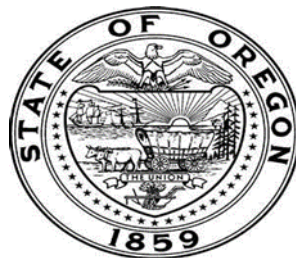


# GENERAL INFORMATION BOOK ON EXAMS

For Exams between October 1, 2020 and September 30, 2021



**BOARD OF TAX PRACTITIONERS  
3218 PRINGLE RD SE, SUITE 250  
SALEM, OREGON 97302-6308**



*Phone (503) 378-4034; Fax (503) 585-5797*

*E-Mail [tax.bd@oregon.gov](mailto:tax.bd@oregon.gov)*

*Website [www.oregon.gov/OBTP](http://www.oregon.gov/OBTP)*

*Revised 11/19/2020*

*\*Photo: Crown Point, Vista House  
Columbia River Gorge*

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## General Information

### The Oregon Board of Tax Practitioners

The Oregon Board of Tax Practitioners was founded by the Legislature in 1973 to protect the public by regulating tax professionals, conducting examinations of candidates before licensure, and ensuring that practitioners receive annual continuing education. Through these activities and compliance enforcement, the Board achieves its mission: protecting Oregon consumers by ensuring Oregon tax practitioners are competent and ethical in their professional activities. There are approximately 3,500 tax professionals and 1,200 tax preparation businesses licensed by the Oregon Board of Tax Practitioners. The agency is funded entirely by exam fees, license fees, and civil penalties. The Oregon Legislature approves the Board's budget every two years.

### Types of Licenses

**Tax Preparer:** This is an entry-level license that enables individuals to prepare personal income tax returns in Oregon for a fee. All Tax Preparers must work under the supervision of a licensed Tax Consultant. Tax preparer licenses expire every year on September 30<sup>th</sup>.

**Tax Consultant:** This license allows individuals to prepare personal income tax returns in Oregon for a fee as a self-employed or independent tax practitioner. Licensed Tax Consultants may also supervise licensed Tax Preparers. Every tax preparation office registered with the Board is required to have a licensed Tax Consultant on site. Tax Consultant licenses expire every year on May 31<sup>st</sup>.

**Tax Preparation Business Registration:** Any business or branch office that prepares personal income tax returns for a fee must be registered with the Board. Each location must also have a licensed Tax Consultant on site. Business and branch registrations expire annually on either June 15 or October 15.

**Exempt Individuals:** Certain individuals are exempt from licensure by the Oregon Board of Tax Practitioners. These include attorneys-at-law, certified public accountants (CPAs) and employees of attorneys and CPAs.

**Enrolled Agents:** This is a national certification administered and regulated by the Internal Revenue Service. This certification gives the holder the right to represent taxpayers before the IRS. **Enrolled agents must obtain an Oregon tax preparer or tax consultant license if they wish to prepare personal income taxes in Oregon. Applicants must submit a copy of a current Treasury card, take the Oregon exam and pass with a score of 75%.** Additional information on Enrolled Agent requirements may be found on the IRS website here: <https://www.irs.gov/tax-professionals/enrolled-agents/enrolled-agent-information>

## Initial License Requirements

All licensees must:

- Be 18 years of age or older
- Possess a high school diploma or have passed an equivalency examination (GED)
- Possess a Preparer Tax Identification Number (PTIN) issued by the IRS
- Pass a state-administered exam with a score of 75% or higher

Licensed Tax Preparers must:

- Have successfully completed a Board-approved 80-hour personal income tax course

Licensed Tax Consultants must:

- Have 1,100 hours of work experience as a tax preparer within at least two of the past five years\*
- Completed 15 hours of continuing education within the past 12 months
- Pass a state-administered licensing exam with a score of 75% or higher

\*Enrolled agents are exempt from the work experience requirement if they hold a valid and signed Treasury Card

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**Please note: You may wish to contact the Board before applying for licensure if you answer “yes” to any of the following questions:**

1. Has a license in any other occupation or professional capacity issued in your name by any governmental entity ever been refused, suspended, revoked, or restricted, *OR* have you ever voluntarily relinquished a professional license?
2. Are you aware of any current, proposed, pending or threatened professional complaints or civil or criminal action against you? Have you been convicted of, *OR* are you now under indictment for any criminal offense(s) of which an essential element is dishonesty, fraud or deception, per ORS 673.700(4)(b)?
3. Have you ever been required to appear before or been sanctioned by any professional body or federal or state agency for alleged misconduct?

