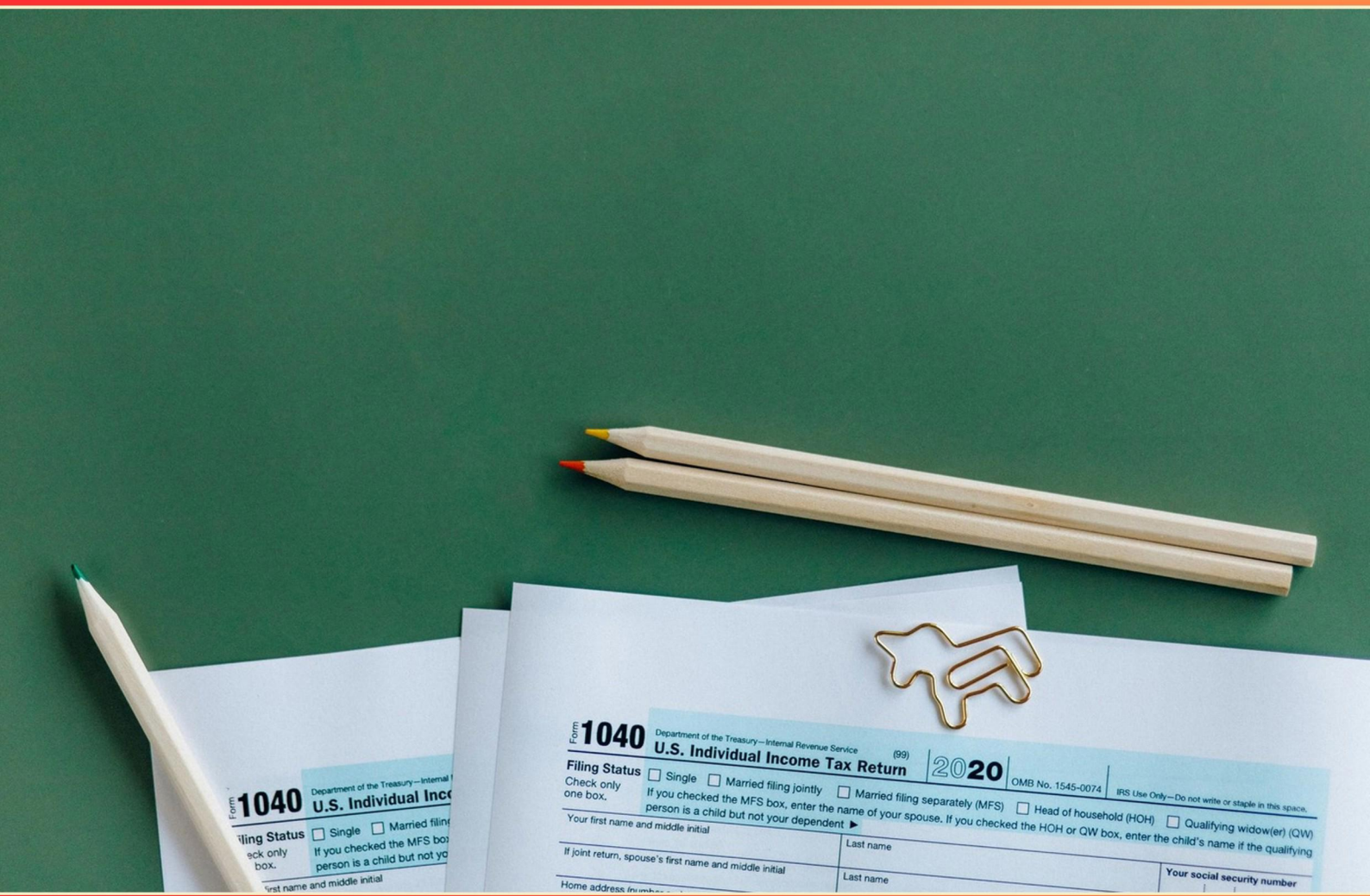
ADVANCED TAX CONCEPT 175 PRACTICE TEST (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

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How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 – 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

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Questions

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1. For Owl Corporation, what is the total contribution amount qualifying for the deduction?

A. $63,000.

B. $75,000.

C. $90,500.

D. $100,000.

2. Which of the following justifications can be used for favorable tax treatment of employer-financed accident and health plans?

