**Domain 1: Preliminary Work & Taxpayer Data 14 Questions**

**1.1. Preliminary work to prepare tax returns**

1. Prior years' returns for comparison, accuracy & carryovers for current year's return
2. Taxpayer personal information (date of birth, marital status, dependents, id-protection PIN, Photo ID)
3. Residency status and/or citizenship (visas, green cards, resident alien or nonresident alien, ITIN, ATIN)
4. Filing requirements, due dates
5. Taxpayer filing status
6. Sources of worldwide taxable & nontaxable income (interest, wages, business, sales of property, dividends, rental income, flow-through entities, alimony received)
7. Sources of applicable exclusions & adjustments to gross income (foreign earned income exclusion, retirement plans, HSAs, alimony paid, health insurance, self-employment tax)
8. Sources of applicable deductions (itemized, standard)
9. Qualifications for dependency
10. Sources of applicable credits (education, foreign tax, child & dependent care, credit for other dependents, child tax credit)
11. Sources of tax payments & refundable credits
12. Previous IRS correspondence with taxpayer
13. Additional required returns to be filed & taxes paid (employment, gifts, international information returns & other information returns)
14. Special filing requirements (foreign income, presidentially declared disaster areas, injured spouse)
15. Foreign account & asset reporting (FBAR, Form 8938)
16. “Kiddie” tax - Minor children's unearned income
17. ACA requirements (AGI, premium tax credit, household size)

**MORE BASICS**

* Residency status and/or citizenship: visas,green cards,resident alien or non-resident alien,ITIN, ATIN – W7 application

Non-Resident Aliens:

NO tax on Worldwide income.

Taxed on US income.

No STD Deduction.

Substantial presence test (>183 days = 1st yr + 1/3(2nd yr) + 1/6(3rd yr).

Visa type important.

Resident Aliens:

Taxed US & Worldwide income.

Tax treatment may differ based on specific visa type and length of stay.

Certain tax deductions and credits may be available.

Green Card Holders:

Considered resident aliens for tax purposes.

Taxed on US & worldwide income.

May be eligible for certain tax benefits and credits.

Student Visas:

Generally considered non-resident aliens unless meeting specific requirements for resident status.

FIVE year look back for Substantial Presence.

May be subject to US tax on income earned within the US.

Exempt on scholarships and grants.

* Additional Resources:
* IRS Publication 519: U.S. Tax Guide for Aliens: https://www.irs.gov/forms-pubs/about-publication-519
* IRS Publication 525: Taxable Income: https://www.irs.gov/forms-pubs/about-publication-525
* **Filing requirements / due dates**
* 4/15, 2-month automatic extension Abroad,
* 6-month ext. F4868,
* Military??
* Estimated Pay dates: 4/15, 6/15, 9/15, 1/15
* **Taxpayer filing status**
  + **Single, HOH** – & legally separated, or married meeting the “considered unmarried” test living apart for 6 months.
* **MFS, MFJ:**
* **QSS** - If spouse dies file MFJ then for 2 yrs file QSS, AFTER 3 yrs use HOH.
* **Taxable & NON-Taxable income**
  + **Earned Income** – wages, flow-through entities
  + **UN-earned Income**
* interest, 1099-INT, non-taxable MUNI bond INT ($10 threshold for 1099-INT)
* Dividends, 1099-DIV
* Property sales - P537-Installment Sales, P544-Sale of Assets, P523-Selling Home, Schedule D-cap. Gains, rental income,alimony received, note: alimony paid is NOT deductible
* Sources of exclusions & adjustments to gross income
  + self-employment tax; Total FICA=15.3%, Medicare-1.45/2.9 SS-6.2/12.4
  + foreign earned income exclusion 232K
  + retirement plans,
  + HSAs,
  + alimony paid,
  + health insurance
* Sources of applicable deductions:
  + itemized – Schedule A-itemized deductions
  + standard – S-13,850 HOH-19,000 MFJ-25,900
  + Blind & 65+ - 1,850
* Qualifications for dependency
  + Age test- <19 or 24 & FT student or permanently disabled (no age limit)
  + Household Maintenance-provide **>= 50%** of cost of household, rent, utilities, food
  + Earnings tests **<$4.7k**
  + Qualified Children-biological/adopted child, stepchild, or foster child (not cousin)
  + Qualified Relative-Blood, marriage, parent, sibling, nephew, niece, grandparent, in-laws
* Sources of applicable credits: education,foreign tax, child & dependent care,credit for other dependents, child tax credit,EITC
* Sources of tax payments & refundable credits
* Previous IRS correspondence with taxpayer
* Additional required returns to be filed, & taxes paid employment, De-minus gifts, international information returns & other information returns)
* Special filing requirements: foreign income-see FBAR
* **Injured Spouse Relief**, One party is hurt by the others past debts, Form 8379
  + Addresses situations when **joint tax returns** are filed
* **Innocent Spouse Relief**, One party is innocent of a mistake made by the other,Form 8857
  + Addresses tax liability due to your **spouse’s errors on the tax return** & you want relief from the responsibility.
* Presidentially declared disaster areas,
* Foreign account & asset reporting:FBAR, Financial Banking Act Report, FINCEN 114, e-file only, Form 8938
* "Kiddie" tax-Minor children's:
  + **EARNED INCOME** is NOT included
  + **UNEARNED INCOME** exceeding $2,600 is taxed at the parent’s or guardian’s rate, **Form 8615**
  + **< 19 years & Full-time students under 24 years**
* ACA requirements (total household income, premium tax credit, household size)

