

Income taxes test 2 Review

1) Mike pays \$8,776 in property taxes, but receives a 62 percent tax deduction for it. What is Mike's net expense for property taxes?

3334.88

2) After a tax deduction for property taxes, Mike only had to pay \$7,233 which was 71% of the original amount. What was the original amount of property taxes?

10,187.32

3) Ann's W-2 form reported total Wages as \$104,267. She contributed \$850 per monthly paycheck to her FSA and \$7,250 semi-annually to her retirement plan. She received a 1099 form from her bank for her savings account interest in the amount of \$12,000 and a 1099 form from a book publisher for royalties in the amount of \$2,100. What is Ann's adjusted gross income?

93,667

4) Chiara had \$11,750 in medical expenses last year. Her medical insurance covered 65 percent of these expenses. The IRS allows medical and dental expenses deductions for the amount that exceeds 7.5 percent of a taxpayer's adjusted gross income. If Chiara's adjusted gross income is \$43,000, how much can she claim as a medical deduction?

887.50

Use for 5 - 9:

Joe makes an hourly wage of \$19.36. For hours worked over 40, he is paid at a rate of \$29.04 per hour. Last week, Joe worked 50 hours.

5) What is Joe's gross pay for this pay period?

1064.80

6) What is Joe's Social Security deduction

66.02

7) What is Joe's Medicare tax deduction?

15.44

8) Joe's other deductions are: federal tax \$207.42, state tax \$36.33, city tax \$6.05, retirement insurance \$4.01, disability insurance \$6.76, medical insurance \$12.82, and dental insurance \$2.99.

What are the TOTAL of ALL Joe's deductions for this pay period? 357.8

9) What is Joe's net pay for this pay period? 706.96

10) Andres is taxed at a 23 percent tax rate for his federal taxes. Last year, he reduced his taxable income by contributing \$203 per quarterly paycheck to his tax deferred retirement account and \$150 per month to his FSA. How much did he reduce his annual federal taxes by if his gross weekly pay is \$2,345? 600.76

11) Mike's Social Security deduction for his biweekly check was \$272.88. What was Mike's ANNUAL salary? 114,433.55

12) Mike's Medicare deduction for his weekly check was \$31.91. What was Mike's ANNUAL salary? 114,435.86

13) Explain the difference between a tax deduction and tax credit. Write a problem using a tax deduction and solve. Use the same information and solve the problem using the same amount as a tax credit.

See "Notes - Tax deduction vs tax credit" file