

Financial Math Test 7**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. Schedule A can be filed with any tax form to itemize deductions for items such as property taxes and charitable contributions paid.
- ___ 3. A W-2 is an income statement that lists any money earned from interest.
- ___ 4. 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.
- ___ 5. The long form, also called a 1040, is the only form that a filer can use if they have interest income from dividends, alimony, or prize money.
- ___ 6. In a progressive tax system, taxes decrease as income increases.
- ___ 7. An exemption is an allowable amount that reduces a person's taxable income. Examples of an exemption are the taxpayer themselves and their dependents.
- ___ 8. 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.
- ___ 9. Tax tables list taxable income in intervals.
- ___ 10. The Mancuso family consists of 5 children, two parents, and a live-in great aunt. Mr. Mancuso supports each family member, therefore, he can take 8 exemptions on his 1040 tax form.

Multiple Choice

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

- ___ 11. Jennifer's employer withholds \$1,500 of her pre-tax wages in a plan that Jennifer can use to pay for unreimbursed medical expenses, childcare, and parental care. What is this plan called?
- | | |
|----------------------------------|-------------------------------|
| a. individual retirement account | c. deferred compensation plan |
| b. flexible spending account | d. medical spending account |

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

13. 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
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 c. \$407
 b. \$563 d. \$399

Name: _____

14. 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
15. Look at the W-2 below. What is the total amount of federal, state, and local taxes that were withheld?

a Employee's social security number 00-00-0000		Safe, accurate, FAST! Use efile		Visit the IRS website at www.irs.gov/efile .	
b Employer identification number (EIN) 00-000000		1 Wages, tips, other compensation \$68,972.00	2 Federal income tax withheld \$13,830.25		
c Employer's name, address, and ZIP code Daily News 125 Marianne Hwy. Trenton, AL 35774		3 Social security wages \$68,972.00	4 Social security tax withheld \$4,276.26		
		5 Medicare wages and tips	6 Medicare tax withheld		
		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 Jane	Last name Kurtnab	Suff.	11 Nonqualified plans	12a See instructions for box 12	
f Employee's address and ZIP code 15 Wooster Square Trenton, AL 35774		13 State's employer <input type="checkbox"/>	Retirement plan <input type="checkbox"/>	Thrift/savings plan <input type="checkbox"/>	12b
		14 Other		12c	
				12d	
15 State 00-0000000	16 State wages, tips, etc. \$68,972.00	17 State income tax \$4,839.13	18 Local wages, tips, etc.	19 Local income tax \$1,010.00	20 Locality name

- a. \$13,830.25
b. \$18,669.38
c. \$19,679.38
d. \$23,955.64
16. Roland had \$10,500 in medical expenses last year and has no medical insurance. The IRS allows medical expense deductions for the amount that exceeds 7.5% of a taxpayer's adjusted gross income. If Roland's adjusted gross income is \$31,000, how much can he claim as a medical deduction?
- a. \$10,500
b. \$8,175
c. \$7,500
d. \$750
17. Janine rented an apartment for \$900 a month. After a year, she bought a house with a monthly mortgage of \$1,250. At the end of the year, she is able to deduct \$4,900 in real estate taxes and \$8,400 in interest. Janine's taxable income is \$42,000. Using the tax schedule below, how much was she able to save on her taxes due to her home ownership?

Schedule X— If your filing status is Single

If your taxable income is:		The tax is:		of the amount over—
Over—	But not over—			
\$0	\$8,025	10%	\$0
8,025	32,550	\$802.50	+ 15%	8,025
32,550	78,850	4,481.25	+ 25%	32,550
78,850	164,550	16,056.25	+ 28%	78,850
164,550	357,700	40,052.25	+ 33%	164,550
357,700	103,791.75	+ 35%	357,700

- a. \$2,940.00
b. \$3,101.25
c. \$3,903.75
d. \$6,843.75

Name: _____

ID: A

18. 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?
- The tax credit will increase their taxable income by \$1,500.
 - The tax credit will reduce their taxable income by \$1,500.
 - The tax credit is added to the tax owed, not the taxable income.
 - The tax credit is subtracted from the tax owed, not taxable income.
19. 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 | c. \$784.34 |
| b. \$779.44 | d. \$826.78 |
20. Which statement is NOT true about the differences between the income on a W-2 and that on a 1099 form?
- 1099 income is untaxed where the income on a W-2 is already taxed.
 - A 1099 form is for income other than wages.
 - The income on a 1099 is money from interest, royalties, rents, and more.
 - The 1099 income is not reported to the IRS while the W-2 income is reported.