

TEST BANK FOR

South Western Federal Taxation 2016 Individual Income Taxes 39TH Edition by James H. Boyd, William H. Jr. Hoffman, David M. Maloney, William A. Raabe, James C. Young

Chapter 1-20

Chapter 01 - An Introduction to Taxation and Understanding the Federal Tax Law

1. The ratification of the Sixteenth Amendment to the U.S. Constitution was necessary to validate the Federal income tax on corporations.

- a. True
- b. False

ANSWER: False

RATIONALE: The Sixteenth Amendment validated only the tax on *individuals*. The income tax on corporations had been previously sanctioned by the courts.

POINTS: 1

DIFFICULTY: Easy

LEARNING OBJECTIVES: SIIT.HOSM.15.LO: 1-02 - LO: 1-02

NATIONAL STANDARDS: United States - BUSPROG: Technology: Technology: - BUSPROG: Technology

STATE STANDARDS: United States - AK - AICPA: FN-Research

KEYWORDS: Bloom's: Knowledge

OTHER: Time: 2 min.

2. Before the Sixteenth Amendment to the Constitution was ratified, there was no valid Federal income tax on individuals.

- a. True
- b. False

ANSWER: False

RATIONALE: There existed a Federal income tax during the Civil War that was sanctioned by the U.S. Supreme Court.

POINTS: 1

DIFFICULTY: Easy

LEARNING OBJECTIVES: SIIT.HOSM.15.LO: 1-02 - LO: 1-02

NATIONAL STANDARDS: United States - BUSPROG: Technology: Technology: - BUSPROG: Technology

STATE STANDARDS: United States - AK - AICPA: FN-Research

KEYWORDS: Bloom's: Knowledge

OTHER: Time: 2 min.

3. The first income tax on individuals (after the ratification of the Sixteenth Amendment to the Constitution) levied tax rates from a low of 2% to a high of 6%.

- a. True
- b. False

ANSWER: True

POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: SIIT.HOSM.15.LO: 1-02 - LO: 1-02
NATIONAL STANDARDS: United States - BUSPROG: Technology: Technology: - BUSPROG: Technology
STATE STANDARDS: United States - AK - AICPA: FN-Research
KEYWORDS: Bloom's: Knowledge
OTHER: Time: 2 min.

4. The Federal income tax on individuals generates more revenue than the Federal income tax on corporations.

- a. True
- b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: SIIT.HOSM.15.LO: 1-02 - LO: 1-02
NATIONAL STANDARDS: United States - BUSPROG: Technology: Technology: - BUSPROG: Technology
STATE STANDARDS: United States - AK - AICPA: FN-Research
KEYWORDS: Bloom's: Knowledge
OTHER: Time: 2 min.

5. The pay-as-you-go feature of the Federal income tax on individuals conforms to Adam Smith's canon of certainty.

- a. True
- b. False

ANSWER: False
RATIONALE: Pay-as-you-go refers to the withholding provisions applicable to wages and other types of income and adds *convenience* to the tax system.
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: SIIT.HOSM.15.LO: 1-03 - LO: 1-03
NATIONAL STANDARDS: United States - BUSPROG: Technology: Technology: - BUSPROG: Technology
STATE STANDARDS: United States - AK - AICPA: FN-Reporting
KEYWORDS: Bloom's: Comprehension
OTHER: Time: 2 min.

6. Because the law is complicated, most individual taxpayers are not able to complete their Federal income tax returns without outside assistance.

- a. True
- b. False

ANSWER: True
RATIONALE: Approximately 56% use tax return preparers and about 33% purchase tax return software.
POINTS: 1

DIFFICULTY: Moderate
LEARNING OBJECTIVES: SIIT.HOSM.15.LO: 1-03 - LO: 1-03
NATIONAL STANDARDS: United States - BUSPROG: Technology: Technology: - BUSPROG: Technology
STATE STANDARDS: United States - AK - AICPA: FN-Reporting
KEYWORDS: Bloom's: Knowledge
OTHER: Time: 2 min.

7. The FICA tax (Medicare component) on wages is *progressive* since the tax due increases as wages increase.

- a. True
- b. False

ANSWER: False
RATIONALE: The FICA tax (Medicare component) is *proportional* because the rate is constant regardless of the wages earned.
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: SIIT.HOSM.15.LO: 1-03 - LO: 1-03
NATIONAL STANDARDS: United States - BUSPROG: Analytic
STATE STANDARDS: United States - AK - AICPA: FN-Measurement - AICPA: FN-Measurement
KEYWORDS: Bloom's: Comprehension
OTHER: Time: 2 min.

8. The Federal estate and gift taxes are examples of *progressive* taxes.

- a. True
- b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: SIIT.HOSM.15.LO: 1-03 - LO: 1-03
NATIONAL STANDARDS: United States - BUSPROG: Analytic
STATE STANDARDS: United States - AK - AICPA: FN-Measurement - AICPA: FN-Measurement
KEYWORDS: Bloom's: Comprehension
OTHER: Time: 2 min.

9. The Federal excise tax on cigarettes is an example of a *proportional* tax.

- a. True
- b. False

ANSWER: True
RATIONALE: The tax is a flat \$1.01 per pack.
POINTS: 1
DIFFICULTY: Easy

LEARNING OBJECTIVES: SIIT.HOSM.15.LO: 1-03 - LO: 1-03
NATIONAL STANDARDS: United States - BUSPORG: Analytic
STATE STANDARDS: United States - AK - AICPA: FN-Measurement -
AICPA: FN-Measurement
KEYWORDS: Bloom's: Comprehension
OTHER: Time: 2 min.

10. Currently, the Federal income tax is less *progressive* than it ever has been in the past.
- a. True
 - b. False

ANSWER: False
RATIONALE: Currently, the Federal income tax has six rates. At one time, it had two rates.
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: SIIT.HOSM.15.LO: 1-03 - LO: 1-03
NATIONAL STANDARDS: United States - BUSPORG: Analytic
STATE STANDARDS: United States - AK - AICPA: FN-Measurement -
AICPA: FN-Measurement
KEYWORDS: Bloom's: Comprehension
OTHER: Time: 2 min.

11. Mona inherits her mother's personal residence, which she converts to a furnished rent house. These changes should affect the amount of *ad valorem* property taxes levied on the properties.
- a. True
 - b. False

ANSWER: True
RATIONALE: Conversion from residential to rental use will increase the taxes. Furthermore, Mona's mother may have had a senior citizen exemption on the property, which will no longer be appropriate. Lastly, the furnishings in the rent house could now be subject to an *ad valorem* tax on personalty.
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: SIIT.HOSM.15.LO: 1-04 - LO: 1-04
NATIONAL STANDARDS: United States - BUSPORG: Analytic
STATE STANDARDS: United States - AK - AICPA: FN-Measurement -
AICPA: FN-Measurement
KEYWORDS: Bloom's: Comprehension
OTHER: Time: 2 min.

12. A *fixture* will be subject to the *ad valorem* tax on *personalty* rather than the *ad valorem* tax on *realty*.
- a. True
 - b. False

ANSWER: False