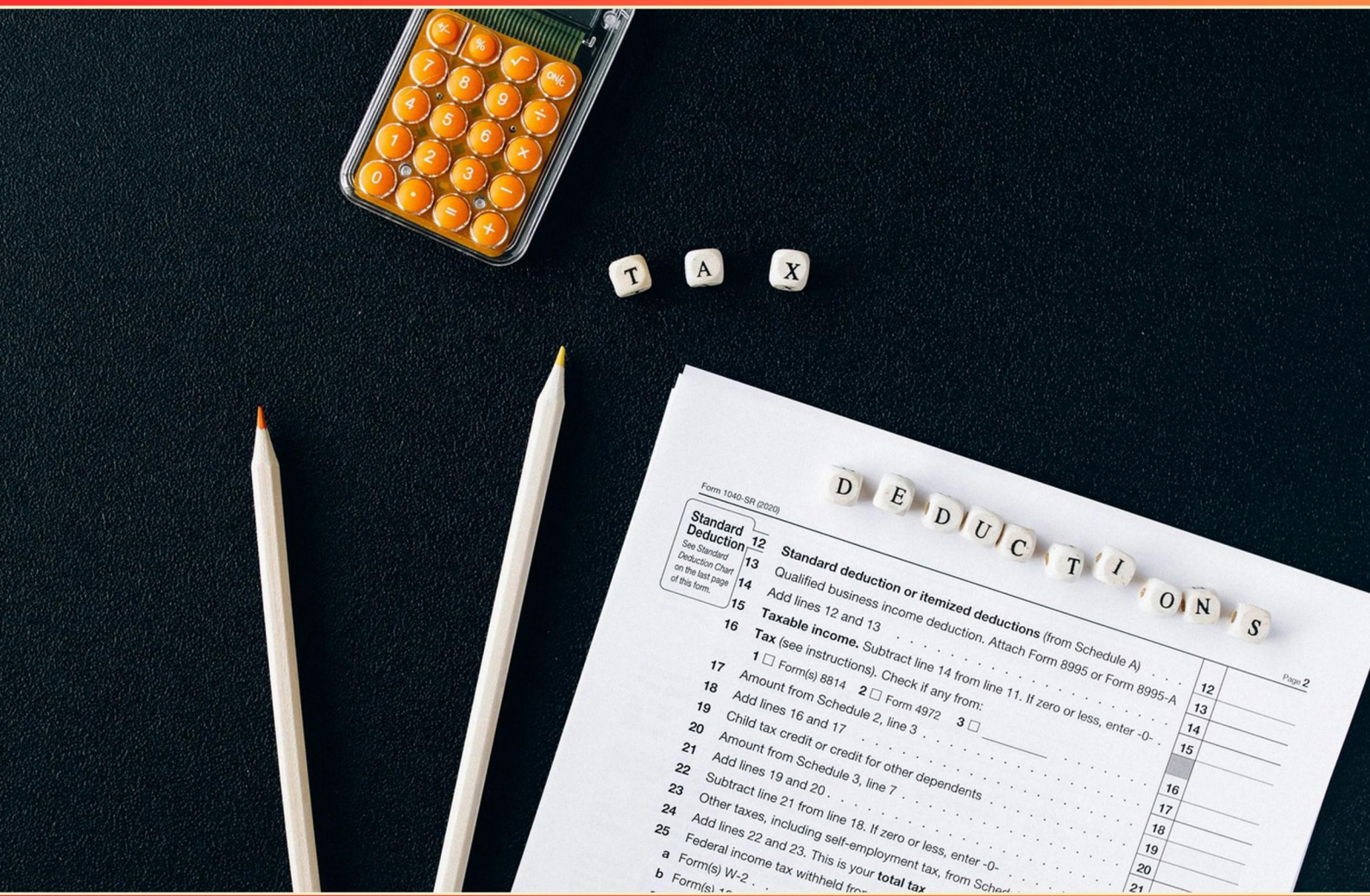
INTUIT ACADEMY TAX LEVEL 1 PRACTICE TEST (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

VISIT US ONLINE FOR THE FULL VERSION STUDY GUIDE

https://intuitacademytaxlvl1.examzify.com

Copyright © 2026 by Examzify - A Kaluba Technologies Inc. product.

