

EA PART 1 QUESTION BANK (2026-2027)

(Section – Wise)

Hock Passkey

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EA PART 1 QUESTION BANK (2026-2027)

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Section 1 - Preliminary Work and Taxpayer Data

1. Question ID: 95850118 (Topic: Use of Prior Returns)

A tax preparer discovers an omission in a client's prior-year return related to a tax credit. What should the preparer do?

- A. Report the omission to the IRS directly.
- B. File an amended return without notifying the client.
- C. Ignore the omission since it's from a previous year.
- D. Promptly inform the client of the omission and its potential impact. correct

Study Unit 1: Preliminary Work with Taxpayer Data covers the information for this question.

This question is answered correctly on the first attempt by 98% of students.

correct Answer Explanation for D:

In the event that any errors or omissions are found on a tax return from a previous year, the preparer is required by law to notify the taxpayer of the error and explain potential repercussions if it is not corrected. Tax professionals have an obligation to inform their clients of any errors they come across on previously filed tax returns, but ultimately it is up to the taxpayer whether or not to correct the error.

2. Question ID: 95850119 (Topic: Use of Prior Returns)

A tax preparer has discovered a significant error on their client's prior-year return, but the client does not want to pay for an amended tax return. What is the preparer's responsibility, in this scenario?

- A. If the client refuses to correct the error, the preparer must report the error to the IRS anonymously.
- B. Tax practitioners are obligated to fix any errors they discover on a prior-year return.
- C. If the client refuses to correct the error, the preparer must always disengage from the client.
- D. The preparer must inform the taxpayer of the error and its potential consequences. However, the preparer is not obligated to correct the error. correct

Study Unit 1: Preliminary Work with Taxpayer Data covers the information for this question.

This question is answered correctly on the first attempt by 91% of students.

correct Answer Explanation for D:

If any errors or omissions are discovered on a prior-year return, the preparer is required by law to inform the taxpayer of the mistake and explain the potential consequences if it is not corrected. Tax practitioners have a legal duty to promptly disclose to a client errors they discover in the client's previously filed tax returns. However, the preparer is not obligated to fix the error.

3. Question ID: 94815879 (Topic: Use of Prior Returns)

Which of the following items would "carry forward" on a taxpayer's return, requiring a preparer to see the prior-year return?

- A. Suspended passive losses correct
- B. Gambling losses in excess of gambling winnings
- C. Hobby expenses in excess of hobby income
- D. State income tax deduction that was limited by the SALT cap

Study Unit 1: Preliminary Work with Taxpayer Data covers the information for this question.

This question is answered correctly on the first attempt by 58% of students.

correct Answer Explanation for A:

Suspended passive losses can be carried forward indefinitely until you either use them to offset passive income or dispose of the investment. A tax "carry forward" or "carryover" is when a taxpayer can apply some unused tax deductions, credits, or losses to a future tax year. Other examples include: a capital loss carry forward and a net operating loss carry forward. The other choices listed cannot be carried forward to future tax years.

4. Question ID: 94850116 (Topic: Use of Prior Returns)

Layla is self-employed and expects to owe \$2,500 of taxes for the year. Her tax liability for the prior tax year was zero because her Schedule C business had a loss in the prior year. Which of the following statements is correct?

- A. Layla must pay at least \$1,500 of estimated tax during the year, so she can be under the safe harbor threshold of \$1,000 for the year.
- B. Layla is required to pay the full amount due before December 31 or she will be subject to an estimated tax penalty.
- C. Layla is not required to pay estimated taxes. correct
- D. Layla is required to pay estimated taxes.

Study Unit 1: Preliminary Work with Taxpayer Data covers the information for this question.

This question is answered correctly on the first attempt by 57% of students.

correct Answer Explanation for C:

Since Layla had zero tax liability on her prior-year return, she is **not required** to pay any estimated tax in the current year (as long as she pays the tax due by the unextended due date of her return). A taxpayer must pay estimated tax if both of the following apply:

- The taxpayer expects to owe at least \$1,000 in tax after subtracting withholding and credits.
- The taxpayer expects the amount owed after withholding and credits to be less than the smaller of:
 1. 90% of the tax to be shown on the current year tax return, or
 2. 100% of the tax shown on the prior-year tax return.

Note: There is a higher “safe harbor” threshold for higher-income taxpayers. For taxpayers with adjusted gross income of over \$150,000 (\$75,000 if married filing separately), the threshold for the amount owed would be 110% of the previous year's tax liability rather than 100%. See the dedicated IRS page for [estimated taxes](#) for more information.

5. Question ID: 95850117 (Topic: Use of Prior Returns)

Which of the following situations might require a preparer to review a taxpayer's previous year's tax return?

