



Review Questions and Final Exam

Course name: Moving and Selling Your Home-Tax Year 2008

Course number: 1003.08N

Number of questions: Review: 40
Final Exam: 40

Prerequisite: None

Course level: Basic

Recommended CPE credit: 5 CPE Hours

Recommended study time: 5 Hours

Course format: Interactive self study
CPE credit calculated as 100% of total study time (i.e. 50 minute hour)

Reference text: [IRS 2008 Publication 521 Moving Expenses](#)
(free download)
19 pages



[IRS 2008 Publication 523 Selling Your Home](#)
(free download)
36 pages

Subject classification: Taxation

Course updated: February 18, 2009

Learning objective: Review the deduction of certain expenses of moving to a new home as it relates to a new job location or starting a new job. Also to understand the tax rules that apply when you sell your main home.

Instructions: This copy of the exam can be used to answer questions while **offline**.

Please note that you will still need to **enter your answers online** by logging into the course system with your User ID and Password.

* * * Part One: Moving Expenses * * *

Which of the following CANNOT deduct moving expenses?

- a) A self-employed individual
- b) An employee of an S-Corporation
- c) A retiree who is relocating from Michigan to Florida for health reasons
- d) Someone beginning their first job

2) Joe will begin his first job next month. He is moving from his parent's home to a new apartment prior to beginning work. Joe's move meets the distance test in which one of the following situations?

- a) His parent's home is 25 miles from his new job location and the apartment is 3 miles from the new job location.
- b) His parent's home is 53 miles from his new job location and the apartment is 63 miles from his new job location and Joe can commute via train and save an hour each day in travel time.
- c) His parent's home is 2 miles from the school Joe attended and 48 miles from his new job location.
- d) Joe took a test drive from his parent's home to his new job. He found that if he drove on the toll road, it was 40 miles, but if he took a detour through another suburb, it would be 58 miles, and he would save the toll cost.

3) Ellen got a new job 1,000 miles away. She sold all her existing furniture because she wanted to change her style. It would have cost her \$2,500 to move her existing furniture. Assuming Ellen meets the time test, which of the following expenses are FULLY deductible?

- a) \$2,000 freight charge to ship new furniture she bought while traveling to her new home.
- b) \$1,000 moving cost to move furniture from her beach house to her new home.
- c) \$1,500 rental cost to rent furniture for 90 days in her new home.
- d) \$750 hotel cost for 5 days stay at a hotel near her new home while waiting for some minor remodeling to be completed.

4) George is quitting his corporate job and moving to another city 3,500 miles from his current home to establish a partnership with his wife to do accounting for small businesses.

Using the "Time Test for Self-Employed Persons" George can deduct moving expenses related to the move in which of the following situations?

- a) George works 20 weeks in his accounting business, then decides to retire.
- b) George is worried about making ends meet and gets a job right away working full time at a Starbucks. After working 20 weeks at Starbucks, he quits and works half-time at his tax accounting business for the next two years.
- c) George immediately starts working full time at Wal-Mart to get the insurance benefits. After working 30 weeks at Wal-Mart, he quits and works full time at his accounting business for the next 5 years.
- d) George and his wife each work full time for 26 weeks before deciding to dissolve the partnership due to lack of business opportunities.

5) If you are an employee, you must work full time for 39 weeks in a row to meet the time test for employees.

True
False

6) You are a self employed massage therapist and work 4 ½ days per week. This work schedule may qualify as a "full time work week" even though it is not 40 hours of work time during the week.

True
False

7) Moving expenses can include all of the following EXCEPT:
a) A mortgage penalty incurred because you sold your home
b) Lodging expenses during travel to the new residence
c) Parking fees and tolls
d) Storage of goods for 10 days

8) You move to Dallas, Texas on Thanksgiving Day to start your new job. You cannot deduct your moving expenses on this year's tax return because you do not meet the 39-week test by year end.

True
False

9) Jim and Jane Jones, U.S. citizens, were living in a small castle in England near Jim's place of work. They decided to permanently retire and move to Odessa, Texas.

Most likely they CAN deduct moving expenses for this move.

True
False

10) When you move to your new home in Florida, you make a three day side trip to Disneyland on the way there. The lodging and meals for this side trip are deductible because it is on the way to the new home.

True
False

11) You load up a U-Haul truck with your family's belongings and drive the truck to your new home. You have your two cars shipped to the new home. The cost of shipping the cars is not deductible.