If your answer is yes to any of these questions, you will be required to supply an explanation and provide date(s), location(s), and nature of the infractions(s).

## Examinations

The tax preparer and tax consultant exams cover personal income tax law, theory and practice. Exam questions are a combination of true/false, multiple-choice and scenario-based mini-problems. Approximately 75% of the questions are on federal personal income tax law. Twenty-five percent of the questions are on Oregon personal income tax law and Oregon tax practitioner administrative rules.

All exams are administered by PSI in an electronic format at various testing locations across Oregon. A passing score on all exams is 75% or higher. Examinees receive their score immediately upon completion of their exam. There is no limit on the number of times an individual may attempt an exam, nor is there a mandatory waiting period between exam attempts. Exams are updated annually with new exams released on October 1<sup>st</sup>. Exams taken on or after October 1, 2020 will cover 2019 tax law.

### Tax Preparer Examination

This is an “open-book” exam consisting of 163 questions. Four hours are provided to complete the exam. The exam is mostly true/false and multiple choice, with approximately 19 scenario-based mini-problems that require some basic calculations. All schedules, worksheets, and forms needed to solve the mini-problems are available on the Board’s website and must be downloaded prior to your exam. The 80-hour basic tax course provides the information and experience necessary to pass this exam. No prior tax preparation experience is required.

### Tax Consultant Examination

This is a “closed-book” exam that contains 200 questions. The only document allowed in the exam room is IRS Publication 850. Examinees are given five hours to complete the test. Questions are much more complicated and advanced than those in the tax preparer examination. The tax consultant exam requires significant experience and knowledge gained from preparing personal income taxes over several years.

### Enrolled Agent State-Only Examination

This “closed-book” exam consists of 50 questions with a 90-minute time limit. Only Enrolled Agents with valid Treasury Cards are eligible to take this exam. This exam covers Oregon personal income tax law and Chapter 800 of the Oregon Administrative Rules, which cover licensing requirements and the code of conduct. The only document allowed in the exam is IRS Publication 850.

### Exam Fees

There are two fees associated with the Board’s licensing exams. The first is a \$60 application fee that is payable to the Board with submission of the initial exam application. The second fee is an exam administration fee that is paid directly to PSI for **each exam** scheduled. The exam administration fee for the tax preparer exam is \$50. The exam administration fee for the tax

consultant exam or Enrolled Agent state-only exam is \$85. Fees are non-refundable and “no-shows” will forfeit any fees paid.

## Exam Applications

Applications are available on the Board’s website here:

<https://www.oregon.gov/obtp/Pages/Forms.aspx>. It is very important that all fields on the application be completed legibly. Incomplete or illegible applications will not be processed. An email address is required.

## Approvals / Notifications

Exam applications are typically processed within two business days. You will be notified by the Board via email whether your application has been approved or if additional information is required. Your approval to sit for an exam is valid for 60 days. You may take the exam as many times as necessary within 60 calendar days of the date on your approval email from the Board (you must pay PSI for each exam taken). If you have not passed your exam within 60 days, you need to re-apply to the Board and pay the \$60 application fee. If you have not received a response from the Board within four business days of submitting your application, please call the Board at 503-378-4034 or email [tax.bd@oregon.gov](mailto:tax.bd@oregon.gov).

## Scheduling Your Exam

Within 24 hours of receiving the Board’s approval notice, you should receive an email from PSI with instructions on how to pay for and schedule your exam. PSI has testing centers in the following cities: Aurora, Baker City, Bend, Eugene, Independence, Medford, Portland, and Wilsonville. Exams can be scheduled online at PSI’s website [www.psiexams.com](http://www.psiexams.com), or by calling PSI at 800-733-9267 (Please call Monday through Friday between 4:30 am and 7:00 pm, and Saturday-Sunday between 8:00 am and 2:30 pm, Pacific Time.). **Note: the exam fee must be paid to PSI before you can schedule an exam.** Please contact the Board if you did not receive an email from PSI within two days after receiving an approval notification from the Board.

## Testing Centers

You should arrive at the testing site 30 minutes before your scheduled exam time. **You must have a valid government-issued identification or you will not be allowed to test.** Arriving early will ensure there is ample time to confirm your eligibility, verify your identity, and familiarize yourself with the testing procedures. All exams are administered electronically on a personal computer. Examinees will receive an overview of the testing procedures, including the opportunity to view and answer a few sample questions before the exam begins.

