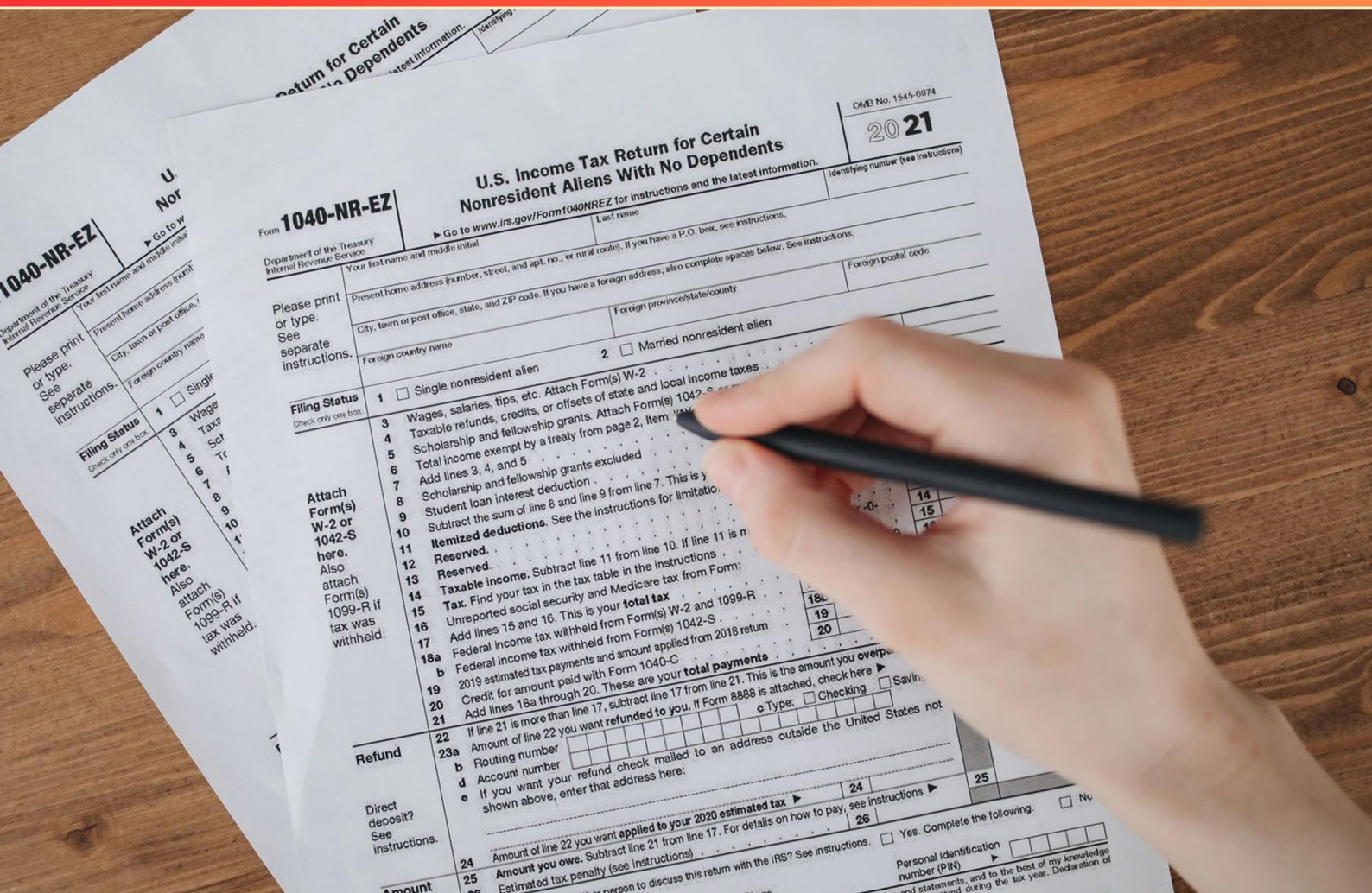


# TAX KNOWLEDGE ASSESSMENT (TKA) HR BLOCK PRACTICE TEST (SAMPLE)

## 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. Which scenario allows for the exclusion of a prize or award from taxable income?**

