TAX PREPARER PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

VISIT US ONLINE FOR THE FULL VERSION STUDY GUIDE

https://taxpreparer.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 16

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 activities are classified as farming activities?

A. Only those involving livestock

B. Cultivating land and operating various types of farms

C. Harvesting crops only

D. Fishing and logging

2. Which method records income only when it is actually received?

A. Accrual method

B. Cash method

C. Hybrid method

D. Completed contract method

3. What type of income does a traditional IRA primarily consist of?

A. Capital gains.

B. Qualified dividends.

C. Deductible contributions.

D. Rental income.

4. What is the standard deduction for Married Filing Jointly in 2010?

A. $5,700

B. $8,400

C. $11,400

D. $12,000

5. What criteria must be met for a taxpayer to use the qualifying widow(er) filing status?

A. The spouse must have died in the last five years

B. The taxpayer must have remarried

C. The taxpayer must have paid over half of the home costs with a dependent child

D. The taxpayer must reside in the same state for three consecutive years

SAMPLE

6. What is the classification of ordinary and necessary expenses?

A. Expenses incurred for personal enjoyment

B. Expenses that are needed to carry on a business

C. Expenses that are optional

D. Expenses associated with luxury items

7. Which of the following losses can be deducted as a miscellaneous itemized deduction?

A. Losses on personal property

B. Losses from income-producing property

C. Losses from gambling

D. Both B and C

8. What is the result of calculating Adjusted Gross Income (AGI) for taxpayers?

A. It determines eligibility for tax credits only.

B. It establishes their overall non-taxable income.

C. It is the base amount for calculating taxable income.

D. It is irrelevant to tax deduction calculations.

9. Which of the following is an example of a non-depreciable asset?

A. Land

B. Rental property

C. Vehicles

D. Office furniture

10. What form is used to report HSA contributions?

A. Form 1040

B. Form 8889

C. Form 3903

D. Form W-2

SAMPLE

Answers

SAMPLE

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

SAMPLE

Explanations

SAMPLE

1. What activities are classified as farming activities?

A. Only those involving livestock

B. Cultivating land and operating various types of farms

C. Harvesting crops only

D. Fishing and logging

Farming activities are broadly defined to encompass a variety of operations and practices related to the cultivation of land and the management of different types of agricultural production. This includes cultivating land for crops, operating various types of farms like dairy, vegetable, fruit, grain, and even forestry in some contexts. The essence of farming activities lies in their agricultural nature, which involves the production of goods through the techniques of agriculture ranging from planting and growing crops to maintaining livestock. The other options focus too narrowly on specific aspects of agriculture. For instance, the choice that mentions only livestock ignores significant agricultural activities such as growing crops that are equally vital to the farming definition. Harvesting crops only is a subset of the overall farming process, thus not adequately representing the full scope of farming activities. Fishing and logging, while they may involve natural resource management, do not fit under the traditional definition of farming, which specifically pertains to land cultivation and cultivation practices. Hence, the correct option encompasses the full range of farming operations.

2. Which method records income only when it is actually received?

A. Accrual method

B. Cash method

C. Hybrid method

D. Completed contract method

The cash method is a financial accounting approach that records income only when it is actually received, rather than when it is earned. This method recognizes revenue and expenses based on actual cash transactions, meaning that income is documented only when cash is received from customers. This is particularly advantageous for small businesses and individuals, as it gives a clear picture of cash flow and available funds at any given time. In contrast, the accrual method recognizes income when it is earned, regardless of when cash is received. The hybrid method combines elements of both cash and accrual methods, allowing for more flexibility but still relies on recognizing income at different times than when cash changes hands. The completed contract method is typically used in long-term construction contracts, recognizing income only when the entire project is completed. Each of these methods has different implications for financial reporting and tax liabilities, but the defining characteristic of the cash method is its focus on the actual receipt of cash for income recognition.