### Items Not Allowed in the Exam Room (All Exams)

- Electronic devices of any type, including cellular or mobile phones, recording devices, electronic watches, cameras, pagers, laptop computers, tablet computers (e.g., iPads), music player (e.g., iPods), smart watches, radios, or electronic games.
- Other personal items, including purses, backpacks, and non-transparent bags or containers, notebooks, briefcases, wallets, food or drinks.
- Programmable calculators

### Retake Examinations

There is no limit on the number of times an individual may retake an examination, and there is no waiting period before rescheduling an exam. Applicants within the 60-day Board-approval period may reschedule an exam directly with PSI. Applicants outside the 60-day Board-approval period must re-apply to the Board and be re-approved before scheduling an exam.



## **Tax Preparer Exam Source Documents**

### **Federal**

- Publication 17 – Your Federal Income Tax for Individuals
- Publication 54 – Tax Guide for U.S. Citizens and Resident Aliens Abroad
- Publication 225 – Farmer’s Tax Guide
- Publication 334 – Tax Guide for Small Business
- Publication 527 – Residential Rental Property
- Publication 587 – Business Use of Your Home
- Publication 596 – Earned Income Credit (EIC)
- Publication 850 – English-Foreign Language Glossary of Words and Phrases
- Publication 936 – Home Mortgage Interest Deduction
- Publication 946 – How to Depreciate Property
- Publication 970 – Tax Benefits for Education
- Publication 974 - Premium Tax Credit
- Federal Form 1040 Instructions (not forms booklets)
- Form 6251 Instructions – Alternative Minimum Tax – Individual

### **Oregon**

- Publication OR-17
- Oregon Income Tax Full-Year Resident Form OR-40 and Instructions
- Oregon Income Tax Part-Year Resident/Nonresident Form OR-40N and OR-40P
- OR-A Instructions
- OR-WFHDC Instructions
- Oregon Administrative Rules, Chapter 800: 800-010-0015 through 800-030-0050
- Oregon Revised Statutes, Chapter 673: 673.605 through 673.990

## Source Documents Allowed in the Tax Preparer Exam

### Federal (These may contain notes and highlighting)

- Publication 17 – Your Federal Income Tax for Individuals
- Publication 850 – English-Foreign Language Glossary of Words and Phrases
- Publication 974 - Premium Tax Credit
- Federal Form 1040 Instructions (not forms booklets)
- 2019 Quick Reference Sheets (from the Board’s website)

### Federal (These must be completely blank with no markings or highlighting whatsoever)

- Form 1040 – U.S. Individual Income Tax Return
- Form 1040 Schedules 1, 2, and 3 (forms only)
- Form 1040 Schedules A, B, C, D, E, and SE (forms only)
- Form 4137 – Social Security and Medicare Tax on Unreported Tip Income (form only)
- Form 8829 – Expenses for Business Use of Your Home (form only)

### Oregon (These may contain notes and highlighting)

- Publication OR-17
- Oregon Income Tax Full-Year Resident Form OR-40 (Instructions only)
- Oregon Income Tax Part-Year Resident/Nonresident Form OR-40N and OR-40P (instructions only)
- Oregon Administrative Rules, Chapter 800: 800-010-0015 through 800-030-0050
- Oregon Revised Statutes, Chapter 673: 673.605 through 673.990

### Oregon (These must be completely blank with no markings or highlighting whatsoever)

- Form OR-40
- Form OR-40N
- Form OR-40P
- Form OR-ASC

# Tax Preparer Examination Outline

## Federal

### **How to file -- 10%**

Filing status  
Dependents  
Filing requirements

### **Income -- 11.5%**

Earned income  
Tips  
Interest  
Dividends  
Business, farm  
Schedule C Income  
Retirement, pensions  
Rentals Income  
Depreciation  
Social Security Income  
Investment Other income

### **Assets -- 8.5%**

Capital/ordinary  
Basis  
Sale of capital assets  
Sale of Stock  
Personal residence

### **Adjustments -- 5%**

IRA, SEP, Keogh, simple  
Alimony  
Married Filing Separately  
Student Loan Interest  
Self-employed health-  
insurance  
Self-employment tax  
Penalty on early withdrawal

