

## QUESTION 1

Mark and Molly met at a New Year's Eve party held December 31, Year 1. They instantly bonded, fell madly in love, and were married at 11:38 p.m. that night. Identify Mark's filing status for Year 1.

- A. Head of household
- B. Surviving spouse
- C. Married filing jointly
- D. Single

### Explanation

Choice "C" is correct. Mark and Molly were *married* as of midnight on December 31, Year 1. Therefore, Mark's only options are to file as married either jointly or separately, and because "jointly" is the only option presented that qualifies, it is the correct choice.

Choices "D", "A", and "B" are incorrect, based on the above explanation.

## QUESTION 2

Mort and Mindy met at a New Year's Eve party held December 31, Year 1. They instantly bonded, fell madly in love, and were married at 11:38 p.m. that night. Sadly, Mort passed away November 15, Year 2. What filing status should Mindy use for Year 2?

- A. Single.
- B. Head of household.
- C. Married filing jointly.
- D. Surviving spouse.

### Explanation

Choice "C" is correct. Mindy will be able to use the married filing jointly status for the year Mort passed away (Year 2) even though she was not married at year-end.

Choices "A", "B", and "D" are incorrect, based on the above explanation.

### QUESTION 3

John earned \$500,000 in his business during the current year, and his wife received investment income of \$15,000. John provides more than half of the support of his 50-year-old widowed sister, who lives with John and earned \$45,000 in salary in the current year. John also provides full support for his two children, an 18-year-old daughter and a 20-year-old son, who is a full-time college student. The family employs a live-in housekeeper and a live-in butler to assist them with their residence. Both the live-in housekeeper and the live-in butler provided all of their own support. How many people qualify as either a qualifying child or qualifying relative for John?

- A. Five
- B. Four
- C. Zero
- D. Two**

#### Explanation

Choice "D" is correct. John's two children meet the requirements for qualifying child (QC) under the CARES criteria. John's sister does not meet the age test for QC, nor is she a qualifying relative (QR) because her taxable gross income of \$45,000 exceeds the gross income limit under SUPPORT. The butler and housekeeper both fail the support tests for both QC and QR because they provide all of their own support.

Choice "A" is incorrect. Only John's children meet dependency definitions. They both are qualifying children. The sister, housekeeper, and butler all fail both QC and QR.

Choice "B" is incorrect. John's children meet the definition of QC. The sister, housekeeper, and butler all fail both QC and QR.

Choice "C" is incorrect. John's children meet QC rules.

## QUESTION 4

Jonathan Jones is a 19-year-old full-time college student at the local community college. He lives in an apartment near campus during the school year and returns home for the summer break and holidays. Jonathan earned \$5,000 this year working at the campus bookstore. His parents gave him \$20,000 and his grandparents gave him \$10,000 this year in support. Which of the following statements is true?

- A. Jonathan's grandparents can claim him as a dependent.
- B. Jonathan's parents can claim him as a dependent.**
- C. Jonathan does not qualify as a dependent for his parents because his gross income is too high.
- D. Jonathan does not meet the residency test for qualifying child.

### Explanation

Choice "B" is correct. Jonathan is a qualifying child of his parents. He meets all requirements (CARES):

#### CARES Test (Qualifying Child)

**C**lose Relative

**A**ge Limit

**R**esidency and Filing Requirements

**E**liminate Gross Income Test

**S**upport Test

Choice "A" is incorrect. Jonathan's grandparents cannot claim Jonathan as a dependent because he is a dependent of his parents.

Choice "C" is incorrect. Jonathan is a qualifying child of his parents. Qualifying child status does not have a gross income limitation.

Choice "D" is incorrect. Jonathan meets the residency requirements for qualifying child because he is away at college.

## QUESTION 5

Parker, whose spouse died during the preceding year, has not remarried. Parker maintains a home for a dependent child. What is Parker's most advantageous filing status?

- A. Single
- B. Married filing separately
- C. Head of household
- D. Qualifying widow(er) with dependent child

### Explanation

Choice "D" is correct. A qualifying widow(er) is a taxpayer who may use the joint tax return standard deduction and rates for each of two taxable years following the year of death of his or her spouse, unless he or she remarries. The surviving spouse must maintain a household that, for the entire taxable year, was the principal place of abode of a son, stepson, daughter, or stepdaughter (whether by blood or adoption). The child must be considered either a qualifying child or a qualifying relative. Parker may file as a qualifying widow(er) because her spouse died in the previous tax year, she did not remarry, and she maintained a home for a dependent child. Because qualifying widow(er) is the most advantageous status and Parker qualifies, Parker would file as a qualifying widow(er).

Choice "A" is incorrect. Even though Parker would qualify as single, filing single would give Parker a higher tax liability than the qualifying widow(er) status and therefore is not most advantageous.

Choice "B" is incorrect. Parker would not qualify to file married filing separately.