- A. The taxpayer owns a rental property with prior-year depreciation. correct
- B. The taxpayer's income was below the filing threshold.
- C. The taxpayer was a full-time student.
- D. The taxpayer received a scholarship in the current year.

Study Unit 1: Preliminary Work with Taxpayer Data covers the information for this question.

This question is answered correctly on the first attempt by 92% of students.

correct Answer Explanation for A:

When preparing tax returns for clients, tax professionals must diligently gather and verify all necessary taxpayer information. This includes reviewing prior-year tax returns for accuracy, completeness, and compliance with tax laws. During this review process, the preparer must consider items from previous years that may affect the current year's return, such as: credit carryovers, net operating losses, and prior-year depreciation and asset basis.

6. Question ID: 95850116 (Topic: Use of Prior Returns)

Why is reviewing prior-year tax returns important for tax professionals?

- A. It ensures the taxpayer is not practicing tax evasion.
- B. It helps them identify potential errors and omissions. correct
- C. It provides a way to generate more revenue by amending prior-year returns.
- D. It allows preparers to fix the mistakes made by the taxpayer.

Study Unit 1: Preliminary Work with Taxpayer Data covers the information for this question.

This question is answered correctly on the first attempt by 89% of students.

correct Answer Explanation for B:

Reviewing prior-year returns helps tax professionals identify potential errors and omissions, allowing them to spot inaccuracies and address them promptly. Utilizing prior-year returns can help identify and prevent major mathematical mistakes and alert the preparer to any issues that may impact the current year's return. If any errors or omissions are discovered on a prior-year return, the preparer is required by law to inform the taxpayer of the mistake and explain the potential consequences if it is not corrected. However, the preparer is not obligated to fix the error.

7. Question ID: 94815892 (Topic: Taxpayer Personal Information)

Jamila is a non-resident alien that owns a rental property in the US that she inherited from her brother, who was a green-card holder. Jamila must file a U.S. tax return, but she is not eligible for a Social Security Number. What must she do?

- A. She must fill out a W-7 application form for an EIN, and submit it to the IRS along with a completed tax return.
- B. She must fill out a W-7 form for an ATIN, and submit it to the IRS along with a completed tax return.
- C. She must fill out a W-7 application form for an ITIN, and submit it to the IRS along with a completed tax return. correct
- D. She must fill out a W-9 application form for an ITIN, and submit it to the IRS along with a completed tax return.

Study Unit 1: Preliminary Work with Taxpayer Data covers the information for this question.

This question is answered correctly on the first attempt by 88% of students.

correct Answer Explanation for C:

She must fill out a W-7 application form to request an ITIN, and submit it to the IRS along with a completed tax return. A W-7 Form is used to apply for an individual taxpayer identification number, or ITIN, for non-residents who are not eligible to receive a Social Security Number. It takes approximately 12 weeks for the IRS to process and issue an ITIN, which will be sent to the taxpayer by mail.

8. Question ID: 95850113 (Topic: Taxpayer Personal Information)

Why is collecting accurate biographical data from a client so important for tax preparation?

- A. Accurate client information reduces the need for IRS audits.
- B. Accurate client information helps prevent errors on tax returns. correct
- C. It ensures much faster tax refunds.
- D. Biographical information prevents future IRS enforcement.

Study Unit 1: Preliminary Work with Taxpayer Data covers the information for this question.

This question is answered correctly on the first attempt by 86% of students.

correct Answer Explanation for B:

Certain biographical information about the client is required when filing tax returns. Tax preparers must also verify social security cards, ITIN letters, and other documents to ensure that the correct TINs are used for the taxpayer, their spouse, and any dependents listed on the return. Collecting accurate biographical information from clients helps prevent errors on tax returns.

9. Question ID: 94815955 (Topic: Taxpayer Personal Information)

The issuance of an ITIN does not:

- A. Create a presumption regarding the individual's immigration status.
- B. Entitle the recipient to Social Security benefits or the Earned Income Tax Credit.
- C. Give the individual the right to work in the United States.
- D. All of the above. correct

Study Unit 1: Preliminary Work with Taxpayer Data covers the information for this question.

This question is answered correctly on the first attempt by 88% of students.

correct Answer Explanation for D:

An ITIN is used for IRS reporting purposes only and does not entitle the taxpayer to the Earned Income Tax Credit or to Social Security benefits. An ITIN also does not create a presumption about the taxpayer's immigration or work status. The Individual Taxpayer Identification Number (ITIN) is a tax processing number the IRS issues to people who cannot get a social security number so they can comply with U.S. tax laws. To learn more about ITINs, see the dedicated IRS page about [Individual Taxpayer Identification Numbers](#).

10. Question ID: 94815994 (Topic: Taxpayer Personal Information)

What is an ATIN, and who needs to request one?

