

VITA Tax Basics Practice Exam (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. Regarding the student loan interest deduction, what is Todd's mother's status concerning the qualifications?**
 - A. Yes, she meets the qualifications**
 - B. No, she does not meet the qualifications**
 - C. Only if Todd claims her as a dependent**
 - D. Yes, but only partially**

- 2. Which of the following is true for individuals who are legally separated at year-end?**
 - A. They can file jointly if married most of the year**
 - B. They cannot claim their former spouse as an exemption**
 - C. They can choose to file as Single or Head of Household**
 - D. They must file jointly**

- 3. What is the consequence of early withdrawal from a time deposit account?**
 - A. A penalty may be charged**
 - B. No penalty if it's a small amount**
 - C. Loss of interest only**
 - D. It is always allowed without penalty**

- 4. What is required for taxpayers to claim the American opportunity credit?**
 - A. A valid identification number by the due date of the return**
 - B. Proof of enrollment in an accredited institution**
 - C. Completion of a specific tax form**
 - D. Payment of all tuition fees**

- 5. What is the correct tax filing status for a taxpayer who provides over half of their dependent's support?**
 - A. Head of Household**
 - B. Qualifying Surviving Spouse**
 - C. Married Filing Jointly**
 - D. Single**

- 6. Is Mike required to report interest income earned in a traditional IRA on his tax return?**
- A. Yes, all is reportable**
 - B. No, it's tax-deferred until withdrawal**
 - C. Only at the time of contribution**
 - D. Only if he withdraws early**
- 7. What is Sherman's standard deduction if he is 73 years old and blind, filing as Single using Form 1040?**
- A. \$12,950**
 - B. \$14,700**
 - C. \$16,450**
 - D. \$27,300**
- 8. Who among the following can use Chart A to determine if they must file a tax return?**
- A. Mrs. Harlan, 68, supported by her son**
 - B. Mrs. Fulton, 70, with less than \$10,000 income**
 - C. Mr. Emmet, 34, filing Head of Household with \$6,000 income**
 - D. All of the above**
- 9. If a taxpayer does not have their required identification number by the return due date, what can they do?**
- A. File a regular return and claim the credit later**
 - B. File an amended return for the expired year**
 - C. Wait for the identification number before filing**
 - D. File without it and take a penalty**
- 10. Can Sally claim Bobby as a dependent if Ann, Bobby's mother, is not required to file taxes?**
- A. Yes, since they lived together all year**
 - B. No, because Ann claims him for EIC**
 - C. Yes, but only if Bobby is under 12**
 - D. No, since Bobby lives with his mother**

Answers

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

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Explanations

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1. Regarding the student loan interest deduction, what is Todd's mother's status concerning the qualifications?

- A. Yes, she meets the qualifications**
- B. No, she does not meet the qualifications**
- C. Only if Todd claims her as a dependent**
- D. Yes, but only partially**

The student loan interest deduction allows eligible taxpayers to deduct interest paid on qualified student loans from their taxable income. For an individual to qualify for this deduction, they must be the person legally obligated to repay the loan, which typically refers directly to the student, and not someone else. In this scenario, Todd's mother is not directly responsible for repaying Todd's student loans; therefore, she does not meet the qualifications for the deduction herself. The deduction is strictly for the borrower, which in this case is Todd, assuming that Todd is the one who took out the loan and is making payments on it. Todd's mother's relationship to the loan does not grant her access to the deduction, thus confirming her ineligibility under the specific requirements for the student loan interest deduction.

2. Which of the following is true for individuals who are legally separated at year-end?

- A. They can file jointly if married most of the year**
- B. They cannot claim their former spouse as an exemption**
- C. They can choose to file as Single or Head of Household**
- D. They must file jointly**

Individuals who are legally separated at year-end cannot claim their former spouse as an exemption. This is true because, under tax laws, only individuals who are married and living together, or who meet specific criteria that allow them to file a joint return, can claim an exemption for their spouse. When parents are legally separated, each partner is generally responsible for their own taxes and cannot include the other as a dependent. Regarding other aspects of their filing status, those who are legally separated may not file jointly, since their marital status at year-end does not qualify them for joint filing unless specific conditions are met (which generally involve living together or being unmarried by year-end). Alternatives like filing as Single or Head of Household may also be available depending on their circumstances, but these would not apply if they were not legally separated or if they hadn't met the requirements for those specific statuses.

