

**2016 FPC/ CPP EXAM PREPARATION TRAINING**

**TEST 2:** (Covers Material from Chapters 4-10 in The Payroll Source)

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1. An employee has two garnishments—one for child support and one for a creditor—and net pay is not sufficient to cover both. Which of the following is correct, assuming it is February 14, 2016?

- a. Creditor receives disposable pay up to 25%
- b. Child support receives disposable pay up to 50%, and any remainder not to exceed 25% of disposable pay goes to the creditor
- c. Child support receives disposable pay up to 50%, and \$175.50 goes toward the creditor garnishment
- d. No wages are subject to attachment

2. Backup withholding refers to tax withheld from:

- a. Relocation expenses
- b. Automobile allowances
- c. Nonwage payments
- d. Retroactive pay

3. Which of the following does not meet the federal definition of supplemental wages?

- a. Commissions
- b. Certain stock awards
- c. Paid sick leave
- d. Holiday pay

4. Acme, Inc. receives a child support withholding order for employee Joan on January 13, 2014. Joan separates from employment on March 31, 2014. The last child support withholding deduction was made on March 25, 2014. Under the FLSA, how long must Acme retain the withholding order and records of wage deductions under the order?

- a. March 25, 2016
- b. March 31, 2017
- c. March 25, 2018
- d. March 31, 2016

5. Which of the following benefits is prohibited under a cafeteria plan?

- a. Health insurance
- b. Group-term life
- c. Transportation fringe benefits
- d. Vacation days

6. Employee Elaine worked for SmithCo from January through July 2016 and earned wages of \$215,000 while employed there. Her employment contract was involuntarily terminated and in October 2016, she received a settlement payment of \$10,000. How much FICA tax is SmithCo required to withhold from this severance payment?

- a. \$235.00
- b. \$145.00
- c. \$765.00
- d. \$-0-

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7. Under federal law, the maximum amount that may be attached for a defaulted student loan, assuming there are no other wage attachments having priority, is:
- a. 25%
  - b. 15%
  - c. 50%
  - d. 28%
8. If an employer timely paid all deposits and for the full amount, when is the Form 941 due for wages paid in February?
- a. March 31
  - b. April 10
  - c. May 10
  - d. April 30
9. The FLSA requires which of the following records to be retained for three years?
- a. Daily time records
  - b. Proof of workers' compensation coverage
  - c. Employee disciplinary notices
  - d. Document showing employee's job duties
10. The penalty for failure to withhold wages under a federal tax levy notice is:
- a. 150% of the amount not withheld
  - b. 100% of the amount not withheld
  - c. 50% of the amount not withheld
  - d. 75% of the amount not withheld
11. Which of the following would be used to report wages for agricultural employees?
- a. Form 941
  - b. Form 943
  - c. Form 942
  - d. Form 944
12. The lookback period is used to determine the:
- a. Frequency of tax deposits
  - b. Amount of tax deposits
  - c. Form on which tax deposits are recorded
  - d. Withholding tax rate on bonuses
13. A common paymaster is:
- a. Any member (or members) of a group of related corporations that pays an employee who is concurrently employed by two or more of the related corporations
  - b. The manager of the payroll department responsible for the payrolls of several companies
  - c. The member of a group of related corporations that employs the greatest number of employees
  - d. The member of a group of companies that files Forms 941 and W-2 for all of them

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14. An advantage for an employer that is approved by the IRS to be designated as a reporting agent is:

- a. Employer taxes are paid as though employees work for one company
- b. Employees who work for two of the companies within the same year have withholdings for Social Security and Medicare based on the wage limit applied to the combined income
- c. Employees who work for two of the companies within the same year may receive only one annual Form W-2
- d. The employer may file a consolidated Form 941

15. Assuming that an employee earned \$150,000 in FICA taxable earnings in 2016, how much would be reported on the Form W-2 in boxes 3 and 5?

- a. Box 3 = \$150,000, Box 5 = \$150,000
- b. Box 3 = \$118,500, Box 5 = \$118,500
- c. Box 3 = \$150,000, Box 5 = \$118,500
- d. Box 3 = \$118,500, Box 5 = \$150,000

16. Federal income taxes would be withheld from third-party sick pay when an employee properly completes (assuming disability is temporary) Form:

- a. W-3
- b. W-5
- c. W-4
- d. W-4S

17. Which of the following forms must the employer receive as authorization to discontinue withholding under a federal tax levy notice?