Choice "C" is incorrect. Parker would not qualify as head of household for the first two years after the death of Parker's spouse because one of the requirements for head of household status is that the taxpayer is *not* a surviving spouse. (Also, note that the likely reason for this requirement is that filing as head of household status would give the qualifying surviving spouse taxpayer a higher tax liability than the qualifying widow(er) status, which would be less advantageous.)

## QUESTION 6

Mort and Mindy met at a New Year's Eve party held December 31, Year 1. They instantly bonded, fell madly in love, and were married at 11:38 p.m. that night. Sadly, Mort passed away November 15, Year 2. In January, Year 3, Mindy gave birth to triplets Mark, Mandy, and Maureen. The triplets live with Mindy and she provides all of their support. Assuming Mindy has not remarried, what filing status should she use for Year 5?

- A. Single.
- B. Head of household.
- C. Surviving spouse.
- D. Married filing jointly.

### Explanation

Choice "B" is correct. Mindy should file using the head of household status. She has dependent children living with her, and no longer qualifies as married or as a surviving spouse. Head of household is the most favorable filing status for which she qualifies.

Choice "A" is incorrect. Mindy qualifies for a more favorable filing status than single.

Choice "C" is incorrect. At Year 5, more than two years have passed since Mort's death so Mindy no longer qualifies for surviving spouse (qualifying widow) status.

Choice "D" is incorrect. Mindy is no longer married and Mort did not die in Year 5, so she is not eligible for the married filing jointly status.

## QUESTION 7

In which of the following situations may taxpayers file as married filing jointly?

- A.** Taxpayers who were married but lived apart during the year.
- B.** Taxpayers who were married but lived under a legal separation agreement at the end of the year.
- C.** Taxpayers who were divorced during the year.
- D.** Taxpayers who were legally separated but lived together for the entire year.

### Explanation

In order to file a joint return, the parties must be *married* at the end of the year. Exception: If the parties are married but are *legally separated* under the laws of the state in which they reside, they cannot file a joint return (they will file either under the single or head of household filing status).

Choice "A" is correct. Taxpayers who are married but lived apart during the year are allowed to file a joint return for the year. The fact that they did not live together during the year has no bearing on the issue.

Choice "B" is incorrect. Taxpayers who are married but lived under a legal separation agreement at the end of the year may not file a joint return. They will generally file either under the single or head of household filing status.

Choice "C" is incorrect. Taxpayers who were divorced during the year may not file a joint return together, as they are not married at the end of the year. [Note, however, that they may become married again in the year and file a joint return with the new spouse.]

Choice "D" is incorrect. Taxpayers who were legally separated but lived together for the entire year may not file a joint return. They will generally file either under the single or head of household filing status.

## QUESTION 8

In Year 4, after Mindy's three children have grown and moved out of the house, Mindy (unmarried) moved her mother, Mary, into an assisted living facility for which Mindy pays 75% of the cost. Mindy had not previously lived with Mary, and Mary paid for her own living expenses while she lived in her own home. What filing status should Mindy use for Year 4, assuming Mary moved into the assisted living facility on January 1, Year 4?

- A. Single.
- B. Married filing jointly.
- C. Head of household.
- D. Surviving spouse.

### Explanation

Choice "C" is correct. Mindy qualifies for and should use head of household status in Year 4, because she maintained more than half of the upkeep on Mary's principal residence for the entire taxable year (note that Mindy is not required to live with her mother to qualify for head of household status). It is the most favorable filing status for which she qualifies.

Choice "A" is incorrect. Mindy qualifies for a more favorable filing status than single.

Choice "B" is incorrect. Mindy is not married.

Choice "D" is incorrect. Mindy has not had a spouse die in the past two years.

## QUESTION 9

As of December 31, the Mitchells were legally separated and maintained separate households for the entire year. The Mitchells have no children. What filing status should Mr. Mitchell claim for the year?

- A.** Single
- B.** Married filing separately
- C.** Head of household
- D.** Married filing jointly

### Explanation

Choice "A" is correct. Marital status for the tax year is determined as of the last day of the year. Taxpayers who are divorced or legally separated are considered unmarried. Mr. Mitchell is legally separated and does not have a qualifying dependent, so Mr. Mitchell's filing status for the year is single.

Choice "B" is incorrect. Because the taxpayer is legally separated, he is considered unmarried and does not qualify for married-filing-separately filing status.

Choice "C" is incorrect. The taxpayer does not qualify for head-of-household filing status because he does not maintain a home for a qualifying dependent.

Choice "D" is incorrect. Because the taxpayer is legally separated, he is considered unmarried and does not qualify for married-filing-jointly filing status.

## QUESTION 10

Nicole and Andrew Harris contribute to more than half of the support of their three children, Travis, Luke, and John. Travis, age 20, worked full time at the local deli and earned \$20,000. Luke, 18, is a part-time college student who earned \$5,000 working as a resident assistant in the student dormitory where he lived half of the year. John, age 25, is an aspiring actor who lives at home with Nicole and Andrew. John earned \$2,500 for the three commercials he starred in. Who qualifies as a dependent for Nicole and Andrew under either the rules of qualifying child or qualifying relative?