3. What is the consequence of early withdrawal from a time deposit account?

- A. A penalty may be charged**
- B. No penalty if it's a small amount**
- C. Loss of interest only**
- D. It is always allowed without penalty**

When withdrawing funds from a time deposit account, which typically has a fixed term, it is common for financial institutions to impose a penalty for early withdrawal. This penalty is designed to discourage account holders from accessing their funds before the agreed-upon maturity date, as time deposits are structured to provide a certain interest rate in exchange for keeping the funds deposited for a specified period. By imposing a penalty, banks ensure that they can manage their cash flow and that the account holders adhere to the terms of the deposit. The amount of the penalty can vary based on the institution's policies and the length of time the funds were held before withdrawal. In contrast, the other choices do not accurately reflect standard practices regarding early withdrawal from time deposit accounts, as penalties are typically a necessity tied to the agreement made when the account was opened.

4. What is required for taxpayers to claim the American opportunity credit?

- A. A valid identification number by the due date of the return**
- B. Proof of enrollment in an accredited institution**
- C. Completion of a specific tax form**
- D. Payment of all tuition fees**

To claim the American Opportunity Tax Credit, one essential requirement is having a valid identification number by the due date of the return. This identification number typically refers to the taxpayer's Social Security number or Individual Taxpayer Identification Number (ITIN). This number not only serves to identify the taxpayer but also allows the IRS to verify eligibility for the credit. While proof of enrollment in an accredited institution is necessary for determining eligibility, it is not sufficient on its own without the identification number. Completion of a specific tax form, such as Form 8863, is part of the process for claiming the credit but still requires the valid identification number to be linked to the specific taxpayer applying for the credit. Likewise, while the payment of tuition fees can support the claim, it is the identification number that is foundational for the entire claiming process. Thus, having a valid identification number is crucial for taxpayers looking to benefit from the American Opportunity Credit.

5. What is the correct tax filing status for a taxpayer who provides over half of their dependent's support?

- A. Head of Household**
- B. Qualifying Surviving Spouse**
- C. Married Filing Jointly**
- D. Single**

A taxpayer who provides over half of their dependent's support can qualify for the Head of Household filing status, provided certain conditions are met. This status is designed for individuals who are not married or are considered unmarried and have a qualifying dependent. By providing more than half of the support for the dependent, the taxpayer demonstrates the financial responsibility required to claim this status. To qualify as Head of Household, the taxpayer must also have a home that is the principal residence of the dependent for more than half the year and must meet specific relationship requirements. This filing status not only offers a higher standard deduction than Single status but also generally results in favorable tax rates, which can benefit taxpayers supporting dependents. Other statuses, such as Qualifying Surviving Spouse, Married Filing Jointly, and Single relate to different criteria, such as marital status or the nature of the relationship to the dependent. Thus, they do not apply in this scenario where the support of the dependent is the primary consideration for tax filing status.

6. Is Mike required to report interest income earned in a traditional IRA on his tax return?

- A. Yes, all is reportable**
- B. No, it's tax-deferred until withdrawal**
- C. Only at the time of contribution**
- D. Only if he withdraws early**

In a traditional IRA (Individual Retirement Account), interest income, as well as any other types of investment income, is not required to be reported on Mike's tax return while it remains in the account. This is because traditional IRAs are tax-deferred accounts. The investment earnings, including interest, dividends, and capital gains, grow tax-deferred until they are withdrawn. This means that Mike only needs to report and pay taxes on this income when he takes distributions from the IRA, typically during retirement or if he takes an early withdrawal. Tax deferral allows individuals to potentially grow their savings without the immediate tax burden, encouraging long-term retirement savings. Hence, unless Mike makes withdrawals from the account, he will not include the interest income earned inside the traditional IRA on his tax return. This mechanism is one of the key benefits of using a traditional IRA for retirement savings. The options that suggest reporting the income at times other than upon withdrawal do not align with the rules governing traditional IRAs.

