

Tax School 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 main consideration for taxation of income earned in another state while working in California?**
 - A. Tax residency status**
 - B. Amount of deductions**
 - C. Type of job**
 - D. Source of income**

- 2. What filing status must Registered Domestic Partners (RDP) use when filing California income tax returns?**
 - A. Single**
 - B. Married/RDP filing jointly**
 - C. Married/RDP filing separately**
 - D. Either Married/RDP filing jointly or separately**

- 3. What is the minimum penalty for filing late in California?**
 - A. A. \$50**
 - B. B. \$75**
 - C. C. \$135**
 - D. D. \$150**

- 4. What type of income is considered taxable for California state taxes but not for federal taxes?**
 - A. A. Capital gains**
 - B. B. Unemployment compensation**
 - C. C. Municipal bond interest**
 - D. D. Social Security benefits**

- 5. For individual taxpayers, what is the California threshold amount for itemized deductions in 2019 for a single taxpayer?**
 - A. \$159,702**
 - B. \$177,730**
 - C. \$182,615**
 - D. \$200,534**

- 6. What is Charlie's maximum Nonrefundable Renter's Credit for 2019 given his AGI of \$32,600?**
- A. \$0**
 - B. \$30**
 - C. \$40**
 - D. \$60**
- 7. What kind of expenses are eligible for tax deductions?**
- A. Personal living expenses**
 - B. Ordinary and necessary expenses related to a trade or business**
 - C. Any expenses related to education**
 - D. Charitable contributions only**
- 8. To qualify for the Nonrefundable Renter's Credit, which of the following is not a requirement?**
- A. He or she was a California resident in 2019**
 - B. He or she paid rent for at least 3 months of 2019**
 - C. He or she did not live with another person for more than half the year who claimed him or her as a dependent**
 - D. He or she is not a minor living with a parent, foster parent, or guardian**
- 9. What is the usual tax rate for long-term capital gains?**
- A. 10%**
 - B. 15% or 20%, depending on income levels**
 - C. 25%**
 - D. 30%**
- 10. Who is eligible to claim the Child Tax Credit?**
- A. Taxpayers with children under 16**
 - B. Taxpayers with qualifying children under 17**
 - C. Taxpayers with dependent relatives**
 - D. Taxpayers with children in college**

Answers

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

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Explanations

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1. What is the main consideration for taxation of income earned in another state while working in California?

- A. Tax residency status**
- B. Amount of deductions**
- C. Type of job**
- D. Source of income**

The main consideration for taxation of income earned in another state while working in California is the source of income. California taxes its residents on their worldwide income, which includes income earned in other states. However, non-residents who earn income while working in California will be taxed by California on that income. The concept of source of income is essential because it determines where the income is considered to be generated and thus subject to taxation. For instance, if a person works in California but lives in another state, California may still tax the income earned during the time spent working there, as the work is deemed to have a source within California. This illustrates why understanding the source of income is critical in determining tax obligations. Factors such as tax residency status, amount of deductions, or type of job may have relevance in some contexts, but they do not fundamentally dictate where the income is taxable. The key factor is whether the income is sourced from California or another state.

2. What filing status must Registered Domestic Partners (RDP) use when filing California income tax returns?

- A. Single**
- B. Married/RDP filing jointly**
- C. Married/RDP filing separately**
- D. Either Married/RDP filing jointly or separately**

Registered Domestic Partners (RDP) in California have the ability to choose between two specific filing statuses when it comes to their state income tax returns. They can file as Married/RDP filing jointly, which allows them to combine their incomes and potentially benefit from tax deductions and credits that might be advantageous when filing together. Alternatively, they can also choose to file as Married/RDP filing separately. This option may be beneficial in certain situations, such as when one partner has significant medical expenses or deductions that exceed the threshold for claiming those expenses on their individual return. This flexibility in filing status is indicative of California's recognition of RDPs as being comparable to married couples for tax purposes. It is important to note that this choice is specific to California and aligns with state laws regarding domestic partnerships. Therefore, both joint and separate filing are valid options, which confirms that the correct response is that RDPs can utilize either Married/RDP filing jointly or separately.

