

Internal Revenue Service

Enrolled Agent Exam – Part ONE

Exam Year May 1, 2018 – February 28, 2019

Table of Contents

Lesson 1. Taxpayer Identification and Data Gathering	
Expansion of the Tax Code	Internal Taxes to Tariffs to Civil War Support
Office of Commissioner and Origin of Enrolled Agent	Sixteenth Amendment Authorizes Income Tax
Payroll Withholding Started During WWII	IRS Organization Changes
Taxpayer Bill of Rights	How Tax Bills Become Law
Tax Year 1913 Form 1040	Data Gathering
Records Retention	Taxpayer Identification Numbers (TINs)
Residency Under U.S. Tax Law	When TINs Must Be Furnished
Individual Taxpayer Identification Number (ITIN)	Proof of Identity and Foreign Status for ITIN
Adoption Taxpayer Identification Number (ATIN)	Information Returns
Missing or Incorrect W-2s	Request for Taxpayer ID Number (Form W-9)
Payee TIN Penalties	Back-up Withholding
Identity Theft Protection	Review of Prior Year Returns
Adjusting Tax Withholding	Broker Reporting of Basis
Type of Payments Reported on Information Returns	Information Return Due Dates and Amounts Reported
Business Returns Due Dates	Form W-2 and Reference Guide for Box 12 Codes
Form 1099-MISC Miscellaneous Income	Declaration of Taxpayer Rights (Publication 1, Rev. 9-2017)
Lesson 2. Filing Status and Requirements	
Who Must File a Return	Must File vs. Should File
Income Filing Requirements	Self-employed Filing Requirements
Personal and Dependency Exemptions	Personal Exemption Phaseout
Exemption for a Spouse	Dependency Exemptions
Standard Deduction	Higher Standard Deductions
Itemized Deductions AGI Limits	When a Dependent Must File a Return
Kiddie Tax	Reporting Child's Income on Parent Return
Drawbacks to Filing Form 8814	Child's Return Using Parent's Rate
Calculating the Kiddie Tax	Kiddie Tax
U.S. Citizen and Resident Filing Due Dates	Final Return of Decedent Due Date
Automatic Extension Form 4868	Additional Extension Form 2350
Individuals Outside U.S. Filing Due Dates	Return Due Date While in Combat Zone
Nonresident Aliens	Required to File Form 1040NR
Substantial Presence Test	Nonresident Alien Filing Due Dates
Late Filing and Late Paying Penalties	Time for Filing a Claim for Refund
Refund Direct Deposits	Refund Offsets

Refund Rules	Filing Status
Marital Status for Federal Tax Purposes	Annulled Marriage Amended Returns
Married Persons Including Common Law	Same Gender Couples Filing Status Options
Married Filing Jointly	Spousal Relief
Injured Spouse Offset Against Debts	Married Filing Separately Special Rules
Changing Filing Status	Head of Household (HOH)
Considered Unmarried for Head of Household	Nonresident Alien Spouse
Head of Household Qualifying Person	Keeping Up a Home
Qualifying Widow(er)	Qualifying Dependents
Qualifying Child Tests	Qualifying Relative Tests
Clarify Qualifying Child	Tie-Breaker Rule
Qualifying Relative Gross Income Test	Qualifying Relative Support Test
Multiple Support Declaration	Child as Qualifying Relative Rules
Revoking a Release of Claim to Exemption for Child	Estimated Tax Payment Requirements
Exception for Farmers and Fishermen	Estimated Tax Payment Due Dates
Changes in Estimated Tax	Estimated Taxes Married Filing Separately
Underpayment of Estimated Tax Penalty	Ways to Pay Estimated Taxes
Foreign Account and Asset Reporting	Comparison of Form 8938 and FBAR Requirements
Form 1040 U.S. Individual Income Tax Return	Form 1040NR U.S. Nonresident Alien Income Tax Return
Form 8332 Release/Revocation of Release of Claim to Exemption for Child by Custodial Parent	Form 8615 Tax for Certain Children Who Have Unearned Income
Form 8814 Parents' Election to Report Child's Interest and Dividends	
Lesson 3. Taxable and Nontaxable Income	
Tax Year	Change in Tax Year
Cash vs. Accrual Basis Accounting	Nominee Income
Constructive Receipt Doctrine	Cash Equivalent Doctrine
Claim of Right Doctrine	Assignment of Income
Gross Income	Employee Compensation
Tip Income	Military Pay
Military Combat Pay EIC Election	Military Payments Included in Gross Income
Military Payments Excluded from Gross Income	Combat Zone Extension of Deadlines
Veterans Benefits	Civilian Officers and Volunteers
Disability Benefits Employer Paid	Disability Benefits Individual Policy
Bonuses and Awards	Unemployment Compensation
Supplemental Unemployment Benefits	Repayments
Clergy Special Tax Rules	Clergy as Common Law Employees
Clergy Housing	Schedule B Filing Requirements
Interest Income	Imputed Interest Income
Reverse Mortgage Loan Advances	Tax-exempt Interest
Grantor Trust Receipt Based Income	Original Issue Discount
Market Discount Bonds	U.S. Savings Bonds
Education Savings Bond Program	Coverdell Distribution Penalty
Scholarship or Fellowship Awards	Dividends
Types of Dividends	Reporting Nominee Dividends
Dividend Reinvestment Plans	REIT Dividends
State and Local Refunds	Capital Gain Distributions
Fourth Quarter Mutual Fund and REIT Dividends	Nontaxable Distributions
Distributions of Stock	Estate and Trust Income