True
False

12) If you travel by car to your new home, you can use either a standard mileage rate or actual expenses of operating your car, including insurance, general repairs, general maintenance etc.

True
False

13) You have to purchase about 100 boxes and buy extra bubble wrap in order to pack up your young daughter's large pottery collection. The expense of purchasing these packing materials is deductible.

True

False

14) The first day you arrive in your new hometown, you have to stay at the Holiday Inn because your electricity hasn't been turned on yet. The cost of lodging for one night is deductible.

True
False

15) You receive a \$5,000 moving expenses advance from your new employer. Your new employer is required to disclose to you whether this money is paid to you under an accountable plan or a nonaccountable plan.

True
False

16) You moved from New York to California last year. Your only deductible moving expenses are travel expenses. You do not have to complete Form 3903.

True
False

17) Under an accountable plan, the "adequate accounting" requirement indicates that you must adequately document your move using either photographs or videos.

True
False

18) If you use the accrual method of accounting, you can choose to deduct your moving expenses the year incurred or the year when reimbursed.

True
False

19) Dell Computer Co. pays new employee Heather Hills \$6,000 for house hunting trips to her new job location in Austin, TX.

* Dell has an accountable plan.

* House hunting trips are considered nondeductible expenses.

This \$6,000 will be reported on Heather's W-2 as income.

True
False

20) Bill Smith is on active duty in the US Armed Forces. When Bill first enlisted he lived in Austin, and his first post of active duty was in San Antonio. Bill can deduct his unreimbursed moving expenses for this move.

True
False

21) * * * PART TWO: Selling Your Home * * * begins here

The date of sale of your home (for tax purposes) is shown on Form 1099-S, "Proceeds from Real Estate Transactions."

True
False

22) Your "main home" is defined as a single family home and the land underneath the home.

True
False

23) Shelley Smith owns two homes, a beach house and a condo in the city. She sells her beach house and wants to avoid paying the gain on the sale, so she wants to claim it was her main home. She received all her mail at her condo and only went to the beach house on weekends.

Most likely her beach house will NOT qualify as her main home.

True
False

24) You sold your home and the price included some expensive cast iron lawn furniture. You should subtract amounts received for the lawn furniture from the stated selling price to determine the selling price for purposes of determining excludable gain from a home sale.

True
False

25) Mr. and Mrs. Kingston spent \$1,200 advertising their home for sale by owner, before giving up and hiring a real estate agent to sell their home. This \$1,200 expense can be deducted from the selling price to determine the amount realized.

True
False

26) Jim and Jenny got divorced. As part of the divorce settlement, Jenny kept the very large house in Malibu and paid Jim \$835,000. Assume Jim and Jenny are both U.S. citizens.

Jim will need to calculate his gain or loss on the transaction to determine the proper tax treatment.

True
False

27) Bob paid the following settlement fees:

Survey fees \$25

Transfer fees \$50

Fire insurance premium \$500

Credit report \$10

Bob can add \$585 to the basis of his home for these fees.

True
False

28) Your great aunt Martha died, leaving you her ranch in Omaha, so you moved there. Her entire estate was quite large and a federal estate tax return was filed.

You should get an independent appraisal within five years to determine the fair market value to use for your basis.

True
False

29) Bill received a payment of \$100,000 from his insurance company as a result of a fire in his living room. The insurance payment was for both damage to the structure and loss of furniture and fixtures in the living room.

He spent the \$100,000 to rebuild the living room and add on a sun porch. This payment and rebuilding will NOT affect his basis in the house.

True
False

30) Adrianna and Phillip are married and have owned their home in Tucson, where they receive their mail, for the last six years. They have spent a month every summer at a second home in Aspen and every Christmas vacation in Key West. They also spend several weeks during the fall visiting relatives in California.

They do NOT meet the required "Use Test" to exclude part of the gain when they sell the home in Tucson.

True
False

31) Your 95 year old aunt became disabled three years ago and moved to a licensed nursing home, where she has stayed since that time. You finally sold her home last year. She had only owned her home for one year prior to moving to the nursing home. She most likely qualifies for gain exclusion.

True
False

32) Clarice worked as a tax preparer for H & R Block in Omaha. She received a better offer from a rival firm in New Orleans and jumped at the opportunity. She had only owned her townhouse in Omaha for one year, but due to her extensive tax training, she believed she would be entitled to a reduced maximum exclusion of gain from the sale.

She was correct.

