

TAX PREPARER PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

VISIT US ONLINE FOR
THE FULL VERSION STUDY GUIDE

<https://taxpreparer.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. Which of the following is a limitation regarding the American Opportunity Credit?**
 - A. It cannot be claimed for consecutive years
 - B. Only available for one dependent per return
 - C. It is limited to two tax years
 - D. It cannot be claimed by high-income earners
- 2. Where are HSA contributions reported on Form 1040?**
 - A. Line 20
 - B. Line 25
 - C. Line 30
 - D. Line 40
- 3. How is a pension treated if the taxpayer has not made any contributions?**
 - A. It is considered non-taxable entirely.
 - B. It may be fully taxable.
 - C. It is only taxable after a specific age.
 - D. It would not affect any tax return filings.
- 4. Which of the following expenditures is considered a home maintenance cost?**
 - A. Paying for a vacation
 - B. Purchasing a car
 - C. Homeowners insurance
 - D. Personal loans
- 5. What are considered qualified medical expenses for an HSA?**
 - A. Prescription medication only
 - B. Any expenses paid out-of-pocket
 - C. Unreimbursed medical expenses typically deductible on Schedule A
 - D. Expenses covered by insurance plans

- 6. Which of the following includes all associated costs in product preparation for sale?**
- A. Gross receipts
 - B. Cost of goods sold
 - C. Operating expenses
 - D. Net income
- 7. Which tax scenario requires the use of tiebreaker rules?**
- A. When two or more taxpayers claim the same property tax exemption.
 - B. When multiple taxpayers claim the same qualifying child.
 - C. When two spouses file jointly.
 - D. When a taxpayer contests IRS audit findings.
- 8. What term is used when a taxpayer adds money to an IRA?**
- A. Distribution
 - B. Contribution
 - C. Roll-over
 - D. Deduction
- 9. What types of itemized deductions are subject to the 2%-of-AGI floor?**
- A. Only mortgage interest and property taxes
 - B. Transportation, education, job-seeking, tax preparation, investment, and hobby expenses
 - C. Charitable contributions only
 - D. Medical expenses and state taxes
- 10. Which parent typically claims the qualifying child in a divorce?**
- A. The noncustodial parent
 - B. The custodial parent
 - C. Both parents equally
 - D. The child's legal guardian

Answers

SAMPLE

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

SAMPLE

Explanations

SAMPLE

1. Which of the following is a limitation regarding the American Opportunity Credit?

- A. It cannot be claimed for consecutive years
- B. Only available for one dependent per return
- C. It is limited to two tax years**
- D. It cannot be claimed by high-income earners

The American Opportunity Credit is designed to provide financial assistance for higher education expenses. A key limitation is that it is available for a maximum of four tax years for each eligible student, which is why the correct choice highlights that it is limited to two tax years. The confusion can arise because one might think that it can be claimed for the entirety of four years, but there are certain restrictions on how it's utilized across multiple years. The credit allows students to claim it for the first four years of higher education, but it phases out based on modified adjusted gross income. This means that individuals with higher incomes may be ineligible for the full benefit, but it does not imply a restriction of two tax years specifically due to income status. When considering the other options, they present different limitations that do not accurately reflect how the American Opportunity Credit functions. Therefore, the focus remains on the specific limitation regarding the duration it can be claimed, emphasizing the credit's structure related to the educational phase for an individual.

2. Where are HSA contributions reported on Form 1040?

- A. Line 20
- B. Line 25**
- C. Line 30
- D. Line 40

HSA (Health Savings Account) contributions are reported on Form 1040, specifically on Line 25. This line is used to report other adjustments to income, which includes contributions made to an HSA that are deductible on the taxpayer's individual income tax return. Contributions to an HSA are tax-deductible, which means they can reduce the amount of income that is subject to taxation. By reporting these contributions on Line 25, taxpayers effectively lower their adjusted gross income (AGI), which can result in a lower overall tax liability. It's important to note that while HSA contributions may also appear in other areas of taxpayer documentation (like on Form 8889 for reporting HSA information), the specific reporting line on Form 1040 is where the deduction is captured in the income calculation.

