

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

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

#### 1. **Prior years' returns:**

1. Used for comparison, accuracy, & carryovers,
2. **Net Operating Loss (NOL),**
3. **depreciation, asset basis, prior yr minimum tax** for current year's return

#### 2. **Taxpayer Bio-information NEEDED:**

1. date of birth, marital status, dependents, identity protection **IP-PIN**,
2. **photo ID**, Look at SS card for *Fake/False* Returns
3. **See:** P4491, Vita/TCE training guide
4. **NOTE:** Deceased child w/o SSN (See: p17) write "DIED" in SSN, FILE By Paper

#### 3. **Citizenship, Residency:**

1. **SSN, ITIN, ATIN** (Individual / Adoption), visas, green cards, resident or non-resident alien
2. **CANNOT USE:** Employer Id number (EIN)
3. It is possible to have a SSN & not be able to work, SEE: SS card!!
4. Lawfully admitted Non-citizens can work in certain circumstances
5. **NOTE:** NR-Alien can work in US, for example, Foreign scholar, Post-doc, or Prof.
6. If you do not have **ITIN**, you must apply with **W7** via CAA(in TX) or Taxpayer Advocate(in person).



To claim EITC, you must have a SSN, Social Security number, issued by the Social Security Administration that is valid for employment. And, your spouse (if filing a joint return) and any qualifying child listed on Schedule EIC must have Social Security numbers that are valid for employment.

Does your Social Security card look like this?



If your Social Security card says **NOT VALID FOR EMPLOYMENT** and you got your Social Security number only for a federally funded benefit like Medicaid, you **can not** use your Social Security number to claim EITC, Earned Income Tax Credit.

Or, does it look like this?



#### 4. **Filing requirements & due dates:**

1. April 15<sup>th</sup> OR Next Business Day
2. IRS has 1040, -NR(non-resident), -SR(senior), -X(amendment), -ES(estimated)  
[Uncommon: -PR(Puerto Rico), -GUAM, etc.]
3. **MAILBOX RULE** – The USPS post mark determines if a filing (or payment) is on time or not. Can use DHL, UPS, FEDEX in some cases.
4. **USE: Certified mail** is BEST, (for crucial work) bc you need **proof** you sent it!
5. If you think it will be close just **file Extension(s), f4868, to be safe**
6. **Extension f4868 is only for individuals**
7. **Fisherman/ Farmers:** two-thirds of income must be from the two, to have March 1<sup>st</sup>, Jan 15<sup>th</sup> deadline, *Required Annual Payment*, F&F do not pay have to pay estimated tax
8. See: **Failure to File vs Failure to Pay**, 6.7 *Estimate Taxes & Penalties*
9. To pay use PAY.GOV with Electronic filing confirmation number
10. See "**Purple Book**" for IRC section 7502
11. Tax payers outside the country can extend taxes until Dec.15 (6 + 2 months)

Table 1-1. **2023 Filing Requirements for Most Taxpayers**

IF your filing status is...	AND at the end of 2023 you were...*	THEN file a return if your gross income was at least...**
<b>Single</b>	under 65	\$13,850
	65 or older	\$15,700
<b>Married filing jointly***</b>	under 65 (both spouses)	\$27,700
	65 or older (one spouse)	\$29,200
	65 or older (both spouses)	\$30,700
<b>Married filing separately</b>	any age	\$5
<b>Head of household</b>	under 65	\$20,800
	65 or older	\$22,650
<b>Qualifying surviving spouse</b>	under 65	\$27,700
	65 or older	\$29,200

Table 1-2. **2023 Filing Requirements for Dependents**

If your parents (or someone else) can claim you as a dependent, use this table to see if you must file a return. (See [Table 1-3](#) for other situations when you must file.)

In this table, unearned income includes taxable interest, ordinary dividends, and capital gain distributions. It also includes unemployment compensation, taxable social security benefits, pensions, annuities, and distributions of unearned income from a trust. Earned income includes salaries, wages, tips, professional fees, and taxable scholarship and fellowship grants. (See [Scholarships and fellowships](#) in chapter 8.) Gross income is the total of your earned and unearned income.