### **Itemized deductions -- 10%**

Medical  
Taxes  
Interest  
Contributions  
Casualty

### **Credits -- 10%**

Child care  
Health care  
Elderly, disabled  
Earned income  
Education  
Child tax  
Adoption  
Other credits

### **Other Taxes -- 2.5%**

Self-employment  
Alternative minimum  
Averaging/lump sum  
Tax computation  
IRAs and other retirement plans  
Other

### **Payments -- 2.5%**

Estimated  
Excess FICA  
Other

### **Federal and State Mini Problems -- 12%**

## Oregon

### **How to file – 4%**

Filing status

Filing requirements, Non-resident status

### **Additions -- 4%**

Interest

Taxes

Other

### **Subtractions -- 8%**

Taxes

Interest

Military

Federal pensions

Social Security/railroad retirement

Oregon refunds

American Indian

Lottery winnings

Domestic partner benefits

Special medical

### **Deductions -- 2%**

Standard

Itemized

### **Credits -- 3%**

Retirement income

Political

Working family household and dependent care

Earned income

Exemptions

Residential energy

Other

### **Payments -- 1%**

Estimates

Tax computation

Tax Payments on Real

Property Conveyances

### **Oregon License Law -- 6%**

## Tax Preparer Examination Sample Questions

1. Ryan is single. His only income is self-employment. Ryan's business had \$15,000 income and \$20,000 in expenses, creating a net loss of \$5,000. Ryan does not have to file a tax return.
  - A. True
  - B. False
2. Which one of the following children will not meet the age test for a qualifying "child".
  - A. Sally, age 17
  - B. Miles, a full-time student age 23
  - C. Cory, age 34, who was in an accident that left him permanently disabled.
  - D. Susie, age 22, a full-time student for 3 months of the year
3. Louise's employer forgives her loan of \$1,000. Louise will report this as income.
  - A. True
  - B. False
4. You babysit your sister's child while she takes classes at the local community college. She pays you \$1,300 and does not claim the child care credit. Because this is a relative, you do not have to declare it as income.
  - A. True
  - B. False
5. A taxpayer inherits 1,000 shares of stock from her grandmother. The grandmother purchased the stock for \$1,200. The fair market value of the stock was \$1,800 when the grandmother passed away. The taxpayer sold all the shares for \$6,800. What is the taxpayer's reportable gain?
  - A. \$3,800
  - B. \$5,000
  - C. \$5,600
  - D. \$5,800

6. Which of the following is not deductible on Schedule A?
- A. State income tax
  - B. Personal property tax
  - C. Property tax on a rental property
  - D. Property tax on a personal residence
7. Which is an allowable medical expense?
- A. Funeral expenses
  - B. Life insurance
  - C. Elective surgery
  - D. Stop-smoking program
8. Joe took out a Home Equity Line of Credit (HELOC) for \$50,000. He spent the money on the following: New carpet (\$10,000); New car (\$20,000); New roof (\$20,000). He paid \$350 in interest. He can deduct the full \$350 of interest on Schedule A.
- A. True
  - B. False
9. Which of the following is not taxable on a federal return?
- A. Interest on tax refunds
  - B. Fair market value of gifts for opening a savings account
  - C. US Treasury bond interest
  - D. State municipal bond interest
10. You have one child who qualifies for the \$2,000 Child Tax Credit. Your tax on Form 1040, Line 12.b is zero. You cannot claim the Child Tax Credit to reduce your tax, but you do qualify for a refundable credit of \$1,000 - 50% of the qualifying Child Tax Credit.
- A. True
  - B. False
11. Generally, estimated taxes do not need to be paid throughout the year if the amount due, after applying withholding and refundable credits, is less than \$1,000.
- A. True
  - B. False
12. A taxpayer is a full-year Oregon resident. She marries a full-year California resident on December 31 of the tax year. They will file a joint federal income tax return. They are required to file a joint Oregon tax return.
- A. True
  - B. False

13. A taxpayer earned the interest below. What is the taxpayer's Oregon addition?

\$500 US Treasury T-Bills  
\$20 California Municipal Bond  
\$75 City of Chicago, Illinois Bond  
\$1,000 City of Portland, Oregon Bond

- A. \$95
- B. \$595
- C. \$1,095
- D. \$1,590

14. A taxpayer's federal adjusted gross income (AGI) is composed of the following. What is their Oregon subtraction?

\$50,000 Pension  
\$15,000 Social Security  
\$30,000 Capital Gains

- A. \$7,500
- B. \$15,000
- C. \$45,000
- D. \$50,000

15. Sam, 67, and Betty, 61, file a joint return. They have \$5,000 in medical bills. They may use it all to compute their Oregon special medical subtraction.

