

Advanced Course Scenarios and Test Questions

Directions

The first six scenarios do not require you to prepare a tax return. **Read the interview notes for each scenario carefully and use your training and resource materials to answer the questions after the scenarios.**

Advanced Scenario 1: Chris Spalding

Interview Notes

- Chris's husband, George, moved out of their home in February of 2022. She had no contact with him since he moved out. Chris and George are not legally separated.
- Chris has one child, Mary, age 9. She will claim Mary as a dependent on her 2022 tax return. Chris is 31 years old.
- Chris earned \$36,200 in wages and received \$50 of interest. Chris was out of work for a month and received unemployment income of \$1,800.
- Chris paid all the costs of keeping up her home. She provided over half of the support for Mary.
- They all are U.S. citizens and have valid social security numbers. They lived in the U.S. all year.

Advanced Scenario 1: Test Questions

1. What is the most beneficial of the following filing statuses that Chris is eligible to claim on her 2022 tax return?
 - a. Single
 - b. Married Filing Separately
 - c. Qualifying Surviving Spouse (QSS)
 - d. Head of Household
2. Based on the information provided, Chris qualifies for the earned income credit.
 - a. True
 - b. False
3. What amount of Chris's unemployment compensation is taxable? \$_____

Advanced Scenario 2: Adam and Lisa Garcia

Interview Notes

- Adam and Lisa are married and want to file a joint return.
- Adam is a U.S. citizen and has a valid Social Security number. Lisa is a resident alien and has an ITIN. They resided in the United States all year with their children.
- Adam and Lisa have two children, Maria, age 11, and Luis, age 17. Maria and Luis are U.S. citizens and have valid Social Security numbers.
- Adam earned \$22,000 in wages.
- Lisa earned \$20,000 in wages.
- In order to work, the Garcias paid \$2,000 to their son Luis to care for Maria after school.
- Adam and Lisa provided all of the support for their two children.

Advanced Scenario 2: Test Questions

4. What is the maximum amount Adam and Lisa are eligible to claim for the child tax credit?
 - a. \$2,000
 - b. \$3,000
 - c. \$4,000
 - d. \$6,000
5. The Garcias qualify for the child and dependent care credit.
 - a. True
 - b. False

Advanced Scenario 3: Jenny Smith

Interview Notes

- Jenny Smith, age 57, is single.
- Jenny earned wages of \$52,000 and was enrolled the entire year in a high deductible health plan (HDHP) with self-only coverage.
- During the year, Jenny contributed \$2,000 to her Health Savings Account (HSA) and her mother also contributed \$1,000 to Jenny's HSA account.
- Jenny's Form W-2 shows \$650 in Box 12 with code W. She has Form 5498-SA showing \$3,650 in Box 2.
- Jenny took a distribution from her HSA to pay her unreimbursed expenses:
 - 8 visits to a physical therapist after her knee surgery \$400
 - unreimbursed doctor bills for \$900
 - prescription medicine \$200
 - replacement of a crown \$1,500
 - over the counter medication \$40
 - gym membership \$240
- Jenny is a U.S. citizen with a valid Social Security number.

Advanced Scenario 3: Test Questions

6. Form 8889, Part 1 is used to report HSA contributions made by _____.
 - a. Jenny
 - b. Jenny's employer
 - c. Jenny's mother
 - d. All of the above

7. Jenny is eligible to contribute an additional \$1,000 to her HSA because she is age 55 or older.
 - a. True
 - b. False

8. What is the total unreimbursed qualified medical expenses reported on Form 8889, Part II?
 - a. \$2,640
 - b. \$3,000
 - c. \$3,040
 - d. \$3,280

Advanced Scenario 4: Alice Adams

Interview Notes

- Alice, age 58, is single. She owns her home and provided all the costs of keeping up her home for the entire year. Her only income for 2022 was \$46,000 in W-2 wages.
- Linda, age 24, and her daughter Nancy, age 4, moved in with Linda's mother, Alice, after she separated from her spouse in April of 2020. Linda's only income for 2022 was \$25,000 in wages. Linda provided over half of her own support. Nancy did not provide more than half of her own support.
- Linda will not file a joint return with her spouse.
- All individuals in the household are U.S. citizens with valid Social Security numbers. No one has a disability. They lived in the United States all year.

Advanced Scenario 4: Test Questions

9. For the purpose of determining dependency, Nancy could be the qualifying child of _____.
- a. Only Alice
 - b. Only Linda
 - c. Either Alice or Linda
 - d. Neither Alice nor Linda
10. Linda is **not** eligible to claim Nancy for the earned income credit because her filing status is Married Filing Separate.
- a. True
 - b. False

Advanced Scenario 5: Ellen Black

Interview Notes

- Ellen is 48 years old and files as single.
- Her 2022 adjusted gross income (AGI) is \$51,000, which includes gambling winnings of \$2,000.
- Ellen would like to itemize her deductions this year.
- Ellen brings documents for the following expenses:
 - \$9,000 Hospital and doctor bills
 - \$500 Contributions to Health Savings Account (HSA)
 - \$3,600 State withholding (higher than Ellen's calculated state sales tax deduction)
 - \$300 Personal property taxes based on the value of the vehicle
 - \$400 Friend's personal GoFundMe campaign
 - \$275 Cash contributions to the Red Cross
 - \$200 Fair market value of clothing in good condition donated to the Salvation Army (Ellen purchased the clothing for \$900)
 - \$7,300 Mortgage interest
 - \$2,300 Real estate tax
 - \$150 Homeowners association fees
 - \$3,000 Gambling losses

Advanced Scenario 5: Test Questions

11. Ellen can claim the \$400 she donated to her friend's personal GoFundMe campaign as a deduction on her Schedule A.
 - a. True
 - b. False

12. What amount of gambling losses is Ellen eligible to claim as a deduction on her Schedule A?
 - a. \$0
 - b. \$1,000
 - c. \$2,000
 - d. \$3,000

Advanced Scenario 6: John Ward

Interview Notes

- John Ward is 26 years old and single. He provides all of his own support.
- John works at a grocery store and earned \$15,250 in wages.
- John was not a full time student, but took two management courses at a community college to improve his job skills. He wants to know if that qualifies for any tax benefit.
- John is a U.S. citizen and lived in the U.S. for the entire year. He has a valid Social Security number.

Advanced Scenario 6: Test Questions

13. John is **not** eligible to claim the lifetime learning credit on his 2022 tax return.
- a. True
 - b. False
14. Which of the following is **not** a requirement for John to claim the earned income credit with no qualifying children in 2022?
- a. John must have a Social Security number valid for employment.
 - b. John must be a full time student.
 - c. John must not be the dependent of another taxpayer.
 - d. John must have lived in the United States more than half the year.