

Income Taxes Practice Test

True/False

Indicate whether the statement is true or false.

- ___ 1. The filing status of *head of household* is for married taxpayers who have dependents.
- ___ 2. An income tax filer who is single or married filing jointly, with no dependents and income less than \$100,000, may be able to file a 1040EZ form.
- ___ 3. In a progressive tax system, taxes decrease as income increases.
- ___ 4. Income tax is paid on earned income such as wages and tips. Income tax is also paid on unearned income such as interest, dividends, rental income, capital gains, and winnings.

Multiple Choice

Identify the choice that best completes the statement or answers the question.

- ___ 5. Use the 2006 tax schedule for married taxpayers filing jointly below. What equation represents the taxable income in the interval over \$123,700 but not over \$188,450?

2006 Tax Rate Schedule

Schedule Y-1— If your filing status is Married filing jointly or Qualifying widow(er)

If your taxable income is:		The tax is:	
Over—	But not over—		of the amount over—
\$0	\$15,100	----- 10%	\$0
15,100	61,300	\$1,510.00 + 15%	15,100
61,300	123,700	8,440.00 + 25%	61,300
123,700	188,450	24,040.00 + 28%	123,700
188,450	336,550	42,170.00 + 33%	188,450
336,550	-----	91,043.00 + 35%	336,550

- a. $y = 0.28x - 10,596$
- b. $y = 0.28x + 10,596$
- c. $y = 0.25x - 10,596$
- d. $y = 0.25x + 10,596$

- ___ 6. John and Loretta Smith are in the 28% tax bracket. Their joint taxable income is \$134,899. If the first \$16,050 is taxed at 10%, with the remainder at 28%, how much tax will they owe?
 - a. \$29,371.72
 - b. \$30,271.75
 - c. \$34,882.72
 - d. \$38,724.75

7. Lynn is a single mother with two children. She qualifies to file as head of household. Her total income before deductions was \$38,900 last year. Her total deductions were \$11,450. Her employer withheld \$3,150 from her pay for tax. Use the tax table below. How much more will Lynn owe in taxes?

If line 43 (taxable income) is —		And you are —			
At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is —			
27,000					
27,000	27,050	3,653	3,251	3,653	3,481
27,050	27,100	3,660	3,259	3,660	3,489
27,100	27,150	3,668	3,266	3,668	3,496
27,150	27,200	3,675	3,274	3,675	3,504
27,200	27,250	3,683	3,281	3,683	3,511
27,250	27,300	3,690	3,289	3,690	3,519
27,300	27,350	3,698	3,296	3,698	3,526
27,350	27,400	3,705	3,304	3,705	3,534
27,400	27,450	3,713	3,311	3,713	3,541
27,450	27,500	3,720	3,319	3,720	3,549
27,500	27,550	3,728	3,326	3,728	3,556
27,550	27,600	3,735	3,334	3,735	3,564
27,600	27,650	3,743	3,341	3,743	3,571
27,650	27,700	3,750	3,349	3,750	3,579
27,700	27,750	3,758	3,356	3,758	3,586
27,750	27,800	3,765	3,364	3,765	3,594
27,800	27,850	3,773	3,371	3,773	3,601
27,850	27,900	3,780	3,379	3,780	3,609
27,900	27,950	3,788	3,386	3,788	3,616
27,950	28,000	3,795	3,394	3,795	3,624

- a. \$570
- b. \$563
- c. \$407
- d. \$399

8. Conrad and Jill have a taxable income of \$63,670. They discovered that they are able to receive a \$1,500 tax credit for purchasing an energy efficient furnace. How will this tax credit affect their taxes?

- a. The tax credit will increase their taxable income by \$1,500.
- b. The tax credit will reduce their taxable income by \$1,500.
- c. The tax credit is added to the tax owed, not the taxable income.
- d. The tax credit is subtracted from the tax owed, not taxable income.

9. Dawn is verifying the accuracy of her paycheck. She earns \$12 an hour and works 40 hours each week. Her biweekly deductions are Social Security 6.2%, Medicare 1.45%, federal withholding tax \$73.25, state withholding tax \$22.50, and health insurance \$37.47. What is her net pay if she is paid biweekly?

- a. \$753.34
- b. \$779.44
- c. \$784.34
- d. \$826.78

10. Using the W-2 and 1099 forms below, complete the 1040EZ form for Elizabeth Allision.
Elizabeth's filing status is single

a Employee's social security number 000-00-0000		Safe, accurate, FAST! Use e-file Visit the IRS website at www.irs.gov/efile	
b Employer identification number (EIN) 00-0000000		1 Wages, tips, other compensation \$83,600.00	2 Federal income tax withheld \$15,884.00
c Employer's name, address, and ZIP code Food For Thought 15 Chestnut Street Philadelphia, Pennsylvania 19144		3 Social security wages \$83,600.00	4 Social security tax withheld \$5,183.20
		5 Medicare wages and tips \$83,600.00	6 Medicare tax withheld \$1,212.20
		7 Social security tips	8 Allocated tips
d Control number		9 Advance EIC payment	10 Dependent care benefits
e Employee's first name and initial Last name Suff. Elizabeth Allision		11 Nonqualified plans	
		12a See instructions for box 12	
f Employee's address and ZIP code 6204 Lincoln Street Philadelphia, Pennsylvania 19144		13a Statutory employee <input type="checkbox"/>	13b Retirement plan <input type="checkbox"/>
		13c Third-party sick pay <input type="checkbox"/>	13d Other <input type="checkbox"/>
15 State Employer's state ID number 00-0000000	16 State wages, tips, etc. \$83,600.00	17 State income tax \$10,032.00	18 Local wages, tips, etc.
			19 Local income tax
			20 Locality name