- A.** Luke and John
- B.** Travis, Luke, and John
- C.** Travis and Luke
- D.** Travis

### Explanation

Choice "A" is correct. Luke and John satisfy dependency requirements:

**Travis** does not meet the age limit for qualifying child. His income is over the gross income limitation for qualifying relative.

**Luke** meets the qualifying child rules (CARES). He is under the age of 19 and only lives away from home while at college.

**John** meets the qualifying relative rules (SUPPORT). His parents provide more than half of his support and his gross income is under the limitation.

Choices "D", "C", and "B" are incorrect.

## QUESTION 11

Where is the deduction for qualified business income (QBI) applied in the individual tax formula?

- A. As an itemized deduction
- B. As an alternative to the standard deduction
- C. As an adjustment to arrive at adjusted gross income
- D. As a deduction from adjusted gross income separate from the standard deduction and itemized deductions**

### Explanation

Choice "D" is correct. The QBI deduction is taken from adjusted gross income ("below the line"). It is not part of the itemized deductions.

Choice "A" is incorrect. The QBI deduction is not an itemized deduction.

Choice "B" is incorrect. The QBI deduction is not an alternative to the standard deduction.

Choice "C" is incorrect. The QBI deduction is not an adjustment to arrive at adjusted gross income.

## QUESTION 12

The Clarks have a 21-year-old son, Alex, who is a full-time student at the state university. Alex received \$10,000 in scholarships this year for academic achievement. He also works part time at the university bookstore and earned \$5,400 this year. The Clarks paid \$7,000 to support Alex this year. Alex was home for two months in the summer and at school for the rest of the year. Alex used the scholarship, the earnings from the part-time job, and the money from his parents as his only source of support this year. Which of the following definitions does Alex meet for the Clarks?

- A. Qualifying person
- B. Exemption
- C. Qualifying relative
- D. Qualifying child

### Explanation

Choice "D" is correct. Alex meets the definition of qualifying child for the Clarks. He meets the close relative test because he is their son. He is under the age of 24 and is a full-time student, so he meets the age limit. He meets the residency requirements because his principal place of abode is his parents' home since he was only away from home as a student. He also does not provide more than half of his own support. The scholarship does not count as support provided by Alex.

Choice "A" is incorrect. Qualifying person is not a dependency definition type.

Choice "B" is incorrect. Alex is not an exemption for the Clarks. Exemptions for dependents are not allowed for tax years 2018 and later.

Choice "C" is incorrect. Alex meets the definition of qualifying child of the Clarks. He does not meet the definition of qualifying relative because his gross income is more than the gross income limit under SUPPORT.

## QUESTION 13

Four years ago, when Cox's spouse died, Cox filed a joint tax return for that year. Cox did not remarry, but continued to provide full support for a minor child who has been living with Cox. What is Cox's most advantageous filing status for the current year?

- A. Single.
- B. Surviving spouse.
- C. Married filing separately.
- D. Head of household.

### Explanation

Choice "D" is correct. Because Cox is not married, Cox cannot file as married filing separately (or married filing jointly). Likewise, since Cox's spouse died more than two years ago, Cox cannot file as a surviving spouse. Cox may file as single. In addition, since Cox is not married, is not a surviving spouse, and maintains a home for a minor (presumably, dependent) child, Cox may file as head of household. Because the head-of-household status provides for a larger standard deduction and "wider" tax brackets than does the single status, Cox's most advantageous filing status is head of household.

Choice "A" is incorrect. Cox qualifies as head of household because Cox is not married, is not a surviving spouse, and maintains a home for a minor (presumably, dependent) child. Because the head-of-household status provides for a larger standard deduction and wider tax brackets than does the single status, Cox's most advantageous filing status is as head of household.

Choice "B" is incorrect. Cox does not qualify as a surviving spouse because that filing status may only be used in the two years following the death of the spouse, and Cox's spouse died four years ago.

Choice "C" is incorrect. Cox is not married and therefore cannot file as married filing separately.

## QUESTION 14

John and Theresa are in the process of obtaining a divorce. Although they are not legally separated, John moved out of the family home in October of Year 1 and moved into an apartment nearby. John and Theresa's two children, Jenna and Stella, lived with Theresa in the family home for more than half of the tax year. What filing status can Theresa use to file her Year 1 tax return?

- A. Head of household.
- B. Married filing jointly/separately.
- C. Surviving spouse (qualifying widow).
- D. Single.

### Explanation

Choice "B" is correct. John and Theresa are still married at year-end, not legally separated, and have not lived apart for the last six months of the taxable year. Theresa must file as married, but may choose to do so either jointly with John or separately.

Choice "A" is incorrect. Head of household status is not an option because the couple is not legally separated at year-end and John did not live apart from Theresa for the last six months of the taxable year.

Choice "C" is incorrect. Surviving spouse (qualifying widow) is not an option for Theresa, as John is still alive.

Choice "D" is incorrect. Filing as single is not an option, because John and Theresa are still married and not legally separated at year-end.