- a. 668-W(c)
- b. 8832-B
- c. 668-D
- d. 2678

18. For tax year 2016, an employee's pretax contributions under an IRC 401(k) plan is limited to what amount?

- a. \$17,500
- b. \$5,250
- c. \$5,000
- d. \$18,000

19. For tax year 2016, which of the following would be reported only in box 14 of the Form W-2?

- a. Pretax contributions to a 401(k)
- b. Dependent-care assistance
- c. Employer contributions to a 401(k)
- d. Nontaxable third-party sick pay

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**20.** Employee Mario is paid biweekly and claims married with two allowances on his Form W-4. Each pay period, he contributes 2% to the 401(k) plan and \$50 to the cafeteria plan for health insurance. For the biweekly period ending June 5, 2016, Mario's gross wages were \$750. Assuming Mario's year-to-date wages were \$118,300 prior to the June 5 payroll period, and that the percentage method of withholding is used to compute federal income tax withholding, compute net pay for the pay period.

- a. \$658.01
- b. \$656.51
- c. \$626.80
- d. \$723.01

**21.** What is the minimum amount of federal income tax an employer is required to withhold on a bonus payment of \$1,001,000.00 in 2016, assuming the supplemental rate of withholding is used and no other supplemental wages were paid in the year?

- a. \$390,390
- b. \$350,350
- c. \$250,396
- d. \$250,350

**22.** For 2016, the annual contribution limit for self-only coverage under a health care savings account is:

- a. \$3,350
- b. \$3,300
- c. \$6,750
- d. \$2,500

**23.** Employee Bobby received an erroneous commission check in 2015 of \$500. His federal and FICA taxable earnings, including the erroneous payment for 2015 were \$35,500. Bobby repays the \$500 overpayment in 2016. Under the claim-of-right rule, what are the adjusted taxable wage amounts to be reported on the 2015 Form W-2c?

- a. Federal taxable wages = \$35,500, Social Security/Medicare wages = \$35,500
- b. Federal taxable wages = \$35,000, Social Security/Medicare wages = \$35,500
- c. Federal taxable wages = \$35,500, Social Security/Medicare wages = \$35,000
- d. Federal taxable wages = \$35,000, Social Security/Medicare wages = \$35,000

**24.** Harpo Inc. is a semiweekly depositor. It pays wages on Friday that result in a deposit obligation of \$99,000. It receives a statement from the third-party payer of sick pay on the same day indicating that the employer owes Social Security and Medicare tax in the amount of \$2,000. When is the deposit for taxes owed on the sick pay due?

- a. The following Monday
- b. The following Wednesday
- c. The Friday that the statement is received from the third party
- d. The following Tuesday

**25.** Which of the following plan contributions require reporting in Form W-2, box 11?

- a. 403(b)
- b. 457(b)
- c. 401(k)
- d. 419(b)

## 2016 FPC/ CPP EXAM PREPARATION TRAINING

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---

26. In 2015, the year that Mary began receiving sick pay from a third-party payer, her employer contributed 65% toward the cost of the disability insurance. In 2016, her employer's contribution percentage dropped to 45%. Mary received sick pay totaling \$12,000 in 2015 and \$15,000 in 2016. Federal taxable income related to sick pay is how much for 2015 and how much for 2016?

- a. 2015 = \$7,800, 2016 = \$6,750
- b. 2015 = \$7,800, 2016 = \$9,750
- c. 2015 = \$7,800, 2016 = \$7,800
- d. 2015 = \$6,750, 2016 = \$6,750

27. Employee Joan earns \$12,000 per month, is paid semimonthly, participates in the company's cafeteria plan with medical insurance at \$100 each month deducted in equal installments each pay period, and contributes 20% of her pay to the company 401(k) plan, up to the maximum allowed. Company provides matching of the 401(k) plan contributions up to 6%. Assuming Joan received no payments during 2016 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.

- a. \$4,800
- b. \$4,750
- c. \$6,000
- d. \$5,950

28. For tax year 2016, the following would not be reported in box 12 of Form W-2:

- a. Employee contributions to a §401(k) plan
- b. Nontaxable third-party sick pay
- c. Taxable group-term life over \$50,000
- d. Personal use of a company-owned vehicle

29. For 2016, the mandatory rate of federal income tax withholding on supplemental wages in excess of \$1 million is:

- a. 28%
- b. 35%
- c. 39.6%
- d. 25%

30. Under federal law, what is the maximum that can be deducted for child support, assuming two dependents live with the obligor and there is a \$500 arrearage?

- a. 50%
- b. 55%
- c. 60%
- d. 65%

31. Which of the following is not subject to a child support garnishment under the federal law?

- a. Sign-on bonus
- b. Performance award
- c. Retroactive pay
- d. Value of a noncash fringe benefit

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32. Wages are paid on Wednesday, June 30, that give rise to a deposit liability of \$90,000. Wages are again paid on Thursday, July 1, that give rise to deposit liability of \$12,000. Assume that Monday, July 5, is a nonbusiness day. Under the semiweekly deposit rule, when are these deposits due?

- a. \$102,000 is due on Wednesday, July 7
- b. \$102,000 is due on Friday, July 2
- c. \$102,000 is due on Thursday, July 8
- d. \$102,000 is due on Friday, July 9

33. The employer pays a relocation bonus of \$2,700 in 2016. The federal income tax (FIT) rate is 25%, 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 and state taxes?