- A. An ATIN is a permanent taxpayer identification number for a foreign child, when the parents are non-resident aliens.
- B. An ATIN is a permanent taxpayer identification number for an adopted child.
- C. An ATIN is a temporary taxpayer identification number for a child in a domestic adoption where the parents are unable to obtain the child's Social Security Number (SSN). correct
- D. An ATIN is a permanent taxpayer identification number for a child in a domestic adoption where the parents do not want to apply for a Social Security Number (SSN).

Study Unit 1: Preliminary Work with Taxpayer Data covers the information for this question.

This question is answered correctly on the first attempt by 83% of students.

correct Answer Explanation for C:

An ATIN is a temporary taxpayer identification number for a child in a domestic adoption where the parents are unable to obtain the child's Social Security Number (SSN).

If an adoptive parent is unable to secure a Social Security number for a child until the adoption is final, the adoptive parent can request an ATIN while the adoption process is pending. The adoption must be a valid domestic adoption or a foreign adoption in which the child has a permanent resident alien card or certificate of citizenship.

An ATIN cannot be used to claim the Earned Income Tax Credit, or the Child Tax Credit. See the dedicated IRS page for [Adoption Taxpayer Identification Numbers](#) for more information.

11. Question ID: 94815978 (Topic: Taxpayer Personal Information)

What is IRS Form W-7 used for?

- A. It is used to apply for an ITIN. correct
- B. It is used to report employee withholding.
- C. It is used to report backup withholding.
- D. It is used to report contractor payments.

Study Unit 1: Preliminary Work with Taxpayer Data covers the information for this question.

This question is answered correctly on the first attempt by 91% of students.

correct Answer Explanation for A:

A W-7 Form is used to apply for an individual taxpayer identification number, or ITIN, for non-citizens who aren't eligible to receive a Social Security number, but need to file a federal tax return.

12. Question ID: 95850112 (Topic: Taxpayer Personal Information)

What consequences could a tax preparer face if they wrongfully disclose a taxpayer's personal biometric information?

- A. Civil and criminal charges. correct
- B. Mandatory ethics training.
- C. A warning letter from the IRS.
- D. No consequences.

Study Unit 1: Preliminary Work with Taxpayer Data covers the information for this question.

This question is answered correctly on the first attempt by 80% of students.

correct Answer Explanation for A:

A preparer who wrongfully discloses a taxpayer's information could face civil and criminal charges. The personal and financial information of taxpayers is considered highly sensitive and confidential. Tax preparers must understand the importance of protecting this information and take all necessary precautions to ensure it remains secure.

13. Question ID: 94815948 (Topic: Taxpayer Personal Information)

The IRS has created a system of IP PINs as a step toward combating:

- A. Identity theft. correct
- B. Taxpayer abuse of the Earned Income Tax Credit.
- C. Unenrolled preparer fraud.
- D. Practitioner fraud.

Study Unit 1: Preliminary Work with Taxpayer Data covers the information for this question.

This question is answered correctly on the first attempt by 94% of students.

correct Answer Explanation for A:

Identity fraud is a growing problem for the IRS, which issues identity protection personal identity numbers (IP PINs) to taxpayers who have reported they have been victims of identity theft; have given the IRS information that verifies their identity; and had an identity theft indicator applied to their accounts. An IP PIN is good for only one year. It is designed to protect a taxpayer's Social Security Number. If a taxpayer with an IP PIN attempts to file a tax return without using it, the return will be rejected.

14. Question ID: 94815945 (Topic: Taxpayer Personal Information)

To prepare an accurate tax return, a tax preparer needs all of the following information about a client except:

- A. Date of birth.
- B. Social Security number or taxpayer identification number.
- C. Prior-year AGI correct
- D. Citizenship or residency.

Study Unit 1: Preliminary Work with Taxpayer Data covers the information for this question.

This question is answered correctly on the first attempt by 78% of students.

correct Answer Explanation for C:

To prepare an accurate return, a tax preparer must gather biographical information including a client's legal name, date of birth, marital status, citizenship or residency, dependents, and SSN or other TIN. A preparer does not need to know the prior year AGI to file a taxpayer's return.

15. Question ID: 94815853 (Topic: Taxpayer Personal Information)

Penny was the victim of identity theft last year. She received an IP PIN from the IRS this year. She plans to use a paid preparer to file her return. How should the IP PIN be used?

- A. The preparer should enter Penny's IP PIN on the tax return next to her signature block. correct
- B. The preparer does not need to enter Penny's IP PIN on the tax return. It is for her records only.

- C. The preparer should enter Penny's IP PIN on the tax return in the third-party designee area.
- D. The preparer should enter Penny's IP PIN on the tax return in the PTIN section.

Study Unit 1: Preliminary Work with Taxpayer Data covers the information for this question.

