

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

STUDY GUIDE

U.S. Income Tax Return for Certain Nonresident Aliens with No Dependents
Form 1040-NR-EZ
OMB No. 1545-0074
2021

Department of the Treasury
Internal Revenue Service

Go to www.irs.gov/Form1040NEZ for instructions and the latest information.

Identifying number (see instructions)

Your first name and middle initial

Last name

Present home address (number, street, and apt. no., or rural route). If you have a P.O. box, see instructions.

City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below. See instructions.

Foreign province/state/county

Foreign postal code

Foreign country name

Filing Status
Check only one box.

1 ☐ Single nonresident alien

2 ☐ Married nonresident alien

3 Wages, salaries, tips, etc. Attach Form(s) W-2.

4 Taxable refunds, credits, or offsets of state and local income taxes.

5 Scholarship and fellowship grants. Attach Form(s) 1042-S.

6 Total income exempt by a treaty from page 2, Item 1.

7 Add lines 3, 4, and 5.

8 Scholarship and fellowship grants excluded.

9 Student loan interest deduction.

10 Subtract the sum of line 8 and line 9 from line 7. This is your taxable income. See the instructions for limitations.

11 **Itemized deductions.** See the instructions for limitations.

12 **Reserved.**

13 **Reserved.**

14 Taxable income. Subtract line 11 from line 10. If line 11 is more than line 10, enter -0-.

15 **Tax.** Find your tax in the tax table in the instructions.

16 Unreported social security and Medicare tax from Form(s) 1042-S.

17 Add lines 15 and 16. This is your **total tax**.

18a Federal income tax withheld from Form(s) 1042-S.

18b Federal income tax payments and amount applied from 2018 return.

19 2019 estimated tax payments with Form 1040-C.

20 Credit for amount paid with Form 1040-C. This is the amount you overpaid. If Form 8888 is attached, check here ☐ Savings ☐ Refund.

21 Add lines 18a through 20. These are your **total payments**.

22 If line 21 is more than line 17, subtract line 17 from line 21. This is the amount you overpaid. If Form 8888 is attached, check here ☐ Savings ☐ Refund.

23a Amount of line 22 you want **refunded to you**. If Form 8888 is attached, check here ☐ Savings ☐ Refund.

23b Routing number

23c Account number

23d If you want your refund check mailed to an address outside the United States not shown above, enter that address here:

24 Amount of line 22 you want **applied to your 2020 estimated tax**. For details on how to pay, see instructions.

25 Amount you owe. Subtract line 21 from line 17. For details on how to pay, see instructions.

26 Estimated tax penalty (see instructions).

Personal identification number (PIN)

Yes. Complete the following.

No.

SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

VISIT US ONLINE FOR
THE FULL VERSION STUDY GUIDE

<https://tkahrblock.examzify.com>



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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. Why might someone choose Itemized Deductions instead of Standard Deduction?**
 - A. To maximize tax benefits
 - B. For simplicity
 - C. To decrease taxable income
 - D. To avoid filing taxes altogether
- 2. What is the taxpayer's timeframe to pay or appeal after receiving the Revenue Agent's Report?**
 - A. 15 days
 - B. 30 days
 - C. 60 days
 - D. 90 days
- 3. Which of the following is NOT considered a non-precedential authority?**
 - A. Proposed regulations
 - B. Revenue rulings
 - C. Chief counsel advice
 - D. Technical advice memoranda
- 4. What is generally not considered taxable income?**
 - A. Wages from employment
 - B. Interest from municipal bonds
 - C. Social Security benefits
 - D. Bonuses from employers
- 5. 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)

