

Test Bank
to accompany
Income Tax Fundamentals 2023, 41st Edition
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Ch 01 The Individual Income Tax Return

True / False

1. The U.S. federal tax law's sole purpose is to raise revenue.

- a. True
- b. False

ANSWER: False

RATIONALE: The tax law has many goals including raising revenue.

DIFFICULTY: Low

LEARNING OBJECTIVES: ITF.WABG.41.LO:1-01 - LO:1-01

2. A corporation is a reporting entity but *not* a tax-paying entity.

- a. True
- b. False

ANSWER: False

RATIONALE: A corporation is subject to income tax and must report income annually.

DIFFICULTY: Low

LEARNING OBJECTIVES: ITF.WABG.41.LO:1-02 - LO:1-02

3. Partnership capital gains and losses are allocated separately to each of the partners.

- a. True
- b. False

ANSWER: True

DIFFICULTY: Medium

LEARNING OBJECTIVES: ITF.WABG.41.LO:1-02 - LO:1-02

4. Married taxpayers may double their standard deduction amount by filing separate returns.

- a. True
- b. False

ANSWER: False

RATIONALE: The standard deduction for married filing jointly is \$25,900, and the standard deduction for married filing separately is \$12,950 each.

DIFFICULTY: Medium

LEARNING OBJECTIVES: ITF.WABG.41.LO:1-03 - LO:1-03

5. An item is included in gross income unless the tax law specifies that the item is subject to exclusion.

- a. True
- b. False

ANSWER: True

RATIONALE: Gross income includes all income, unless the tax law provides for a specific exclusion or