7. What is Sherman's standard deduction if he is 73 years old and blind, filing as Single using Form 1040?

- A. \$12,950
- B. \$14,700
- C. \$16,450**
- D. \$27,300

For the tax year 2023, the standard deduction for a single filer is \$13,850. However, individuals who are 65 or older or who are blind can qualify for additional amounts added to the standard deduction. In Sherman's case, as he is 73 years old and blind, he qualifies for both additional amounts. The additional amount for being age 65 or older is \$1,850, and there is also an additional amount for being blind, which is another \$1,850. Therefore, the total additional amounts due to Sherman's age and blindness would be \$1,850 (for age) + \$1,850 (for blindness), totaling \$3,700. To find Sherman's standard deduction, you start with the base deduction for a single filer (\$13,850) and add the total additional amount (\$3,700): $\$13,850 + \$3,700 = \$17,550$. Therefore, it's important to calculate carefully as the correct result is different from the given choices. The calculation should give Sherman's total standard deduction as \$17,550 for the year 2023, which doesn't match the provided options. Thus, while the reasoning clarifies how the additional amounts contribute to the overall deduction

8. Who among the following can use Chart A to determine if they must file a tax return?

- A. Mrs. Harlan, 68, supported by her son
- B. Mrs. Fulton, 70, with less than \$10,000 income**
- C. Mr. Emmet, 34, filing Head of Household with \$6,000 income
- D. All of the above

The ability to use Chart A to determine if one must file a tax return is based on specific criteria related to age, filing status, and income level. For Mrs. Fulton, at the age of 70, there are unique considerations regarding the filing requirement thresholds. Taxpayers aged 65 or older have higher income thresholds that exempt them from the necessity to file. In this particular case, Mrs. Fulton, with an income of less than \$10,000, falls below the threshold for her age and filing status, indicating that she is not required to file a tax return. This aligns her situation squarely within the parameters laid out in Chart A. In contrast, while Mrs. Harlan and Mr. Emmet have age and income parameters, their circumstances do not fit the same exclusion criteria found in Chart A. Thus, Mrs. Fulton is the only one correctly identified as being able to utilize Chart A under the stated conditions.

9. If a taxpayer does not have their required identification number by the return due date, what can they do?

- A. File a regular return and claim the credit later**
- B. File an amended return for the expired year**
- C. Wait for the identification number before filing**
- D. File without it and take a penalty**

When a taxpayer does not have their required identification number, the best course of action is to wait for the identification number before filing. This is because most tax returns require a valid identification number for processing. Filing without this number can lead to delays, complications, and potential penalties. It's crucial to ensure that the return is accurate and complete when submitted, which includes all necessary identification information. By waiting for the identification number, the taxpayer can ensure that they are following the correct procedure and reducing the likelihood of errors that could affect their refund or tax obligations. Choosing to file a regular return without the number or filing without it and risking a penalty may cause issues in the future, such as complicating the taxpayer's ability to claim credits or deductions. Thus, waiting for the identification number is the most prudent action in this scenario.

10. Can Sally claim Bobby as a dependent if Ann, Bobby's mother, is not required to file taxes?

- A. Yes, since they lived together all year**
- B. No, because Ann claims him for EIC**
- C. Yes, but only if Bobby is under 12**
- D. No, since Bobby lives with his mother**

The ability for Sally to claim Bobby as a dependent depends on specific criteria established by the IRS. The primary factor here is whether Bobby meets the requirements to be considered a dependent of Sally. If Sally and Bobby lived together for the entire year and she provided more than half of his support, she can indeed claim him as a dependent. The IRS has specific tests regarding residence, age, and support. The fact that Ann, Bobby's mother, does not have to file taxes does not prevent Sally from claiming Bobby as a dependent as long as the necessary criteria are satisfied. This answer relies on an understanding of the rules surrounding who can claim whom as a dependent, particularly emphasizing the living arrangement and support provided. In this scenario, the assumption is that Sally's relationship and support meet the requirements needed for dependency claims. Other options may imply complications that are not relevant or applicable to the criteria needed for the claim in this case.

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://vitataxbasics.examzify.com>

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

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