

# Tax Knowledge Assessment (TKA) HR Block 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 happens when a debt is discharged at less than initially contracted?**
  - A. It is considered a non-taxable event**
  - B. It may constitute income for the taxpayer**
  - C. It is reported as a liability reduction only**
  - D. It cannot be considered for tax purposes**
  
- 2. What is the tax impact of filing as 'Head of Household'?**
  - A. Typically results in higher taxes than filing single**
  - B. Generally provides lower tax rates and higher deductions**
  - C. Eliminates the requirement to file a tax return**
  - D. Allows for additional tax credits only**
  
- 3. What is the maximum penalty for an underpayment due to substantial understatement?**
  - A. 10%**
  - B. 20%**
  - C. 30%**
  - D. 40%**
  
- 4. What is the primary purpose of Form 8379?**
  - A. To amend a tax return**
  - B. To request a division of refund from debts**
  - C. To claim earned income tax credit**
  - D. To file for innocent spouse relief**
  
- 5. What qualifies an expense as a business expense?**
  - A. It must be major and costly**
  - B. It must be ordinary, necessary, and directly related to the business activity**
  - C. It should include any personal expenses**
  - D. It must be approved by a financial advisor**

- 6. How long does the IRS typically have to propose amendments to a tax return?**
- A. 1 year**
  - B. 3 years**
  - C. 5 years**
  - D. 6 years**
- 7. At what age can taxpayers start withdrawing from their traditional IRA without penalty?**
- A. 55 years old**
  - B. 59½ years old**
  - C. 62 years old**
  - D. 65 years old**
- 8. What is the definition of "capital gains"?**
- A. The profit made from the sale of an asset or investment**
  - B. The loss incurred from the depreciation of an asset**
  - C. Income received from interest or dividends**
  - D. The total income earned before taxes**
- 9. Which aspect of tax credits makes them valuable for taxpayers?**
- A. They increase allowable deductions**
  - B. They directly decrease the amount of tax owed**
  - C. They lead to tax refunds**
  - D. They apply to all income types equally**
- 10. What does Modified Adjusted Gross Income (MAGI) include?**
- A. Only tax-exempt income**
  - B. AGI plus specific deductions**
  - C. Exclusions from all income sources**
  - D. Income derived from investments only**

## Answers

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

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## **Explanations**

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**1. What happens when a debt is discharged at less than initially contracted?**

- A. It is considered a non-taxable event**
- B. It may constitute income for the taxpayer**
- C. It is reported as a liability reduction only**
- D. It cannot be considered for tax purposes**

When a debt is discharged for less than the amount originally owed, it can result in the cancellation of that debt being treated as taxable income for the borrower. This is due to the cancellation of debt (COD) income rules established by the IRS. Essentially, when a lender forgives a portion of what you owe, it effectively enriches the taxpayer to the extent of the amount forgiven. Therefore, the taxpayer may need to report this amount as income on their tax return, unless exceptions apply, such as insolvency or certain types of debt related to a primary residence. This understanding is critical for accurately assessing tax liability if a debt is discharged.

**2. What is the tax impact of filing as 'Head of Household'?**

- A. Typically results in higher taxes than filing single**
- B. Generally provides lower tax rates and higher deductions**
- C. Eliminates the requirement to file a tax return**
- D. Allows for additional tax credits only**

Filing as 'Head of Household' generally provides lower tax rates and higher deductions compared to filing as single. This filing status is designed to benefit individuals who are providing a home for a qualifying person, such as a child or other dependent. The tax brackets for 'Head of Household' filers are more favorable than those for single filers, meaning that the same amount of income may be taxed at lower rates. Additionally, 'Head of Household' filers benefit from a higher standard deduction, which reduces taxable income further. This combination of lower tax rates and higher deductions can significantly decrease the overall tax liability, making it an advantageous option for eligible taxpayers. While filing as 'Head of Household' can also open up opportunities for additional tax credits, the primary benefit lies in the reduced tax burden through lower tax brackets and higher standard deductions.

