



tax humor

TESTING THE CODE

by Richard Malamud

Richard Malamud, Professor of Accounting and Law at California State University Dominguez Hills, offers this test of your tax knowledge.

Author's note to the reader:

The following is a list of some numbers I have come across while teaching undergraduate federal income tax

of individuals. As a test, try covering up the description on the right and guess the tax significance of the numbers on the left. A 75-percent mark would probably be an A, passing would probably be 50 percent. Good luck.

For a harder challenge, try covering up the number on the left and guess the amount from the description on the right. A 50-percent mark would be an A and a 30-percent mark would probably be passing.

As with all tests, the professor may have made an error or two. Feel free to criticize the exam.

Amount 1991/1992 if known	Description
	Abbreviations: S = Single; J = Joint; HH = Head of Household; MFS = Married Filing Separately
0%	Deductible elective cosmetic surgery
0%	Deductible personal interest
0	Investment interest expense allowed (in excess of investment income)
0	Lowest possible tax basis
0	Passive activities loss allowed (in excess of passive income)
0	Standard deduction—married filing separately if the other spouse itemizes
2%	Floor, miscellaneous itemized deduction
2%	Personal exemption phase out for each 2,500 of income over: 1991: 100,000—S; 125,000—HH; 150,000—J; 75,000—MFS 1992: 105,250—S; 131,550—HH; 157,900—J; 78,950—MFS
2.9%	Self-employment tax—hospital insurance portion (up to 125,000 of wages)
3%	Phase out of certain itemized deductions for AGI over \$100,000
7.5%	Floor, medical deductions
7.65%	FICA tax rate—employee share
\$0.09	Mileage allowance—medical or moving expense
10%	Floor, AMT medical deductions
10%	Floor for casualty loss
10%	Penalty on early retirement distribution
\$0.12	Mileage allowance—charity
12.4%	OASDI, Self-employment tax (part of 15.3% total)
14%	Earned income credit on up to \$6,810
15%	First marginal tax bracket—up to: 1991: 20,350—S; 17,000—MFS; 34,000—J; 27,300—HH 1992: 21,450—S; 17,900—MFS; 35,800—J; 28,750—HH
15%	Penalty on overfunded pension plans
15.3%	Self-employment tax rate
20%	Disallowance rate—meals and entertainment

20%	Limit, capital gain charitable contributions to private foundation
24%	Alternative minimum tax rate
25%	Alternative minimum tax exemption phase out percentage
25%	Deductible self-employed health insurance (above the line)
\$0.275/\$0.28	Mileage allowance—business 1991/1992
28%	Long-term capital gains—maximum tax
28%	Second marginal tax bracket—Up to: 1991: 49,300—S; 41,075—MFS; 82,150—J; 70,450—HH 1992: 51,900—S; 43,250—MFS; 86,500—J; 74,150—HH
30%	Charitable contributions limit—capital gains property or gifts to private foundations
31%/7	Third and highest marginal tax bracket
50%	Charitable contributions limitation
50%	Self-employment tax deduction, above the line
50%	Social Security benefits—maximum taxable
1	Age at which you must have Social Security number
1	Year period in which spouses can make nontaxable transfers, after a divorce
2	Number of years in which to purchase or sell principal residence for rollover
2	Number of years of profit out of seven, to prove not a "hobby" loss—horses
3	MACRS Class life—personal property
3	Net operating loss carryback period in years
3	Number of years of profit out of five, to prove loss is not a "hobby" loss
3	Number of years out of the last five you must live in home to qualify for 125,000 exclusion
3	Statute of limitations in years
3.5	Tax return due—number of months after year end
5	Charitable contributions carryforward in years
5	MACRS Class life—personal property
\$5	Penalty for not having Social Security number
6	Months following death for the alternative valuation date
7	MACRS Class life—personal property
10	MACRS Class life—personal property
12	AMT Class life—personal property
13	Child care credit, maximum age to qualify
13	Kiddie tax—maximum age for "eligibility"
14	Number of days free use of rental property, no pro-rationing required
14	Number of days of free rental income on personal residence
15	MACRS Class life—personal property
15	Net operating loss carryforward period, in years
18	Dependent qualifies without income restriction—maximum age
20	MACRS Class life—personal property
23	Dependent without income restrictions, if full-time student—maximum age
\$25	Business gift maximum deductible amount
\$26	Standard meal allowance—inexpensive cities
27.5	MACRS Class life—residential real estate
30	Section 83(b) election, number of days in which to file
30	Wash sale rules apply
31	Days in United States during the year to be considered a resident (minimum)
31.5	MACRS Class life—Nonresidential real estate
\$34	Standard meal allowance—expensive cities
35	Minimum distance move for moving expense deduction
39	Number of weeks you must be at new job for moving expenses deduction
40	AMT Class life—real estate
40	MACRS Class life—foreign real estate