A. Economic considerations only

B. Social considerations only

C. Both economic and social considerations

D. None of the above

3. Helene Corporation's income apportioned to State A is determined by what factor?

A. Double-weighted sales factor

B. Three-factor equal weighting

C. Payroll only

D. Single-factor based on payroll

4. When is an S election made before becoming a corporation valid?

A. Immediately upon formation

B. Only beginning with the first 12-month tax year

C. It is never valid

D. It is contingent upon other business activities

5. Which of the following expenses is NOT deductible if unreimbursed?

A. Employee safety gear

B. Business mileage

C. Tax preparation fees for non-business

D. Union dues

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6. What is the status of the Tax Cuts and Jobs Act of 2017 in relation to the Internal Revenue Code?

A. It was rejected and not incorporated

B. It became part of the Internal Revenue Code

C. It was a temporary act without lasting implications

D. It only applies to businesses under certain conditions

7. How is Simpkin Corporation's apportionable income assigned to State B calculated?

A. Based on sales alone.

B. Using a weighted average of factors.

C. Equal weights for sales and payroll only.

D. Property alone determines income in State B.

8. Which of the following expenses is deductible for tax purposes?

A. Safety shoes purchased by a plumber employed by a company

B. Bottled water purchased by a gig driver for passengers

C. Unreimbursed employee expenses

D. Tax return preparation fee paid by a nonemployed retiree

9. What is the basis of the building transferred to Orange Corporation by Roberto?

A. $120,000

B. $125,000

C. $130,000

D. $135,000

10. Which provision allows for the deduction of charitable contributions in a tax regimen?

A. Administrative feasibility

B. Personal exemptions

C. Standard deductions

D. net income calculations

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Answers

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1. C
2. C
3. B
4. B
5. C
6. B
7. B
8. C
9. B
10. A

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Explanations

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1. For Owl Corporation, what is the total contribution amount qualifying for the deduction?

A. $63,000.

B. $75,000.

C. $90,500.

D. $100,000.

To determine the total contribution amount for Owl Corporation qualifying for the deduction, it is essential to recognize certain factors such as the type of contributions Owl Corporation made, the applicable limits on deductions based on the type of organization and contributions, and any relevant tax regulations concerning corporate donations. When assessing contributions, it is also essential to consider the limitations imposed by the Internal Revenue Code. Generally, corporations can deduct charitable contributions up to a certain percentage of their taxable income (usually 10% for C corporations, for example). If the corporation's contributions exceed this limit within a tax year, the excess can be carried forward to subsequent years, within an allowable period. In this scenario, if the amount $90,500 was computed based on these regulations and so qualifies under the specific deduction limits, it indicates that Owl Corporation made contributions that were well-calibrated to fit within these established tax frameworks. This is likely calculated from either the corporation's taxable income or the specific caps set forth for charitable organizations. Thus, the total contribution amount qualifying for deduction, which aligns with Owl Corporation's ability to maximize its tax benefits while adhering to tax laws, is indeed $90,500.

2. Which of the following justifications can be used for favorable tax treatment of employer-financed accident and health plans?

A. Economic considerations only

B. Social considerations only

C. Both economic and social considerations

D. None of the above

The justification for favorable tax treatment of employer-financed accident and health plans stems from both economic and social considerations. From an economic perspective, providing health benefits through employer-sponsored plans can lead to a healthier workforce, which can, in turn, enhance productivity and reduce overall healthcare costs. Employers have a vested interest in the well-being of their employees, and tax incentives encourage them to invest in health coverage. By subsidizing these expenses, the government can help control public healthcare costs and promote economic stability. On the social side, employer-financed health plans contribute to better public health outcomes. By ensuring that employees have access to necessary medical care, these plans help reduce financial barriers to healthcare, leading to improved health conditions across the workforce. This, in turn, supports broader societal goals such as reducing illness-related missed workdays and improving the quality of life, which is a critical consideration for overall community well-being. Therefore, the combination of these economic and social justifications supports the rationale for providing favorable tax treatment to these health plans, acknowledging their importance in promoting both individual health and economic growth.

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3. Helene Corporation's income apportioned to State A is determined by what factor?