**3. What is the maximum penalty for an underpayment due to substantial understatement?**

- A. 10%
- B. 20%**
- C. 30%
- D. 40%

The maximum penalty for an underpayment due to a substantial understatement of income tax is indeed 20%. This penalty is assessed when a taxpayer has an understatement that exceeds the larger of 10% of the tax required to be shown on the return or \$5,000 for individuals. The IRS believes that taxpayers should have a reasonable basis for the positions they take on their tax returns. When a taxpayer substantially underreports their income or deductions, this penalty is meant to encourage more accurate filings. The penalty serves as a deterrent against careless or intentional misreporting of income, deductions, and other items that impact tax liabilities. It reflects the IRS's intention to uphold tax compliance standards and maintain integrity in the tax system. Therefore, the accurate identification of this penalty is critical for taxpayers to understand the risks associated with underreporting their tax obligations.

**4. What is the primary purpose of Form 8379?**

- A. To amend a tax return
- B. To request a division of refund from debts**
- C. To claim earned income tax credit
- D. To file for innocent spouse relief

Form 8379, also known as the "Injured Spouse Allocation," serves the specific purpose of allowing one spouse to request a portion of a joint tax refund that has been applied to the other spouse's past-due debts. This is particularly relevant in situations where one spouse may have federal or state tax obligations, unpaid child support, or other federal nontax debts, which can otherwise offset the joint tax refund. When filing Form 8379, the injured spouse can demonstrate their eligibility for tax credits, deductions, or income that contributed to the joint refund, while ensuring they receive their rightful portion. This process is crucial for protecting the financial interests of a spouse who had no part in incurring the debt that caused the refund to be withheld. The other options do not accurately describe the primary purpose of this form. For example, while amending a tax return is relevant to tax filings, it is addressed using a different form (Form 1040-X). Claiming earned income tax credit does not require this form but rather is claimed directly on the tax return. Filing for innocent spouse relief pertains to an entirely different situation where one spouse is seeking relief from tax liabilities due to the other spouse misreporting income or tax liabilities,

## 5. What qualifies an expense as a business expense?

- A. It must be major and costly
- B. It must be ordinary, necessary, and directly related to the business activity**
- C. It should include any personal expenses
- D. It must be approved by a financial advisor

A business expense is defined by specific criteria that ensure it is directly related to the operations of a business. For an expense to qualify as a business expense, it must be ordinary and necessary. This means that the expense is common and accepted in the industry, as well as appropriate and helpful for the business. Additionally, it must be directly related to the business activity, meaning that it supports the operation of the business or contributes to the generation of income. For example, purchasing office supplies, paying for advertising, or hiring employees would all be considered ordinary and necessary expenses that keep the business running smoothly. These expenses are essential for maintaining the business's functionality and helping it to thrive, aligning with the specific criteria outlined by tax regulations. Other options do not fulfill the necessary criteria for an expense to be categorized as a business expense. Simply being major and costly doesn't inherently qualify an expense; it needs the specific context of being necessary and ordinary. Including personal expenses would directly contradict the definition of a business expense, as personal expenses do not relate to business operations. Lastly, while having advice from a financial advisor can be beneficial, it is not a requirement for an expense to be considered a business expense; the characteristics of the expense itself matter most.

## 6. How long does the IRS typically have to propose amendments to a tax return?

- A. 1 year
- B. 3 years**
- C. 5 years
- D. 6 years

The IRS typically has three years from the date the tax return was filed to propose amendments or make adjustments. This period, often referred to as the "statute of limitations," allows both taxpayers and the IRS a reasonable timeframe to review and challenge tax returns and any discrepancies that might arise. During this time, the IRS can audit tax returns, request additional information, or propose changes if they find errors or omissions. It's important to note that if a taxpayer substantially underreports their income or if there is fraud involved, the time limit may extend beyond three years. However, in standard circumstances where no special issues are present, three years is the established timeframe for the IRS to act on tax returns.