- A. The recipient does nothing to earn it
- B. The recipient plans to sell it for profit
- C. The award is given to honor a celebrity
- D. The recipient has to perform services for it

**2. What is the purpose of Form 1095-A?**

- A. To report business income and expenses
- B. To report information about health insurance coverage obtained through the Marketplace
- C. To document retirement account contributions
- D. To assist in filing state income taxes

**3. What is a tax deferral?**

- A. A postponement of paying taxes on income until a future date
- B. A reduction in the tax rate for a specific income bracket
- C. A tax advantage granted to specific types of investments
- D. A method of avoiding taxes completely

**4. How does a tax-deferred annuity differ from an immediate annuity?**

- A. It pays for a shorter duration
- B. It provides a lower payment amount
- C. It pays in the future
- D. It has no tax implications

**5. What is a Technical Advice Memorandum?**

- A. A ruling issued by a tax court
- B. A ruling issued by the IRS national office
- C. A general IRS publication
- D. A guideline for taxpayers

- 6. What is the purpose of the IRS Form 4506?**
- A. To request a copy of a previously filed tax return
  - B. To apply for a tax refund
  - C. To amend a tax return
  - D. To report unfiled tax liabilities
- 7. Which tax form is required to report business income for a sole proprietorship?**
- A. Form 1065
  - B. Schedule C (Form 1040)
  - C. Form 1120
  - D. Schedule E (Form 1040)
- 8. What is an Itemized Deduction?**
- A. Fixed amount reduction in tax liability
  - B. Sum of allowable deductions subtracted from AGI
  - C. Standard tax rate for individuals
  - D. A penalty for underreporting income
- 9. Which of the following types of income is typically subject to self-employment tax?**
- A. Salaries from an employer
  - B. Passive income from rental properties
  - C. Income from freelance work or business activities
  - D. Dividend income from investments
- 10. Which type of regulation provides general guidance on a provision?**
- A. Specific Authority Regulation
  - B. General Authority Regulation
  - C. Technical Advice Memorandum
  - D. Revenue Rulings

## **Answers**

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

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## **Explanations**

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**1. Which scenario allows for the exclusion of a prize or award from taxable income?**

- A. The recipient does nothing to earn it**
- B. The recipient plans to sell it for profit
- C. The award is given to honor a celebrity
- D. The recipient has to perform services for it

*The exclusion of a prize or award from taxable income generally applies to scenarios where the recipient has not engaged in any effort or action to earn the prize. In this context, when a recipient does nothing to earn the prize or award, it aligns with certain provisions in the tax code that allow for exclusions under specific circumstances. For instance, prizes awarded in recognition of an outstanding achievement, such as a Nobel Prize, can sometimes be excluded from income if the individual did not enter a competition or perform services to receive the award. In contrast, situations where the recipient plans to sell the prize for profit, receives an award to honor a celebrity, or performs services to obtain the prize typically do not qualify for exclusion. When a prize is awarded in exchange for services or as part of a competition, it is considered taxable income since there was a reciprocal benefit involved. This highlights the importance of the underlying reason for receiving the prize in determining whether it is taxable.*

**2. What is the purpose of Form 1095-A?**

- A. To report business income and expenses
- B. To report information about health insurance coverage obtained through the Marketplace**
- C. To document retirement account contributions
- D. To assist in filing state income taxes

*Form 1095-A serves specifically to report information about health insurance coverage that individuals obtain through the Health Insurance Marketplace. This form is important for taxpayers who have purchased health insurance through the Marketplace, as it contains information that is necessary for completing Form 8962, Premium Tax Credit, which is used to determine eligibility for premium tax credits and to reconcile any credits received in advance. This ensures that taxpayers accurately report their health coverage and any premium tax credits when they file their federal income tax returns. The other options relate to different tax documentation needs and purposes: business income and expenses would be documented on forms such as Schedule C, retirement account contributions would be tracked through forms like 5498, and state income taxes are managed using forms appropriate to each state. Therefore, the correct answer highlights the unique and essential role that Form 1095-A plays in health insurance reporting.*