This question is answered correctly on the first attempt by 58% of students.

correct Answer Explanation for A:

The preparer should enter Penny's IP PIN on the tax return next to her signature block. An Identity Protection PIN is a six-digit number assigned to eligible taxpayers to help prevent their Social Security number from being used to file fraudulent federal income tax returns. This number helps the IRS verify a taxpayer's identity and accept their tax return. An IP PIN can be entered on a paper filed return or an efiled return. A return that does not include an IP PIN (but where one is required, because the taxpayer was a victim of ID theft) will still be processed, but it must be mailed, and it will have an increased processing time.

Sign Here Joint return? See instructions. Keep a copy for your records.	Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.				
	Your signature	Date	Your occupation		If the IRS sent you an Identity Protection PIN, enter it here (see inst.) If the IRS sent your spouse an Identity Protection PIN, enter it here (see inst.)
	Spouse's signature. If a joint return, both must sign.	Date	Spouse's occupation		
Phone no.		Email address			
Paid Preparer Use Only	Preparer's name	Preparer's signature	Date	PTIN	Check if: ☐ Self-employed
	Firm's name	Phone no.			
	Firm's address	Firm's EIN			

Go to www.irs.gov/Form1040SR for instructions and the latest information.

Form **1040-SR** (2022)

16. Question ID: 94815820 (Topic: Filing Requirements and Due Date)

Alesandro has a loss from worthless securities. How many years does he have to amend his tax returns in order to take this loss?

- A. Seven years. correct
- B. Three years.
- C. Two years.
- D. Six years.

Study Unit 1: Preliminary Work with Taxpayer Data covers the information for this question.

This question is answered correctly on the first attempt by 53% of students.

correct Answer Explanation for A:

A taxpayer has up to seven years to amend a return in order to take a loss from a worthless security. This is an exception to the normal statute of limitations. In general, if a refund is expected on an amended return (or a delinquent return that is being filed late), taxpayers must file the return within three years from the due date of the original return, or within two years after

the date they paid the tax, whichever is later. There are a few other exceptions to this normal limit, such as taxpayers having ten years to amend a return and claim the Foreign Tax Credit.

17. Question ID: 94851189 (Topic: Filing Requirements and Due Date)

A taxpayer who files Form 4868 is requesting:

- A. An extension of time to file an individual tax return. correct
- B. An abatement of collection activity.
- C. An installment agreement to pay overdue income tax.
- D. An extension of time to pay income tax due.

Study Unit 1: Preliminary Work with Taxpayer Data covers the information for this question.

This question is answered correctly on the first attempt by 94% of students.

correct Answer Explanation for A:

A taxpayer who files Form 4868 is requesting an extension of time to file his individual tax return. The extension gives a taxpayer six months past the normal filing deadline to file his return. An extension of time to file is not an extension of time to pay.

18. Question ID: 94850155 (Topic: Filing Requirements and Due Date)

Percy filed his 2022 tax return late. He didn't file it until December 1, 2025. How long does the IRS have to audit the return and assess additional tax after Percy filed it?

- A. The IRS must assess additional tax within two years after Percy files it.
- B. The IRS must assess additional tax within eighteen months from the original due date of the return.
- C. The IRS must assess additional tax within three years from the received date of Percy's tax return. correct
- D. The IRS must assess additional tax within six years from the received date of Percy's tax return.

Study Unit 1: Preliminary Work with Taxpayer Data covers the information for this question.

This question is answered correctly on the first attempt by 71% of students.

correct Answer Explanation for C:

The IRS must assess additional tax within three years from the received date of Percy's tax return. The general rule is that if the IRS wants to assess additional tax on a return, the assessment of tax must be made within three years from the received date of an original tax return or three years from the due date of the original return, whichever is later. Since Percy's return is delinquent, the IRS will have three years from the date they receive Percy's return to audit the return or assess additional tax.

Note: There are some instances when the IRS has a longer time period to assess additional tax. If you omitted more than 25% of your gross income from a tax return, the time the IRS can

assess additional tax increases from three to six years from the date your tax return was filed. On a fraudulent return, the IRS has an unlimited amount of time to assess tax.

19. Question ID: 94815979 (Topic: Filing Requirements and Due Date)

U.S. citizens and U.S. residents compute their U.S. taxes based on their _____.

- A. Worldwide income. correct
- B. Passive and non-passive income.
- C. U.S.-source income.
- D. Passive income.

Study Unit 1: Preliminary Work with Taxpayer Data covers the information for this question.

This question is answered correctly on the first attempt by 70% of students.

correct Answer Explanation for A:

U.S. citizens and U.S. residents compute their U.S. taxes based on their worldwide income.