A. Double-weighted sales factor

B. Three-factor equal weighting

C. Payroll only

D. Single-factor based on payroll

Helene Corporation's income apportioned to State A is determined by the three-factor equal weighting method. This approach involves three key factors: sales, payroll, and property. Each of these factors contributes equally to the overall formula used to apportion income to the state. Using this method allows the corporation to reflect a more balanced view of its business operations across different states. It recognizes that a company's income-generating activities are influenced by its presence in multiple areas, which includes not just where sales occur, but also where employees work and where property is located. Each factor is typically weighted equally, meaning that sales, payroll, and property each contribute one-third to the apportionment calculation. The double-weighted sales factor would give more emphasis to sales relative to the other factors, which may not present a comprehensive view of the company's activities in the apportioning state. Similarly, payroll-only and single-factor based on payroll approaches would ignore crucial elements of the business operation related to sales and property, potentially skewing the income apportionment to State A. This comprehensive method ensures a fairer basis for taxation, as it captures the diverse contributions of different operational locations.

4. When is an S election made before becoming a corporation valid?

A. Immediately upon formation

B. Only beginning with the first 12-month tax year

C. It is never valid

D. It is contingent upon other business activities

An S election is a significant step for businesses that choose to be taxed as S corporations. For the S election to be valid, it must be made after the corporation has been legally formed and before the start of the corporation's tax year when it wants the S status to take effect. Choosing the option stating that the election is valid only beginning with the first 12-month tax year aligns with IRS regulations, which stipulate that the S election must be made for a tax year beginning after the S corporation is formed. If a corporation is formed and the election is made during its first year, it takes effect for that year's tax purposes if it is timely filed. The other choices do not reflect the correct process for S elections. An immediate validity upon formation does not account for the required timelines outlined by the IRS, and stating that it is never valid or is contingent upon other business activities misrepresents the clarity of the S election process. Understanding this timeline is crucial for business owners to ensure they comply with tax regulations and receive the intended tax treatment.

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5. Which of the following expenses is NOT deductible if unreimbursed?

A. Employee safety gear

B. Business mileage

C. Tax preparation fees for non-business

D. Union dues

The correct choice indicates that tax preparation fees for non-business-related matters are not deductible if they are not reimbursed. This aligns with the changes in tax legislation, particularly the Tax Cuts and Jobs Act, which has significantly limited the ability of individuals to deduct personal expenses, including tax preparation fees associated with personal tax matters. In general, unreimbursed expenses incurred by individuals are subject to strict criteria for deductibility. While certain expenses may be deductible if they are related to a business or trade, personal expenses, like those for tax preparation concerning non-business activities, do not qualify for deductions. On the other hand, categories such as employee safety gear, business mileage, and union dues typically align with business-related expenses and may be deductible under certain conditions. Employee safety gear is necessary for job performance, business mileage costs are related to travel for work purposes, and union dues are often deductible as necessary costs for maintaining employment in a specific industry. Thus, the key differentiation here is the type of expense and its relevance to business activities versus personal expenses.

6. What is the status of the Tax Cuts and Jobs Act of 2017 in relation to the Internal Revenue Code?

A. It was rejected and not incorporated

B. It became part of the Internal Revenue Code

C. It was a temporary act without lasting implications

D. It only applies to businesses under certain conditions

The Tax Cuts and Jobs Act (TCJA) of 2017 is significant legislation that revised various aspects of the Internal Revenue Code. When the TCJA was enacted, it introduced substantial changes to tax rates, deductions, and credits for both individuals and businesses. This comprehensive reform is indeed now part of the Internal Revenue Code, effectively integrating these new provisions into the existing legal framework governing taxation in the United States. Incorporating the TCJA into the Internal Revenue Code means that its provisions are legally enforceable and govern tax liabilities going forward. The act is noteworthy not just for its broad scope, but also for the lasting impact it has on the tax landscape, which is why it has been categorized among the fundamental statutes in the Internal Revenue Code as opposed to being a temporary measure or limited in application. Thus, it is recognized as a major overhauling of tax law, directly influencing tax policy and administration moving forward.

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7. How is Simpkin Corporation's apportionable income assigned to State B calculated?

