




Review Questions and Final Exam

Course name:	Tax Withholding and Estimated Tax— 2009/2010
Course number:	100609
Number of questions:	Review 25 Final exam 25
Prerequisite:	None
Advance preparation:	None
Course level:	Basic
Recommended CPE credit:	3 CPE hours
Recommended study time:	3 hours
Course format:	Interactive self study CPE credit calculated as 100% of total study time (i.e. 50 minute hour)
Reference text:	IRS February 2010 Publication 505 Tax Withholding and Estimated Tax (free download) 67 pages www.irs.gov
 Department of the Treasury Internal Revenue Service	
Subject classification:	Taxation
Course updated:	February 10, 2010
Learning objective:	To review the two "pay-as-you-go" methods of paying income taxes and how to take credit on your return for the taxes paid; also review the underpayment penalty and the exception to the penalty.
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.

- 1) Isabella is a household worker. She asked her employer not to withhold any taxes from her paycheck, because she does not intend to file a tax return. Her employer MUST withhold income tax from her paycheck.
True
False
- 2) If you realize midway through the year that your income taxes are going to be more than you had anticipated, you can give your employer a payment for estimated tax.
True
False
- 3) Ian has been divorced for 3 years, and has custody of his 11 kids. He can select "married" for his marital status on his W-4 if he wants to have lower withholding.
True
False
- 4) The lifetime learning credit may be taken into account when figuring withholding allowances.
True
False
- 5) If you are married and you and your spouse both work and your total earnings are more than \$180,000, you may need to refer to Publication 919 to make sure you are getting the right amount of tax withheld.
True
False
- 6) Your employer must automatically send a copy of your Form W-4 to the IRS in which of the following instances:
a) You claim more than 12 withholding allowances
b) You claim exemption from withholding and your wages are expected to usually be \$1,000 a week
c) You work more than one job
d) None of the above--the requirement to automatically send the IRS certain unusual W-4s has been eliminated
- 7) Tips are included on your tax return on the same line as your regular pay.
True
False
- 8) If you receive sick pay from your employer, income tax MUST be withheld from these payments.
True
False

- 9) A distribution you receive that is eligible to be rolled over tax free into a qualified retirement or annuity plan is called an "eligible rollover distribution" (ERD).
True
False
- 10) Income tax withheld from unemployment compensation is reported on Form 1099-G, Certain Government Payments.
True
False
- 11) If you claim exemption from withholding, you will still have social security and Medicare taxes withheld from your wages.
True
False
- 12) When figuring your estimated tax, it is sometimes helpful to use your income, deductions, and credits for prior year as a starting point.
True
False
- 13) Lisa and Brett are married and file jointly. Their AGI was \$333,333 last year. Their Mary Kay business exploded this year and they expect to make over \$1 million. If they deposit at least 85% of the tax shown on their prior year return, they will avoid an estimated tax penalty for underpayment.
True
False
- 14) Jeremy is preparing his Estimated Tax Worksheet. He has income both from his job at IBM and his side business raising armadillos. He should include only his expected income from his side business, since his IBM income is subject to withholding.
True
False
- 15) If you do not pay enough tax by the due date of each of the payment periods, you may be charged a penalty even if you are due a refund when you file your income tax return.
True
False
- 16) When Judy is preparing her Estimated Tax Worksheet, she should omit any net capital gains because those are not subject to estimated tax payments.
True
False
- 17) The annualized income installment method may be used for taxpayers who do not receive income evenly throughout the year to allow lower estimated tax payments for one or more periods than would be required using the regular installment method.
True
False

18) You do not have to make estimated tax payments if you will pay enough tax through withholding to keep the amount you will owe with your return under \$1,000.

- True
- False

19) When you filed your 1040 last year, you chose to credit an overpayment of tax to the current year's estimated tax.

You can change your mind at any time during the current tax year if you decide you would prefer to receive a refund of the overpayment.

- True
- False

20) Jane is a highly sought after iPhone application developer and she had four employers during 2009. She can claim a credit for excess social security withholding if her total wages were \$110,000 for the year.

- True
- False

21) Assume you made joint estimated tax payments during the year 200X and you were divorced during the same year.

If you and your former spouse cannot agree on how to divide the payments, you must divide them in proportion to each spouse's individual tax as shown on your separate returns for the 200X year.

- True
- False

22) If you think you owe the penalty but you do not want to figure it yourself when you file your tax return, the IRS will, generally, figure the penalty for you and send you a bill.

- True
- False

23) You do not owe a penalty if you had no tax liability last year and you were a U.S. citizen or resident for the whole year.