- 6. 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
- 7. What criteria must be met for a home to qualify for the capital gains exclusion on sale?**
- A. The taxpayer must have inherited the home
 - B. The taxpayer must have lived in the home for at least two of the last five years
 - C. The home must be sold within three years of purchase
 - D. The property must be a primary residence for ten years
- 8. How is a Substantial-Understatement defined?**
- A. Underpayment equal to 5%+ of the return
 - B. Underpayment equal to 10%+ of the return or \$5,000
 - C. Underpayment of any amount
 - D. Underpayment equal to 20% of the return
- 9. What is the IRS Form 8889 used for?**
- A. To report partnership income and deductions
 - B. To report Health Savings Account (HSA) contributions and distributions
 - C. To report capital gains and losses from investments
 - D. To report foreign income earned
- 10. Which of the following generally applies to employee achievement awards?**
- A. Included in income as regular income
 - B. Excluded from income based on qualifying criteria
 - C. Taxed at a special rate
 - D. Only awarded in cash

Answers

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

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Explanations

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1. Why might someone choose Itemized Deductions instead of Standard Deduction?

- A. To maximize tax benefits**
- B. For simplicity
- C. To decrease taxable income
- D. To avoid filing taxes altogether

Selecting itemized deductions instead of the standard deduction is often driven by a desire to maximize tax benefits. This means that if an individual's total deductible expenses, such as mortgage interest, medical expenses, property taxes, or charitable contributions, exceed the amount of the standard deduction, they can lower their taxable income by itemizing. Consequently, itemizing can lead to a larger tax benefit, resulting in a potentially lower overall tax liability. While simplicity is a valid reason for choosing the standard deduction, many taxpayers prefer to itemize when it is advantageous financially. Decreasing taxable income is indeed a goal of both itemizing and opting for the standard deduction, but choosing itemized deductions particularly enhances this if the deductible expenses are substantial. Avoiding the filing of taxes altogether is not a valid consideration in this context, as filing tax returns is a legal requirement regardless of which deduction method is chosen.

2. What is the taxpayer's timeframe to pay or appeal after receiving the Revenue Agent's Report?

- A. 15 days
- B. 30 days**
- C. 60 days
- D. 90 days

The correct answer is 30 days because after receiving the Revenue Agent's Report, taxpayers have a specific timeframe to respond, which is established by the IRS. This 30-day period allows taxpayers to either pay the assessed amount or file an appeal if they disagree with the findings detailed in the report. This timeframe is set to ensure a timely resolution of any disputes regarding taxes owed and provides a clear structure for taxpayers to take the necessary steps in response to the report. Understanding this timeline is crucial for taxpayers to avoid additional penalties or interest that could accrue if they do not respond within the specified period. Options indicating shorter or longer timeframes do not align with IRS guidelines, which have standard procedures that aim to facilitate both compliance and dispute resolution within this established 30-day window.

3. Which of the following is NOT considered a non-precedential authority?

- A. Proposed regulations
- B. Revenue rulings**
- C. Chief counsel advice
- D. Technical advice memoranda

The correct choice identifies revenue rulings as a type of authority that is, in fact, considered precedential. Revenue rulings are interpretations of the tax law issued by the IRS that apply to a specific set of facts and provide guidance to taxpayers on how the IRS intends to enforce the law in similar situations. Because they are binding on IRS employees and provide reliable guidance to taxpayers, they qualify as precedential authority. In contrast, the other options listed—proposed regulations, chief counsel advice, and technical advice memoranda—are generally considered non-precedential. Proposed regulations offer insight into the IRS's future plans but do not have the force of law until finalized. Chief counsel advice is intended for internal IRS guidance and is not for public use, hence lacks precedential effect. Technical advice memoranda are also specific to the facts of a particular case and do not create binding legal precedent.

4. What is generally not considered taxable income?

- A. Wages from employment
- B. Interest from municipal bonds**
- C. Social Security benefits
- D. Bonuses from employers

Interest from municipal bonds is generally not considered taxable income at the federal level, which is why it is recognized as the correct answer. The key aspect of municipal bond interest is that it is issued by state and local governments to fund public projects. Investors receive the interest from these bonds tax-free, creating an attractive option for those looking to strategically manage their tax liabilities. This tax-exempt status at the federal level means that individuals do not need to report this interest as income on their federal tax returns, which distinguishes it from other types of income such as wages, bonuses, and even Social Security benefits, which can be taxable under certain circumstances. Understanding the nature of municipal bonds and their tax implications is essential for tax planning and can influence investment decisions significantly.