**7. At what age can taxpayers start withdrawing from their traditional IRA without penalty?**

- A. 55 years old
- B. 59½ years old**
- C. 62 years old
- D. 65 years old

Taxpayers can start withdrawing from their traditional IRA without incurring a penalty at the age of 59½. This age is significant because it represents the point at which the Internal Revenue Service (IRS) allows individuals to access their retirement savings without facing an additional 10% early withdrawal penalty. While one may be able to withdraw funds from their traditional IRA at any age, doing so before reaching 59½ typically results in this penalty, unless specific exceptions apply, such as for disability, certain education expenses, or first-time home purchases. The age of 59½ is clearly defined by the IRS as the threshold for avoiding early withdrawal penalties, which is why this answer is correct.

**8. What is the definition of "capital gains"?**

- A. The profit made from the sale of an asset or investment**
- B. The loss incurred from the depreciation of an asset
- C. Income received from interest or dividends
- D. The total income earned before taxes

The definition of "capital gains" specifically refers to the profit made from the sale of an asset or investment. This profit is realized when the selling price of the asset exceeds its purchase price. For example, if an investor buys a stock for \$100 and later sells it for \$150, the \$50 would be considered a capital gain. In the context of taxation, capital gains can be short-term or long-term, depending on how long the asset was held before selling it. Short-term capital gains apply to assets held for one year or less, while long-term capital gains apply to assets held for more than one year, often benefiting from lower tax rates. The other options do not accurately describe capital gains; they focus on different aspects of finance. Losses from depreciation pertain to asset valuation decline rather than profit. Income from interest or dividends relates to earnings from investments, not specifically their sale. Lastly, total income earned before taxes could include all income sources, without the specific context of profit from asset sales. Hence, the first option correctly encapsulates the concept of capital gains.

**9. Which aspect of tax credits makes them valuable for taxpayers?**

- A. They increase allowable deductions
- B. They directly decrease the amount of tax owed**
- C. They lead to tax refunds
- D. They apply to all income types equally

Tax credits are particularly valuable to taxpayers because they directly reduce the amount of tax owed on a dollar-for-dollar basis. This means that if a taxpayer is eligible for a tax credit, that credit reduces their overall tax liability, thereby lowering the amount of tax they are responsible for paying. For example, if a taxpayer owes \$1,000 in taxes and qualifies for a \$200 tax credit, their new tax obligation would be only \$800. This makes tax credits a powerful tool for reducing tax liability more effectively than deductions, which merely reduce taxable income. In contrast, while deductions might reduce the amount of income subject to tax, they do not have the same direct impact on tax owed. The other options, such as leading to tax refunds or applying to all income types equally, do not capture the essence of why tax credits are particularly advantageous. Refunds depend on various circumstances, including total withholding and tax payments, and tax credits do not apply uniformly to all income types, as eligibility for certain credits can depend on specific circumstances or income limits.

**10. What does Modified Adjusted Gross Income (MAGI) include?**

- A. Only tax-exempt income
- B. AGI plus specific deductions**
- C. Exclusions from all income sources
- D. Income derived from investments only

Modified Adjusted Gross Income (MAGI) is a critical figure used in various aspects of tax calculations, particularly in determining eligibility for certain tax benefits and credits. It is primarily derived from Adjusted Gross Income (AGI) but includes specific adjustments that augment the baseline income figure. MAGI accounts for AGI, which is your total income minus specific deductions such as retirement plan contributions and student loan interest. However, to arrive at MAGI, some additional income types must be added back to the AGI. These may include certain deductions that are typically excluded, medical savings account deductions, and other specific items defined by the IRS. This inclusion of both AGI and certain deductions highlights why the correct answer identifies MAGI as AGI plus specific deductions, illustrating how MAGI reflects a more comprehensive picture of an individual's income status than AGI alone. Understanding MAGI is essential for individuals, especially those seeking to qualify for tax benefits that depend on their income level.

## 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://tkahrblock.examzify.com>**

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

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