True
False

33) Jill and James were thrilled to find out they were expecting triplets, however they had just purchased a small townhouse only a few months earlier. They want to buy a larger house and most likely will qualify for a reduced maximum exclusion of gain due to the special circumstances.

True
False

34) Jenny is a romance novel writer who works at home. She has deducted depreciation of \$500 for her home office located in a spare bedroom for each of the last 6 years before selling her home this year at a gain of \$20,000.

Because she meets the ownership and use tests, she can exclude 100% of the gain on the sale of her home.

True
False

35) Joseph's house had a recording studio in the converted garage. He lived in the house and rented the recording studio to musicians by the hour. He did not deduct the depreciation he was entitled to over the ten year period when he owned the house and rented out the studio, because he wanted to avoid paying tax on the gain from the sale.

Since he didn't take a deduction for depreciation, he doesn't need to report the sale of the business portion on Form 4797.

True
False

36) George and Marsha finally retired and moved to Mexico after living in their home in Boston for the past 30 years. They were pleased to realize a gain of \$450,000 on the cash sale of their house. They are married and file a joint tax return.

They most likely are not required to report the sale of their home.

True
False

37) Bill and Rhonda sold their home to Frances and financed a note for her. Frances lives in Switzerland and is not a US resident, and she will be using the home as a second home. Since Frances does not have a social security number, Bill and Rhonda are relieved of their responsibility to obtain an identifying number from Frances.

True
False

38) Rick and Julie had an unexplained fire which destroyed their home. The insurance settlement was for \$90,000, the current cost to rebuild the home. They originally paid \$100,000 for the home last year right after they got married. They decided to just sell the lot for \$60,000, take the \$90,000 settlement and move to a high rise.

Their entire gain of \$50,000 CAN be excluded.

True
False

39) Clark sold his house on November 30th and the title company pro-rated his property taxes so that he paid 11/12 of the total taxes due December 31st. He paid his taxes at closing to the buyer; the buyer subsequently paid the full amount due to the taxing authority on December 31st.

The buyer can deduct the full amount of the taxes (12 months worth) paid on his Schedule A (1040).

- True
- False

40) Barney and Betty financed their small bungalow 22 years ago under a federally subsidized program. Their income has risen substantially since then and they recently sold their home so they could move to a nicer neighborhood. They took a \$12,500 loss on the sale of their home.

They may have to recapture all or part of the benefit they received from the federally subsidized program.

- True
- False

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1) Moving expenses are deductible for each summer's move to and from your beach house, so long as the beach house is more than 50 miles from your primary residence.

- True
- False

2) In order to deduct moving expenses, your move must be within one year of the date you start work at the new location, with absolutely no exception.

- True
- False

3) The "Distance Test" requires that your new main job location is at least 50 miles farther from your former home than your old main job location was from your former home.

- True
- False

4) Moving expenses may be deductible, if you meet certain criteria, even if it is your first job.

- True
- False

5) You need work only part time for 10 weeks during the first 12 months after you arrive in the area of your new job location, in order to meet the "Time Test" for deducting moving expenses.

- True
- False

6) Ginger CAN deduct her moving expense on her 2008 tax return even if she has not yet met the time test by the date her 2008 return is due.

- True
- False

7) If you have been working abroad, you cannot deduct moving expenses for a move to a new home in the U.S. when you permanently retire.

- True
- False

- 8) The cost of meals when you are traveling to your new location is considered part of deductible moving expenses.
True
False
- 9) An initial "house warming" party, if it occurs during the first four months after your move, is considered part of deductible moving expenses.
True
False
- 10) Bob selects the standard mileage method of calculating travel expense by car for his move. He should use _____ / mile plus parking fees and tolls.
a) \$0.20
b) \$0.505
c) \$0.19 and \$0.27 for the first and second half of 2008 respectively
d) \$0.27 and \$0.19 for the first and second half of 2008 respectively
- 11) You can deduct the cost of shipping Fluffy, your household pet poodle to your new home.
True
False
- 12) You can deduct the cost of temporary living expenses, as long as they do not exceed two weeks time.
True
False
- 13) Your employer must include in your income any reimbursements made under a nonaccountable plan, even if they are for deductible moving expenses.
True
False
- 14) You can deduct moving expenses on Form 1040EZ, Form 1040A or Form 1040.
True
False
- 15) Your employer can reimburse you for both deductible and nondeductible expenses, even if the employer uses an accountable plan. Reimbursements of any nondeductible expenses paid by your employer will be treated as paid under a nonaccountable plan.