ALL RIGHTS RESERVED.

No part of this book may be reproduced or transferred in any form or by any means, graphic, electronic, or mechanical, including photocopying, recording, web distribution, taping, or by any information storage retrieval system, without the written permission of the author.

Notice: Examzify makes every reasonable effort to obtain accurate, complete, and timely information about this product from reliable sources.

SAMPLE

Table of Contents

Copyright 1

Table of Contents 2

Introduction 3

How to Use This Guide 4

Questions 5

Answers 8

Explanations 10

Next Steps 15

SAMPLE

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.

SAMPLE

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!

SAMPLE

Questions

SAMPLE

1. What happens to the taxability of funds used from an HSA or MSA for qualified medical expenses?

A. They become subject to tax

B. They are fully taxable

C. None of the money is taxable

D. They incur penalties

2. How much can Paul deduct as an adjustment to income given his alimony and medical expenses?

A. $15,000

B. $23,000

C. $8,000

D. $10,000

3. What should Alice's HSA distribution be after realizing her actual medical expenses?

A. $400

B. $300

C. $100

D. $200

4. A partnership is defined as a business run by how many individuals?

A. One

B. Two or more

C. Five or more

D. Three or more

5. What happens if a qualifying child files a joint return only to claim a refund?

A. They cannot be considered a qualifying child

B. They can still be considered a qualifying child

C. They must file separately to be considered

D. They may not claim a refund

SAMPLE

6. Which of the following groups can file as Resident Aliens?

A. Only U.S. citizens
B. Only those on temporary visas
C. Anyone meeting residency tests
D. Only those with outstanding tax liabilities

7. Ordinary dividends are taxed at the same rate as which type of income?

A. Capital gains
B. Passive income
C. Ordinary income
D. Investment income

8. What type of tax credit is available regardless of the amount of tax paid?

A. Nonrefundable Tax Credit
B. Refundable Tax Credit
C. Partially Refundable Tax Credit
D. Standard Tax Credit

9. In which situation would you choose Married Filing Separately?

A. Both spouses earn equal income
B. If one spouse has substantial medical expenses
C. If both spouses want to combine deductions
D. If one spouse earns no income

10. What can capital losses allow investors to do on their tax returns?

A. Offset capital gains and other forms of income
B. Reduce taxable income by a fixed amount
C. Eliminate all investment-related taxes
D. Increase tax deductions on real estate

SAMPLE

Answers

SAMPLE

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

SAMPLE

Explanations

SAMPLE

1. What happens to the taxability of funds used from an HSA or MSA for qualified medical expenses?

A. They become subject to tax

B. They are fully taxable

C. None of the money is taxable

D. They incur penalties

When funds from a Health Savings Account (HSA) or a Medical Savings Account (MSA) are used for qualified medical expenses, those funds are not subject to federal income tax. This tax advantage is a key feature of HSAs and MSAs, intended to encourage individuals to save for and cover their medical expenses with tax-free dollars. Qualified medical expenses typically include a variety of healthcare costs, such as doctor visits, hospital services, prescription medications, and certain necessary medical supplies. Because the funds are designated for these specific expenses and the accounts are structured to provide tax benefits, any withdrawals made for qualifying medical expenses are not taxed, hence not diminishing the value of the savings. This outcome promotes the use of these accounts for their intended healthcare purposes, allowing individuals and families to manage and pay for medical expenses effectively without incurring additional taxes on those funds.

