

IRS RETURN PREPARER TEST SPECIFICATIONS

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Preface

It is the goal of the IRS to administer a test that is founded on basic preparer competency. As such, the Registered Tax Return Preparer (RTRP) test will focus on the ethical responsibilities of federal tax return preparers and the completion of Form 1040 series along with the basic related schedules and forms. The test specifications provided below are intended to provide guidance on the content of the RTRP test. The examples provided within each item are not all inclusive of what may be tested in a given area.

Tax preparers are required to pass this competency test in order to achieve the title of Registered Tax Return Preparer.

Domain 1: Preliminary Work and Collection of Taxpayer Data

1. Review prior year's return for accuracy, comparison, and carryovers for current year return.
2. Collect taxpayer's biographical information (e.g., date of birth, age, marital status, citizenship, dependents)
3. Determine filing status
4. Determine all sources of taxable and non-taxable income (e.g., wages, interest, business, sale of property, dividends, rental income, income from flow-through entities, alimony, government payments, and pension distributions).
5. Determine applicable adjustments to gross income (e.g., self-employed health insurance, self employment tax, student loan interest deduction, alimony paid, tuition, and fees deduction).
6. Determine standard deduction and Schedule A itemized deductions (i.e., state and local tax, real estate tax, cash contributions, non-cash contributions, unreimbursed employee expense, medical expense, and mortgage interest).
7. Determine applicable credits (e.g., earned income tax credit, child tax credit, education, retirement savings, dependent and child care credit).
8. Understand tax payments (e.g., withholding, estimated payments).
9. Recognize items that will affect future returns (e.g., carryovers, depreciation).
10. Determine special filing requirements (e.g., presidentially declared disaster areas).
11. Determine filing requirements (including extensions and amended returns).
12. Understand due dates, including extensions.
13. Determine personal exemptions, including dependents.
14. Determine qualifying child/relative tests for Earned Income Credit.

Domain 2: Treatment of Income and Assets
A. Income
<ol style="list-style-type: none"> 1. Taxability of wages, salaries, tips, and other earnings (e.g., W-2 Wage and Tax Statement, cash). 2. Interest Income (taxable and non-taxable) (e.g., Schedule B and 1099-INT). 3. Dividend Income (e.g., Schedule B and 1099-DIV). 4. Self-employment income and expenses (e.g., Schedule C Profit or Loss From Business and Form 1099-MISC Miscellaneous Income, cash). 5. Rental income and expenses (e.g., Schedule E Supplemental Income and Loss). 6. Identification of forgiveness of debt as income (including Form 1099-C Cancellation of Debt). 7. Other income (e.g., alimony, barter income, hobby income, non taxable combat pay, state income tax refund from prior years, prizes).
B. Retirement Income
<ol style="list-style-type: none"> 1. Reporting requirements of Social Security benefits (e.g., Form SSA-1099 Social Security Benefit Statement). 2. Taxable distribution from an IRA including basis in an IRA (e.g., Form 8606 Non-deductible IRAs). 3. Distributions from qualified plans (e.g., 401k, IRA, Roth IRA). 4. Required minimum distributions from retirement plans.
C. Property, Real and Personal
<ol style="list-style-type: none"> 1. Short-term and long-term capital gains and losses (e.g., Schedule D Capital Gains and Losses, Form 1099-B Proceeds From Broker and Barter Exchange Transactions). 2. Determination of basis of assets (e.g., purchased, gifted, or inherited). 3. Sale of non-business assets (gains or losses). 4. Sale of a principal residence (e.g., IRC 121 exclusions, 1099S Proceeds From Real Estate Transactions).
D. Adjustments to Income
<ol style="list-style-type: none"> 1. Self-employment tax (e.g., Schedule SE Self-Employment Tax). 2. Tuition and fees – (e.g., Form 8917 Tuition and Fees Deduction, Form 1098T Tuition Statement). 3. Eligible Moving expenses – (e.g., Form 3903 Moving Expenses). 4. Other adjustments to income (e.g., IRA contribution deduction).