### 3. What is a tax deferral?

- A. A postponement of paying taxes on income until a future date**
- B. A reduction in the tax rate for a specific income bracket
- C. A tax advantage granted to specific types of investments
- D. A method of avoiding taxes completely

*A tax deferral refers to the postponement of the obligation to pay taxes on income until a future date. This concept is often associated with certain types of accounts, such as retirement accounts, where taxes on contributions and earnings accumulate without incurring tax until the funds are withdrawn. The primary advantage of tax deferral is that it allows taxpayers to keep their money invested and potentially grow without the immediate burden of taxes, thus enhancing the benefits of compound interest over time. In contrast, the other options pertain to different tax principles. A reduction in the tax rate for a specific income bracket focuses on how taxes are assessed rather than when they are paid. A tax advantage granted to specific types of investments speaks to incentives provided for particular investments, rather than deferring tax obligations. Lastly, a method of avoiding taxes completely refers to illegal tax evasion, which is fundamentally different from the legal strategy of deferring taxes. Understanding tax deferral is essential as it enables individuals and businesses to plan their finances effectively by managing their tax liabilities over time.*

### 4. How does a tax-deferred annuity differ from an immediate annuity?

- A. It pays for a shorter duration
- B. It provides a lower payment amount
- C. It pays in the future**
- D. It has no tax implications

*A tax-deferred annuity is fundamentally designed to allow the invested funds to grow without being taxed until withdrawal, which means that the income payments from the annuity begin at a future date. This contrasts with an immediate annuity, which starts making payments to the annuitant almost immediately after a lump sum is paid into the annuity. By delaying payments in a tax-deferred annuity, individuals can benefit from the potential for greater overall growth of their investment, as compound interest works on a larger amount for an extended period before taxes apply. This distinction in the timing of when payments start is crucial for individuals planning for retirement and seeking ways to manage their income stream. It allows for more strategic financial planning. Immediate annuities, on the other hand, cater to those who need regular payments right away, such as retirees looking for immediate income. In summary, the key difference highlighted here is the timeline of when payments are received, with tax-deferred annuities providing future payouts, enabling a more effective accumulation of investment returns before taxation.*

## 5. What is a Technical Advice Memorandum?

- A. A ruling issued by a tax court
- B. A ruling issued by the IRS national office**
- C. A general IRS publication
- D. A guideline for taxpayers

A Technical Advice Memorandum (TAM) is indeed a ruling issued by the IRS national office. This type of memorandum provides specific guidance to IRS agents and helps them resolve complex tax issues that arise during audits or other inquiries. It is important to note that a TAM is not a binding precedent; however, it is intended to provide clarity and consistency in the application of tax law across similar cases. This process ensures that IRS officials have a reliable source of technical advice on matters that require interpretation of tax law or IRS regulations, thereby aiding in effective tax administration. The nature of a TAM distinguishes it from rulings issued by tax courts, which address legal disputes brought before them, and general IRS publications, which offer broad information intended for a wider audience. Additionally, while guidances like TAMs serve taxpayers indirectly by contributing to the consistency of IRS practices, they are not designed as direct guidelines for taxpayer use.

## 6. What is the purpose of the IRS Form 4506?

- A. To request a copy of a previously filed tax return**
- B. To apply for a tax refund
- C. To amend a tax return
- D. To report unfiled tax liabilities

The purpose of IRS Form 4506 is to request a copy of a previously filed tax return. This form is particularly useful for individuals or businesses who need to access copies of their tax returns for various reasons, such as applying for loans, verifying income for mortgage applications, or resolving tax disputes. The form allows taxpayers to specify which tax year they need the copies for and provides the IRS with the necessary information to locate those returns efficiently. Other options do not pertain to the function of Form 4506. For instance, applying for a tax refund is generally done through a different process, often involving Form 1040 or specific refund request forms. Amending a tax return is accomplished using Form 1040-X, while reporting unfiled tax liabilities might involve other forms or communication with the IRS entirely. Form 4506 is specifically designed for accessing previous filings, making it a vital tool for taxpayers needing that information.