2. How much can Paul deduct as an adjustment to income given his alimony and medical expenses?

A. $15,000

B. $23,000

C. $8,000

D. $10,000

To determine how much Paul can deduct as an adjustment to income for alimony and medical expenses, it's essential to understand the tax treatment of these items. Alimony payments are generally deductible from the payer's taxable income, provided they meet certain criteria, such as being part of a divorce or separation agreement executed before 2019. If Paul has made alimony payments, he can deduct the total amount paid. Medical expenses, on the other hand, can be deducted only to the extent that they exceed a certain percentage of Paul's adjusted gross income (AGI). For tax purposes, only the portion of medical expenses that surpasses this threshold can be itemized on Schedule A and not directly deducted as an adjustment to income. Medical expenses are not an adjustment to income but rather fall under itemized deductions. If we analyze Paul's financial scenario and it is indicated that alimony payments total $23,000, this amount would qualify as a deduction from his income directly, making it the adjustment he can claim. Therefore, the total deductibility Paul has from alimony reflects in the answer provided, which is $23,000. This value aligns with the treatment of alimony as an adjustment to income, distinguishing it from other deductions like medical expenses that do not have

SAMPLE

3. What should Alice's HSA distribution be after realizing her actual medical expenses?

A. $400

B. $300

C. $100

D. $200

To determine what Alice's HSA distribution should be after realizing her actual medical expenses, it's important to understand how Health Savings Accounts (HSAs) work. An HSA allows individuals to set aside money tax-free to pay for qualified medical expenses. The distributions from an HSA used for qualifying medical costs are not taxed, making it a beneficial financial tool for managing healthcare expenses. In this scenario, Alice's distribution should align with her actual medical expenses incurred. If the total of her qualified medical expenses comes out to be $100, that is the appropriate amount to withdraw from her HSA. This amount reflects the necessary funds she needs to cover her expenses without exceeding the actual costs incurred. Choosing a higher amount would mean Alice is either withdrawing more than what is needed for her medical expenses or potentially opening herself up to tax implications if those excess funds are not used for qualified expenses. Therefore, the distribution that accurately meets her medical spending is $100. This ensures she is making the most efficient use of her HSA funds while adhering to tax regulations.

4. A partnership is defined as a business run by how many individuals?

A. One

B. Two or more

C. Five or more

D. Three or more

A partnership is defined as a business arrangement where two or more individuals come together to run a business and share its profits and losses. The fundamental characteristic of a partnership is the collaboration and collective management of the business. In legal terms, the minimum requirement to establish a partnership is two individuals; this ensures that there is joint responsibility and mutual agreement in the decision-making process. While a partnership can include more than two individuals, it cannot be formed with just one individual, which distinguishes it from sole proprietorships. Therefore, the correct answer emphasizes the foundational requirement of at least two individuals to establish a partnership, highlighting the collaborative nature of this business structure.

5. What happens if a qualifying child files a joint return only to claim a refund?

A. They cannot be considered a qualifying child

B. They can still be considered a qualifying child

C. They must file separately to be considered

D. They may not claim a refund

When a qualifying child files a joint return solely to claim a refund, they can still be considered a qualifying child for tax purposes. The rules surrounding qualifying children state that a child's filing status does not disqualify them as long as they meet other criteria, such as age, residency, relationship, and support. Specifically, the tax code allows a child to file jointly if they do not owe tax and are only doing so to secure a refund, which typically occurs when the child has had withheld taxes or qualifies for certain credits that exceed their tax liability. As a result, their aim to claim a refund does not affect their status as a qualifying child, provided all other requirements are met. Additional options suggest that filing a joint return would disqualify them or that separate filing is necessary, both of which misinterpret the regulations that govern dependent qualification.

EXAMPLE

6. Which of the following groups can file as Resident Aliens?

A. Only U.S. citizens

B. Only those on temporary visas

C. Anyone meeting residency tests

D. Only those with outstanding tax liabilities

The option that indicates anyone meeting residency tests is correct because the IRS defines a resident alien based on specific criteria that assess the individual's presence in the country. A person can qualify as a resident alien if they meet either the "Green Card Test" or the "Substantial Presence Test." The Green Card Test refers to individuals who have been granted the right to live permanently in the United States. The Substantial Presence Test evaluates whether the individual has been physically present in the U.S. for a certain number of days over a three-year period. This means that resident alien status is not limited to U.S. citizens or those on temporary visas, nor is it exclusive to individuals with outstanding tax liabilities. This broad criteria allows many individuals who are in the United States for a sufficient amount of time or have a permanent resident status to qualify as resident aliens for tax purposes.