20. Question ID: 94850171 (Topic: Filing Requirements and Due Date)

A taxpayer should file Form 1040-X only after:

- A. They have filed their original return. correct
- B. They have filed a request for abatement.
- C. They have filed an innocent spouse request.
- D. They have filed a protest.

Study Unit 1: Preliminary Work with Taxpayer Data covers the information for this question.

This question is answered correctly on the first attempt by 94% of students.

correct Answer Explanation for A:

A taxpayer should file Form 1040-X only AFTER they have filed their original return. Form 1040-X is an amended return, it is used to correct errors on an original return that has already been filed. For more information, see the Instructions for Form 1040-X as well as [IRS Topic No. 308 Amended Returns](#).

21. Question ID: 94815990 (Topic: Filing Requirements and Due Date)

Nonresident aliens who have income that is not subject to U.S. withholding are required to file an income tax return by:

- A. March 15.
- B. June 15. correct
- C. April 15.
- D. October 15.

Study Unit 1: Preliminary Work with Taxpayer Data covers the information for this question.

This question is answered correctly on the first attempt by 52% of students.

correct Answer Explanation for B:

Nonresident aliens who have income that is not subject to U.S. withholding are required to file an income tax return by June 15, two months after the regular filing deadline for most individuals.

22. Question ID: 94850154 (Topic: Filing Requirements and Due Date)

A month after Franco' filed his 2025 tax return, he received another Form W-2 in the mail. The amount on the additional Form W-2 was not included in his original tax return, because he'd forgotten about it. What is Franco's best course of action?

- A. Wait for the IRS to correct the original return.
- B. Prepare Form 1040-X to amend his tax return for the year and include the additional Form W-2. correct
- C. E-file a corrected Form 1040 to amend his tax return and include the additional Form W-2.
- D. Call the IRS and submit the amount on the additional Form W-2 to the IRS Call Center.

Study Unit 1: Preliminary Work with Taxpayer Data covers the information for this question.

This question is answered correctly on the first attempt by 95% of students.

correct Answer Explanation for B:

Franco should prepare Form 1040-X to amend the return and include the additional Form W-2. An amended return should be filed if the taxpayer:

- Received an additional Form W-2 or a corrected Form W-2 that was not reported on the original return.
- Received an additional Form 1099 (such as unemployment compensation) or a corrected Form 1099 that was not reported on the original return.
- Claimed his own personal exemption on the return when someone else was entitled to claim it.
- Claimed deductions or credits he should not have claimed.
- Did not claim deductions or credits he could have claimed.
- Should have used a different filing status.

Form 1040-X is not year-specific—the taxpayer must specify the year for which the amended return is being prepared.

23. Question ID: 94815921 (Topic: Filing Requirements and Due Date)

Which of the following taxpayers must file an individual tax return?

- A. A single taxpayer with \$1,000 in interest earnings.

- B. A single taxpayer with \$900 in dividends.
- C. A single taxpayer with \$2,000 in wage income.
- D. A single taxpayer with self-employment net earnings of \$400 or more. correct

Study Unit 1: Preliminary Work with Taxpayer Data covers the information for this question.

This question is answered correctly on the first attempt by 85% of students.

correct Answer Explanation for D:

A taxpayer with self-employment earnings of \$400 or more is required to file a tax return. In that case, filing would not be optional, it would be mandatory.

24. Question ID: 94850152 (Topic: Filing Requirements and Due Date)

Emilio's 2022 tax return was due April 15, 2023. He filed it early, on January 23, 2023. Later, he finds an error on the return, and wants to amend it, expecting the correction to result in a refund. If he gets it postmarked on or before _____ he will receive a refund from the IRS.

- A. April 15, 2026 correct
- B. January 23, 2026
- C. January 23, 2025
- D. April 15, 2025

Study Unit 1: Preliminary Work with Taxpayer Data covers the information for this question.

This question is answered correctly on the first attempt by 77% of students.

correct Answer Explanation for A:

If Emilio gets his 2022 amended return postmarked on or before April 15, 2026, it will be within the three-year limit and the return will be accepted. But if the amended return is postmarked after this date, it will fall outside the three-year statute of limitations, and he will not receive a refund. There is a statute of limitations on refunds being claimed on amended returns. In general, if a refund is expected on an amended return, taxpayers must file the return within three years from the due date of the original return, or within two years after the date they paid the tax, whichever is later. Returns filed before the due date (without regard to extensions) are considered filed on the due date.

Note: There are a few exceptions to the three-year limit on the IRS Statute of Limitations on refunds. For example, a taxpayer has a longer period of time to claim a loss on a bad debt or worthless security, or for a foreign tax credit or deduction.

25. Question ID: 94815838 (Topic: Filing Requirements and Due Date)

Bernie e-filed his 2025 tax return on April 15, 2026. Two weeks later, he received another Form W-2 in the mail that he had forgotten about. What should Bernie do?