**Single dependents—Were you either age 65 or older or blind?**

- ☐ **No.** You must file a return if **any** of the following apply.
- Your unearned income was more than \$1,250.
  - Your earned income was more than \$13,850.
  - Your gross income was more than the **larger** of:
    - \$1,250 or
    - Your earned income (up to \$13,450) plus \$400.
- ☐ **Yes.** You must file a return if **any** of the following apply.
- Your unearned income was more than \$3,100 (\$4,950 if 65 or older **and** blind).
  - Your earned income was more than \$15,700 (\$17,550 if 65 or older **and** blind).
  - Your gross income was more than the **larger** of:
    - \$3,100 (\$4,950 if 65 or older **and** blind), or
    - Your earned income (up to \$13,450) plus \$2,250 (\$4,100 if 65 or older **and** blind).

**Married dependents—Were you either age 65 or older or blind?**

- ☐ **No.** You must file a return if **any** of the following apply.
- Your unearned income was more than \$1,250.
  - Your earned income was more than \$13,850.
  - Your gross income was at least \$5 and your spouse files a separate return and itemizes deductions.
  - Your gross income was more than the **larger** of:
    - \$1,250, or
    - Your earned income (up to \$13,450) plus \$400.
- ☐ **Yes.** You must file a return if **any** of the following apply.
- Your unearned income was more than \$2,750 (\$4,250 if 65 or older **and** blind).
  - Your earned income was more than \$15,350 (\$16,850 if 65 or older **and** blind).
  - Your gross income was at least \$5 and your spouse files a separate return and itemizes deductions.
  - Your gross income was more than the **larger** of:
    - \$2,750 (\$4,250 if 65 or older **and** blind), or
    - Your earned income (up to \$13,450) plus \$1,900 (\$3,400 if 65 or older **and** blind).

**Table 1-3. Other Situations When You Must File a 2023 Return**

You must file a return if any of the following apply for 2023.	
<b>1.</b>	You owe any special taxes, including any of the following (see the instructions for Schedule 2 (Form 1040)). <ul style="list-style-type: none"> <li><b>a.</b> Alternative minimum tax.</li> <li><b>b.</b> Additional tax on a qualified plan, including an individual retirement arrangement (IRA), or other tax-favored account.</li> <li><b>c.</b> Household employment taxes.</li> <li><b>d.</b> Social security and Medicare tax on tips you didn't report to your employer or on wages you received from an employer who didn't withhold these taxes.</li> <li><b>e.</b> Uncollected social security and Medicare or RRTA tax on tips you reported to your employer or on group-term life insurance and additional taxes on health savings accounts.</li> <li><b>f.</b> Recapture taxes.</li> </ul>
<b>2.</b>	You (or your spouse, if filing jointly) received health savings account, Archer MSA, or Medicare Advantage MSA distributions.
<b>3.</b>	You had net earnings from self-employment of at least \$400.
<b>4.</b>	You had wages of \$108.28 or more from a church or qualified church-controlled organization that is exempt from employer social security and Medicare taxes.
<b>5.</b>	Advance payments of the premium tax credit were made for you, your spouse, or a dependent who enrolled in coverage through the Marketplace. You or whoever enrolled you should have received Form(s) 1095-A showing the amount of the advance payments.
<b>6.</b>	You are required to include amounts in income under section 965 or you have a net tax liability under section 965 that you are paying in installments under section 965(h) or deferred by making an election under section 965(i).

### June 15 Deadlines (Automatic Two-Month Extension)

Three groups of taxpayers are granted an automatic two-month extensions:

- Nonresident aliens who do not have wage income subject to US withholding,
- US citizens or legal US residents who are living outside the US or Puerto Rico, and their main place of business is outside the US or PR,
- Taxpayers on active military service duty outside the US

## 5. Taxpayer filing status

1. People in combat have 6 months AFTER they leave combat zone to file.
2. US citizens living outside US have 2 month ext, BUT it is BETTER to file **f4868**.
3. [www.TaxpayerAdvocate.irs.gov/2023PurpleBook](http://www.TaxpayerAdvocate.irs.gov/2023PurpleBook)

