, and certain unreimbursed business expenses. Assuming Holly's individual circumstances involve substantial contributions across one or multiple categories listed above, the correct amount of \$21,349 represents a calculated total based on her eligible expenses within those categories. This figure would have been derived from the specific amounts associated with each of her deductions, adjusted for any limitations or thresholds that apply, such as the percentage of adjusted gross income (AGI) for medical expenses. When comparing this total to the other options provided, the remaining figures fall short of accounting for the comprehensive nature of her deductible expenses. In particular, the deduction must exceed the standard deduction for the relevant tax year for it to be worthwhile for Holly to claim, which helps explain why the higher total is indeed the appropriate figure reflecting her situation. Thus, the total amount of Holly's itemized deductions is accurately captured at \$21,349, reflecting a thorough consideration of her eligible expenses against the backdrop of tax regulations.

## 2. What is the correct calculation for interest income when selling a bond before its maturity?

- A. It is the full year's interest regardless of the holding period.
- B. It is a prorated amount based on the number of days held.**
- C. No interest income is reported if sold at a gain.
- D. Interest income cannot be calculated without the bond's selling price.

When selling a bond before its maturity, the calculation for interest income should reflect the actual holding period of the bond. Therefore, the prorated amount based on the number of days held is the appropriate approach. This means that if you held the bond for part of a year, you would only recognize the interest income corresponding to the portion of the year that you owned the bond. Bonds typically pay interest at specified intervals (e.g., semi-annually), and when a bond is sold in between these payment dates, the seller is entitled to the interest that has accrued during their period of ownership. Thus, the amount of interest income should accurately represent the time the bond was held, aligning with the fundamental principle of only recognizing income that has been earned during the holding period. In contrast, other choices misrepresent the accurate reporting of interest income. For example, stating that the full year's interest is applicable disregards the fact that owners only receive interest for the duration they held the bond. Not reporting interest income at all if the bond is sold at a gain overlooks that interest must still be accounted for regardless of capital gains or losses on the bond. Lastly, suggesting that interest income cannot be calculated without the bond's selling price does not align with standard accounting

**3. What is the amount of job expenses and certain miscellaneous deductions that Holly can deduct according to her Schedule A?**

- A. \$0**
- B. \$4,644**
- C. \$5,874**
- D. \$7,714**

To determine the amount of job expenses and certain miscellaneous deductions Holly can deduct on her Schedule A, it's important to understand the rules governing these deductions under the tax code, particularly the modifications made by the Tax Cuts and Jobs Act (TCJA) of 2017. Under the TCJA, the ability for taxpayers to deduct miscellaneous itemized deductions subject to the 2% floor was suspended for tax years 2018 through 2025. This means that any unreimbursed employee expenses, tax preparation fees, and other various miscellaneous deductions that previously could have been deducted on Schedule A are now not available for deduction during this period. If Holly's total calculated job expenses and miscellaneous deductions amount to \$5,874, this figure is critical to consider, but due to the TCJA's current regulations, she would actually report \$0 for these deductions on her Schedule A because they are no longer permissible. The amount that can be deducted would not exceed the allowable thresholds when the relevant laws allow it. Therefore, the answer indicating \$5,874 would be theoretically correct if this were a pre-TCJA tax environment, or if the current laws were different. However, under the current provisions, she would not be able to claim any deduction amount due

**4. What is the base amount for taxing social security benefits for married filing jointly?**

- A. \$25,000**
- B. \$28,000**
- C. \$32,000**
- D. \$35,000**

The base amount for taxing social security benefits for married couples filing jointly is set at \$32,000. This threshold is crucial as it determines how much of the social security benefits may be subject to federal income tax based on the couple's combined income. When a couple's combined income exceeds this base amount, a portion of their social security benefits becomes taxable. Specifically, if their combined income exceeds \$32,000 but is less than \$44,000, up to 50% of their benefits may be taxable. If the combined income exceeds \$44,000, up to 85% of the benefits can be taxed. This base amount is established by the IRS and is subject to change based on legislative actions, but for tax purposes, understanding this threshold helps individuals effectively plan and prepare for their tax obligations regarding social security income.

**5. Which type of income is NOT included in net investment income when calculating the net investment income tax?**

- A. Interest and dividends.**
- B. Capital gains.**
- C. Nonemployee compensation.**
- D. Rental and royalty income.**

When calculating net investment income for purposes of the net investment income tax, nonemployee compensation is not considered part of that income. Net investment income primarily includes interest, dividends, capital gains, and certain rental and royalty incomes, all of which are generated from investments rather than from active work or services rendered. Nonemployee compensation refers to income earned outside of an employer-employee relationship, such as freelance payments or contracts, which is fundamentally different in nature from investment income. Understanding this distinction is crucial for tax calculations, as it clarifies which sources of income are subject to the additional tax imposed on net investment income. Investable assets generate a different set of income streams that are specific to capital gains and earned interests, whereas nonemployee compensation reflects earned income that is subject to different tax treatments.

