

1. The Fair Labor Standards Act specifically governs which of the following?

- a. When severance pay must be paid
- b. The requirement for pay stubs
- c. Recordkeeping requirements
- d. When holiday pay must be provided

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2.

Assume that the IRS Uniform Premium Table I rate (see Section 3-30) for an employee age 30-34 is \$0.08 and the total group-term life insurance coverage under the employee's policy is \$100,000. How much taxable income would be reported for one month of coverage under this policy, assuming the plan is not discriminatory?

- a. \$48
- b. \$4
- c. \$8
- d. \$56

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$$\begin{aligned} \$100,000 - \$50,000 &= \$50,000 \\ \$50,000 \div \$1,000 &= \$50 \\ \$50 \times \$0.08 &= \$4.00 \end{aligned}$$

3.

Terri is paid \$10.00 per hour plus a piecework incentive of \$0.01 per produced unit. In the current week, she worked 43.5 hours and is to receive a production bonus for 9,000 units. Calculate her total gross pay for the week.

- a. \$546.14

$$\begin{aligned} \$0.01 \times 9,000 &= \$90 \text{ (bonus)} \\ 43.5 \times \$10 &= \$435.00 \\ \$435 + \$90 &= \$525 \text{ (total pay without premium pay)} \\ \$525 \div 43.5 &= \$12.07 \\ \$12.07 \div 2 &= \$6.04 \\ \$6.04 \times 3.5 &= \$21.14 \text{ (premium pay)} \\ \$525 + \$21.14 &= \$546.14 \text{ (total pay)} \end{aligned}$$

- b. \$542.50
- c. \$490.00
- d. \$525.00

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4.

If Adoption Assistance benefits are provided in 2024 for the adoption of a special needs child, how much of this employee benefit is exempt from FITW?

- a. \$5,250
- b. \$15,950
- c. \$16,810
- d. \$5,000

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5.

Assume that it is June 1, 2024, and an employee is reimbursed at the rate of \$.75 per mile for 200 substantiated business miles in a personal vehicle.

What amount should be reported in boxes 1, 3, and 5 of the Form W-2?

- a. \$16.00

$$$.75 - $.67 \text{ (federal rate effective January 1, 2024)} = $.08 \times 200 = \$16.00$$

- b. \$150.00
- c. \$134.00
- d. \$ 0

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6. Assuming it is January 2024, hourly paid computer professionals may be exempt from the overtime provisions of the FLSA if they are paid an hourly rate of no less than:
- a. \$36.05  
b. \$30.88  
c. \$27.63  
d. \$33.48
- Page 2.21
7. An employee is paid a bonus of \$1,000 on June 13, 2024. The employer will pay the employee's Federal/FICA taxes. Assuming the employee's year-to-date wages prior to the bonus were \$30,000, and that the supplemental rate of withholding is used, how much FITW and FICA will the employer pay on the employee's behalf?
- a. \$296.50  
b. \$530.22  
c. \$312.72  
d. \$421.46
- Section 3.4-11  
Page 3-85
- $22\% + 6.2\% + 1.45\% = 29.65\%$   
 $100\% - 29.65\% = 70.35\%$   
 $\$1,000 + 70.35\% = \$1,421.46$   
 $\$1,421.46 \times (22\% + 7.65\%) = \$421.46$
8. The following activities are considered preliminary or postliminary and are not compensable time except:
- a. Going through a security checkpoint before leaving the facility  
b. Changing Clothes (not protective gear) before or after a shift  
c. Waiting at your workstation for your supervisor to bring work to you  
d. Waiting in line before work to clock in on a time clock
- Section 2.7-7  
Page 2-77
9. An executive has a monthly salary of \$17,500 per month, paid on the 25th of each month. They have a \$250 per month pre-tax medical premium and a 15% 401(k) election. They are not eligible for catchup. In early September, they receive a \$50,000 bonus. What are the Federal, Social Security and Medicare taxable wages after the bonus?
- a. Fed Txbl = \$165,000, SS Txbl = \$168,600, Med Txbl = \$188,000  
b. Fed Txbl = \$159,500, SS Txbl = \$168,600, Med Txbl = \$188,000  
c. Fed Txbl = \$165,000, SS Txbl = \$188,000, Med Txbl = \$188,000  
d. Fed Txbl = \$165,000, SS Txbl = \$165,000, Med Txbl = \$165,000
- Page 4-189
10. Which of the following meets the definition of supplemental wages?
- a. Call out pay  
b. Shift differential  
c. Fair market value of personal auto use  
d. Paid time off
- Page 6-51
11. Office manager Chelsea has no shares in W&H Company. How much taxable income, if any, must Chelsea recognize each month for the transit pass she receives in the amount of \$275?
- a. \$130  
b. \$305  
c. \$0  
d. \$10
- Page 3-11
- $\$315 - \text{the 2024 tax-free limit of } \$315$