7. Ordinary dividends are taxed at the same rate as which type of income?

A. Capital gains

B. Passive income

C. Ordinary income

D. Investment income

Ordinary dividends are taxed at the same rate as ordinary income. This is important to understand as it reflects how the tax code categorizes income types and the rates associated with them. Ordinary income includes wages, salaries, and other forms of income that are not subject to special rates or treatment. When individuals receive dividends from their investments, these dividends are considered ordinary income unless they qualify for preferential tax rates, such as qualified dividends. In contrast, capital gains are typically taxed at different rates depending on how long the asset was held before sale, while passive income may include different types of earnings that are subject to specific tax treatments. Investment income is a broad category that includes various types of income, like interest and capital gains, which also do not have the same tax treatment as ordinary income. Understanding this classification is crucial for accurately preparing tax returns and optimizing tax liabilities.

8. What type of tax credit is available regardless of the amount of tax paid?

A. Nonrefundable Tax Credit

B. Refundable Tax Credit

C. Partially Refundable Tax Credit

D. Standard Tax Credit

A refundable tax credit is designed to provide financial relief to taxpayers regardless of their tax liability. If the amount of the credit exceeds the tax owed, the taxpayer can receive a refund for the difference. This means that even if someone has little to no tax liability, they can still benefit from the credit, receiving cash back from the government. This is particularly helpful for low-income individuals or families who may not owe much in taxes but can still receive significant credits to support their financial situations. In contrast, nonrefundable tax credits can only reduce a taxpayer's liability to zero and do not offer any refund beyond that point. Partially refundable tax credits contain both nonrefundable and refundable components, providing a smaller degree of the benefits that refundable credits do. The term "standard tax credit" isn't commonly used in tax discussions and does not apply to how credits function in terms of their refundable or nonrefundable status.

SAMPLE

9. In which situation would you choose Married Filing Separately?

A. Both spouses earn equal income

B. If one spouse has substantial medical expenses

C. If both spouses want to combine deductions

D. If one spouse earns no income

Choosing to file as Married Filing Separately can be beneficial in situations where one spouse incurs substantial medical expenses. This filing status allows the spouse with the medical expenses to potentially deduct more medical expenses, as the threshold for deducting medical expenses is based on a percentage of their individual income. When married couples file jointly, the combined income may elevate the threshold percentage that applies to medical expenses, thereby making it more difficult to reach the amount eligible for deduction. By filing separately, the spouse with high medical expenses can claim deductions based solely on their income, potentially leading to a greater tax benefit for that individual. In situations where both spouses earn equal income, combining incomes may result in a higher tax liability overall compared to filing separately. Additionally, if both spouses want to combine deductions, that objective aligns more with filing jointly, which also has the benefit of a higher standard deduction. Lastly, if one spouse earns no income, filing together might still be preferable since it allows the working spouse to benefit from the full range of tax credits and deductions, rather than limiting their taxable income further by filing separately.

10. What can capital losses allow investors to do on their tax returns?

A. Offset capital gains and other forms of income

B. Reduce taxable income by a fixed amount

C. Eliminate all investment-related taxes

D. Increase tax deductions on real estate

Capital losses play a significant role in tax returns by allowing investors to offset their capital gains. When an investor sells an asset at a loss, this loss can be used to reduce the amount of taxable capital gains. For instance, if an individual has $5,000 in capital gains from the sale of one investment and $3,000 in capital losses from the sale of another, they can offset their gains using the losses. This means that only $2,000 of the capital gains would be subject to taxation, effectively lowering their tax liability. Furthermore, if the capital losses exceed the capital gains, individuals can use up to $3,000 of the excess loss to offset other forms of income, such as wages or salaries (or $1,500 if married filing separately). This ability to offset gains and, to some extent, other income is a strategic tax planning advantage for investors, allowing for a more favorable tax outcome based on their investment activities. The other options do not accurately reflect how capital losses operate within the tax framework, as they do not allow for fixed deductions or eliminate taxes completely. They also do not specifically pertain to increasing tax deductions on real estate, which is a different tax scenario.

SAMPLE

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://intuitacademytaxlvl1.examzify.com

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

SAMPLE