## QUESTION 15

A taxpayer's spouse dies in August of the current year. Which of the following is the taxpayer's filing status for the current year?

- A.** Married filing jointly.
- B.** Head of household.
- C.** Qualified widow(er).
- D.** Single.

### Explanation

Choice "A" is correct. The surviving spouse is considered to be married (and thus able to file as married filing jointly) for the entire current year even if the spouse dies earlier in the year (in this case in August).

Choice "B" is incorrect. The filing status is not head of household for the current year.

Choice "C" is incorrect. The filing status is not qualified widow(er) for the current year.

Choice "D" is incorrect. The filing status is not single for the current year.

## QUESTION 16

In which of the following scenarios would the head of household filing status be available to the taxpayer?

- A. A taxpayer with *no* dependents is the surviving spouse of an individual who died in the current year.
- B. A single taxpayer maintains a separate home for his parent, who qualifies as a dependent.**
- C. A single taxpayer maintains a household that is the principal home for five months of the year for his disabled child.
- D. An unmarried taxpayer maintains a household with a 28-year-old son, who earned \$10,000 during the tax year.

### Explanation

Choice "B" is correct. Head of household filing status is available to a single taxpayer who maintains a separate home for a dependent parent. To qualify for head of household filing status, a taxpayer must be unmarried as of the last day of the tax year and maintain a home that is the principal residence of a qualifying person for more than half of the tax year. A qualifying person includes a dependent child, parent, or relative. A dependent parent is not required to live with the taxpayer, provided the taxpayer maintains a home that was the principal residence of the parent for the entire year.

Choice "A" is incorrect. A taxpayer who has no dependents is not entitled to head of household filing status. Because the taxpayer's spouse died in the current year, the taxpayer is entitled to married filing jointly status for the current year.

Choice "C" is incorrect. The taxpayer is not entitled to head of household filing status. His filing status is single. To qualify for head of household status, the taxpayer must maintain a home that is the principal residence of a qualifying person for more than half the year. Because the taxpayer maintains a household that is the principal home for his disabled child for only five months of the year, his son is not a dependent child or relative and he does not qualify for head of household status.

Choice "D" is incorrect. The taxpayer is not entitled to head of household filing status. Her filing status is single. The taxpayer is unmarried and maintains a home for her son, but her son is not a dependent child or dependent relative. Her son is not a qualifying child dependent because he is over the age limit (under age 19, or under age 24 in the case of a full-time student). He is not a qualifying relative dependent because his gross income of \$10,000 is more than the gross income threshold amount.

## QUESTION 17

Which of the following is (are) among the requirements to enable a taxpayer to be classified as a "qualifying widow(er)"?

- I. A dependent has lived with the taxpayer for six months.
- II. The taxpayer has maintained the cost of the principal residence for six months.

**A.** Neither I nor II.

**B.** Both I and II.

**C.** II only.

**D.** I only.

### Explanation

Choice "A" is correct. The requirements that enable a taxpayer to be classified as a "qualifying widow(er)" are:

1. The taxpayer's spouse died in one of the two previous years and the taxpayer did not remarry in the current tax year;
2. The taxpayer has a child who can be claimed as a dependent;
3. This child lived in the taxpayer's home for all of the current tax year;
4. The taxpayer paid over half the cost of keeping up a home for the child; and
5. The taxpayer could have filed a joint return in the year the spouse died.

## QUESTION 18

Mort and Mindy met at a New Year's Eve party held December 31, Year 1. They instantly bonded, fell madly in love, and were married at 11:38 p.m. that night. Sadly, Mort passed away November 15, Year 2. In January, Year 3, Mindy gave birth to triplets Mark, Mandy, and Maureen. Assuming that Mindy has not remarried, what filing status should she use for Year 4?

- A. Head of household.
- B. Single.
- C. Qualifying widow(er) with dependent child.
- D. Married filing jointly.

### Explanation

Choice "C" is correct. Because Mindy does not remarry and she maintains a principal residence for her dependent children for the entire year, she may file using the qualifying widow(er) with dependent child status for the two taxable years following Mort's death. In Year 4, the second year after Mort's death, Mindy should file as a qualifying widow.

Choices "B", "D", and "A" are incorrect, based on the above explanation.

## QUESTION 19

In Year 4, after Mindy's three children have grown and moved out of the house, Mindy (unmarried) moved her mother, Mary, into an assisted living facility for which Mindy pays 75% of the cost. Mindy had not previously lived with Mary, and Mary paid for her own living expenses while she lived in her own home. What filing status should Mindy use for Year 4, assuming Mary moved into the assisted living facility on August 1, Year 4?

- A. Head of household.
- B. Married filing jointly.
- C. Single.
- D. Surviving spouse.

### Explanation

Choice "C" is correct. Mindy should file using the single status. She does not qualify for more favorable filing status.

Choice "A" is incorrect. Mindy does not qualify for head of household status. Had Mary moved into the assisted living home for the entire year, Mindy would have been eligible for head of household status. Mindy did not provide more than half of Mary's support and for Year 4 is ineligible for head of household status.