- A. True
- B. False

16. Joe and his spouse, Susan, are active duty members of the military and are domiciled in Oregon. Joe earned \$10,000 out of state and \$14,000 in Oregon. Susan earned \$3,000 in Oregon and \$20,000 out of state. What is their Oregon active duty military pay subtraction?

- A. \$9,000
- B. \$30,000
- C. \$39,000
- D. \$47,000

17. Winnings from the Oregon lottery totaling \$600 or less and included in your Federal return may be subtracted on your Oregon return.

- A. True
- B. False

18. An Enrolled Agent is authorized to prepare personal income tax returns for valuable consideration within the state of Oregon.

- A. True
- B. False

19. A tax professional licensed by the Oregon Board of Tax Practitioners is typically required to have \_\_\_\_\_ hours of annual continuing education.

- A. 16 hours
- B. 30 hours
- C. 32 hours
- D. 72 hours

20. Licensees may complete their continuing education hours for the prior enrollment period after renewing their license.

- A. True
- B. False



Mini Problem - Schedule A

George and Stella, both 62, file a joint return. Their adjusted gross income (AGI) totaled \$82,055 for the tax year. They paid the following expenses:

- \$2,857 Medical expenses
- \$430 for George's hospital expenses
- \$6,206 Medical insurance premiums
- \$19 Over-the-counter vitamins
- \$950 Prescribed stop-smoking program for Stella
- \$1,784 Gym memberships for George and Stella
- \$7,200 Mortgage interest paid to bank
- \$3,610 Real estate taxes on their residence
- \$500 Contributions to church
- \$7,385 Oregon withholding
- \$602 Credit card interest
- \$215 Federal excise tax

21. What is the amount on Schedule A, Line 4?

- A. \$4,289
- B. \$6,092
- C. \$6,154
- D. \$10,443

22. What is the amount of deductible taxes on Schedule A, Line 7?

- A. \$7,385
- B. \$10,000
- C. \$10,995
- D. \$11,210

Answer key

- |        |        |
|--------|--------|
| 1 = B  | 12 = B |
| 2 = D  | 13 = A |
| 3 = A  | 14 = B |
| 4 = B  | 15 = B |
| 5 = B  | 16 = C |
| 6 = C  | 17 = A |
| 7 = D  | 18 = B |
| 8 = B  | 19 = B |
| 9 = D  | 20 = B |
| 10 = B | 21 = A |
| 11 = A | 22 = B |

# Tax Consultant Examination Resources

## Federal

- Pub. 17 – Your Federal Income Tax
- Pub. 225 – Farmer’s Tax Guide
- Pub. 334 – Tax Guide for Small Business
- Pub. 463 – Travel, Gift, and Car Expenses
- Pub. 502 – Medical and Dental Expenses
- Pub. 523 – Selling Your Home
- Pub. 525 – Taxable and Nontaxable Income
- Pub. 535 – Business Expenses
- Pub. 536 – Net Operating Losses (NOLs) for Individuals, Estates, and Trusts
- Pub. 537 – Installment Sales
- Pub. 544 – Sales and Other Dispositions of Assets
- Pub. 551 – Basis of Assets
- Pub. 575 – Pension and Annuity Income
- Pub. 587 – Business Use of Your Home
- Pub. 590 – Individual Retirement Arrangements
- Pub. 925 – Passive Activity and At-Risk Rules
- Pub. 936 – Home Mortgage Interest Deduction
- Pub. 946 – How to Depreciate Property
- Pub. 970 – Tax Benefits for Education
- 1040 Booklet - Instructions

## Oregon

- Pub. OR-17 – Individual Income Tax Guide
- Pub. OR-40-FY – Oregon Income Tax for Full-year Resident
- Pub. OR-40-NP – Oregon Income Tax for Part-year Resident/Nonresident
- OAR Chapter 800