5. 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.

6. 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.

7. What criteria must be met for a home to qualify for the capital gains exclusion on sale?

- A. The taxpayer must have inherited the home
- B. The taxpayer must have lived in the home for at least two of the last five years**
- C. The home must be sold within three years of purchase
- D. The property must be a primary residence for ten years

The criteria for a home to qualify for the capital gains exclusion on sale includes the requirement that the taxpayer must have lived in the home for at least two of the last five years prior to the sale. This two-out-of-five-year rule is designed to provide relief to homeowners from paying taxes on the profit they make from the sale of their primary residence. When a homeowner sells their primary residence, they can exclude up to \$250,000 of capital gains from their income if they are single, or up to \$500,000 if they are married filing jointly, as long as the residency requirement is met. This requirement ensures that the exclusion is aimed at individuals who have genuinely made the property their home, rather than investors who might buy and sell properties frequently without living in them. Other options provided do not meet the criteria for exclusion; inheriting a home does not automatically qualify for the exclusion, the timeline for selling is not limited to three years after purchase, and a ten-year primary residence requirement is not necessary. Thus, living in the home for at least two of the last five years is the critical factor for this capital gains exclusion.

8. How is a Substantial-Understatement defined?

- A. Underpayment equal to 5%+ of the return
- B. Underpayment equal to 10%+ of the return or \$5,000**
- C. Underpayment of any amount
- D. Underpayment equal to 20% of the return

A Substantial-Understatement is defined as an underpayment that meets specific criteria, particularly focusing on the impact it has on the taxpayer's overall tax liability. The correct choice indicates that a substantial understatement occurs if the underpayment is equal to either 10% of the tax required to be shown on the return or \$5,000, whichever is greater. This definition is essential because it establishes a clear threshold that helps to identify significant discrepancies between the correct tax liability and what has actually been reported. In this context, understanding the benchmarks for what constitutes a substantial understatement assists both taxpayers and tax professionals in recognizing when additional penalties or interest might apply due to such underreporting. It helps ensure compliance and inform decisions about potential adjustments to filed tax returns when discrepancies are identified. The other definitions do not accurately represent the established criteria for what constitutes a substantial understatement, as they either set the benchmarks too low or lack the specificity required in the tax code to qualify as substantial.

9. What is the IRS Form 8889 used for?

- A. To report partnership income and deductions
- B. To report Health Savings Account (HSA) contributions and distributions**
- C. To report capital gains and losses from investments
- D. To report foreign income earned

The IRS Form 8889 is specifically designed for individuals to report contributions to and distributions from Health Savings Accounts (HSAs). Individuals who make contributions to an HSA or take distributions from it must use this form to detail the amounts involved for the tax year. This allows the IRS to track tax advantages associated with HSAs, such as potential deductions for contributions and tax-free distributions for qualified medical expenses. By using Form 8889, individuals ensure they are compliant with tax regulations regarding HSAs and can take full advantage of the tax benefits provided by these accounts.

10. Which of the following generally applies to employee achievement awards?

- A. Included in income as regular income
- B. Excluded from income based on qualifying criteria**
- C. Taxed at a special rate
- D. Only awarded in cash

Employee achievement awards are typically excluded from an employee's income under certain qualifying criteria defined by the Internal Revenue Code. This exclusion applies when the awards are not extravagant and are given for length of service or safety achievements, fulfilling specific requirements. By meeting these criteria, the awards, whether in cash or tangible property, do not constitute taxable income for the employee, thereby providing a tax benefit for both the employer and employee. The other options do not align with the tax treatment of achievement awards. Regular income inclusion would imply that all forms of compensation are taxable, which overlooks the specific circumstances under which achievement awards can be excluded. Taxing at a special rate would not apply since these awards typically follow standard tax treatment unless they fall outside typical exclusions, which is not common. Lastly, achievement awards are not limited to cash; they can also be non-cash items like framed plaques, which further illustrates the reasons behind the correct stance on income exclusion based on specific criteria.

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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.

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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