

Smart Tax Planning Key

1. Which of the following is example of an employer-sponsored retirement plan?

- 401(k)
- Roth IRA
- Transportation savings account

2. Which of the following is not a reason why a Traditional IRA may be preferable to a 401(k)?:

- You have more investment choices
- You don't have to worry about what to do with the IRA if you leave your job
- The annual contribution limits are higher

3. If you open a Coverdell education savings account:

- Your contributions are not tax-free but earnings and withdrawals are
- Your contributions, earnings, and withdrawals are tax-free
- Your contributions are tax-free but not your earnings or withdrawals

4. In order to contribute to a 529 plan, the beneficiary of the plan must be under the age of:

- 18
- There are no age restrictions
- 16

5. Which of the following expenses cannot be paid for with a flexible spending account?

- Medical expenses
- Food
- Child care

6. You can use a transportation savings account to pay for:

- Gasoline
- Parking near your home
- Public transportation

7. Which of the following types of bonds is exempt from federal tax, regardless of what it is used for?

- Municipal
- Corporate
- Series EE savings bond

8. If you sold your house for a \$100,000 profit:

- You would have to pay a capital gains tax of 15% on the profit
- You would not have to pay any taxes on the profit if the home had been your primary residence for at least two of the five years prior to the sale
- You would not have to pay any taxes on the profit if you bought a new home of equal or greater value

9. Engaging in illegal methods to lower your tax burden is considered:

- Smart tax planning
- Tax deception
- Tax fraud

10. When is it okay to not file a tax return?

- If you do not meet the IRS's requirements for having to file a tax return
- It is never okay to not file a return
- If you do not have the money to pay the taxes you owe