## 6. Estimate taxes & Penalties

1. taxes operates on a “pay-as-you-go” basis
2. Individuals, including sole proprietors, partners & S corporation shareholders, need to make estimated tax payments if: **1.** they expect to owe at least \$1,000 **2.** they owed tax in the prior year.
3. Taxpayers need to make estimated tax payments IF **1.** receives income from interest, dividends, alimony, capital gains, prizes & awards, **2.** salary, pension or it's not enough, **3.** has more than one job but doesn't have each employer withhold taxes, **4.** is self-employed, **5.** is a representative of a direct-sales or in-home-sales company.
4. **Form 2210**, Underestimate of estimated tax requests a waiver of penalty
5. When to pay: April 15, June 15, Sept. 15, Jan. 15
6. **Penalties – 4 Types**, Failure to **file**, to **pay**, to **pay estimated**, to **pay interest**
7. **Failure to file**: most severe, 5% of balance monthly(**NOT** pro-rated) up to max. 25%, more than 60d is lesser of \$485 or 100% of tax.
8. Fail to **Pay**: 0.5% of balance, up to 25%
9. **IFF Fail to File & Pay**: instead of a 5% failure to file penalty for the month, we apply a 4.5% failure to file penalty & a 0.5% failure to pay penalty.
10. Fail to **pay Estimated tax**: To avoid a penalty pay, **1.** you owe less than **\$1,000** or **2.** pay **90%** of tax on current year or **3. 100% of prior year**.
11. Fail to **pay Interest**: the federal short-term rate plus 3%. See **Form 843**, Claim for Refund & Request for Abatement
12. **Form W4V** for W/H of SS tax

13. SAFE HARBOR – \$0 tax liability for prior year, taxpayer will not face an underpayment penalty if tax liability is under \$1,000.
14. BACKUP W/H – used when name or SSN is wrong *for US citizen of legal resident*. This ensures Feds get 24% of any form of income, for example dividends, investment income, etc.

*NOTE: IRS Form 8801, Use Form 8801 for:*

- *If you had an AMT, calculate the minimum tax credit, To calculate carry over to future years*

## 7. **Innocent or Injured Spouse provisions:**

1. BOTH are difficult to win & take long time,  
If one spouse does not want to pay for other FILE SEPARATELY, for example gambling addiction, student loans
2. Form 8857: Innocent Spouse relief
3. Form 8379 Injured Spouse relief

## 8. **Special Filing Requirements:**

1. Refunds & amendments generally go back **3 years**.
2. An extension can extend liability window for refund or amendment
3. In some cases, late-filed returns will be honored, The IRS will consider reasons: *Fire, casualty, FEMA natural disaster, Inability to obtain records, death, serious illness, incapacitation or unavoidable absence of the taxpayer or family member.*
4. Certain situations allow taxpayers to request a refund past the usual deadline: *bad debt from worthless securities (7 years), foreign tax payments (10 years), net operating loss or tax credit carrybacks, military personnel exceptions, federally declared disaster areas, & terrorism/military actions.*
5. The IRS has **3 years to assess taxes from the filing date or the return's due date**, whichever is later. If filed late or with an extension, the 3 years start from the actual filing date.
6. If **no return is filed** or it's fraudulent, **there's no time limit** for the IRS to assess taxes.
7. If income is **under-reported** by more than 25%, the IRS has **6 years** to assess the tax.
8. The IRS has **10 years** from the tax assessment date **to collect unpaid taxes**. This period starts when the tax is assessed, not when the return is filed. The *Collection Statute Expiration Date (CSED)* marks the end of this period.
9. *efile will not take filing > 3 years, **filing > 3 years has to be paper filing with ink-signature**, ALSO > 3 years will not receive refunds!!!*
10. **ALWAYS file returns, this can prevent id theft**, or past filings on years you thought you had not tax liability & the statute of time limits starting running.