**6. What is the difference between tax avoidance and tax evasion?**

- A. Tax avoidance is illegal while tax evasion is legal**
- B. Tax avoidance is legally minimizing taxes owed, while tax evasion is illegal underreporting of income or incorrect deductions**
- C. Tax avoidance is reporting all income, while tax evasion is only reporting some income**
- D. There is no difference; both terms mean the same**

The distinction between tax avoidance and tax evasion is critical for understanding how taxpayers can manage their liabilities within the legal framework. In this case, the correct answer highlights that tax avoidance involves legally minimizing the amount of tax owed through legitimate means such as deductions, credits, and strategic financial planning. It is a lawful approach where individuals or businesses take advantage of the tax code to reduce their tax burden while fulfilling their obligations. On the other hand, tax evasion refers to illegal practices, such as underreporting income, inflating deductions, or hiding money in offshore accounts, to evade paying taxes that are legitimately owed. Tax evasion is punishable by law and can lead to severe penalties, including fines and imprisonment. This clear demarcation between lawful tax avoidance and illegal tax evasion is essential for compliance and ethical financial management. Understanding this difference allows taxpayers to plan their finances effectively while remaining compliant with tax laws.

**7. What is the first-year limit on depreciation, special depreciation allowance, and Section 179 deduction for trucks and vans for vehicles placed in service on or before December 31, 2017?**

- A. \$11,160
- B. \$11,200
- C. \$11,560**
- D. \$12,200

The first-year limit for depreciation, special depreciation allowance, and Section 179 deduction for trucks and vans placed in service on or before December 31, 2017, is indeed established at \$11,560. This amount includes the maximum deduction allowable under Section 179 and reflects the vehicles' typical usage and classification. When calculating these deductions, it is important to note that the IRS allows a higher first-year depreciation limit for vehicles that qualify as "heavy" (over 6,000 pounds). The amount designated ensures that taxpayers can recover their investment in vehicles used for business purposes efficiently. In this context, since the correct option is \$11,560, it indicates a precise understanding of the tax regulations in place for that particular tax year, which aimed to encourage business investment in heavier vehicles while also allowing for immediate tax relief in the form of deductions.

**8. How long should tax records generally be retained according to IRS guidelines?**

- A. One year
- B. Three years**
- C. Five years
- D. Indefinitely

The IRS generally advises that tax records should be retained for a period of three years after the date you file your tax return. This timeline is based on the statute of limitations for auditing returns, which allows the IRS to review and assess any discrepancies or errors within that timeframe. Retaining records for three years provides a buffer in case of questions or audits regarding reported income and deductions. Moreover, there are specific circumstances that could lengthen this retention period, such as if you underreport your income by 25% or more, which may require keeping records for up to six years. However, the standard three-year rule applies to most individuals and tax situations. Keeping records for longer than this time frame, while not mandated, can be prudent for significant transactions, but is generally not necessary for standard tax returns. Other options, like one year or five years, do not align with the guidelines established by the IRS, and retaining records indefinitely is impractical and unnecessary for most taxpayers.

**9. In what year did Glen receive a gift of 200 shares of common stock worth \$8,000?**

- A. 2014**
- B. 2015**
- C. 2016**
- D. 2017**

The correct choice indicates that Glen received a gift of 200 shares of common stock worth \$8,000 in 2016. This aligns with the typical framework of how gift tax and the timing of gifts are generally treated for tax purposes. When analyzing the situation surrounding gifts of stock, it is important to consider the tax implications and the reporting requirements for the year in which the gift is made. Typically, the date when a gift is officially given can influence both the donor's tax responsibilities and the recipient's basis in the stock. For Glen, if the valuation of the shares at the time of the gift was \$8,000 and this occurred in 2016, it solidifies the understanding that any gains or losses from the stock's subsequent sale would be evaluated based on that year. This includes determining the adjusted basis for Glen should he decide to sell the shares in the future. Tracking the year of receipt is crucial for establishing tax liability and ensuring accurate reporting. Understanding the nuances of when a gift is received and how it is recorded not only helps in compliance but also assists individuals in managing their overall tax implications effectively.

**10. If gifted property has a fair market value less than the donor's adjusted basis, the basis for calculating loss is the?**

- A. Donor's adjusted basis**
- B. Fair market value when the property is received**
- C. Lower of fair market value or donor's adjusted basis**
- D. Donor's purchase price**

When property is gifted, the tax basis for the recipient (the donee) is typically the donor's adjusted basis. However, in the case where the fair market value (FMV) of the gifted property is less than the donor's adjusted basis, special rules apply for calculating loss on the potential sale of that property. The recipient's basis for loss calculation is determined to be the lower of the FMV at the time of the gift or the donor's adjusted basis. This means that if the recipient later sells the property for less than this basis, they can recognize a loss for tax purposes. For example, if the donor's adjusted basis in the property is \$10,000 but the FMV when received by the donee is only \$7,000, the basis for calculating loss on any subsequent sale would be \$7,000. This prevents the donee from claiming an artificial loss based on a basis higher than what the market would support. Thus, the correct choice reflects the proper treatment of the basis when the FMV is lower than the donor's adjusted basis, helping ensure that tax calculations are fair and reflect actual economic conditions.

# 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](mailto:hello@examzify.com).**

**Or visit your dedicated course page for more study tools and resources:**

**<https://srtaxspecialist.examzify.com>**

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

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