3. How is a pension treated if the taxpayer has not made any contributions?

- A. It is considered non-taxable entirely.
- B. It may be fully taxable.**
- C. It is only taxable after a specific age.
- D. It would not affect any tax return filings.

If a taxpayer has not made any contributions to a pension, the pension benefits received are generally fully taxable as ordinary income when they are distributed. This treatment is based on the fact that the taxpayer has not invested any after-tax dollars into the pension plan, which means that all distributions from the pension represent taxable income. In contrast, options suggesting that the pension could be entirely non-taxable or only taxable under specific conditions do not align with the standard tax treatment of pensions. While there are tax-advantaged accounts and certain distributions that may have unique tax implications, the lack of contributions to a pension typically results in the entire amount being taxable when received. Additionally, stating that the pension would not affect tax return filings overlooks the necessity of reporting taxable income on the tax return, which would include any amounts received from the pension.

4. Which of the following expenditures is considered a home maintenance cost?

A. Paying for a vacation

B. Purchasing a car

C. Homeowners insurance

D. Personal loans

Homeowners insurance is classified as a home maintenance cost because it is an expense directly associated with protecting the investment in a home. This type of insurance provides financial coverage for potential damages to the property, such as those that could arise from fire, theft, or certain natural disasters. It ensures that homeowners can maintain their property and provides peace of mind, knowing that they have financial support in case of unexpected events. In contrast, the other choices do not represent home maintenance costs. Paying for a vacation is a discretionary expense unrelated to home upkeep. Purchasing a car is focused on transportation and personal mobility, not on maintaining a residence. Personal loans are financial obligations that may cover various expenses, but they do not directly pertain to the maintenance or protection of a home. Therefore, homeowners insurance is the most appropriate choice as a home maintenance expenditure.

5. What are considered qualified medical expenses for an HSA?

A. Prescription medication only

B. Any expenses paid out-of-pocket

C. Unreimbursed medical expenses typically deductible on Schedule A

D. Expenses covered by insurance plans

Qualified medical expenses for a Health Savings Account (HSA) largely adhere to the guidelines set by the IRS, which often align with unreimbursed medical expenses that are typically deductible on Schedule A of Form 1040. This means that expenses that an individual incurs directly, without reimbursement from insurance, may be eligible for tax-free withdrawal from an HSA. Using the IRS guidelines, qualified medical expenses include items such as doctor visits, hospital care, surgeries, and certain prescribed medications, as long as they are not reimbursed by any health plan or insurance. This aligns with the idea that these expenses are necessary for medical care and can help reduce the individual's taxable income when they contribute to their HSA. In contrast, options such as prescription medication only or any out-of-pocket expenses do not encompass the broader spectrum of what can be considered qualified medical expenses. Additionally, expenses covered by insurance plans cannot be claimed since HSAs are meant to assist with direct, unreimbursed medical expenses. Thus, the inclusion of unreimbursed medical expenses on Schedule A as the qualifying standard effectively captures the essence of qualifying medical expenses for tax advantages associated with HSAs.

6. Which of the following includes all associated costs in product preparation for sale?

- A. Gross receipts
- B. Cost of goods sold**
- C. Operating expenses
- D. Net income

The correct answer is the cost of goods sold, often abbreviated as COGS. This figure represents all the direct costs associated with the production of goods that a company sells during a specific period. This includes materials, labor, and any other costs that are directly tied to the production of the products. Understanding this concept is key for tax preparation, as it directly impacts a business's gross income. Accurate calculation of COGS helps determine the profitability of the sales and is crucial for tax reporting. When preparing taxes for a business, COGS is subtracted from total revenues to arrive at the gross profit, which is an important figure on a company's income statement. Other options like gross receipts refer to the total income earned from the sale of goods or services and do not account for the associated costs. Operating expenses pertain to the costs required for running the business that are not included in the production costs. Net income is the final profit after all expenses, including operating expenses and taxes, have been deducted from revenue. Each of these terms plays a role in financial accounting, but only the cost of goods sold encompasses all costs related directly to the preparation and sale of products.

7. Which tax scenario requires the use of tiebreaker rules?

- A. When two or more taxpayers claim the same property tax exemption.
- B. When multiple taxpayers claim the same qualifying child.**
- C. When two spouses file jointly.
- D. When a taxpayer contests IRS audit findings.