# Tax Consultant Examination Subject Outline

## Federal

### **How to file -- 4%**

Filing status  
Filing requirements  
Dependents

### **Earned income -- 2.5%**

Wages  
Tips  
Fringe benefits

### **Interest -- 2%**

Taxable  
Exempt  
OID

### **Dividends -- 2%**

Ordinary  
Nontaxable  
Capital gain

### **Business income, deductions -- 8%**

### **Passive activities, rentals -- 7%**

### **Farms -- 1.5%**

### **Pensions & annuities -- 3%**

### **Social Security -- 1%**

### **Depreciation -- 4%**

### **Sales of property -- 16%**

Basis  
Capital assets  
Business property  
Residence  
Installment and repossessions  
Depreciation recapture  
Involuntary conversions  
Nontaxable exchanges

### **Miscellaneous income -- 3%**

### **Itemized deductions -- 5.5%**

Medical  
Taxes  
Interest  
Contributions  
Casualty losses  
Miscellaneous deductions

### **Credits -- 4%**

Child care  
Child tax  
Earned income  
Education  
Other

### **Estimated payments -- 1%**

### **Self-employment tax -- .5%**

### **Alternative minimum tax -- .5%**

### **Other taxes -- 3%**

Lump sum distributions  
Penalties  
Tips

Household employment

### **Net operating losses and at-risk amounts -- 1%**

### **Amended returns -- 1.5%**

### **Adjustments -- 3%**

IRA, SEP, KEOGH

Alimony

Other

### **Qualified Business Income Deductions -- 1%**

Continued on next page...

## Oregon

### **How to file -- 3%**

Filing status  
Requirements  
Non-residents  
Exemptions

### **Additions -- 3%**

Municipal bonds  
Other

### **Subtractions -- 4%**

Taxes  
Interest  
Military pensions  
Other pensions  
Other subtractions

### **Deductions -- 2.5%**

Standard deduction  
Itemized deductions  
Oregon medical

### **Credits -- 4%**

Political  
Exemption credits  
Retirement  
Working family  
Other

### **Payments -- 1%**

Estimated

### **Part year/non-resident -- 2%**

### **Oregon License law -- 5.5%**

# Enrolled Agent State-Only Exam Outline

## Oregon

### **How to file -- 12%**

Filing status

Requirements

Non-residents

Exemptions

### **Additions -- 12%**

Municipal bonds

Other

### **Subtractions -- 16%**

Taxes

Interest

Military pensions

Other pensions

Other subtractions

### **Deductions -- 10%**

Standard deduction

Itemized deductions

Oregon medical

### **Credits -- 16%**

Political

Exemption credits

Retirement

Working family

Other

### **Payments -- 4%**

Estimated

### **Part-year/non-resident -- 8%**

### **Oregon License law -- 22%**

## Tax Consultant Examination Sample Questions

1. Which of the following fringe benefits is included in gross income?
  - A. Free use of company software
  - B. Free parking
  - C. \$25 Walmart gift card
  - D. Christmas goose
  
2. Jacob is a self-employed landscaper. One of his clients offered to exchange a painting for Jacob's services in March. The client paid \$300 for the painting, but the two agreed that the fair market value of the painting was now \$400. Jacob's other clients paid him a total of \$17,000 during the year. Jacob's income from self-employment is:
  - A. \$17,000
  - B. \$17,300
  - C. \$17,400
  - D. \$17,700
  
3. Catherine owns and operates a magazine store at the airport. This tax year she purchased \$12,000 in magazines for sale. \$150 of these magazines were pulled for personal use. \$75 in magazines were returned for various reasons. Her inventory at the beginning of the year was \$2,890. Her inventory at the end of the year was \$3,010. Her expense for cost of goods sold was:
  - A. \$11,380
  - B. \$11,655
  - C. \$11,730
  - D. \$11,805
  
4. Ed, a self-employed sole proprietor, has two separate businesses. One business is in accounting and the other is in auto repair. Each business may use a different accounting method.
  - A. True
  - B. False
  
5. Excess Capital loss may only be carried over for a maximum of 10 years.
  - A. True
  - B. False
  
6. A taxpayer lost two cows that were born and raised on his farm. The cows were valued at \$500 each. The taxpayer may claim a \$1,000 deduction on Schedule F for the loss.
  - A. True
  - B. False

7. A taxpayer retired during the tax year and received a total distribution of \$10,200 from her pension plan. The distribution includes \$3,000 from post-tax contributions, \$7,000 from employer contributions, and \$200 of earnings. What is the taxable amount the taxpayer has to report on her return?

