

TAX SCHOOL PRACTICE TEST (SAMPLE)

STUDY GUIDE



**SAMPLE STUDY GUIDE
WITH LIMITED QUESTIONS**

**VISIT US ONLINE FOR
THE FULL VERSION STUDY GUIDE**

<https://taxschool.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. For which situation would a California taxpayer not be able to use Web Pay?**
 - A. A. To make an estimated tax payment
 - B. B. To pay the balance due on the current-year tax return
 - C. C. To request an installment agreement
 - D. D. To make an amended return payment
- 2. What happens to the equity in a house purchased with proceeds from the sale of a separate property if mortgage payments are made using joint earnings?**
 - A. Community property
 - B. Commingled property
 - C. Separate property
 - D. Individual property
- 3. Which of the following is a requirement to qualify for a Roth IRA?**
 - A. Must be over 50 years old
 - B. Must meet income limits and file a tax return
 - C. Must have a traditional IRA
 - D. Must be a non-resident alien
- 4. What is the primary purpose of the Nonrefundable Renter's Credit in California?**
 - A. To encourage home ownership
 - B. To provide tax relief for renters
 - C. To offset property tax increases
 - D. To promote affordable housing
- 5. Under what condition must a taxpayer report a Federal adjustment to the FTB?**
 - A. A. Within one month of the adjustment
 - B. B. Within three years after it occurs
 - C. C. Within six months after the final Federal determination date
 - D. D. Anytime before the tax return is filed

6. How do tax audits work?

- A. The IRS collects unpaid taxes directly from accounts
- B. The IRS verifies the accuracy of reported return information
- C. The IRS automatically adjusts tax returns for discrepancies
- D. The IRS sends notifications for missing forms

7. Which form is used to report an employee's annual wages and the taxes withheld?

- A. Form 1099
- B. Form W-2
- C. Form 1040
- D. Form 4562

8. What must taxpayers do if they previously had their Earned Income Tax Credit disallowed?

- A. They must file a new tax return each year
- B. They must attach Form 8862 to their next tax return
- C. They are permanently barred from claiming the credit
- D. They can claim it without additional documentation

9. What determines whether Erin and her spouse are considered California residents after moving to Spain?

- A. Both Erin and her spouse are considered part-year residents of California
- B. The entire family are considered full-year California residents
- C. Erin is considered a part-year resident, but her spouse is a full-year resident
- D. All of the above

10. What is the maximum withholding amount for State Disability Insurance (SDI) in 2019?

- A. \$900.50
- B. \$925.80
- C. \$1,183.71
- D. \$1,225.14

Answers

SAMPLE

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

SAMPLE

Explanations

SAMPLE

1. For which situation would a California taxpayer not be able to use Web Pay?

- A. A. To make an estimated tax payment
- B. B. To pay the balance due on the current-year tax return
- C. C. To request an installment agreement**
- D. D. To make an amended return payment

A California taxpayer would not be able to use Web Pay to request an installment agreement because Web Pay is specifically designed for certain types of payments, such as estimated tax payments, payments on current-year tax returns, and payments associated with amended returns. When it comes to requesting an installment agreement, different procedures and systems are usually required that do not fall under the scope of Web Pay. This means that taxpayers need to follow a different process, which typically involves direct contact with the California tax authority or using another designated portal, to set up an installment agreement for outstanding tax liabilities. In contrast, situations such as making estimated tax payments, paying the balance due on a current year's tax return, or making payments related to amended returns all fall within the permitted uses of Web Pay, allowing taxpayers to complete these transactions conveniently online.

2. What happens to the equity in a house purchased with proceeds from the sale of a separate property if mortgage payments are made using joint earnings?

- A. Community property**
- B. Commingled property
- C. Separate property
- D. Individual property

When a house is purchased with proceeds from the sale of a separate property, the initial equity in that house is classified as separate property. However, if mortgage payments are made using joint earnings, which are considered community property, this creates a situation where the separate property and community property interests may become intertwined. In many jurisdictions, particularly those that follow community property laws, the contributions from joint earnings toward the mortgage are significant. This can change the classification of the property because community property laws often dictate that any appreciation in value or equity that results from community funds being used will belong to both spouses equally. Therefore, the equity built up through joint contributions (the mortgage payments) transforms the originally separate property into community property. Hence, while it starts as separate property, the involvement of joint earnings in paying the mortgage influences the equity, making it classified as community property. This is why the answer indicating community property is correct.