True
False
- 16) Lily paid her moving expenses in December of last year. She received reimbursement from her employer this year. She is a cash basis taxpayer.

She can choose to deduct your expenses on last year's return OR this year's return.
True
False

17) Your employer will combine the amount of any reimbursement paid to you under a nonaccountable plan with your wages, salary or other pay and report the total on your W-2.

True

False

18) If you have more than one job at any time, your main job location may be determined by such factors as the size of each employer and your job title at each employer.

True

False

19) There is an exception to the "distance test" for members of the Armed Forces: if you moved because of a permanent change of station you do not have to meet the distance test.

True

False

20) You are considered to be a full-time employee during any week you are temporarily absent from work because of illness or natural disasters.

True

False

21) * * * PART TWO: SELLING YOUR HOME * * * BEGINS HERE

The "date of sale" of your home for tax purposes is considered to be the date you sign the sales contract.

True

False

22) Which of the following can be considered a "main home" as defined for tax purposes?

a) Camping tent

b) Parked car

c) Room in a single family home, provided it has a separate entrance

d) Houseboat

23) If you own more than one home, one of the factors used in determining which home is your main home is the address listed on your driver's license.

True

False

24) Your employer transfers you to Seattle, and pays you \$15,000 to compensate you for having to make a quick sale of your house at a lower than desired price. This \$15,000 payment is considered taxable income and should be reported as wages on your W-2.

True

False

25) In calculating the amount realized from the sale, you should subtract out any loan charges paid by the seller, such as loan placement fees or "points."

True

False

26) If you transfer your interest in your home to your spouse as a result of divorce, you may have to report a taxable gain or loss. Assume you and your spouse are U.S. citizens.

- True
- False

27) Which of the following CANNOT be included in the basis of your home?

- a) Mortgage origination fee
- b) Recording fees
- c) Title insurance
- d) Charges for installing utility services

28) If you inherited your home, you should use the lower of the donor's basis or the fair market value on the date of the decedent's death for your basis.

- True
- False

29) You added central air conditioning to your home. The cost of this improvement can be added to the basis of your home.

- True
- False

30) Your spouse bought the house before you got married and the deed is recorded in his name. You have been married for five years and both you and your spouse have lived in the house during that time. You file a joint tax return.

The maximum exclusion on the gain on the sale of this home will be:

- a) \$500,000
- b) \$250,000
- c) \$125,000
- d) \$ 0

31) Your great-uncle bought a beautiful condo in Florida as his retirement home, but right before he was to move in, he became disabled and moved to a nursing home instead. When he sells his condo, he will still qualify under an exception for individuals with a disability to exclude the gain on the sale.

- True
- False

32) Last year you obtained a new job 250 miles away and moved to a home near your new job. You had only owned and lived in your former house for one year. You are not entitled to a reduced maximum exclusion of gain from the sale of your former house.

- True
- False

33) Mr. Stephens won the lottery this year and bought a large mansion in Dallas. He sold his condo for a gain even though he had only lived there for six months. His gain on the sale of his condo may qualify for a reduced maximum exclusion because the circumstances causing the sale were unforeseen circumstances.

- True
- False

34) Jim likes to buy homes, fix them up and then sell them for a substantial profit. He lives in each home for at least two years while fixing it up. He owns each house for at least two years prior to selling.

If he wants to exclude the gain on the sale of each home, he should not sell more than one home during the 2-year period ending on the date of sale of each home.

True

False

35) Julie's house has a garage apartment which she has always rented to a college student. She sold her house last year and she must report the sale of the garage apartment portion on Form 4797 "Sales of Business Property."

True

False

36) When Dolores sold her home in Oklahoma, she was surprised to realize a \$325,000 net gain on the sale. Since she is single and this amount exceeds the exclusion amount, she will have to report the entire gain realized on Schedule D and show any exclusions on separate lines.

True

False

37) If you sell your home and provide financing to the buyer, you are required to give your social security number to the buyer, but the buyer is not required to provide his social security number to you.

True

False

38) Your home in California was condemned because it was about to fall off a cliff. You received \$725,000 for the home, which represents a gain of \$125,000. The entire gain amount qualifies for the exclusion.

True

False

39) When the buyer purchased your home on September 30th, you paid for the property taxes accrued up to that date at the closing. You can deduct these taxes as an itemized deduction on Schedule A in the year of the sale.

True

False

40) If you financed your home under a federally subsidized program, you may have to recapture the benefit you received from that program if you sell your home at a gain.

True

False