**Domain 2: Income & Assets**

**2.1. Income**

* **Business types:** Sole Proprietor, LLC, S-corp, C-corps, Estates, Trust
* **Taxable & NON-Taxable income**
  + **Earned** Income – wages, flow-through entities
    - Private bonds – 1099-DIV
    - 1099-NEC
    - Self-Employed
  + **UN-earned** Income
    - interest, 1099-INT, non-taxable MUNI bond INT MUST BE LISTED, ($10 threshold for 1099-INT)
    - Dividends, 1099-DIV
    - Sales of property- P537-Installment Sales, P544-Sale of Assets, P523-Selling Home, Schedule D-cap. gains
    - rental income
    - alimony received, **note: alimony paid is NOT deductible**

**BASIS of REAL Property**

* + define: Cost Basis, Adjusted Basis, Basis Other Than Cost
* **ADDS to Basis of property:**
  + Sales tax.
  + Freight.
  + Installation & testing.
  + Excise taxes.
  + Legal & accounting fees (when they must be capitalized).
  + Revenue stamps.
  + Recording fees.
* Real estate taxes (if assumed by the seller).
  + Sales, Transfer & Excise taxes.
  + Real estate taxes (if assumed by the seller).
  + Freight & Shipping
  + Installation/testing.
  + Charges to utility services.
  + Legal fees (title search & sales contract preparation & deed).
  + Accounting fees (or may be capitalized).
  + Revenue stamps.
  + Recording fees.
  + Abstract title fees.
  + Surveys.
  + Owner’s title insurance.
  + Any amounts the seller owes that you agree to pay…
* **NOT ADDED TO BASIS**
  + Casualty insurance
  + Rent for occupancy of the property before closing.
  + Charges for utilities or other services related to occupancy
  + Charges connected with getting a loan.
  + Points, discount points
  + Mortgage insurance.
  + Loan assumption fees.
  + Cost of credit report.
  + Appraisal Fees by a lender.
  + Refinancing Fees
* **Basis of Gifts**
  + 1. If the gift was worth more than what the giver paid for it: Your starting point (basis) is the same as what the giver paid for it.
  + 2. If the gift was worth less than what the giver paid for it: Your starting point (basis) is the value of the gift when you received it.
* Taxability of wages, salaries & other earnings
* Interest Income (taxable & non-taxable)
* Dividends & other distributions from mutual funds, corporations & other entities
* Personal property rental
* Gambling income & allowable deductions (Form W-2G, documentation)
  + Can ONLY Exp up to the limit you won.
* Tax treatment of cancellation of debt (Form 1099-C, foreclosures, insolvency)
* Tax treatment of a US citizen/resident with foreign income (tax treaties, Form 1116, Form 2555, Form 3520, Form 5471)
* **Other**
  + scholarships are not Income, If gift is paid directly to Uni then it is not taxed from IRA
  + barter income- fair market value
  + hobby income – income **IS** reported but NO expenses taken EXCEPT COGS!
  + Alimony – Considered UNearned income, **Alimony paid is NOT deductible**.
  + NON-taxable combat pay – Income in combat(hazard duty) or while in hospital is not taxed.
  + unearned income,
  + taxable recoveries,
  + NOL,
  + illegal income
* Constructive receipt of income
* Constructive dividends (payments of personal expenses from a business entity)
* Passive income & loss
* Pass-through income
  + Schedule K-1 Partnerships, ***Think QBI***
  + income, deductions,
  + basis,
* **Intangible assets** - Royalties, patents, copyrights, Franchises, trademarks & trade names are Supplemental Income, **SCH.E**
* **SALT Cap.** - State/local income tax refund & other itemized Deduction recoveries
  + SALT Deduction capped at $10,000 per year.
* 1099-MISC, 1099-NEC, 1099-K reporting, irregularities & corrections
* 1099-G: gov. income