- a. \$4,262.04
- b. \$4,400.98
- c. \$4,008.90
- d. \$3,743.55

34. An employee's Form W-4 must be retained:

- a. Until a new Form W-4 has been completed
- b. Until the end of the calendar year
- c. For a period of 4 years from the employee's termination
- d. For a period of 2 years from the employee's termination

35. On July 24, 2016, the amount of pay exempt from creditor garnishment under the Federal Wage Garnishment law is:

- a. \$154.50
- b. \$175.50
- c. \$217.50
- d. \$187.50

36. When is Form 940 generally due if the employer made timely deposits in full payment of the amount due?

- a. January 31
- b. February 15
- c. April 15
- d. February 10

37. Ben received a \$20,000 bonus on February 26, 2016. Federal income tax was withheld at the supplemental rate of withholding. Ben claims married and three personal allowances on his Form W-4. The bonus, when added to his regular wages, resulted in total earnings for the year of \$119,800. What is the net pay of the bonus payment?

- a. \$13,550.60
- b. \$13,755.30
- c. \$13,470.00
- d. \$13,569.45

38. Which of the following forms is applicable for tax year 2016?

- a. Form W-11
- b. Form W-5
- c. Form 8922
- d. Form 941c

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39. If the employer has paid unemployment tax to the state fund on time, and no other credit reductions apply, the employer is entitled to a maximum credit of:

- a. 6.0%
- b. 0.6%
- c. 4.5%
- d. 5.4%

40. In the lookback period, Company A incurred payroll tax liabilities of \$182,404.92. Wages are paid on Friday, October 15. The total federal tax deposit is \$2,500. The deposit would be due on:

- a. Monday, October 18
- b. Wednesday, October 20
- c. Friday, October 22
- d. Monday, November 15.

41. In 2016, Jim contributed \$1,000 to his nonqualified deferred compensation plan (meeting the qualification requirements of IRC 409A). His contributions vest at the time of deferral. Which of the following best describes the federal tax treatment of his deferral?

- a. Subject to FITW
- b. Subject to FITW, FICA and FUTA
- c. Subject to FICA and FUTA
- d. Reported only as wages in Form W-2, box 1

42. XYZ, Inc. is ready to store hourly time cards for the month of February 2014. When can these time cards be destroyed under statutory regulations, assuming no other daily record of hours worked exists?

- a. February 2015
- b. February 2017
- c. February 2018
- d. February 2019

43. Employee Brian is receiving a second distribution in 2016 of \$1.5 million from his nonqualified deferred compensation plan. One month earlier, Brian received a distribution from the plan of \$1.6 million. How much FICA and federal income tax is withheld, assuming the payment is treated as supplemental wages?

- a. \$455,250.00
- b. \$615,750.00
- c. \$546,750.00
- d. \$629,250.00

44. Third-party sick pay is reported by the third-party payer (assume the employer pays its share of FICA and federal unemployment tax):

- a. On line 5a of Form 941
- b. On line 2 of Form 941
- c. In box 1 of Form W-2
- d. In Part 2 of Form 940

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45. On March 5, 2016, Jane's disposable pay is \$1,115. Under a child support order, her employer is required to deduct \$125 per pay period, or a maximum of 50% of disposable pay, whichever is less. \$3,000 is owed under a creditor garnishment order. How much can be deducted from Jane's pay to satisfy the child support order and the creditor garnishment under the CCPA?

- a. Creditor = \$557.50; child support = \$125
- b. Creditor = \$-0-; child support = \$125
- c. Creditor = \$153.76; child support = \$125
- d. Creditor = \$247.50; child support = \$125

46. The suggested due date for filing Form 941-X for tax overpayments discovered on April 4, 2016 is:

- a. April 5, 2016
- b. July 1, 2016
- c. July 31, 2016
- d. January 31, 2017

47. The total cost of the disability insurance premium is \$35 per month. The employer pays 60% and the employee pays 40% with pretax dollars under the employer's flexible benefits plan. Assuming that an employee receives \$100 in sick pay because of temporary disability, what portion of the payment is included in gross taxable wages?

- a. \$100
- b. \$40
- c. \$60
- d. \$0

48. What amount must an employer withhold for federal income tax in 2016 on supplemental wages of \$1,500,000, assuming the optional flat tax is used as allowed under federal law?

- a. \$475,000
- b. \$525,000
- c. \$448,000
- d. \$425,000

49. Employer contributions to a qualified health savings account (HSA) are reported on Form W-2 in box(es):

- a. 1, 3, 5
- b. 12
- c. 3, 5
- d. 1

50. An employer in a state that took a federal UI loan in 2009, and that failed to repay that loan in 2015, was generally subject to a 2015 FUTA credit reduction of::

- a. 5.4%
- b. 0.6%
- c. 1.5%
- d. 0.3%