Choice "B" is incorrect. Mindy is not married.

Choice "D" is incorrect. Mindy has not had a spouse die in the past two years.

## QUESTION 20

Gail and Mark James contributed to the support of their two children, Jack and Jill, as well as Mark's mother, Betty. Jack is a 19-year-old full time student who earned \$5,000 this year working at a coffee shop on campus. Jill is 24 years old and worked full-time as a librarian and earned \$25,000. Jack comes home during the summer and holidays. Jill lives at home year-round. Betty lives in an apartment in town and received \$2,000 in municipal bond interest, \$6,000 in dividend income, and \$4,000 in nontaxable Social Security benefits. Jack, Jill, and Betty are U.S. citizens and unmarried. Gail and Mark provided more than half of the support for Jack, Jill, and Betty. How many people qualify as dependents on Gail and Mark's tax return?

- A. Zero
- B. Two
- C. One
- D. Three

### Explanation

Choice "C" is correct. Jack meets the CARES test for a qualifying child. Jill does not meet the CARES test for a qualifying child because she is 24 and not a full-time student. She fails the age limit test of CARES. Jill also does not meet the SUPPORT test because she earns more taxable income than the gross income threshold amount ("U" for under that amount). Betty does not meet the CARES test because she fails the close relative and age limit tests. (The CARES test is for a qualifying child, not a qualifying relative.) Betty also fails the SUPPORT test because her taxable income (\$6,000) is not under the gross income threshold amount. Therefore, Gail and Mark James can claim one person as a dependent – Jack.

Choices "B", "D", and "A" are incorrect, based on the above explanation.

## QUESTION 21

Susie, John, Luke, and Will provide support for their 80-year-old mother, Joyce. Joyce lives by herself in an apartment in Miami, Florida. Joyce earned \$4,000 this year working at her church. Joyce provides 10% of her own support. Susie provides 30% of Joyce's support, John provides 5% of Joyce's support, Luke provides 15% of Joyce's support, and Will provides 40% of Joyce's support. Under a multiple support agreement, who may claim Joyce as a dependent?

- A.** Susie, Luke, and Will
- B.** Susie and Will
- C.** Will
- D.** Susie, Luke, John, and Will

### Explanation

Choice "A" is correct. Under a multiple support agreement, Susie, Luke, and Will are eligible to claim Joyce as a dependent because they contributed more than 10% of Joyce's support.

Choice "B" is incorrect. Under a multiple support agreement, Luke is also eligible to claim Joyce as a dependent because he contributed more than 10% of Joyce's support.

Choice "C" is incorrect. Under a multiple support agreement, Susie and Luke are also eligible to claim Joyce as a dependent because they contributed more than 10% of Joyce's support.

Choice "D" is incorrect. John did not provide more than 10% of Joyce's support. Therefore, he is not eligible to claim Joyce as a dependent under a multiple support agreement.

## QUESTION 22

Anderson, a computer engineer, and spouse, who is unemployed, provide more than half of the support for their child, age 23, who is a full-time student and who earns \$7,000. They also provide more than half of the support for their older child, age 33, who earns \$2,000 during the year. How many dependents meet qualifying relative or qualifying child rules for the Andersons?

- A.** Two
- B.** One
- C.** Zero
- D.** Three

### Explanation

Choice "A" is correct. Both children meet the dependency criteria. The 23-year-old child meets qualifying child rules (CARES). The age limit is met because the 23-year-old is a full-time student. The 33-year-old meets qualifying relative rules (SUPPORT). The Andersons have two dependents for tax purposes.

Choices "B", "D", and "C" are incorrect based on the above explanation.

## QUESTION 23

Molly Morris is 15 years old. Molly's parents (James and Beth) divorced in May of the current tax year. Molly lived with both parents until the divorce. Molly does not provide more than half of her own support. After the divorce, Molly's mother has custody of Molly, but Molly lives equal time with both parents. James' AGI is \$40,000 and Beth's AGI is \$35,000. Molly's parents cannot decide who can claim Molly as a dependent for tax purposes. Assuming neither parent waives their right to claim Molly as a dependent, which statement is true?

- A. Both parents may claim Molly as a dependent because she lives equal time with each parent.
- B. Beth may claim Molly as a dependent because her AGI is lower.
- C. James may claim Molly as a dependent because his AGI is higher.
- D. Beth and James must alternate claiming Molly as a dependent.

### Explanation

Choice "C" is correct. The parent with custody of the child for the greater part of the year may claim the child as a dependent (determined by time, not the divorce decree). Because Molly's parents have equal custody during the year, the parent with the higher AGI would be eligible to claim Molly as a dependent, which in this case would be James. However, James could waive the right to claim Molly as a dependent.

Choices "A", "B", and "D" are incorrect, based on the above explanation.

## QUESTION 24

Thompson's spouse died in Year 1. Thompson did not remarry in Year 2 and lived alone the entire year. What is Thompson's Year 2 filing status?

- A. Head of household.
- B. Married filing jointly.
- C. Single.
- D. Surviving spouse.