3. Which of the following is a requirement to qualify for a Roth IRA?

- A. Must be over 50 years old
- B. Must meet income limits and file a tax return**
- C. Must have a traditional IRA
- D. Must be a non-resident alien

To qualify for a Roth IRA, an individual must meet certain requirements, one of which is having income within specified limits and filing a tax return. This stipulation ensures that the account holder can contribute to a Roth IRA based on their earned income. The income limits vary depending on tax filing status, and those who exceed these limits are not eligible to contribute directly to a Roth IRA. Other choices do not correctly represent the requirements for a Roth IRA. Being over 50 years old is not a blanket requirement; rather, it pertains to those who wish to make catch-up contributions. Similarly, having a traditional IRA is not a prerequisite for establishing a Roth IRA; they are separate types of retirement accounts. Finally, non-resident aliens are not typically allowed to open Roth IRAs, as this account is generally designated for U.S. citizens and residents. Therefore, meeting income limits and filing a tax return is indeed a fundamental requirement for contributing to a Roth IRA.

4. What is the primary purpose of the Nonrefundable Renter's Credit in California?

- A. To encourage home ownership
- B. To provide tax relief for renters**
- C. To offset property tax increases
- D. To promote affordable housing

The primary purpose of the Nonrefundable Renter's Credit in California is to provide tax relief for renters. This credit is designed to recognize the fact that renters do not benefit from property tax deductions that homeowners do, effectively helping to alleviate some of the financial burden associated with renting. By offering this credit, the state aims to assist individuals and families who are paying rent and may be struggling with housing costs. This relief is especially important given California's high rental prices and cost of living, making it critical to support those who do not own property. While other options may touch on related themes, such as promoting home ownership or affordable housing, the specific function of the Nonrefundable Renter's Credit is directly aimed at providing financial assistance to renters through adjustments to their tax liability.

5. Under what condition must a taxpayer report a Federal adjustment to the FTB?

- A. A. Within one month of the adjustment
- B. B. Within three years after it occurs
- C. C. Within six months after the final Federal determination date**
- D. D. Anytime before the tax return is filed

A taxpayer must report a Federal adjustment to the Franchise Tax Board (FTB) within six months after the final Federal determination date because this aligns with the requirement for the correct reporting period established by California tax law. The final Federal determination date is when the taxpayer's federal tax obligations are settled, often after an audit or changes made by the IRS. Understanding this timeline is crucial because it ensures that the state tax authorities are informed of any changes in the taxpayer's income or deductions that may affect California state taxes. Reporting adjustments timely helps maintain compliance and can prevent potential penalties or interest that might arise from unreported adjustments. The other options suggest shorter or broader reporting windows that do not align with the specific procedure established by California's tax regulations regarding the acknowledgment of federal adjustments.

6. How do tax audits work?

- A. The IRS collects unpaid taxes directly from accounts
- B. The IRS verifies the accuracy of reported return information**
- C. The IRS automatically adjusts tax returns for discrepancies
- D. The IRS sends notifications for missing forms

Tax audits are processes conducted by the IRS to examine an individual's or a business's financial records to verify the accuracy of the information reported on tax returns. When the IRS performs an audit, their primary goal is to ensure that taxpayers have reported their income, deductions, and credits accurately and in compliance with tax laws. The audit can involve reviewing various documents, including bank statements, receipts, payroll records, and other financial data that support the figures reported on the tax return. If discrepancies are found during the audit, the IRS may adjust the taxpayer's return, assess additional tax liabilities, and sometimes impose penalties for underreporting income or overstating deductions. The other options describe actions that the IRS can take but do not accurately reflect the nature of tax audits. The IRS does not directly collect unpaid taxes during an audit, nor does it automatically adjust tax returns without conducting an audit. Sending notifications for missing forms is part of the IRS communication process but is not specifically related to how audits are conducted. Thus, verifying the accuracy of reported return information is at the core of the audit process, making it the correct answer.