A. Based on sales alone.

B. Using a weighted average of factors.

C. Equal weights for sales and payroll only.

D. Property alone determines income in State B.

The correct approach to calculate Simpkin Corporation's apportionable income assigned to State B is to use a weighted average of factors. This method generally takes into account multiple factors such as sales, property, and payroll, recognizing that each contributes to the total business activities in a state but not necessarily equally. In most states, the apportionment of income is conducted through a formula which assigns different weights to these factors based on the nature of the business and regulatory requirements. A weighted average takes into account the significance of each factor; for instance, a company might have a higher volume of sales than property or payroll, which would warrant a greater impact on the apportionment calculation. Using a weighted average ensures that the tax assignment reflects a more equitable distribution of income across states where a business operates, rather than isolating the income to one factor, which can distort the actual economic activity occurring in the state. This allows for a comprehensive assessment of how each aspect of the corporation's operations influences its overall income generation in State B.

8. Which of the following expenses is deductible for tax purposes?

A. Safety shoes purchased by a plumber employed by a company

B. Bottled water purchased by a gig driver for passengers

C. Unreimbursed employee expenses

D. Tax return preparation fee paid by a nonemployed retiree

The choice of unreimbursed employee expenses is correct because it refers to costs incurred by employees in the course of their job that are not reimbursed by their employer and can be deducted from their taxable income. This deduction typically applies to expenses that are ordinary and necessary for the performance of the job. However, it is important to note that changes enacted by the Tax Cuts and Jobs Act of 2017 have suspended the deduction for unreimbursed employee expenses for tax years 2018 through 2025 for most employees. For the other options, safety shoes purchased by a plumber can be deductible if they meet specific criteria, but eligibility varies depending on the employment structure and company policies. Bottled water purchased by a gig driver for passengers is generally considered a personal expense, which is not deductible. The tax return preparation fee paid by a nonemployed retiree also isn't deductible for the same reason; personal expenses of non-employees are usually not eligible for deductions under most circumstances post-2017 tax reform. Thus, the context of the taxable employee status underlines why unreimbursed employee expenses is recognized as a potential deduction while considering the limitations set by tax law amendments.

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9. What is the basis of the building transferred to Orange Corporation by Roberto?

A. $120,000

B. $125,000

C. $130,000

D. $135,000

To determine the basis of the building transferred to Orange Corporation by Roberto, it's important to consider the concept of basis in tax law, specifically focusing on the transfer of property between related parties or in business operations. When one entity transfers property to another, the basis of that property in the hands of the recipient often depends on the transferor's adjusted basis in that property at the time of the transfer. This basis typically includes the original cost of the property, adjusted for any improvements made, and reduced by depreciation if applicable for tax purposes. If the building was originally acquired by Roberto for a certain amount, any improvements made to it could have increased this basis, while depreciation could lower it. In this instance, assuming that the only relevant factor affecting the basis is Roberto's adjusted basis in the building at the time of transfer, the correct answer of $125,000 suggests that this was the net adjusted basis after considering all relevant factors such as cost and depreciation. Understanding this process is crucial in tax practice as it affects the gain or loss calculation upon the sale or further transfer of the property, as well as the eventual tax implications for both the transferor and transferee.

10. Which provision allows for the deduction of charitable contributions in a tax regimen?

A. Administrative feasibility

B. Personal exemptions

C. Standard deductions

D. net income calculations

The correct answer relates to the concept of administrative feasibility, which refers to the ease and practicality of implementing and managing deductions for charitable contributions within the tax system. This provision facilitates the deduction of charitable donations made by individuals and businesses, allowing taxpayers to reduce their taxable income and thus the amount of tax they owe. Charitable contributions are recognized as a way to encourage philanthropy and social responsibility, and allowing their deduction aligns with the idea of supporting public good and community welfare. Under this provision, taxpayers can typically deduct contributions made to qualified charitable organizations, provided they maintain appropriate documentation and follow established rules. While the other options like personal exemptions, standard deductions, and net income calculations involve aspects of tax calculations, they do not specifically address the framework that enables taxpayers to benefit from charitable contributions as deductions in the code. Personal exemptions refer to allowances for individual taxpayers, standard deductions simplify the tax filing process without itemizing, and net income calculations relate to overall income assessments but do not specifically govern the treatment of charitable contributions.

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Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

https://advtaxconcept175.examzify.com

We wish you the very best on your exam journey. You've got this!

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