### Explanation

Choice “C” is correct. Filing status is determined as of the last day of the year. At the end of Year 2, Thompson is not married and does not qualify for any other filing status. Therefore, his status is single.

Choice “A” is incorrect. Head of household status could apply in certain circumstances where there is a dependent and surviving spouse status does not apply. That is not the case here. Thompson is single for Year 2.

Choice “B” is incorrect. When a spouse dies during the year, the surviving spouse can file married filing jointly for that year under an exception to the end-of-year test. But this question is about Year 2, the year after death. Thompson is single for Year 2.

Choice “D” is incorrect. Surviving spouse status, also known as qualifying widow(er), can be claimed for the two years after year of death. However, it requires the presence of a dependent child, which is not part of the facts here. Thompson is single for Year 2.

## QUESTION 25

The spouse of a married taxpayer died on January 15, Year 1. The taxpayer's qualifying child moved to live with grandparents in their home on August 30, Year 2. If the taxpayer did *not* remarry before the end of Year 2, then which filing status should the taxpayer choose for Year 2?

- A. Married filing separately
- B. Head of household**
- C. Surviving spouse
- D. Married filing jointly

### Explanation

Choice "B" is correct. The taxpayer should choose the head of household filing status for Year 2. The taxpayer qualifies for this filing status because the taxpayer is unmarried and maintained his or her home as the principal residence for the qualifying child for more than half of the taxable year. The taxpayer does not meet the requirements for a qualifying widow(er) as a result of the qualifying child moving to live with grandparents in their home on August 30, Year 2. To file as a qualifying widow(er), the surviving spouse must pay over half the cost of maintaining a household where a dependent child lives for the whole taxable year.

Choice "A" is incorrect. In order to use the married filing separately status, a taxpayer must be married. In this example, the taxpayer is a widow(er) and did not remarry before the end of Year 2.

Choice "C" is incorrect. To file a return with the surviving spouse status, the surviving spouse must pay over half of the cost of maintaining a household where a dependent child lives for the whole taxable year. Since the taxpayer's qualifying child moved to live with grandparents in their home on August 30, Year 2 in this example, the taxpayer cannot use the surviving spouse filing status for Year 2.

Choice "D" is incorrect. If a taxpayer's spouse dies during the year, a joint return may be filed for that corresponding year. In this example, the taxpayer's spouse died during Year 1, so the married filing jointly status could not be used in Year 2.

## QUESTION 26

Jim and Kay Ross contributed to the support of their two children, Dale and Kim, and Jim's widowed parent, Grant. For Year 27, Dale, a 19-year-old full-time college student, earned \$4,500 as a babysitter. Kim, a 23-year-old bank teller, earned \$12,000. Grant received \$5,000 in dividend income and \$4,000 in nontaxable Social Security benefits. Grant and Kim are U.S. citizens and were over one-half supported by Jim and Kay, but neither of the two currently reside with Jim and Kay. Dale's main place of residence is with Jim and Kay, and he is currently on a temporary absence to attend school. How many people meet the definition of either qualifying child or qualifying relative on the Year 27 joint income tax return for Jim and Kay Ross?

- A. Three
- B. Two
- C. Zero
- D. One**

### Explanation

Choice "D" is correct. Only one person meets the criteria for either qualifying child or relative for the Rosses. Dale meets the definition of qualifying child. He meets all criteria of CARES. He is under the age limit because he is a full-time student under the age of 24. All other CARES tests are met. Kim does not meet the age test for qualifying child. She also does not meet the qualifying relative criteria because her taxable gross income of \$12,000 exceeds the gross income limit under SUPPORT. Because Grant is Jim's parent, Grant does not have to live with the Rosses to be a qualifying relative. However, Grant's taxable gross income of \$5,000 exceeds the gross income limit, so he is not a qualifying relative. Note that Grant's nontaxable Social Security benefits are not included in gross income for purposes of the qualifying relative gross income test.

Choice "A" is incorrect. Only Dale meets the definition of either qualifying child or qualifying relative for Jim and Kay Ross. Kim does not meet the the age test for qualifying child or the gross income test for qualifying relative. Grant also does not meet the gross income test for qualifying relative.

Choice "B" is incorrect. Kim fails the age test for qualifying child (CARES) and the gross income test for qualifying relative (SUPPORT). Grant also fails the gross income test for qualifying relative (SUPPORT).

Choice "C" is incorrect. Dale meets the CARES criteria for qualifying child for Jim and Kay Ross.

## QUESTION 27

Bill and Anne Chambers are married and file a joint return. They have no children. Their college friend, Ryan, lived with them for the entire current tax year. Ryan is 40 years old and earned \$2,000 at a part-time job and received \$25,000 in municipal bond interest. Ryan is a citizen of the United States and is unmarried. Which of the following statements is true regarding claiming Ryan as a dependent on the Chambers' tax return?