12. Under the FLSA, how many hours would be paid at time and one half for the following biweekly period, assuming that the employee is a health care professional paid under the special FLSA rules.

Section 2.6-1  
Page 2-49

Week One  
Mon - 12 Tues - 13 Wed -10 Thurs - 10 Fri - 11 Sat - 0 Sun - 0  
Week Two  
Mon - 12 Tues - 12 Wed -0 Thurs - 0 Fri - 0 Sat - 0 Sun - 0

- a. 0
- b. 16
- c. 24
- d. 12

13. Which of the following is an exempt benefit under the definition of a 'working condition' fringe?

Section 3.2-1  
Page 3-6

- a. Dependent group-term life
- b. Occasional holiday fruit baskets
- c. Job improvement seminar
- d. Permanent travel advance

14. Employee Rocky received a bonus on June 13, 2024 of \$5,000. His year-to-date earnings at the time of the bonus payment were \$165,000. His employer will pay the federal taxes owed on the bonus. What is the gross amount of the bonus, assuming the supplemental rate is used for federal income tax withholding and there is no state income tax?

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- a. \$6,823.25
- b.  $\$168,600 - \$165,000 = \$3,600 * .062 = \$223.30$   
 $\$5,000 + \$223.20 = \$5,223.20$   
 $\$5,223.20 / 1 - (.22 + .0145) = \$6,823.25$
- c. \$7,107.32
- d. \$6,531.68
- e. \$7,424.59

15. Employee Abe receives a monthly salary of \$14,575.00. Abe invests 4% of his salary each pay period in the §401(k) plan and declined health coverage under the cafeteria plan. Calculate the total FICA deducted from wages paid him the last monthly payroll cycle in December of 2024.

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- a. \$1,114.98
- b. \$211.33
- c. \$724.38
- d.  $\$14,575 * 11 = \$160,325$   
 $\$168,600 - \$160,325 = \$8,275 * .062 = \$513.05$   
 $\$14,575 * .0145 = \$211.33$
- e. \$1,070.38

16. Employee Joan earns \$12,000 per month, is paid semi-monthly, participates in the company's cafeteria plan paying \$50 per pay period and contributes 20% to the company §401(k) plan, up to the maximum allowed. Assuming Joan received no payments during 2024 other than her regular salary, calculate Joan's federal income taxable wages for the first payroll period in December. Joan is not eligible for "catch-up" contributions.

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- a. \$6,000.00
- b. \$4,750.00
- c. \$4,800
- d. \$5,950.00
- e.  $[\$12,000/2 - \$50 (\$ 125 \text{ health})]$   
(Joan reached the §401(k) maximum of \$23,000 before the first payday in December 2024.)