- A. Bernie should contact the IRS by phone and ask them to prepare an amended return on his behalf.
- B. Bernie should wait for an audit notice and an automatic bill from the IRS.

- C. Bernie should prepare another Form 1040 to include the additional Form W-2.
- D. Bernie should prepare Form 1040-X to include the additional Form W-2. correct

Study Unit 1: Preliminary Work with Taxpayer Data covers the information for this question.

This question is answered correctly on the first attempt by 97% of students.

correct Answer Explanation for D:

Bernie should prepare Form 1040-X to include the additional Form W-2. Taxpayers should file amended returns using Form 1040-X to correct any errors or omissions on a return they have already filed.

26. Question ID: 94815913 (Topic: Filing Requirements and Due Date)

Which of the following statements is correct about individual extensions?

- A. Form 4868 provides a taxpayer an additional six months to file and pay his individual income tax return.
- B. A taxpayer must estimate his tax liability when requesting an automatic six-month extension. correct
- C. As long as Form 4868 is filed by April 15, a taxpayer will not owe interest on any taxes due.
- D. Form 4868 must be filed by October 15 in order to be a valid extension.

Study Unit 1: Preliminary Work with Taxpayer Data covers the information for this question.

This question is answered correctly on the first attempt by 61% of students.

correct Answer Explanation for B:

If a taxpayer cannot file his tax return by the due date, he can request an extension by filing [Form 4868, Application for Automatic Extension of Time to File](#), which may be filed electronically. An extension grants a taxpayer an additional six months to file his individual tax return, but does not extend the time to pay any tax due. A taxpayer should estimate his yearly tax liability, as he will owe interest on any amount that is not paid by the filing deadline plus a late payment penalty if he has not paid at least 90% of his total tax due by that date.

27. Question ID: 94849919 (Topic: Filing Requirements and Due Date)

If a taxpayer omits more than 25% of the gross income that should have been reported, how long must they retain their tax records?

- A. 3 years
- B. 4 years
- C. 6 years correct
- D. 10 years

Study Unit 1: Preliminary Work with Taxpayer Data covers the information for this question.

This question is answered correctly on the first attempt by 57% of students.

correct Answer Explanation for C:

If a taxpayer omits more than 25% of the gross income that should have been reported, they must retain their records for at least six years. This extended period helps ensure that the IRS has sufficient time to review and audit the taxpayer's records if necessary.

28. Question ID: 94849918 (Topic: Filing Requirements and Due Date)

Which of the following taxpayers is required to file a return in 2025?

- A. Gary, who is 15 years old and had \$800 in interest income. He is claimed as a dependent by his parents.
- B. Terry, age 60, who is Single and had \$300 in self-employment income and \$9,000 in wages.
- C. Paula, age 33, who is Married Filing Separate, and had \$1,000 in interest income only. correct
- D. Westin, age 45, who is Single and earned \$12,500 in wages.

Study Unit 1: Preliminary Work with Taxpayer Data covers the information for this question.

This question is answered correctly on the first attempt by 57% of students.

correct Answer Explanation for C:

Paula, age 33, who is Married Filing Separate, and had \$1,000 in interest income, is required to file a tax return in 2025. Special rules apply to MFS filers. A taxpayer filing MFS with gross income of at least \$5, must file a return regardless of their age.

29. Question ID: 94816029 (Topic: Filing Requirements and Due Date)

Cyril is a U.S. citizen who is 28 years old and single. His gross income was \$12,000 during the tax year. Based only on this information, which of the following would automatically trigger a filing requirement for Cyril?

- A. He lives in Canada.
- B. He sold \$1,000 worth of stock at a loss.
- C. He had \$400 in self employment income from a side-gig. correct
- D. He has a dependent parent.

Study Unit 1: Preliminary Work with Taxpayer Data covers the information for this question.

This question is answered correctly on the first attempt by 80% of students.

correct Answer Explanation for C:

The \$400 in self employment income would trigger a filing requirement for Cyril, even though his gross income is under the standard deduction amount for his filing status, which is single. None of the other items listed would automatically trigger a filing requirement. The most common special situations when individuals are legally required to file a return are:

- Self-employed with net earnings of \$400 or more

- Taxpayers who owe special taxes, such as excise taxes from early withdrawal from an IRA account.
- Taxpayers who received advanced payments of the premium tax credit (APTC) for themselves, their spouse, or a dependent

30. Question ID: 94850172 (Topic: Filing Requirements and Due Date)

A Form 1040-X based on a loss from a worthless security generally must be filed within _____ after the due date of the return for the tax year in which the security became worthless (in order for the taxpayer to receive a refund).