- A. Ryan qualifies as a dependent for the Chambers under the qualifying child rules.
- B. If Ryan earns \$15,000 in self-employment income in addition to the part-time job and municipal bond interest, he would qualify as a dependent on the Chambers' tax return.
- C. Ryan qualifies as a dependent for the Chambers under the qualifying relative rules as long as the Chambers provide more than half of Ryan's support.
- D. Ryan qualifies as a dependent for the Chambers under the qualifying relative rules because he lived with the Chambers for the entire year, as long as Ryan does not provide more than half of his own support.

### Explanation

Choice "C" is correct. Ryan meets the SUPPORT tests for a qualifying relative if the Chambers provide more than half of Ryan's support.

#### CARES Test (Qualifying Child)

**C**lose Relative

**A**ge Limit

**R**esidency and Filing Requirements

**E**liminate Gross Income Test

**S**upport Test

#### SUPPORT Test (Qualifying Relative)

**S**upport (over 50%) test

**U**nder a specific amount of (taxable) gross income test

**P**recludes dependent filing a joint tax return test

**O**nly citizens (residents of U.S./Canada or Mexico) test

**R**elative test

Ryan's taxable income (\$2,000) is under the gross income threshold amount. He doesn't file a joint return. He is a citizen of the United States and he lives with the Chambers for the entire year.

Choice “A” is incorrect. Ryan does not meet the CARES test for qualifying child. He is not a close relative and not under the age limit.

Choice “B” is incorrect. If Ryan earns \$15,000 in self-employment income, he would not meet the “U” test because his taxable income is over the gross income threshold amount.

Choice “D” is incorrect. The support test for the qualifying relative test states that the Chambers must pay more than half of the support of Ryan. The fact that Ryan does not provide more than half of his own support is not enough to meet the support test for qualifying relative (SUPPORT).

## QUESTION 28

Dave and Pam Stevens contributed to the support of their three children, Lisa, Tanya, and Hannah, and Pam's divorced mother, Ellen. For the current year, Lisa, a 26-year-old sales clerk, earned \$27,000. Tanya, a 23-year-old, full-time college graduate student in accounting, earned \$35,000 working for a CPA firm. Hannah, a 20-year old artist, earned nothing during the year, but is still aspiring to sell her first piece and has signed on with an art studio. Ellen received \$10,000 in nontaxable social security benefits and \$2,000 in dividend income. All are U.S. citizens and are over half supported by Dave and Pam. How many dependents do Dave and Pam Stevens have under the qualifying child and qualifying relative rules?

- A. One
- B. Three**
- C. Two
- D. Zero

### Explanation

Choice "B" is correct. Based on the CARES (QC) and the SUPPORT (QR) tests, Dave and Pam have three dependents.

Lisa: NO. Lisa fails the age limit for QC and exceeds the gross income limitation for QR.

Tanya: YES. Tanya meets all tests of QC. She is a full-time student under the age of 24 so she meets the age test.

Hannah: YES. Hannah meets all criteria for QR. She fails the age limit test for QC.

Ellen: YES. Ellen meets the gross income limitation for QR because the Social Security income is nontaxable and not included for the gross income test.

Tanya, Hannah, and Ellen all meet dependency requirements.

Choices "D", "A", and "C" are incorrect based on the above explanation.

## QUESTION 29

In the current tax year, Blake Smith provided more than half of the support for his cousin, niece, and a close family friend. Blake lives alone and sends a monthly support check to each person. None of the individuals whom Blake supports has any income or files a tax return. All three individuals are U.S. citizens. Which of the three people that Blake supports can he claim as a dependent on his tax return?

- A.** Niece
- B.** None
- C.** Family friend
- D.** Cousin

### Explanation

Choice “A” is correct. The niece meets the SUPPORT test for qualifying relative status. The cousin and family friend do not meet the “R” (relative) or “T” (taxpayer lives with individual) tests. All three people whom Blake supports fail the residency test for a qualifying child.

Choice “B” is incorrect. Blake’s niece meets the SUPPORT tests and therefore counts as a qualifying relative.

Choice “C” is incorrect. Blake’s family friend does not meet the “R” (relative) or “T” (taxpayer lives with individual) test, because Blake’s family friend does not qualify as a qualifying relative and did not live with him for the entire year.

Choice “D” is incorrect. The cousin does not meet the “R” (relative) or “T” (taxpayer lives with individual) tests for a qualifying relative because Blake’s cousin did not live with him for the entire year.

## QUESTION 30

Heather is single and has one son, Rhett, who is 19 years old. Rhett lived at home for four months of the current tax year before moving away to take a full-time job in another city. Heather provided more than half of Rhett's support for the taxable year. Rhett earned \$20,000 in gross income and is unmarried. Which of the following statements regarding the dependency rules for Rhett is true?

- A. Heather may claim Rhett as a dependent because he is a qualifying child.
- B. Heather may claim Rhett as a dependent because he is a qualifying relative.
- C. Rhett fails the age limit test for a qualifying child.
- D. Rhett must live with Heather for the entire year to meet the qualifying relative test.

### Explanation

Choice "C" is correct. Rhett fails both the age limit and residency test for qualifying child status.

