

Tax Preparation Practice Test Questions and Answers

1. Form W-4 is completed by an employee to:

- A) Report wages to the IRS
- B) Claim withholding allowances and instruct the employer on withholding
- C) Apply for an ITIN
- D) Report tips to the employer

2. Cancellation of debt income is generally:

- A) Always tax-free
- B) Taxable as ordinary income unless an exclusion applies
- C) Taxed as a capital gain
- D) Reported on Schedule D

3. Form 941 is filed by employers to report:

- A) Annual wages and tips
- B) Quarterly payroll taxes including income tax withheld and FICA
- C) Annual FUTA taxes
- D) Self-employment income

4. Foreign tax credits allow US taxpayers to:

- A) Exclude all foreign income from US taxes
- B) Offset US tax on foreign income with taxes paid to a foreign government
- C) Avoid filing US returns on foreign income
- D) Deduct foreign living expenses

Answers: 1-B 2-B 3-B 4-B

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