7. Which form is used to report an employee's annual wages and the taxes withheld?

- A. Form 1099
- B. Form W-2**
- C. Form 1040
- D. Form 4562

Form W-2 is the correct choice for reporting an employee's annual wages and the taxes withheld. Employers must provide this form to their employees by the end of January each year. It summarizes the total earnings received by the employee during the year, as well as the amounts withheld for federal income tax, Social Security, and Medicare taxes. This information is crucial for employees when they file their individual tax returns, as it informs them how much income they earned and how much tax has already been paid on that income. The W-2 form thus ensures accurate reporting and compliance with IRS regulations, facilitating the correct filing of individual tax returns. Other forms mentioned serve different purposes: Form 1099 generally reports income from non-employment sources, like freelance work; Form 1040 is the individual income tax return form used by taxpayers to report their annual income and claim deductions; and Form 4562 is used for reporting depreciation and amortization for tax purposes. These forms do not provide a complete overview of employment income and tax withholdings for employees as the W-2 does.

8. What must taxpayers do if they previously had their Earned Income Tax Credit disallowed?

- A. They must file a new tax return each year
- B. They must attach Form 8862 to their next tax return**
- C. They are permanently barred from claiming the credit
- D. They can claim it without additional documentation

When a taxpayer has their Earned Income Tax Credit (EITC) disallowed in a previous tax year, they are required to take specific steps to claim the credit in future years. Attaching Form 8862, "Information To Claim Earned Income Credit After Disallowance," is essential. This form serves to inform the IRS that the taxpayer has met the statutory requirements to claim the EITC in the current tax year, and it effectively explains any changes in circumstances that led to recasting eligibility for the credit. This requirement ensures that taxpayers who previously faced issues with their claim have an opportunity to demonstrate qualification moving forward. Filing a new tax return annually isn't a direct requirement tied to a disallowance, nor is there a permanent ban on claiming the credit, as long as the criteria are met going forward and appropriate documentation is provided. Simply claiming the credit without additional documentation also wouldn't satisfy the IRS's requirement for substantiating eligibility after a prior disallowance. Hence, attaching Form 8862 is the correct action for taxpayers in this situation.

9. What determines whether Erin and her spouse are considered California residents after moving to Spain?

- A. Both Erin and her spouse are considered part-year residents of California**
- B. The entire family are considered full-year California residents
- C. Erin is considered a part-year resident, but her spouse is a full-year resident
- D. All of the above

To determine Erin and her spouse's residency status for tax purposes after their move to Spain, it is essential to understand how California residency is established for individuals who move out of the state. Residency is primarily determined by where an individual resides and maintains their permanent home. If Erin and her spouse have established residency in Spain and have moved their permanent home there, they may be considered part-year residents for the time they resided in California during the tax year. This classification would apply if they spent only part of the year in California before moving to Spain and intended to make Spain their new permanent residence. The option identifying them both as part-year residents acknowledges their transitional status. It reflects the guidelines that, during the year of their move, they may not fully qualify as California residents, as they have established a new home in Spain. The other options suggest varying degrees of residence status that do not accurately reflect the likely scenario of two individuals transitioning from one state to another. Therefore, identifying them as both part-year residents aligns with the facts regarding their move and the applicable residency rules.

10. What is the maximum withholding amount for State Disability Insurance (SDI) in 2019?

- A. \$900.50
- B. \$925.80
- C. \$1,183.71
- D. \$1,225.14**

The maximum withholding amount for State Disability Insurance (SDI) in 2019 is \$1,225.14. This figure is derived from the taxable wage limit set by the state's employment development regulations, which is applied to the SDI tax rate for the year. In California, for instance, the SDI rate for employees is typically a percentage of their wages, and there is a cap on the amount that can be withheld based on the maximum taxable income. In 2019, the maximum wage subject to SDI contribution was \$118,371, and when multiplying this limit by the SDI tax rate of 1.0%, it results in the maximum withholding amount of \$1,225.14. This ensures that employees contribute to the SDI system up to a specified limit, aligning with the regulations in place designed to provide disability benefits effectively, without placing an excessive burden on higher earners.

SAMPLE

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!

SAMPLE