SAMPLE

3. What type of income does a traditional IRA primarily consist of?

A. Capital gains.

B. Qualified dividends.

C. Deductible contributions.

D. Rental income.

A traditional IRA primarily consists of deductible contributions, which are contributions made to the account that can reduce the account holder's taxable income in the year the contribution is made. This means that individuals can contribute a certain amount to their traditional IRA and deduct that amount from their taxable income, subject to IRS limitations and eligibility requirements. Deductible contributions are a key feature of traditional IRAs, allowing taxpayers to potentially lower their tax liability while saving for retirement. The funds in the IRA can grow tax-deferred until they are withdrawn, typically during retirement when the individual may be in a lower tax bracket. When considering the other types of income mentioned, capital gains and qualified dividends relate to gains and distributions from investments rather than the contributions made to the IRA itself. Rental income also does not align with the income associated with a traditional IRA, as that income is derived from real estate investments and not from the retirement account contributions. Therefore, the primary focus on deductible contributions is what defines the income of a traditional IRA.

4. What is the standard deduction for Married Filing Jointly in 2010?

A. $5,700

B. $8,400

C. $11,400

D. $12,000

For the tax year 2010, the standard deduction for married couples filing jointly is accurately noted as $11,400. This amount reflects adjustments made to the standard deductions over the years to account for inflation and changing tax laws. The standard deduction simplifies the tax filing process by allowing taxpayers to reduce their taxable income without the need to itemize deductions, making it a beneficial option for many. The other options provided do not represent the standard deduction amount for that year. For example, amounts lower than $11,400 would not be adequate for married couples filing jointly, as they do not align with the legislative adjustments made for that tax year. Also, amounts that are significantly higher would not be applicable since the IRS sets specific annual limits for standard deductions, and $11,400 was the correct limit set for 2010. This reflects the IRS's recognition of the economy and inflation impact on household finances at that time.

SAMPLE

5. What criteria must be met for a taxpayer to use the qualifying widow(er) filing status?

A. The spouse must have died in the last five years

B. The taxpayer must have remarried

C. The taxpayer must have paid over half of the home costs with a dependent child

D. The taxpayer must reside in the same state for three consecutive years

The qualifying widow(er) filing status is designed to provide tax relief for surviving spouses with dependent children. To qualify for this status, a taxpayer must not have remarried during the year and must also have paid more than half the cost of maintaining a home for themselves and their dependent child. This provision recognizes the financial challenges faced by a recently widowed person, particularly in supporting and caring for a dependent child. By allowing this filing status, the IRS enables eligible taxpayers to benefit from a tax rate similar to that of married couples filing jointly, which can be substantially lower than the rates applicable to single filers. The criteria outlined in the other options do not align with the requirements for qualifying widow(er) status. For instance, there is no stipulation regarding the timeframe of five years since the spouse's death, nor is it necessary to have resided in the same state for a certain number of years or to have remarried. Therefore, the correct option concerning the eligibility for the qualifying widow(er) filing status centers on the maintenance and support of a dependent child in the household.

6. What is the classification of ordinary and necessary expenses?

A. Expenses incurred for personal enjoyment

B. Expenses that are needed to carry on a business

C. Expenses that are optional

D. Expenses associated with luxury items

The classification of ordinary and necessary expenses is defined by the IRS as expenses that are both common and accepted in the taxpayer's trade or business and essential for the operation of that business. When evaluating what constitutes an ordinary and necessary expense, consider that "ordinary" refers to expenses that are typical in the industry and "necessary" means that the expenses are appropriate and helpful for the business's operations. For a business to maintain its activities effectively, it must incur costs that directly relate to its functions or services. These can include things like rent, salaries, utilities, and other operational costs that are essential for the business to function sustainably. The IRS allows these expenses to be deducted since they are seen as integral to generating income and maintaining the enterprise. In contrast to this, the other options refer to expenses that do not align with the IRS's definition. Expenses incurred purely for personal enjoyment, optional expenses, or those associated with luxury items fall outside the scope of what qualifies as ordinary and necessary for business operations and therefore cannot be deducted when calculating taxable income. Such distinctions are crucial for tax preparation and compliance.