CORRECTED (if checked)

PAYER'S name, street address, city, state, ZIP code, and telephone no. First National Bank 1517 Pine Street Philadelphia, PA 14145		Payer's RTN (optional)	OMB No. 1545-0112
PAYER'S federal identification number 00-0000000		1 Interest income \$ 1212.00	Interest Income
		2 Early withdrawal penalty \$	
RECIPIENT'S identification number 000-00-0000		Form 1099-INT	
RECIPIENT'S name Elizabeth Allision		3 Interest on U.S. Savings Bonds and Treas. obligations \$	Copy B For Recipient This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.
Street address (including apt. no.) 6201 Linclon Street		4 Federal income tax withheld \$	
City, state, and ZIP code Philadelphia, PA 14144		5 Investment expenses \$	
Account number (see instructions)		6 Foreign tax paid \$	
		7 Foreign country or U.S. possession	
		8 Tax-exempt interest \$	9 Specified private activity bond interest \$

Form 1099-INT

2010 Tax Table - Continued

If Form 1040EZ, line 6, is -		And you are -		If Form 1040EZ, line 6, is -		And you are -		If Form 1040EZ, line 6, is -		And you are -		If Form 1040EZ, line 6, is -		And you are -	
At least	But less than	Single	Married filing jointly	At least	But less than	Single	Married filing jointly	At least	But less than	Single	Married filing jointly	At least	But less than	Single	Married filing jointly
Your tax is -				Your tax is -				Your tax is -				Your tax is -			
69,000				72,000				75,000				78,000			
69,000	69,050	13,438	9,619	72,000	72,050	14,188	10,369	75,000	75,050	14,938	11,119	78,000	78,050	15,688	11,869
69,050	69,100	13,450	9,631	72,050	72,100	14,200	10,381	75,050	75,100	14,950	11,131	78,050	78,100	15,700	11,881
69,100	69,150	13,463	9,644	72,100	72,150	14,213	10,394	75,100	75,150	14,963	11,144	78,100	78,150	15,713	11,894
69,150	69,200	13,475	9,656	72,150	72,200	14,225	10,406	75,150	75,200	14,975	11,156	78,150	78,200	15,725	11,906
69,200	69,250	13,488	9,669	72,200	72,250	14,238	10,419	75,200	75,250	14,988	11,169	78,200	78,250	15,738	11,919
69,250	69,300	13,500	9,681	72,250	72,300	14,250	10,431	75,250	75,300	15,000	11,181	78,250	78,300	15,750	11,931
69,300	69,350	13,513	9,694	72,300	72,350	14,263	10,444	75,300	75,350	15,013	11,194	78,300	78,350	15,763	11,944
69,350	69,400	13,525	9,706	72,350	72,400	14,275	10,456	75,350	75,400	15,025	11,206	78,350	78,400	15,775	11,956
69,400	69,450	13,538	9,719	72,400	72,450	14,288	10,469	75,400	75,450	15,038	11,219	78,400	78,450	15,788	11,969
69,450	69,500	13,550	9,731	72,450	72,500	14,300	10,481	75,450	75,500	15,050	11,231	78,450	78,500	15,800	11,981
69,500	69,550	13,563	9,744	72,500	72,550	14,313	10,494	75,500	75,550	15,063	11,244	78,500	78,550	15,813	11,994
69,550	69,600	13,575	9,756	72,550	72,600	14,325	10,506	75,550	75,600	15,075	11,256	78,550	78,600	15,825	12,006
69,600	69,650	13,588	9,769	72,600	72,650	14,338	10,519	75,600	75,650	15,088	11,269	78,600	78,650	15,838	12,019
69,650	69,700	13,600	9,781	72,650	72,700	14,350	10,531	75,650	75,700	15,100	11,281	78,650	78,700	15,850	12,031
69,700	69,750	13,613	9,794	72,700	72,750	14,363	10,544	75,700	75,750	15,113	11,294	78,700	78,750	15,863	12,044
69,750	69,800	13,625	9,806	72,750	72,800	14,375	10,556	75,750	75,800	15,125	11,306	78,750	78,800	15,875	12,056
69,800	69,850	13,638	9,819	72,800	72,850	14,388	10,569	75,800	75,850	15,138	11,319	78,800	78,850	15,888	12,069
69,850	69,900	13,650	9,831	72,850	72,900	14,400	10,581	75,850	75,900	15,150	11,331	78,850	78,900	15,900	12,081
69,900	69,950	13,663	9,844	72,900	72,950	14,413	10,594	75,900	75,950	15,163	11,344	78,900	78,950	15,913	12,094
69,950	70,000	13,675	9,856	72,950	73,000	14,425	10,606	75,950	76,000	15,175	11,356	78,950	79,000	15,925	12,106

Personal Financial Literacy

Name _____

Insert 1040EZ here