Choice "A" is incorrect. Rhett is not a qualifying child. He fails both the age limit test and the residency test (CARES).

Choice "B" is incorrect. Rhett is not considered a qualifying relative because his gross income exceeds the gross income threshold amount.

Choice "D" is incorrect. Rhett does not have to live with Heather for the entire year to meet the qualifying relative test because he is her son.

## QUESTION 31

Jackie is 21 years old and is a full-time student at the local community college. She is married to Bill and they have no children. Jackie and Bill live in Jackie's parents' basement while they both finish college. Bill is 25 years old and is also a full-time student. Jackie's parents pay more than half of Jackie and Bill's support. Jackie has no gross income and Bill has \$2,000 from a part-time job. Bill and Jackie file a joint return and received a refund because their tax liability is zero. Can Jackie's parents claim Jackie and Bill as dependents on their tax return?

- A. Jackie's parents cannot claim Jackie or Bill as dependents.
- B. Jackie's parents can claim both Jackie and Bill as dependents.
- C. Jackie's parents can only claim Bill, but not Jackie as a dependent.
- D. Jackie's parents can only claim Jackie, but not Bill as a dependent.

### Explanation

Choice "B" is correct. Jackie qualifies as her parent's qualifying child (CARES). Bill qualifies as Jackie's parents' qualifying relative (SUPPORT). Even though Jackie and Bill file a joint return, they can still be considered dependents because they receive a refund and their tax liability is zero.

Choices "D", "C", and "A" are incorrect, based on the above explanation.

## QUESTION 32

Which of the following taxpayers would *not* qualify for the filing status of head of household?

- A. A married taxpayer with a dependent child in the household who has lived apart from the taxpayer's spouse for the entire year due to abandonment.
- B. A single taxpayer whose spouse died in the preceding tax year and who has a dependent child living in the household.**
- C. A single taxpayer who provides over one-half of the support for a dependent parent in a nursing home but does *not* have a qualifying child in the household.
- D. A single taxpayer who provides one-half of the support for a dependent child who has lived almost the entire year at a U.S. university while pursuing an undergraduate degree.

### Explanation

Choice "B" is correct. A taxpayer qualifies for surviving spouse, or qualifying widow(er), filing status for the two years following the year the taxpayer's spouse dies if the taxpayer maintains a household where a dependent child lives for the entire year.

Choice "A" is incorrect. A married taxpayer who has lived apart from his or her spouse for the last six months of the year and maintains a household where a dependent child lives for more than half the year qualifies for head-of-household filing status.

Choice "C" is incorrect. A single taxpayer who provides more than one-half of the support for a qualifying relative and maintains a home that is the principal residence of the qualifying relative qualifies for head-of-household filing status. A dependent parent is not required to live with the taxpayer, provided the taxpayer contributes more than half the cost of maintaining a home that is the principal residence of the parent for the entire year.

Choice "D" is incorrect. A single taxpayer who maintains a home that is the principal residence for a dependent child qualifies for head-of-household filing status. A full-time student under age 24 who does not provide more than half of his or her own support is a qualifying dependent child. A college student living at a university is considered temporarily away from home. The parent's home is considered the child's principal residence.

### QUESTION 33

Jane is 20 years old and is a sophomore at Lake University. She is a full-time student and does not have any gross income. Jane spends the holidays and summers at home with her parents. Her total support for the current tax year is \$30,000, including a scholarship for \$5,000 to cover her tuition. Jane used \$12,000 of her savings and her grandparents provided \$13,000. Which of the following statements regarding the dependency rules for Jane is true?

- A. Jane does not qualify as a dependent for either her parents or grandparents.
- B. If Jane's parents (rather than her grandparents) provided the \$13,000, then they would not be able to claim Jane as a dependent because Jane provided more than half of her own support.
- C. Jane's grandparents can claim her as a dependent because Jane did not provide more than half of her own support.
- D. Jane's grandparents cannot claim her as a dependent because Jane provided more than half of her own support.

### Explanation

Choice "D" is correct. Jane does not qualify as a dependent for her grandparents as a qualifying child or relative. With respect to her grandparents, Jane's scholarship is treated as support and thus Jane provides more than half of her own support ( $\$12,000 \text{ savings} + \$5,000 \text{ scholarship} = \$17,000$ ;  $\$17,000 / \$30,000 = 0.57 = 57\%$ ).

Jane does qualify as a dependent of her parents because she is under 24, a full-time student, and the scholarship does not count as support with respect to her parents. She also meets all other tests of qualifying child for her parents.

Choice "A" is incorrect. Jane is a dependent of her parents because she meets all tests for a qualifying child.

Choice "B" is incorrect. The scholarship does not count as support for Jane with respect to her parents. Therefore, Jane meets all tests for qualifying child of her parents.

Choice "C" is incorrect. Jane's scholarship does count as support for Jane with respect to her grandparents. Because Jane provided more than half of her own support (see the calculation above), Jane's grandparents cannot claim her as a qualifying child or relative.