17. Employee Jack earns \$7.50 per hour. He worked 43 hours in a workweek in which he was paid a service bonus of \$100. What is Jack's gross pay for the workweek?
- Section 3.4-4
- \$451.99
  - \$433.75
  - \$337.26
  - \$437.26**
- $\$7.50 \times 43 \text{ hrs} = \$322.50$   
 $\$322.50 + \$100.00 = \$422.50$   
 $\$422.50 \div 43 = \$9.83$   
 $\$9.83 \div 2 = \$4.92$   
 $\$4.92 \times 3 \text{ hrs} = \$14.76$   
 $\$422.50 + \$14.76 = \$437.26$
18. In November of 2023, employee Chris received a Signing Bonus of \$10,000 in a state with no state taxes. The offer letter stated that Chris has to stay with the company for 9 months, otherwise the whole signing bonus must be repaid. In April of 2024, Chris gave notice and left the company. What is the amount of the bonus that Chris has to repay. Chris signs the form that they will not request SS/Medicare refund on their tax return.
- Section 3.4-4  
Page 3-68
- \$7,035
  - \$9,235**
  - \$10,000
  - \$0
- $\$10,000 - \$620 - \$145$  (in subsequent year, no FIT repaid)
19. The employer pays a relocation bonus of \$2,700 in 2024. The federal income tax (FIT) rate is 22%, the state income tax rate is 6%, and the employee's year-to-date gross is \$45,000 prior to the payment. What would federal taxable gross be if the employer pays the employee's federal, FICA and state taxes?
- \$4,262.04
  - \$4,195.80**
  - \$4,008.90
  - \$3,743.55
- $100\% - (22\% + 6.2\% + 1.45\% + 6\%) = 64.35\%$   
 $\$2,700 \div 64.35\% = \$4,195.80$   
 Verify by calculating net pay:  
 $\$4,195.80 - (\$4,195.80 \times 35.65\%) = \$2,700$
20. Which of the following statements is not true?
- Page 1-10
- An employer or an employee can submit a Form SS-8 to the IRS to determine if a worker is an independent contractor or an employee
  - A worker can be both an employee and an independent contractor
  - An employer can issue a 1099 to a worker while waiting for an IRS determination for employee vs independent contractor**
  - None of the above
21. On June 6, 2024, an independent contractor fails to provide you with a taxpayer identification number (TIN). Total payments through June 6, 2023 were \$698. How much federal tax would you withhold from a payment of \$700 made to this contractor on June 12?
- Page 6-66
- \$175.00
  - \$70.00
  - \$189.00
  - \$168.00**
- $\$700 \times 24\% = \$168$

22. An employer is allowed under federal law to pay overtime for all hours worked over 80 in a biweekly period. In what type of industry is this employer likely to be engaged?
- Section 2.6-1  
Page 2-49
- a. State or local law enforcement
  - b. Health care**
  - c. Manufacturing
  - d. Retail
23. The employer may classify a worker as an independent contractor if the worker:
- Section 1.2-1
- a. Signs a contract
  - b. Is retired or over age 65
  - c. Fails the common-law test**
  - d. Furnishes his or her own tools and supplies
24. Under FLSA, a workweek is:
- Section 2.6-1
- a. Monday to Sunday
  - b. 168 consecutive hours**
  - c. Sunday to Saturday
  - d. 120 consecutive hours
25. In 2024, benefits received for non-job-related undergraduate-level education through a qualified educational assistance plan are tax-free up to what annual amount?
- Page 3-41
- a. \$-0-
  - b. \$5,250**
  - c. \$6,000
  - d. \$5,000
26. Which of the following statements about New Hire Reporting is true?
- Section 1.9  
Page 1-48
- a. Employers must report new hires within 20 days of hire and rehires who have been separated for at least 90 days
  - b. Employers must report new hires to each state because states do not share information
  - c. New Hire Reporting is only used by states to locate employees who owe child support
  - d. Employers must report new hires within 20 days of hire or twice per month, and rehires who have been separated for 60 days**
27. Employee Susan drives an employer-provided car. In 2024, she drove 18,500 miles; 12,500 business miles and 6,000 personal miles. Susan pays for gas. Using the vehicle cents-per-mile method, what is Susan's taxable income for the personal use of the car?
- Page 3-24
- a. \$3,690  $(.67 - .055) * 6000$**
  - b. \$4,020
  - c. \$3,900
  - d. \$1,017.50
28. The employer must withhold FICA and federal income taxes, and pay FUTA tax, when the employee's tips exceed what amount?
- Page 3-109
- a. \$50 per month
  - b. \$20 per year
  - c. \$20 per month**
  - d. \$50 per year