**QBI**

* **QBI** - Section 199A allows business owners to deduct ~20% of qualified business income:  
  https://www.youtube.com/watch?v=YrD7hG9EdiA  
  **Tax Cuts & Jobs Act** (**TCJA**), “Trump cuts”

Business MUST be in US, Don’t need to be active, CAN be passive income.  
Form 8995, i8995-p6

**Who can deduct:**

* + Sole Proprietors,
  + Self-Employed,
  + Freelancers,
  + Landlords
  + Trusts(most?),
  + Estates,
  + LLCs,
  + S-corporations
  + **NOT C-corporations**
  + **NOT Lawyers, CPAs, Consultants, Financial Services**

**Income from a passthrough entity:**

* + Limited Liability Corporations,
  + Real estate investment (REIT - dividends)
  + Publicly traded partnerships (PTP income)
  + **NOT Capital gains OR wages OR Guaranteed Payments**
  + **NOT Divs, INT, Annuities-**Insurance

**Businesses fall into 2 categories:**

* + Qualified Trades or Businesses (QTB)
  + Specialized Service Trades or Businesses (SSTB)

**How does QBI work?**

* + Income thresholds: ***Below, Med, Above Phase Out Range***
  + **BELOW** - phase out
    - Lesser of 20% QBI or 20% Taxable income
  + **MED** - **Take the lesser of {Below=20%QBI} or {Above=W2 wages}**
  + **ABOVE**
    - (if you are SSTB then QBI=0)
    - **Take Larger** of (**QBI=50% of W2-wages** **OR** **25% W2-wages + 2.5% of PPE[Property, plant, equipment]**)
* "**Kiddie**" tax-Minor children's unearned income:
  + **EARNED Income is NOT included**,
  + **UNEARNED income** exceeding **$2,600** is taxed at the parent’s or guardian’s rate,
  + **Form 8615**
  + **< 19 years & Full-time students under 24 years**

**2.2. Retirement income**

* Basis in a traditional IRA (Form 8606)
  + 59.5 - Withdraw earnings from IRA without penalty.
  + 72 - Traditional IRA RMDs.
  + $6500 - < 50 IRA contribution limit.
  + $7500 - > 50 IRA contribution limit.
* Roth IRAs
* Comparison of & distributions from traditional & Roth IRAs
* Distributions from qualified & non-qualified plans (pre-tax, after-tax, rollovers, Form 1099R, qualified charitable distribution)
* Excess contributions & tax treatment (penalties)
* Penalties & exceptions on premature distributions from qualified retirement plans & IRAs
* Prohibited transactions & tax consequences
* IRA conversions & recharacterization (Form 8606)
* RMD - Required minimum distributions
* Loans from qualified plans
* Taxability of Social Security & Railroad Retirement benefits
* Inherited retirement accounts - MUST be dispersed by 10th year
* Foreign pensions & retirement income

**2.3. Property, real & personal**

* Sale or disposition of property including depreciation recapture rules & 1099A
* Capital gains: netting effect, short-term, long-term, mark-to-market, virtual currency)
* Basis of assets (purchased, gifted or inherited)
* Basis of stock after stock splits and/or stock dividends (research, schedules, brokerage re cords)
* Publicly traded partnerships (PTP) (sales, dispositions, losses)
* Sale of a personal residence (IRC sec 121 exclusions)
* Installment sales (related parties, original cost, date of acquisition, possible recalculations & recharacterization)
* Options (stock, commodity, ISO, ESPP)
* Like-kind exchange
* Non-business bad debts
* Investor versus trader
* **Section 031** - allows one to **DEFER capital gains when you sell ‘real estate’ investments or business property. One must reinvest the proceeds into another property of “like-kind exchange.” The exchange must be made with 180 days!!** The **tax is simply postponed** until you eventually sell the replacement property.