3. What is the minimum penalty for filing late in California?

- A. A. \$50
- B. B. \$75
- C. C. \$135
- D. D. \$150**

The minimum penalty for filing a tax return late in California is \$150. This penalty applies to individuals who do not submit their tax returns by the due date and do not have any cooperating circumstances that might excuse the late filing. The state imposes this penalty to encourage timely compliance with tax regulations, ensuring that taxpayers meet their obligations on time. For context, the penalty structure is designed to deter late filings, and while penalties can increase based on the amount of tax owed or the length of time a return is late, the base penalty starts at \$150 for most situations.

4. What type of income is considered taxable for California state taxes but not for federal taxes?

- A. A. Capital gains
- B. B. Unemployment compensation
- C. C. Municipal bond interest**
- D. D. Social Security benefits

The correct answer is that municipal bond interest is considered taxable for California state taxes but not for federal taxes. In general, the federal tax code exempts interest earned from municipal bonds from taxation, recognizing these bonds as a tool for local and state governments to fund public projects. This makes them attractive to investors seeking tax advantages. However, California differs in its treatment of the interest earned on municipal bonds issued by states other than California, which is taxable at the state level. This means that while the income from these bonds may not be subject to federal income tax, it is still included in taxable income when filing California state taxes. In contrast, capital gains, unemployment compensation, and Social Security benefits are all treated similarly at both the federal and state levels in their general taxability. Capital gains are taxed federally and at the state level, unemployment compensation is typically taxable in both jurisdictions, and Social Security benefits may be partially taxed under federal rules, but California does not tax them at all.

5. For individual taxpayers, what is the California threshold amount for itemized deductions in 2019 for a single taxpayer?

- A. \$159,702
- B. \$177,730
- C. \$182,615**
- D. \$200,534

In 2019, the threshold amount for itemized deductions in California for a single taxpayer was indeed \$182,615. This threshold is significant because it determines the point at which taxpayers may find it more beneficial to itemize deductions rather than take the standard deduction, which is fixed. For taxpayers whose itemized deductions exceed this threshold, itemizing can lead to lower taxable income and, consequently, a potentially lower tax liability. The importance of the threshold is that it adjusts according to the tax laws and economic factors defined by the California state legislature. By understanding how this threshold works, taxpayers can better strategize their filing status and optimize their deductions. The other amounts listed do not represent the threshold set for individual itemized deductions in California for that year, highlighting the specific nature of tax regulations that changes annually based on inflation and policy decisions. It's important to stay current with state regulations to correctly apply these figures to individual tax situations.

6. What is Charlie's maximum Nonrefundable Renter's Credit for 2019 given his AGI of \$32,600?

- A. \$0**
- B. \$30
- C. \$40
- D. \$60

To determine Charlie's maximum Nonrefundable Renter's Credit for 2019, it is essential to understand the criteria that govern this credit. The Nonrefundable Renter's Credit is available to qualifying individuals based on their income and rental expenses. In 2019, the Nonrefundable Renter's Credit is typically phased out at certain income levels. For single filers, the income threshold at which the credit begins to phase out is generally set at a level where the Adjusted Gross Income (AGI) exceeds \$32,000. Once a taxpayer's AGI exceeds this threshold, they may see a reduction in their credit amount. Given that Charlie's AGI is \$32,600, it exceeds the phase-out threshold. Thus, he is not eligible for the credit because the income limit has been surpassed. As a result, his maximum Nonrefundable Renter's Credit is \$0, confirming that he does not qualify for any amount.