29. A compensation-related below market loan is generally tax free to employees if the daily aggregate balance doesn't exceed what amount?
- Section 3.4-18
- a. \$5,000
  - b. \$5,250
  - c. \$10,000
  - d. \$1,600
30. Under the special accounting rule, employers may treat qualified benefits earned near the end of the year as having been earned in the subsequent year for tax and reporting purposes. Benefits for which month(s) may be treated as having been earned in the following tax year?
- Page 3-116
- a. December only
  - b. November and December
  - c. The last 3 months of the year
  - d. The last 6 months of the year
31. The FLSA term "exempt" generally means the employer need NOT:
- Page 2-5
- a. Withhold federal income tax
  - b. Pay federal unemployment tax
  - c. Provide unpaid FMLA leave
  - d. Pay overtime
32. An employer that is entitled to apply the tip credit to an employee's hourly wage must pay a federal minimum rate of at least how much per hour?
- Section 2.5-1  
Page 2-42
- a. \$7.25
  - b. \$3.63
  - c. \$5.85
  - d. \$2.13
33. What federal minimum wage rate may be paid to newly hired employees under the age of 20 for the first 90 days of employment, assuming it is January 15, 2024?
- Page 2-39
- a. \$2.13
  - b. \$7.25
  - c. \$4.25
  - d. \$3.25
34. To qualify for exemption under the FLSA, an employee must be paid a minimum weekly salary of how much in June 2024?
- Page 2-6
- a. \$155
  - b. \$455
  - c. \$684
  - d. \$290

35. **Section 3.4-27** In January 2024, a restaurant pays its wait staff \$2.13 per hour. Employee Joanna worked 40 hours and earned tips amounting to \$76. What additional amount must the employer pay, if any?
- \$9.20
  - \$130**
  - \$72.80
  - \$214.00
- 40 hours worked are paid at \$2.13 = \$85.20  
 $\$5.15 \times 40 = \$206$   
 Tips received is LESS than Tip Credit  
 $\$206 - \$76 = \$130$   
 \$130 must be paid by employer to bring employee up to the federal minimum wage.
36. **Page 6-54** What amount must an employer withhold for federal income tax in 2024 on supplemental wages of \$1,500,000, assuming the optional flat tax is used as allowed under federal law?
- \$475,000
  - \$525,000
  - \$405,000**
  - \$425,000
- $\$1,000,000 \times 22\% = \$220,000$   
 $\$500,000 \times 37\% = \$185,000$   
 $\$220,000 + \$185,000 = \$405,000$
37. **Section 1.3** A statutory employee's pay is subject to which of the following taxes?
- Social Security, Medicare, and FUTA**
  - Federal income tax
  - None
  - Federal income tax, Social Security, and Medicare
38. **Section 3.4-2** Brenda receives a prize as a winner of a sales contest. The prize, which is paid from her sales manager's petty cash account, is \$25. Which of the following best represents the impact on her taxable wages?
- The prize is a de minimis gift and excluded from taxable wages
  - The prize is subject to FIT, FITW, FICA, and FUTA**
  - The prize represents a nonaccountable business expense reimbursement and is subject to FIT, FITW, FICA, and FUTA
  - The prize represents a "gift of detached generosity" and is excluded from taxable income
39. **Section 1.8** Which of the following documents proves both identity and right to work for Form I-9 verification purposes?
- Social Security card
  - Driver's license
  - U.S. Passport**
  - Birth certificate
40. **Page 2-72** Which of the following generally does NOT represent compensable time under the FLSA?
- Travel to a convention after normal working hours**
  - Time spent cleaning up work area after normal shift
  - Time spent in break room waiting for job instructions
  - Overtime hours not authorized by the employer