Domain 3: Deductions and Credits
A. Itemized Deductions
<ol style="list-style-type: none"> 1. Medical and dental expenses. 2. State, local, and real estate taxes. 3. Mortgage interest expense - (e.g., Form 1098 Mortgage Interest Statement). 4. Charitable contributions (e.g., cash, non-cash, Form 8283 Non-Cash Charitable Contributions). 5. Miscellaneous itemized deductions – (including deductions subject to 2% AGI Limit). 6. Employee travel, transportation, education, and entertainment expenses – (e.g., Form 2106-EZ and Form 2106 Unreimbursed Employee Business Expenses).
B. Credits
<ol style="list-style-type: none"> 1. Child and dependent care credit (e.g., Form 2441 Child and Dependent Care Expenses). 2. Child tax credit and additional child tax credit (e.g., Form 8812, Additional Child Tax Credit). 3. Education credits – (e.g., Form 8863 Education Credits (American Opportunity and Lifetime Learning Credits), Form 1098T Tuition Statement). 4. Earned Income Tax Credit (EITC) (e.g., Schedule EIC Earned Income Credit, Form 8867 Paid Preparer's Earned Income Credit Checklist). 5. Retirement savings contribution credit – (e.g., Form 8880 Credit for Qualified Retirement Savings Contributions).
Domain 4: Other Taxes
<ol style="list-style-type: none"> 1. Alternative Minimum Tax (e.g., Form 6251 Alternative Minimum Tax). 2. Early distributions from retirement plans – (e.g., Form 5329 Additional Tax on Qualified Plans). 3. Self-employment tax (e.g., Schedule SE Self-Employment Tax). 4. Unreported Social Security and Medicare tax – (e.g., Form 4137 Social Security and Medicare Tax on Unreported Tip Income). 5. Repayment of first-time home buyer credit (including Form 5405 First-Time Homebuyer Credit and Repayment of the Credit).

Domain 5: Completion of the Filing Process

1. Check return for completeness and accuracy.
2. Explain and review tax return.
3. Explain record-keeping requirements to the taxpayer.
4. Discuss significance of signatures (e.g., joint and several liability, penalty of perjury, Form 8879 IRS e-file Signature Authorization).
5. Understand tax preparer's responsibilities related to rejected electronic returns.
6. Understand timeframe for submitting electronic returns – (e.g., Form 8879 taxpayer signature and date prior to submission).
7. Understand payment options (e.g., check, direct debit, EFTPS, credit card, installment agreement-Form 9465).
8. Understand estimated tax payment requirements (e.g., potential for penalties, Form 1040-ES Estimated Tax).
9. Understand refund options – (e.g., Form 8888 Allocation of Refund).

Domain 6: Practices and Procedures

1. Penalties to be assessed by the IRS against a preparer for negligent or intentional disregard of rules and regulations, and for a willful understatement of liability (e.g., IRC 6694(a), IRC 6694(b)).
2. Appropriate use of Form 8867 Paid Preparer's Earned Income Credit Checklist and related penalty for failure to exercise due diligence (e.g., IRC 6695(g)).
3. Furnishing a copy of a return to a taxpayer (e.g., IRC 6695(a)).
4. Signing returns and furnishing identifying (PTIN) numbers (e.g., IRC 6695(b), IRC 6695(c)).
5. Rules for the return preparer for keeping copies and/or lists of returns prepared (e.g., IRC 6695(d)).
6. Compliance with e-file procedures (e.g., timing of taxpayer signature, timing of filing, recordkeeping, prohibited filing with pay stub).
7. Completion and use of Form 2848 Power of Attorney and Declaration of Representative and Form 8821 Tax Information Authorization.
8. Safeguarding taxpayer information – (e.g., Publication 4600 Safeguarding Taxpayer Information, Quick Reference Guide for Business, IRC 7216).

Domain 7: Ethics Circular 230 Subparts A, B, and C (excluding D, E), but not limited to the following:

1. Preparer's due diligence for accuracy of representations made to clients and the IRS; reliance on third-party work products.
2. What constitutes practice before the IRS and categories of individuals who may practice.
3. Limits on practice by a registered tax return preparer.
4. Requirement to furnish information to IRS upon request.
5. Prompt disposition of matters before the IRS.
6. Prohibition on receiving assistance from or providing assistance to disciplined practitioners.
7. Rules regarding fees, including contingent fees.
8. Rules in dealing with clients, including return of client records, conflicts of interest, advising on omissions and errors, solicitation (including advertising), and negotiation of taxpayer refund checks.
9. Due diligence standards with respect to tax returns and other documents; standards for signing, advising positions on returns and advising submissions of other documents; advising on penalties; good faith reliance on client information; reasonable inquiries regarding incomplete, inconsistent, incorrect information.
10. Responsibility of individual(s) who have principal authority over a firm's tax practice.
11. Incompetence and disreputable conduct that can result in disciplinary proceedings.
12. Sanctions that may be imposed under Circular 230.