The scenario that requires the use of tiebreaker rules occurs when multiple taxpayers claim the same qualifying child. Tiebreaker rules are established by the IRS to determine which parent or guardian is entitled to claim a child as a dependent for tax purposes when there is a dispute. When the same child is claimed by more than one taxpayer, such as divorced or separated parents, the IRS has specific criteria for determining who has the right to claim the child. Factors such as the child's residence, the number of nights spent with each parent, and financial support provided will be considered. This helps to ensure that only one taxpayer can benefit from the tax advantages associated with claiming the child, such as the Child Tax Credit or Earned Income Tax Credit. The other scenarios presented do not involve situations where tiebreaker rules apply. For instance, property tax exemptions are typically claimed based on ownership rather than dependent status, filing jointly by spouses does not involve a claim conflict, and contesting IRS audit findings relates to disputes over audit results rather than competition for claims. Thus, the focus on qualifying children makes this scenario unique in its reliance on tiebreaker regulations.

8. What term is used when a taxpayer adds money to an IRA?

- A. Distribution
- B. Contribution**
- C. Roll-over
- D. Deduction

The term "Contribution" is used when a taxpayer adds money to an Individual Retirement Account (IRA). Contributions are the amounts deposited into the IRA to help fund the retiree's future savings. Individuals can make contributions to traditional IRAs or Roth IRAs with certain limits and eligibility requirements based on their income, tax filing status, and age. When contributing to an IRA, taxpayers may also receive certain tax benefits, such as the ability to deduct contributions to a traditional IRA on their tax return, depending on their circumstances. However, the act of putting money into the IRA specifically refers to it as a contribution, distinguishing it from terms like distribution, which refers to withdrawals from the IRA, or rollover, which describes the transfer of funds from one retirement account to another.

9. What types of itemized deductions are subject to the 2%-of-AGI floor?

- A. Only mortgage interest and property taxes
- B. Transportation, education, job-seeking, tax preparation, investment, and hobby expenses**
- C. Charitable contributions only
- D. Medical expenses and state taxes

The correct answer focuses on the various deductions subject to the 2%-of-AGI floor, which pertains to certain miscellaneous itemized deductions. These deductions include transportation, education, job-seeking expenses, tax preparation fees, investment-related expenses, and hobby expenses. The reason this category is significant is that they can be deducted only to the extent that their total exceeds 2% of your Adjusted Gross Income (AGI). This means that only the portion of these expenses that surpasses the 2%-of-AGI threshold can be itemized, limiting the amount one can claim. Other choices provided do not represent deductions that fall under this specific category. For instance, mortgage interest and property taxes, while they are itemized deductions, are not subject to the 2%-of-AGI floor. Charitable contributions also do not fall under this floor and have specific limitations and guidelines of their own. Medical expenses and state taxes have different thresholds and calculations for deductions, making them irrelevant to the 2%-of-AGI floor context. Overall, understanding which deductions qualify for this floor is critical for accurately preparing taxes and maximizing allowable itemized deductions.

10. Which parent typically claims the qualifying child in a divorce?

- A. The noncustodial parent
- B. The custodial parent**
- C. Both parents equally
- D. The child's legal guardian

In the context of divorce and tax filing, the custodial parent is generally the one who claims the qualifying child for tax benefits. The custodial parent is defined as the parent with whom the child resides for the greater part of the year. This designation grants the custodial parent access to valuable tax benefits, such as the Child Tax Credit and the Head of Household filing status, both of which can significantly reduce tax liability. While the noncustodial parent may have the right to claim the child under certain conditions—typically requiring a signed Form 8332 by the custodial parent that allows them to do so—this is not the typical scenario. The default assumption in tax matters is that the custodial parent will claim the child unless an agreement is made otherwise. Thus, the rules are structured to favor the custodial parent in terms of claiming dependents, reflecting the day-to-day living arrangements of the child and the associated financial responsibilities. Additionally, the option of both parents claiming the child equally is not viable under IRS regulations, as this could lead to double claims for tax benefits which are not permitted. The child's legal guardian, while having responsibilities towards the child, does not factor into the standard parent-child tax claiming situation unless specified by legal arrangements

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://taxpreparer.examzify.com>

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

SAMPLE