## 9. **Sources of worldwide taxable & non-taxable income**

1. interest, wages, business, sales of property, dividends, rental income, flow-through entities, alimony received

## 10. **Sources of applicable exclusions & adjustments to gross income (e.g., foreign earned income exclusion, retirement plans, HSAs, alimony paid, health insurance, self-employment tax)**

## 11. **Sources of applicable deductions (e.g., itemized, standard)**

Standard Deductions for 2023:

Single,  
Married filing  
separately (MFS)

13,850

Married filing jointly (MFJ)  
Qualifying surviving spouse

27,700

Head of  
household

20,800

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## 12. Qualifications for dependency

1. A dependent child must file if their earned income is > standard deduction filing status.
2. unearned income = first \$1,250, next \$1,250 is taxed at the child's rate.
3. Anything above \$2,500 is taxed at the parents' rate
4. For 2023, a dependent child receiving > \$13,850 of earned income (like wages or tips) needs to file. (*i.e., the total is the standard deduction for their filing, which is \$13,850 for most dependents in 2023*).
5. The **Kiddie Tax** applies to certain dependent children who have unearned income (like interest, dividends, or capital gains) that exceeds a specific threshold.
6. **Kiddie Tax** applies to **≥ \$2,600** of a child's unearned income. Any portion above \$2600 is taxed at the parent's rate, not the child's. SEE: <https://www.irs.gov/taxtopics/tc553>
7. Do not confuse the filing threshold amount for self-employed taxpayers with the filing requirement for information returns (notably, *Form 1099-NEC and 1099-MISC*).
  1. **Form 1099-NEC** is for payments to independent contractors earning \$600 or more annually. This amount is for reporting purposes only and doesn't affect when you need to file taxes as a self-employed person. You still need to file your **self-employment taxes** by the due date. Social Security Tax=12.4%, Medicare=2.9%
  2. **Form 1099-MISC** is still used to report other types of payments, such as rents, royalties, prizes, and awards.

## 13. Requirements for the Self-Employed

1. Required to file **if 1099-K (net earnings) ≥ \$400**.

## 14. Sources of applicable credits (e.g., education, foreign tax, child & dependent care, credit for other dependents, child tax credit)

## 15. Sources of tax payments & refundable credits

## 16. Previous IRS correspondence with taxpayer

## 17. Additional required returns to be filed, & taxes paid (e.g., employment, gifts, international information returns, & other information returns)

## 18. Special filing requirements (e.g. foreign income, presidentially declared disaster areas, injured spouse)

## 19. Foreign account & asset reporting (e.g., FBAR, Form 8938)

## 20. Minor children's unearned income ("Kiddie" tax)

## 21. ACA requirements (e.g., , total household income, premium tax credit, household size)

## Domain 2: Income & Assets 17 Questions

### 2.1. Income

- Taxability of wages, salaries & other earnings

- Interest Income (e.g., taxable & non-taxable)
- Dividends & other distributions from mutual funds, corporations, & other entities
- Personal property rental
- Gambling income & allowable deductions (e.g., Form W-2G, documentation)
- Tax treatment of cancellation of debt (e.g., Form 1099C, foreclosures, insolvency)
- Tax treatment of a US. citizen/resident with foreign income (e.g., tax treaties, Form 1116, Form 2555, Form 3520, Form 5471)
- Other income (e.g., scholarships, barter income, hobby income, alimony, non-taxable combat pay, unearned income, taxable recoveries, NOL, illegal income)
- Constructive receipt of income
- Constructive dividends (e.g., payments of personal expenses from a business entity)
- Passive income & loss
- Pass-through income (e.g., Schedule K-1, income, deductions, basis, qualified business income (QBI) items)
- Royalties & related expenses
- State/local income tax refund & other itemized deduction recoveries
- 1099 MISC, 1099 NEC, 1099 K reporting, irregularities, & corrections

#### ### 2.2. Retirement income

- Basis in a traditional IRA (Form 8606)
- Comparison of & distributions from traditional & Roth IRAs
- Distributions from qualified & non-qualified plans (e.g., pre-tax, after-tax, rollovers, Form 1099R, qualified charitable distribution)
- Excess contributions & tax treatment (e.g., penalties)
- Penalties & exceptions on premature distributions from qualified retirement plans & IRAs
- Prohibited transactions & tax consequences
- IRA conversions & recharacterization (Form 8606)
- Required minimum distributions
- Loans from qualified plans
- Taxability of Social Security & Railroad Retirement benefits
- Inherited retirement accounts
- Foreign pensions & retirement income