- A. \$200
- B. \$7,000
- C. \$7,200
- D. \$10,200

8. A qualified charitable distribution (QCD) generally is a nontaxable distribution made directly by the trustee of your IRA to an organization eligible to receive tax-deductible contributions.

- A. True
- B. False

9. Rob borrowed \$10,000 from his employer-sponsored 401(k) plan. He quit his job six months later. He is required to do the following:

- A. Pay back the borrowed funds within 90 days
- B. Continue to make payments on the loan until it is paid off
- C. Treat the loan balance as a distribution or pay it back within 60 days
- D. Do nothing

10. David and Sarah are a married couple who lived together all year. David's only income is his Social Security and a small pension. In addition to her Social Security, Sarah inherited an estate from her deceased mother. The couple chose to file separately this year. What percentage of David's Social Security may be subject to tax?

- A. 0
- B. 50%
- C. 85%
- D. 100%

11. A taxpayer had a rental house for 15 years and then moved into it as his primary residence. The taxpayer lived in the house for five years. The home was converted back into a rental this tax year. What is the class life of the current rental?

- A. 7 ½
- B. 12 ½
- C. 27 ½
- D. 31

12. Taxpayers spent \$12,000 to replace the flooring in the dance studio they lease. The taxpayers may elect to use 179 expensing for this asset.

- A. True
- B. False

13. Taxpayer bought a new executive desk for her Schedule C business. The desk was delivered on January 1 of the tax year and it cost \$3,000. Assuming the taxpayer does not elect out of bonus depreciation and the desk has a seven-year class life, what is the taxpayer's depreciation for the tax year?

- A. \$429
- B. \$1,500
- C. \$1,929
- D. \$3,000

14. A taxpayer traded a shipping truck used exclusively for business for a \$2,500 trade-in-value on a new truck. The adjusted basis in the truck was \$1,000. The new business truck's contract price is \$26,000. What is the taxpayer's basis in the new truck?

- A. \$24,500
- B. \$25,000
- C. \$26,000
- D. \$28,000

15. A taxpayer exchanges a residential rental in a like-kind exchange for a new rental. What is the basis of the new rental?

Old Rental

Purchase price: \$200,000  
Accumulated depreciation: \$25,000  
Sales price: \$300,000  
Cost of sale: \$18,000  
No mortgage

New Rental

Purchase price: \$300,000  
Cost of sale: \$10,000  
No mortgage

- A. \$175,000
- B. \$193,000
- C. \$203,000
- D. \$300,000

16. A taxpayer sells his commercial rental at a loss. The taxpayer is providing financing for the sale. The taxpayer may report the sale as an installment sale.

- A. True
- B. False



17. A married couple sold their principal residence of 10 years for \$250,000. They bought the home for \$135,000. They have an office in the home (OIH) that takes up 25 percent of the space. Depreciation for the OIH up to the date of sale is \$15,000. What are the tax consequences of the sale?

- A. \$0 of recognized gain per Section 121
- B. \$15,000 of unrecaptured Section 1250 gain taxed as ordinary income and \$0 recognized gain per Section 121
- C. \$15,000 of unrecaptured Section 1250 gain taxed as ordinary income and \$26,250 in long-term capital gains
- D. \$130,000 long-term capital gain

18. A single taxpayer bought her first home for \$200,000. She used it as her primary residence for 20 months and was then forced to sell it due to a change of employment. The home sold for \$240,000 with no expense of sale. What is the taxpayer's maximum allowable excludable gain under Section 121?

- A. \$0
- B. \$33,333
- C. \$40,000
- D. \$208,333

19. Mary makes quilts for a hobby and sells them to her neighbors and friends. Her sale price for one quilt is \$100. Her cost of goods sold was \$50. How much does Mary report on line 21 for the sale of the one quilt?

- A. \$0
- B. \$50
- C. \$100
- D. \$150

20. John borrowed \$100,000 from Bank USA to purchase a luxury car. In the middle of the five-year loan term John loses his job and defaults on the loan. Bank USA cancels the remaining \$30,000 loan balance, repossesses the car, and sends him a Form 1099-C for \$30,000. John has to claim the \$30,000 as taxable income.

- A. True
- B. False

21. Sam, age 41, takes \$20,000 from his 401(k) to buy a car. He qualifies for an exception to the 10% early withdrawal penalty.

- A. True
- B. False

22. Mary, age 35, took \$10,000 out of her 401(k) to pay medical bills of \$25,000. She may qualify for an exception to the 10% early withdrawal penalty.