- A. 3 years.
- B. 5 years.
- C. 7 years. correct
- D. 10 years.

Study Unit 1: Preliminary Work with Taxpayer Data covers the information for this question.

This question is answered correctly on the first attempt by 51% of students.

correct Answer Explanation for C:

A Form 1040-X based on a loss from a bad debt or worthless security generally must be filed within SEVEN years after the due date of the return for the tax year in which the debt or security became worthless. This is an exception to the normal "three-year" rule. For more information, see the Instructions for Form 1040-X as well as [IRS Topic No. 308 Amended Returns](#).

31. Question ID: 94849591 (Topic: Filing Requirements and Due Date)

Which individual tax form is designed specifically for seniors?

- A. Form 1040
- B. Form 1040-NR
- C. Form 1040-SR correct
- D. Form 1040-PR

Study Unit 1: Preliminary Work with Taxpayer Data covers the information for this question.

This question is answered correctly on the first attempt by 97% of students.

correct Answer Explanation for C:

[Form 1040-SR, U.S. Tax Return for Seniors](#), is a tax form that is designed specifically for taxpayers age 65 and older. The Form 1040-SR has larger text and some helpful tips for older taxpayers.

32. Question ID: 94815922 (Topic: Filing Requirements and Due Date)

Tomas is a U.S. citizen living in Florida. He requested an extension of time to file his individual tax return, what is his extended due date?

- A. October 15 correct
- B. June 15
- C. August 15
- D. December 15

Study Unit 1: Preliminary Work with Taxpayer Data covers the information for this question.

This question is answered correctly on the first attempt by 94% of students.

correct Answer Explanation for A:

With the extension, Tomas will have until October 15 to file. This is an extension of time for the taxpayer to file, not an extension of time to pay taxes that are due.

33. Question ID: 94815883 (Topic: Filing Requirements and Due Date)

Greer and Jose are married and live together in Florida, which is a non-community property state. Greer does not want to file jointly with Jose, and she files a separate return (MFS). Greer is 67 and had a gross income of \$11,000 for the tax year. Jose is 62. His gross income was only \$3,000 for the year, from a small part-time job. Does Jose need to file a return? (Choose the best answer)

- A. Both are required to file tax returns. correct
- B. Jose can amend Greer's return to a joint return without her consent, because they are married.
- C. Greer is required to file, because her income is over the filing threshold for MFS filers, but Jose is not required to file.
- D. Neither is required to file a return.

Study Unit 1: Preliminary Work with Taxpayer Data covers the information for this question.

This question is answered correctly on the first attempt by 64% of students.

correct Answer Explanation for A:

Both Jose and Greer are required to file, because they are filing separate tax returns (MFS). Greer did not want to file with Jose, and she filed her own separate tax return, which will trigger a filing requirement for Jose, as well.

Note: Taxpayers of any age who use the Married Filing Separately status must file a return if they had gross income of \$5 or more.

34. Question ID: 94850133 (Topic: Estimated Taxes and Penalty Avoidance)

Cruz is single with no dependents. After adding up all his income and deductions, Cruz's federal tax liability is \$1,657 for the current year. He had \$417 of income tax withholding from his wages on his Form W-2. His prior-year tax liability was \$2,400. He files his tax return on time. Is Cruz likely to owe a penalty, and if so, which one?

- A. Underpayment of estimated tax penalty. correct

- B. Penalty for substantial understatement.
- C. Trust fund recovery penalty.
- D. Penalty for late filing.

Study Unit 1: Preliminary Work with Taxpayer Data covers the information for this question.

This question is answered correctly on the first attempt by 89% of students.

correct Answer Explanation for A:

Cruz will likely be charged an estimated tax penalty. The answer is figured as follows:

- Cruz's total tax: \$1,657
- Cruz's withholding: \$417
- Therefore, after withholding, Cruz still owes: \$1,240

Because the amount he owes is over \$1,000 and his withholding and credits are less than 90% of his current year tax and 100% of his prior year tax, he will not qualify for applicable safe harbors and will likely owe an estimated tax penalty. This penalty can be abated for reasonable cause (for example, if Cruz's home or business was located in a disaster area, or if he had a serious illness). See more about this topic on the IRS page for [Underpayment of Estimated Tax by Individuals Penalty](#).

35. Question ID: 94815909 (Topic: Estimated Taxes and Penalty Avoidance)

Which of the following payments may be subject to backup withholding?

- A. Dividend payments. correct
- B. Unemployment compensation.
- C. Canceled debts.
- D. Real estate transactions.

Study Unit 1: Preliminary Work with Taxpayer Data covers the information for this question.