**2.4.Adjustments to Income**

* Self-employment tax
* Retirement contribution limits & deductibility (earned compensation requirements)
* Health savings accounts
* Other adjustments to income (student loan interest, alimony, moving expenses for active military, write-in adjustments)
* Self-Employed Health Insurance
* Penalty for early CD withdrawal: (reported on 1099-INT) Adjustment to income on 1040.
* Student Loan Deduction: Higher Ed. loan interest. Self, spouse, or dependents. Not if MFS, not if TP can be claimed as a dependent. $2500 limit per return, has AGI limit. From financial institution only (on 1098-E if > $600). For degree, certificate, etc.
* SE health insurance deduction: Only if business has a profit after subtracting the 1/2 SE tax deduction. Can be wages from S-corp with > 2% share. Can't if either spouse eligible for work health insurance, even if decline it.
* Educator expenses up to $300 each. Not health courses (except athletics). P.E. only if athletic equipment. Not for home schooling. K-12 only, 900 hours/year min.

**Domain 3: Deductions & Credits 17 Questions**

**3.1. Itemized deductions & QBI**

* Medical, dental, vision, long-term care expenses
* Various taxes (state & local, personal property, real estate)
* Interest expense (mortgage interest, investment interest, tracing rules, points, indebtedness limitations)
* Charitable contributions (cash, non-cash, limitations, documentation required)
* Nonbusiness casualty & theft losses
* Other itemized deductions
* Itemized deductions for Form 1040-NR
* Qualified Business Income (QBI) deduction

**3.2. Credits**

* Child & dependent care credit
* Child tax credit & credit for other dependents
* Education credits
* Foreign tax credit
* Earned income tax credit (paid preparer's earned income credit checklist, eligibility & disallowance)
* Adoption credits (carryovers, limitations, special needs)
* ACA premium tax credit
* Other credits (refundable & non-refundable) (health coverage tax credit, energy credits, Retirement savings contribution credit)

**Domain 4: Taxation 15 Items**

**4.1. Taxation**

* Alternative minimum tax & credit for prior year
* Household employees
* Underpayment penalties & interest
* Self-employment tax
* Excess Social Security withholding
* Tax provisions for members of the clergy
* Tax provisions for members of the military
* Income in respect of decedent
* Net investment income tax
* Additional Medicare tax
* Uncollected Social Security & Medicare tax
* Other taxes (first time homebuyer credit repayment)

**Domain 5: Advising the individual taxpayer 11 Questions**

**5.1. Advising the Individual Taxpayer**

* Reporting obligations for individuals (1099, bartering, cash)
* Property sales (homes, stock, businesses, antiques, collectibles)
* Education planning (lifetime learning credit, IRC section 529 plans)
* Estate planning (gift versus inheritance, trusts, family partnerships, charitable giving, long- term care, life insurance)
* Retirement planning (annuities, IRAs, employer plans, early retirement rules, required minimum distribution, beneficiary ownership, charitable distributions from an IRA)
* Marriage & divorce (divorce settlement, common-law, community property, alimony)
* Items that will affect future/past returns (carryovers, net operating loss, Schedule D, Form 8801, negative QBI carryover)
* Injured spouse
* Innocent spouse
* Estimated tax & penalty avoidance (mid-year estimated tax planning)
* Adjustments, deductions & credits for tax planning (timing of income & expenses)
* Character of transaction (use of capital gain rates versus ordinary income rates)
* Advantages & disadvantages of MFJ/MFS/HOH filing statuses in various scenarios (joint & several liability)
* Conditions for filing a claim for refund (amended returns)
* Penalty of perjury

**Domain 6: Specialized Returns for Individuals 11 Questions**

**6.1. Estate Tax**

* Gross estate, taxable estate (calculations & payments), unified credit
* Jointly held property
* Marital deduction & other marital issues (portability election)
* Life insurance, IRAs & retirement plans
* Estate filing requirements & due dates (Form 706: Form 1041)

**6.2. Gift Tax**

* Gift-splitting
* Annual exclusion
* Unified credit
* Effect on estate tax (Generation skipping transfer tax)
* Filing requirements (Form 709) 6.3.International Information Reporting
* Filing & reporting requirements & due dates (FBAR, Form 8938, Form 8865, Form 5471, Form 3520)
* Covered accounts (FBAR, Form 8938)
* Potential penalties (failure to file, under-reporting, substantially incomplete, statute of limitations, reduction of tax attributes)
* Distinctions between FBAR & Form 8938 requirements

**7. Extras**

1 Addn Income & Adjustments to Income

2 Addn Taxes

3 Addn Credits & Payments

A Itemized Deductions

B Int & Div

C P&L Sole Proprietor

D Capital Gains / Loss

E Supplemental Income

F Farming/Fishing Income

H Household Employment Taxes

I Additional Information

R Elderly & the Disabled

K-1 Partner’s Share of Income, Credits, Deductions

X Amended Returns