SAMPLE

7. Which of the following losses can be deducted as a miscellaneous itemized deduction?

A. Losses on personal property

B. Losses from income-producing property

C. Losses from gambling

D. Both B and C

Deductible miscellaneous itemized deductions include specific types of losses that can help reduce taxable income, subject to certain limitations. Losses from income-producing property and gambling losses are categorized under this provision. Losses from income-producing property can be deducted because they directly relate to generating income and managing investments, such as losses from rental properties or stocks. These losses can offset other income, thereby lowering the taxpayer's taxable income. Gambling losses are also deductible, but only to the extent of gambling winnings. This means that individuals who have incurred losses from gambling activities can report these losses on their tax return, but they cannot exceed the amount of gambling income they report. In contrast, losses on personal property (such as a home or car) are considered personal losses and are not deductible as miscellaneous itemized deductions. This distinction is important as it underscores the IRS's policy that only losses related to income-producing activities or specifically permitted areas are eligible for deduction. Thus, the combination of losses from both income-producing properties and gambling losses provides a comprehensive picture of allowable deductions under the miscellaneous itemized category.

8. What is the result of calculating Adjusted Gross Income (AGI) for taxpayers?

A. It determines eligibility for tax credits only.

B. It establishes their overall non-taxable income.

C. It is the base amount for calculating taxable income.

D. It is irrelevant to tax deduction calculations.

Calculating Adjusted Gross Income (AGI) is a fundamental step in determining a taxpayer's taxable income. AGI serves as the starting point from which various deductions and credits are applied to arrive at the final taxable income. It includes a taxpayer's gross income with certain adjustments, such as contributions to retirement accounts or student loan interest paid, which can reduce the overall income considered for tax purposes. By establishing AGI, taxpayers can see which deductions they may be eligible for, as many deductions and credits phase out at certain AGI levels. Therefore, accurately calculating AGI not only impacts how much tax a taxpayer ultimately pays but also helps in identifying eligibility for various tax benefits. This makes AGI essential for tax planning and ensuring compliance with tax regulations.

SAMPLE

9. Which of the following is an example of a non-depreciable asset?

A. Land

B. Rental property

C. Vehicles

D. Office furniture

A non-depreciable asset is one that does not lose value over time due to wear and tear or obsolescence, which is typically the case for land. Unlike other assets such as rental property, vehicles, or office furniture, land is not subject to depreciation because it does not have a finite useful life. Instead, land may actually appreciate in value due to various factors such as location, demand, and market trends. In contrast, rental properties, vehicles, and office furniture all have limited useful lives and typically experience a decline in value as they age and are used. These assets can be depreciated over time to reflect their decreasing value on financial statements and for tax purposes. Therefore, identifying land as a non-depreciable asset is fundamental in understanding asset classification and treatment in accounting and taxation.

10. What form is used to report HSA contributions?

A. Form 1040

B. Form 8889

C. Form 3903

D. Form W-2

The appropriate form to report Health Savings Account (HSA) contributions is Form 8889. This form is specifically designed to report contributions to and distributions from an HSA, as well as calculating any deductions related to these contributions. When individuals make contributions to an HSA, they must use this form to provide the IRS with the detailed information regarding their account. Form 8889 allows taxpayers to report their contributions, determine their eligibility for the deduction, and disclose any distributions they made from the HSA during the tax year. Properly filling out this form is crucial for maintaining compliance with tax laws related to HSAs and ensuring that taxpayers take advantage of the tax benefits these accounts offer. Other forms mentioned serve different purposes; for instance, Form 1040 is the standard individual income tax return form, Form 3903 is used for moving expenses, and Form W-2 reports an employee's annual wages and the amount of taxes withheld. These forms do not address HSA contributions directly, which reinforces why Form 8889 is the correct choice in this context.

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://taxpreparer.examzify.com

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

SAMPLE