#### 2.3. Property, real & personal

- Sale or disposition of property including depreciation recapture rules & 1099A
- Capital gains & losses (e.g., netting effect, short-term, long-term, mark-to-market, virtual currency)
- Basis of assets (e.g., purchased, gifted or inherited)
- Basis of stock after stock splits &/or stock dividends (e.g., research, schedules, brokerage records)
- Publicly traded partnerships (PTP) (e.g., sales, dispositions, losses)
- Sale of a personal residence (e.g., IRC sec 121 exclusions)
- Installment sales (e.g., related parties, original cost, date of acquisition, possible recalculations & recharacterization)
- Options (e.g., stock, commodity, ISO, ESPP)
- Like-kind exchange
- Non-business bad debts
- Investor versus trader

#### ### 2.4. Adjustments to Income

- Self-employment tax
- Retirement contribution limits & deductibility (e.g., earned compensation requirements)
- Health savings accounts
- Other adjustments to income (e.g., student loan interest, alimony, moving expenses for active military, write-in adjustments)



- Self-Employed Health Insurance

## Domain 3: Deductions & Credits 17 Questions

### ### 3.1. Itemized deductions & QBI

- Medical, dental, vision, long-term care expenses
- Various taxes (e.g., state & local, personal property, real estate)
- Interest expense (e.g., mortgage interest, investment interest, tracing rules, points, indebtedness limitations)
- Charitable contributions (e.g., cash, non-cash, limitations, documentation required)
- Non-business 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 (e.g., paid preparer's earned income credit checklist, eligibility & disallowance)
- Adoption credits (e.g., carryovers, limitations, special needs)
- ACA premium tax credit
- Other credits (refundable & non-refundable) (e.g., 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 (e.g., first time homebuyer credit repayment)

## Domain 5: Advising the individual taxpayer 11 Questions

### 5.1. Advising the Individual Taxpayer

- Reporting obligations for individuals (e.g., 1099, bartering, cash)
- Property sales (e.g., homes, stock, businesses, antiques, collectibles)
- Education planning (e.g., lifetime learning credit, IRC section 529 plans)
- Estate planning (e.g., gift versus inheritance, trusts, family partnerships, charitable giving, long-term care, life insurance)
- Retirement planning (e.g., annuities, IRAs, employer plans, early retirement rules, required minimum distribution, beneficiary ownership, charitable distributions from an IRA)
- Marriage & divorce (e.g., divorce settlement, common-law, community property, alimony)

- Items that will affect future/past returns (e.g., carryovers, net operating loss, Schedule D, Form 8801, negative QBI carryover)
- Injured spouse
- Innocent spouse
- Estimated tax & penalty avoidance (e.g., mid-year estimated tax planning)
- Adjustments, deductions, & credits for tax planning (e.g., timing of income & expenses)
- Character of transaction (e.g., use of capital gain rates versus ordinary income rates)
- Advantages & disadvantages of MFJ/MFS/HOH filing statuses in various scenarios (e.g., joint & several liability)
- Conditions for filing a claim for refund (e.g., 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 (e.g., portability election)
- Life insurance, IRAs, & retirement plans
- Estate filing requirements & due dates (e.g., Form 706: Form 1041)

### 6.2. Gift Tax

- Gift-splitting-Annual exclusion
- Unified credit
- Effect on estate tax (e.g., Generation skipping transfer tax)
- Filing requirements (e.g., Form 709)

### 6.3. International Information Reporting

- Filing & reporting requirements & due dates (e.g., FBAR, Form 8938, Form 8865, Form 5471, Form 3520)
- Covered accounts (e.g., FBAR, Form 8938)
- Potential penalties (e.g., failure to file, under-reporting, substantially incomplete, statute of limitations, reduction of tax attributes)
- Distinctions between FBAR & Form 8938 requirements