- True
- False

24) Your required payment for each payment period is always one-fourth of your required annual payment.

- True
- False

25) The IRS can waive the penalty for underpayment if an unusual circumstance kept you from making a payment.

- True
- False

- 1) The "pay as you go" methods of paying your income tax include:
 - a) Having your employer withhold tax from your pay
 - b) Making monthly tax payments to your employer, by check
 - c) Making a single "payment in full" tax payment when you file your tax return on April 15th
 - d) Setting aside enough money to meet your tax liability each month in a separate bank account

- 2) You can specify a dollar amount of withholding on your Form W-4, rather than having your employer figure your withholding.
True
False

- 3) When events during the year change your marital status or the exemptions, adjustments, deductions or credits you expect to claim on your return, you may need to give your employer a new Form W-4.
True
False

- 4) Jonathan is single and his parents live with him in Arizona for 9 months during the winter. He pays 100% of the cost of keeping up their home and claims his parents as dependents. Jonathan can use Head of household filing status on his W-4 worksheet.
True
False

- 5) Julia expects to itemize deductions for the 2010 tax year. When she prepares her Deductions and Adjustments Worksheet for her Form W-4, she should enter the DIFFERENCE between the standard deduction and her expected itemized deductions.
True
False

- 6) Jim and Mary both work and the combined earnings from both jobs is \$22,500/year. They should complete the Two-Earner/Two-Job Worksheet.
True
False

- 7) If you do not give your employer a completed Form W-4, your employer may estimate an appropriate amount of withholding based on his knowledge of your circumstances.
True
False

- 8) You do NOT have to file a tax return if you are exempt from withholding.
True
False

- 9) Your employer generally must withhold income tax on certain noncash fringe benefits from your regular pay for the period the benefits are paid or considered paid.
True
False
- 10) Form W-4P can be used to figure withholding from periodic payments of:
a) Military retirement pay
b) A nonqualified defined compensation plan
c) An annuity
d) Child support payments
- 11) Gambling winnings from bingo, keno, and slot machines are subject to income tax withholding at a flat 27% rate.
True
False
- 12) Payments subject to backup withholding can include:
a) A payment of less than \$10
b) An allowance given to a non-working spouse for groceries
c) Payment by brokers
d) Gifts to children greater than \$50 and less than \$5,000
- 13) Estates are exempt from paying estimated tax for the first two years after the decedent's death.
True
False
- 14) When figuring your estimated tax, you should NOT reduce your expected AGI by your estimated itemized deductions because itemized deductions are difficult to estimate and can vary from year to year.
True
False
- 15) Marilyn and Marty are married filing jointly and expect an income of \$57,500 in 2010 from their espresso truck business. To avoid paying a penalty, the total amount they must pay for 2010 through withholding and estimated tax is generally the smaller of: * 90% of total expected tax for 2010 or * 100% of the total tax shown on your 2009 return, assuming the 2009 return covers all 12 months.
True
False
- 16) You must make estimated tax payments for all four payment periods even if you do not have income on which you will owe the tax until the third period.
True
False
- 17) If your income is basically the same throughout the year and your first estimated tax payment is due April 15th, you can figure your required payment for each period by dividing your annual estimated tax due by 4.
True
False

- 18) The regular income tax rates for individuals also apply to a net capital gain.
True
False
- 19) An accepted way to pay estimated tax is:
a) By Visa/Mastercard using the Internet
b) By crediting an overpayment on your prior year return to your current estimated tax
c) By paying electronically using the Electronic Federal Tax Payment System
d) Any of the above
- 20) If you are a blind, dual-status alien you can take the standard deduction.
True
False
- 21) If you had income tax withheld during the year, you should receive which statement by February 1st of the following year (at the latest):
a) Form W-2
b) Form W-2G
c) A form in the 1099 series
d) Any of the above, depending on the source of income
- 22) When figuring the penalty for failure to pay estimated income tax, you must include with your estimated taxes any household employment taxes that you may have to pay.
True
False
- 23) You must file Form 2210 with your return if which of the following applies:
a) You request a waiver
b) You use the annualized income installment method
c) You use your actual withholding for each payment period for estimated tax purposes
d) All of the above
- 24) You can use the short method to figure your underpayment penalty if:
a) You made no more than one estimated tax payment late
b) You paid estimated tax in four equal amounts on the due dates
c) You paid estimated tax payments in unequal amounts
d) You use the annualized income installment method to figure your underpayment for each payment period
- 25) Special rules for underpayment of estimated tax apply to:
a) Accountants
b) Attorneys
c) Farmers and fishermen
d) Government employees