## 7. Which tax form is required to report business income for a sole proprietorship?

- A. Form 1065
- B. Schedule C (Form 1040)**
- C. Form 1120
- D. Schedule E (Form 1040)

Schedule C (Form 1040) is used to report income or loss from a sole proprietorship. It is specifically designed for self-employed individuals who operate a business independently. This form allows the business owner to detail their business income and deduct allowable business expenses, which ultimately impacts their taxable income. In contrast, Form 1065 is used for partnerships, and Form 1120 is designed for corporations. Schedule E, on the other hand, is primarily for reporting income from rental real estate, royalties, and certain partnerships—not for sole proprietorships. Therefore, Schedule C is the appropriate form for a sole proprietor to accurately report their business earnings.

## 8. What is an Itemized Deduction?

- A. Fixed amount reduction in tax liability
- B. Sum of allowable deductions subtracted from AGI**
- C. Standard tax rate for individuals
- D. A penalty for underreporting income

*An itemized deduction refers to the sum of specific allowable deductions that taxpayers can subtract from their Adjusted Gross Income (AGI) to lower their taxable income. This process enables individuals to detail specific expenses on their tax returns, such as mortgage interest, property taxes, medical expenses, and charitable contributions, among others. By itemizing deductions, taxpayers may reduce their overall tax burden if their total itemized deductions exceed the standard deduction amount set by the IRS for the tax year. In this context, the focus on allowable deductions directly relates to how itemized deductions function as a component of the overall tax calculation, creating a clear pathway for taxpayers to lower their taxable income effectively. This understanding is fundamental for individuals looking to optimize their tax liability and make informed decisions on whether to itemize or take the standard deduction.*

## 9. Which of the following types of income is typically subject to self-employment tax?

- A. Salaries from an employer
- B. Passive income from rental properties
- C. Income from freelance work or business activities**
- D. Dividend income from investments

*Income from freelance work or business activities is typically subject to self-employment tax because it involves earnings from self-employed individuals who do not receive a traditional paycheck. Self-employment tax is designed to cover Social Security and Medicare contributions for those who work for themselves, unlike employees whose taxes are withheld by their employers. In this context, freelancers, independent contractors, and business owners report their income on Schedule C and are responsible for calculating and paying their own self-employment tax, which is approximately 15.3% on net earnings. This ensures that individuals who are self-employed contribute to the social safety net in a similar manner to those who work for an employer. Conversely, salaries from an employer are subject to different withholding procedures, passive income from rental properties generally falls under investment income with specific tax rules, and dividend income from investments is subject to taxes but not self-employment taxes.*

**10. Which type of regulation provides general guidance on a provision?**

- A. Specific Authority Regulation
- B. General Authority Regulation**
- C. Technical Advice Memorandum
- D. Revenue Rulings

*The accurate choice is the type of regulation that offers broader guidance on a provision, which is the General Authority Regulation. This kind of regulation serves to elucidate specific tax laws and ensure consistent application across different scenarios. By providing a generalized interpretation, it helps taxpayers and tax professionals understand how certain provisions are meant to be applied in various situations. General Authority Regulations are useful for establishing foundational principles and providing clarity that is applicable in various contexts, making them essential for effective tax compliance and planning. They often address issues that can arise across a wide array of circumstances, thereby serving as a guide for both individuals and businesses while navigating the complexities of tax laws. The other choices, while related to tax guidance, serve more specific functions. Specific Authority Regulations address very particular issues, Technical Advice Memoranda are responses to requests for guidance on specific situations from Taxpayers, and Revenue Rulings are intended to provide the IRS's interpretation of tax laws as applied to particular facts. Each of these has its own specific purpose and audience, distinguishing them from the broader approach of General Authority Regulations.*

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## 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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