- A. True
- B. False

23. Social Security received is not used to calculate income for repayment of the Premium Tax Credit.

- A. True
- B. False

24. Which of the following are limitations on the qualified business income deduction QBID deduction?

- A. The type of trade or business
- B. The amount of W-2 wages
- C. A Taxpayer's taxable income
- D. All of the above

25. If you and your spouse file a federal MFJ return but each of you has a different residency status, you can choose to file two Oregon MFS returns.

- A. True
- B. False

26. If you withdraw funds from an Oregon 529 College Savings Network account to pay tuition at a K-12 school, you must report the amount used as an addition on Schedule OR-ASC.

- A. True
- B. False

27. Juan has retired and is now receiving a federal pension from the US Post Office. This year he received a total of \$11,250. His federal service was as follows:

1/1/88 to 10/1/90 (33 months) – US Post Office

10/2/90 to 3/1/91 (5 months) – Medical Leave

3/2/91 to 11/1/14 (296 months) – US Post Office

What is Juan's federal pension subtraction for the current tax year?

- A. \$1,114
- B. \$1,283
- C. \$1,373
- D. \$1,542

28. Emily's (age 36) federal tax from the tax table is \$6,120. She claims a \$300 Child and Dependent Care Credit. She also claimed the AOC Credit, receiving \$1,000 as a refundable credit and \$1,500 as a non-refundable credit. To help pay for her summer vacation, Emily withdrew \$4,000 from her 401(k). Emily's Oregon FTLS is

- A. \$3,320
- B. \$3,720
- C. \$4,320
- D. \$4,820

29. If you take the standard deduction on your federal return, you must take the standard deduction on your Oregon return?

- A. True
- B. False

30. Jane is claimed on her parents' return. She can take the Personal Exemption Credit.

- A. True
- B. False

Answer Key

- 1 = C
- 2 = C
- 3 = B
- 4 = A
- 5 = B
- 6 = B
- 7 = C
- 8 = A
- 9 = C
- 10 = C
- 11 = C
- 12 = A
- 13 = D
- 14 = C
- 15 = C
- 16 = B
- 17 = B
- 18 = D
- 19 = B
- 20 = A
- 21 = B
- 22 = A
- 23 = B
- 24 = D
- 25 = A
- 26 = A
- 27 = C
- 28 = B
- 29 = B
- 30 = B

# Applying for Licensure

Applications for licensure may be found on the Board's website here:

<https://www.oregon.gov/obtp/Pages/Forms.aspx>

Before submitting your license application, you must obtain a Preparer Tax Identification Number (PTIN) from the IRS. You may apply for and obtain your PTIN online at the IRS's website here: <https://www.irs.gov/tax-professionals/ptin-requirements-for-tax-return-preparers>.

**Initial Tax Preparer License Application:** Please complete all sections legibly and submit a copy of your Basic Tax Course Completion Certificate. If you answer "yes" to any of the compliance questions, please call the Board at 503-378-4733 before submitting your application to discuss the issue with Board staff and obtain information on what backup documentation may be required. The fee for an initial Tax Preparer's license is \$60. All Tax Preparer licenses expire on September 30.

**Initial Tax Consultant License Application:** Please complete all sections legibly. If you answer "yes" to any of the compliance questions, please call the Board at 503-378-4733 before submitting your application to discuss the issue with Board staff and obtain information on what backup documentation may be required. The fee for an initial Tax Consultant's license is \$95. However, current Licensed Tax Preparers may obtain a Tax Consultant's license for \$65. All Tax Consultant licenses expire on May 31.

**Business Registration / Combination License and Registration Application:** If you would like to operate a tax preparation business, it must be registered first with the Oregon Secretary of State and then the Board of Tax Practitioners. You may register your business with the Secretary of State here: <https://secure.sos.state.or.us/cbrmanager/index#stay>. You will need the Secretary of State registration number for the Board's registration application. Also, your business must have a Licensed Tax Consultant on site to supervise tax preparation activities. Please contact Board staff at 503-378-4733 if you have any questions. There is a \$50 discount if you register a new business with the Board while applying for individual licensure. All business registrations expire on June 15 (except Tax Preparer-owned businesses, which expire on October 15).

If your business will have more than one location (e.g. branch offices), please submit a separate branch registration application for each additional office. Also, each location must be supervised by a Licensed Tax Consultant. The branch registration fee is \$20.