

Table of Contents

Domain 1: New Tax Law/Recent Updates	1
1.1 Annual inflation adjustments	1
Individual tax rates	1
Capital gains rates.....	1
Filing threshold.....	1
Exemptions	2
Educator expenses	2
Foreign.....	2
Medical	2
Adoption	3
Gifts/estates.....	3
1.2 New standard mileage provisions.....	4
1.3 Third party network transactions (Form 1099-K) change in reporting requirements	5
1.4 Three-year repayment of COVID-19 distributions	5
1.5 Adjustment for charitable contributions – no extension	6
1.6 Current status of tax extenders	6
1.6.1 Non-business energy property credit	6
1.6.2 Itemized deduction for mortgage insurance premiums	6
1.6.3 Exclusion of principal residence cancellation of debt income extended	7
Domain 2: General Review	11
2.1 Taxability of earnings	11
Gross income, wages, salaries, tips, etc.....	11
Scholarships	12
Tips.....	13
Elective deferrals	13

2.2 Schedule B	13
Interest.....	14
Dividends.....	16
Foreign accounts and trusts	18
2.3 Reporting and taxability of retirement income	21
Social Security benefits	21
Pension and annuity distributions	24
401(k).....	28
2.4 IRAs	29
Traditional IRA	29
Roth IRA	33
Rollovers	35
Required minimum distributions	36
2.5 Unemployment compensation.....	38
2.6 Alimony	38
2.7 Reporting and taxability of Form 1099-K.....	39
2.8 Schedule C	40
Self-employed	40
Statutory employees	40
Accounting method.....	41
2.8.1 Business income and deductions.....	42
2.8.2 Business vs. hobby	50
2.8.3 Business use of home	51
2.8.4 Recordkeeping requirements.....	54
2.8.5 Entertainment and meal expenses.....	56
2.8.6 Section 179 expense limits	57
2.8.7 Depreciation.....	59

2.9 Schedule D and Form 8949	61
Transaction reporting.....	61
Information reporting	65
Sale or exchange	66
2.10 Standard deduction	69
2.11 Schedule A.....	70
2.11.1 Medical and dental expenses.....	70
2.11.2 Taxes	73
2.11.3 Interest.....	76
2.11.4 Charitable contributions	78
2.11.5 Nonbusiness casualty and theft losses.....	83
2.11.6 Moving expenses	84
2.11.7 Recordkeeping and documentation.....	84
2.12 Credits	85
Child tax credit	85
Additional child tax credit	86
Other dependents credit	87
Child and dependent care credit	87
Education credits	91
Earned income tax credit	94
2.13 Overview topics	99
2.13.1 Virtual currency	99
2.13.2 Alternative minimum tax (AMT)	100
2.13.3 QBID.....	101
2.13.4 Kiddie tax.....	111
2.13.5 Section 529 plans	112
2.13.6 ABLE account	114
2.13.7 Cancellation of student debt.....	116
2.13.8 Net operating loss (NOL)	116
2.13.9 Premium tax credit	117

2.13.10 Employee fringe benefits	120
2.13.11 Rental property depreciation	121
2.14 Withholding and estimated tax payments	122
Tax withholding	122
Estimated tax	124
2.15 Balance due and refund options.....	126
Balance due.....	126
Refund.....	126
2.16 Due dates and extensions	128
Due dates	128
Extensions	128
Domain 3: Practices, Procedures and Professional Responsibility	139
3.1 Tax-related identity theft	139
Warning signs	139
Assisting victims.....	140
IRS assistance	140
Identity protection PIN.....	140
Preparer due diligence	141
3.2 Safeguarding taxpayer data.....	142
Putting safeguards in place	142
Checklists	142
Reporting incidents	143
Laws and regulations	144
Standards and best practices	144
3.3 Individual taxpayer identification numbers	145
3.4 Preparer penalties.....	147
Understatement due to unreasonable position	147
Understatement due to willful or reckless conduct.....	151
Penalty amounts	152

3.5 Tax preparation due diligence.....	152
Accuracy.....	152
Due diligence	153
3.6 E-file requirements	155
E-filing using pay stubs prohibited	155
Signatures.....	155
Submitting the return.....	157
ERO recordkeeping.....	159
3.7 Annual Filing Season Program requirements.....	159
Continuing education	160
Annual Federal Tax Refresher course	161
3.7.1 <i>Circular 230</i> and consent to <i>Circular 230</i> rules.....	161
3.7.2 Limited representation	163
Appendix	167
Form and publication names	167
Examples	172
Index.....	179