7. What kind of expenses are eligible for tax deductions?

A. Personal living expenses

B. Ordinary and necessary expenses related to a trade or business

C. Any expenses related to education

D. Charitable contributions only

Eligible tax deductions typically encompass expenses that are considered "ordinary and necessary" in the context of carrying on a trade or business. This means that the costs must be common and accepted in the industry, as well as helpful and appropriate for the business activities. For instance, expenses such as rent for office space, supplies, employee wages, and utilities are all deductible as they directly relate to the functioning of the business. In contrast, personal living expenses are not deductible because the tax code maintains a distinction between personal and business expenses. Educational expenses can be deductible, but only if they are specifically related to maintaining or improving skills required in one's current trade or business, rather than being broadly applicable. Charitable contributions are also eligible deductions but are limited to contributions made to qualified organizations, not all expenses are eligible under this category. Thus, the eligibility criteria for tax deductions is quite specific, and business-related expenses fit that criteria best.

8. To qualify for the Nonrefundable Renter's Credit, which of the following is not a requirement?

A. He or she was a California resident in 2019

B. He or she paid rent for at least 3 months of 2019

C. He or she did not live with another person for more than half the year who claimed him or her as a dependent

D. He or she is not a minor living with a parent, foster parent, or guardian

The Nonrefundable Renter's Credit is available to individuals who meet specific criteria as set by California tax law. The requirement that is not necessary to qualify for this credit pertains to the individual being a minor living with a parent, foster parent, or guardian. This aspect is not a disqualifying factor because the credit is meant for any qualifying resident who meets the other specified criteria, regardless of their living situation related to guardianship or parental relationships. Consequently, a minor could still qualify for the credit if they meet the other fundamental conditions such as having paid rent for a significant period and not being claimed as a dependent by someone else. On the other hand, being a California resident in the year of claim, having paid rent for at least three months, and not living with a person who claims the individual as a dependent are all essential requirements to ensure that the tax relief is directed towards those who genuinely have rental expenses and meet the state's criteria for residency and dependency.

9. What is the usual tax rate for long-term capital gains?

- A. 10%
- B. 15% or 20%, depending on income levels**
- C. 25%
- D. 30%

The usual tax rate for long-term capital gains is generally either 15% or 20%, depending on the taxpayer's income level. This structure is designed to encourage long-term investment by taxing gains from assets held longer than one year at a lower rate compared to ordinary income, which is taxed at higher marginal rates. For individuals in the lower tax brackets, especially those with taxable income below a specific threshold, there may be some cases where long-term capital gains can be taxed at 0%. However, for the majority of taxpayers, the predominant rates will indeed be at 15% or 20%, which kick in at different income levels as defined by the tax code. Overall, this tiered taxation system reflects the policy intent to foster investment and economic growth while also ensuring that those with higher earnings contribute a fair share through higher capital gains taxation. Additionally, it's important to note that certain assets, such as collectibles or certain types of real estate, may be subject to different rates, but this question focuses on the general framework that applies to most long-term capital gains.

10. Who is eligible to claim the Child Tax Credit?

- A. Taxpayers with children under 16
- B. Taxpayers with qualifying children under 17**
- C. Taxpayers with dependent relatives
- D. Taxpayers with children in college

The Child Tax Credit is specifically designed to provide financial relief to families with children, and eligibility hinges on certain criteria outlined by tax regulations. Taxpayers are eligible to claim the Child Tax Credit if they have qualifying children under age 17 at the end of the tax year. This means that for a child to qualify, they must be under the age of 17 when the tax year concludes, which ensures that the benefit is directed toward younger dependents typically in need of childcare assistance and related support. Other groups mentioned in the choices are not eligible for this specific credit. Children over the age of 17 do not qualify, and while dependent relatives may pertain to other credits or deductions, they do not fit the criteria for the Child Tax Credit. Additionally, children who are enrolled in college are often older than the requisite age limit of 17, making them ineligible as well. Hence, the correct understanding of the Child Tax Credit's eligibility criteria focuses squarely on those qualifying children under the age of 17.

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://taxschool.examzify.com>

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

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