

6. The Greens own a principal residence and a vacation home and plan to purchase a condominium that their daughter will live in while she is at college.
 - a. If they borrow to buy the condo with the loan secured by the condo, will the interest expense be deductible as home mortgage interest?

 - b. If they take out an equity loan on their principal residence to buy the condo, will that produce deductible home mortgage interest?

 - c. If they pay cash for the condo and borrow money to pay for tuition, would that produce deductible interest expense?

7. Which of the following is likely to cause an individual to owe AMT?
 - a. Having over 80% of their income taxed at the highest marginal rate.
 - b. Exercising incentive stock options.
 - c. Paying interest on a home equity loan.
 - d. Having a passive activity.
 - e. Living in California and making over \$200,000.

8. Which of the following might cause an individual to generate an NOL?
 - a. Mortgage interest greater than his current year salary and interest income.
 - b. A very large casualty loss.
 - c. Stock losses greater than stock gains.
 - d. An unprofitable Schedule C year.