45	Days in which to identify like-kind property
55	Age required to receive \$125,000 reduction on gain from sale of principal residence
70.5	Age at which you must begin taking distributions from IRA account
78	Number of weeks you must be at new job for moving expense deduction if self-employed
\$85/88	Per diem allowance—inexpensive cities
\$100	Reduction for casualty losses—per occurrence
\$122/130	Per diem allowance—expensive cities
180	Days in which to obtain like-kind property
184	Sum of days in United States to be resident (current year + 1/3 prior year + 1/6 2nd prior year)
250	Nonworking spousal IRA contribution
330	Number of days during a 12-month period you must live in a foreign country to qualify for the \$70,000 exclusion
366/367	Number of days required for long-term capital gain
400	Maximum self-employment net income before self-employment tax applies
500	Estimated taxes due if tax exceeds this amount
500/550	Maximum untaxed unearned income of dependent; 500 on parent's return, 550 on child's return—1991
500	Number of hours per year to be material participant
550	Standard deduction—dependent
650/700	Additional standard deduction blind or over age 65—married
720	Maximum child care credit—one child
850/900	Additional standard deduction blind or over age 65—single
1,100	Unearned income not subject to "Kiddie" tax
1,440	Child care credit—maximum if more than one child
1,500	Maximum capital loss (in excess of gains)—separate return
1,500	Maximum indirect moving expense allowed—house hunting and temporary living
1,575	Luxury auto depreciation—fourth year and later
2,000	IRA contribution
2,150/2,300	Personal exemption 1991/1992
2,550	Luxury auto depreciation—third year
2,660	Luxury auto depreciation—first year
2,850	Standard deduction—MFS
3,000	Capital loss allowed in excess of capital gains
3,000	Maximum indirect moving allowance allowed
3,400/3,600	Standard deduction—single
4,300	Luxury auto depreciation—second year
5,000	Maximum nontaxable employer death benefit
5,000/5,250	Standard deduction—head of household
5,123/5,329	FICA tax—maximum
5,700/6,000	Standard deduction—joint return and surviving spouse
8,475/8,728	Section 401(k) maximum contribution
10,000	Annual tax-free gifts per donee
10,000	First year bonus depreciation
10,247/10,658	Self-employment tax—maximum
15,000	Freebie for alimony look-back
20,000	AMT deduction—separate return
20,264	Maximum earnings allowed for earned income credit
25,000	Base amount for taxability of Social Security benefits—single
25,000	Maximum earnings and IRA fully deductible, if covered by qualified plan—single
30,000	AMT deduction—head of household
30,000	AMT deduction—single
30,000	Floor for luxury items tax
32,000	Base amount for taxability of Social Security benefits—joint

35,000	Phase out of IRA contribution—single
40,000	AMT deduction—married filing joint return
40,000	Maximum AGI for exclusion of U.S. Savings Bond interest for higher education—single
40,000	Maximum earnings and IRA fully deductible, if covered by qualified plan—joint
50,000	Maximum tax-free group term life insurance
50,000	Small business stock loss (section 1244)—single
53,400/55,500	Maximum income subject to the self-employment tax
60,000	Maximum AGI for exclusion of U.S. Savings Bond interest for higher education—joint
62,500	Nontaxable gain on sale of principal residence by 55-year-old or older—separate return
70,000	Maximum allowable exclusion for wages earned abroad
75,000/78,950	Personal exemption(s) begin to phase out—MFS
100,000	Three-percent phase out of certain itemized deductions for AGI over 100,000
100,000	Maximum Qualified Home Equity Indebtedness
100,000/105,250	Personal exemption phase out begins—single
100,000	Small business stock loss (section 1244)—joint
108,963/112,221	Defined Benefit Limitation (section 415(b)(1)(A)—90,000)
112,500	Alternative minimum tax exemption begins to phase out—single
125,000/130,250	Hospital insurance maximum wage base subject to 2.9-percent tax (code section 3121(x)(2)). Included above in self-employment tax
125,000	Nontaxable gain on sale of principal residence by 55-year old or older
125,000/131,550	Personal exemption phase out begins—HH
136,204/140,276	Excess Distribution Threshold (section 498A—\$112,500)
150,000/157,900	Personal exemption phase out begins—joint
600,000	Maximum lifetime tax-free gifts or estate transfers, per donor
1,000,000	Maximum Loan for Qualified Residential Interest

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