This question is answered correctly on the first attempt by 49% of students.

correct Answer Explanation for A:

Backup withholding occurs when certain payers, such as banks or other businesses, are required to withhold and pay to the IRS a specified percentage of those payments. The current backup withholding tax is 24% for U.S. citizens and U.S residents. Backup withholding can apply to most kinds of payments that are reported on Form 1099. These include:

- Interest payments
- Dividends
- Rents, profits, other gains (Form 1099-MISC)
- Commissions, fees, or other payments for work done by independent contractors
- Payments by brokers/barter exchanges

- Royalty payments

Payments that are excluded from backup withholding include real estate transactions, foreclosures, canceled debts, long-term care benefits, distributions from retirement plans, unemployment compensation, and state or local income tax refunds. Backup withholding applies in a number of instances, including when a payee fails to furnish her correct taxpayer identification number or when the IRS notifies a payer to start withholding on interest or dividends because the taxpayer has underreported them. See the IRS detail page on [Backup Withholding](#).

36. Question ID: 94815987 (Topic: Estimated Taxes and Penalty Avoidance)

Beulah is self-employed and reports her income on Schedule C. She is required to make quarterly estimated tax payments totaling \$8,000 for the tax year in order to avoid an estimated tax penalty. She makes the following payments:

- First payment: Credit of \$2,000 from her previous year's tax refund.
- Second payment: \$1,000 on April 20.
- Third payment: \$1,000 on May 31.
- Fourth payment: \$2,000 on August 15.
- Fifth payment: \$1,000 on October 15.
- Sixth payment: \$1,000 on December 30.

Which of the following statements is correct?

- A. She has not made timely payments because her fourth payment was not made by June 15.
- B. She has not made timely payments because her second and third payments were not made by April 15.
- C. She has made timely estimated payments. correct
- D. She has not made any timely payments because none of the payments were made by the required IRS schedule.

Study Unit 1: Preliminary Work with Taxpayer Data covers the information for this question.

This question is answered correctly on the first attempt by 60% of students.

correct Answer Explanation for C:

The year is divided into four payment periods for estimated taxes, each with a specific payment due date. The schedule is as follows: first payment due: April 15; second payment due: June 15; third payment due: September 15; fourth payment due: January 15 of the following year. In Beulah's case, she was required to pay \$2,000 each quarter by the payment due date, so she has made timely estimated payments. If a taxpayer does not pay enough tax by the due date of each of the payment periods, she may be charged a penalty, even if she is due a refund when she files her income tax.

37. Question ID: 95033689 (Topic: Estimated Taxes and Penalty Avoidance)

Janet is unmarried and files single. This year, Janet earned \$99,800 in income from various income sources. The total tax liability shown on Janet's prior-year return was \$10,900. After estimating her allowable deductions and credits, her expected tax liability for 2025 is \$14,000. The tax expected to be withheld in 2025 from her wages is \$11,100. She plans to file right on April 15, 2026 the filing deadline, and pay any tax owed at the same time. Will Janet be subject to an estimated tax penalty when she files her return?

- A. As long as Janet files her return and pays by March 1, she will not owe an estimated tax penalty.
- B. Janet will not be subject to the estimated tax penalty because she owes less than the deemed personal exemption amount when she files her return.
- C. Janet will not be subject to the estimated tax penalty because she paid at least 100% of the tax shown on her return for the prior year. correct
- D. Yes, Janet will be subject to the estimated tax penalty if she does not adjust her withholding or make estimated tax payments, because she will owe more than \$1,000 when she files her return.

Study Unit 1: Preliminary Work with Taxpayer Data covers the information for this question.

This question is answered correctly on the first attempt by 66% of students.

correct Answer Explanation for C:

Janet will not be subject to the estimated tax penalty because she paid at least 100% of the tax shown on her return for the prior year. Most taxpayers will avoid the penalty for underpayment of estimated tax, if they owe less than \$1,000 in tax after subtracting their withholdings and credits, or if they paid at least 90% of the tax for the current year, or 100% of the tax shown on the return for the prior year, whichever is smaller. In addition, taxpayers who had \$0 tax liability in a prior year are not required to make estimated tax payments in the current year. See the [IRS Information page on estimated tax payments](#).

38. Question ID: 94850108 (Topic: Estimated Taxes and Penalty Avoidance)

Kyle and Jenna are married and file jointly. They both work full time for a department store. They have a \$1,500 balance due on their joint return and want advice on how to prevent a balance due next year. What would help them avoid balance due in future years?

- A. They should adjust their withholding by filing a Form W-4 with the IRS.
- B. They need to adjust their withholding using Form W-4, then give the form to their employer. correct
- C. One of them can quit their jobs.
- D. They can ask for fewer hours through their employer.

Study Unit 1: Preliminary Work with Taxpayer Data covers the information for this question.

This question is answered correctly on the first attempt by 91% of students.

correct Answer Explanation for B: