

60. Solution: E

Let X and Y denote the annual cost of maintaining and repairing a car before and after the 20% tax, respectively. Then $Y = 1.2X$ and $\text{Var}[Y] = \text{Var}[1.2X] = (1.2)^2 \text{Var}[X] = (1.2)^2(260) = 374$.