Gifts and Inheritances	Gambling Winnings
Alimony	Child Support Not Alimony
Types of Alimony Payments	Rental Income
Rental Expenses	Reporting Rental Activity
Personal Use of Vacation Home (Dwelling Unit)	Limits on Rental Losses
Royalties	Partnership Self-employment
Limited Liability Company (LLC) Income	S-Corporation Income
Notice of Inconsistent Pass-Through Treatment (Form 8082)	Social Security Benefits
Calculating Taxable Social Security	Repayment of Social Security Benefits
Debt Cancellation Income	Other Cancelled Debt
Lawsuit Settlements	Life Insurance
Annuity Income	Foreign Earned Income
Foreign Housing Expense Deduction	Hobby Loss Rules
Self-employment Income	Other Income
Lesson 4. Adjustments to Income	
Adjusted Gross Income	
Alimony Paid	Alimony Recapture
Moving Expenses	Deductible Moving Expenses
Nondeductible Moving Expenses	Employer Reimbursed Moving Expenses
Accountable and Nonaccountable Moving Expense Plans	Performing Artists Business Expenses
Fee Based Officials Business Expenses	Armed Forces Reservist Travel Expenses
Self-employed Health Insurance	Early Savings Withdrawal Penalty
Student Loan Interest	Student Loan Interest MAGI Phaseout
Cancellation of Student Loan	Tuition and Fees Deduction
Not Eligible for Tuition and Fees Deduction	Employer Educational Assistance Benefits
Educator Classroom Expense Deduction	Jury Duty Pay
Employee Fringe Benefits	Nondiscrimination Rules
Adoption Benefits	Limits on Adoption Credit or Exclusion
Athletic Facility Benefits	Qualified Transportation Benefits
Working Condition Fringe Benefits	De Minimis Fringe Benefits
Meals as De Minimis Fringe Benefit	Archer Medical Savings Accounts
MSA Contributions	MSA vs. HSA
Medicare Advantage MSA	Health Savings Accounts (HSAs)
Qualified HSA Funding Distribution	Rollovers from FSAs and HRAs to HSAs
HSA Contribution Limits	Remaining HSA Balance at Death
Flexible Spending Arrangements (FSAs)	Long-term Care Coverage Benefit
Retirement Planning Services	Coverdell Education Savings Accounts (ESAs)
ESA Contribution Limits	Qualified ESA Education Expenses
ESA Coordination with Education Credits	Coverdell ESA Rollovers
Qualified Tuition Programs (QTPs)	QTP Contributions
Qualified Education Expenses Same for ESAs and QTPs	ESA Qualified Expenses Broader Scope
ESA Distributions More than Expenses	ESA Taxable Distribution Penalty
Distributions from QTPs and ESAs	ESA Excess Contributions Penalty
QTP Coordination with Education Credits	QTP Rollovers and Transfers
Lesson 5. Itemized Deductions	
Itemized Deductions Overview	
AGI Determines Limit on Deductions	Community Property State Deductions
Non-community Property State Deductions	Medical Expenses

Deductible as Medical Expense	Not Deductible as Medical Expense
Includible Medical Expenses	Medical Premiums Paid
Long-term Care Insurance Deductible Premiums	Medicare Insurance Premiums
Higher Medicare Part B Premiums Based on MAGI	Medical Expense Reimbursements
Capital Medical Expenses	Taxes
Foreign Income Tax	Sales Tax or Income Tax
Real Estate Tax	Personal Property Tax
Which Taxes Are Deductible	Tracing Rules for Interest Deductions
Where to Deduct Interest Expense	Home Mortgage Interest
Limit on Mortgage Interest Deduction	Mortgage Interest Special Situations
Home Mortgage Points	Redeemable Ground Rent as Interest
Mortgage Interest (Insurance) Deduction	Reverse Mortgages
Home Equity Loan Used for Business Purposes	Charitable Contributions
Deductible Charitable Contributions	Not Deductible Charitable Contributions
Limited Charitable Contributions	Donations to Foreign Organizations
Charitable Standard Mileage Rate	Limits on Total Charitable Deductions
Organization and Property Type Limits	Cash Contributions
When to Deduct Cash Contributions	Qualified IRA Charitable Distributions
Non-Cash Contribution Limitations	Qualified Appraiser
Contributions of Property	Autos, Boats, Aircraft and Other Vehicles
Required Cash Contribution Records	Acknowledgment Requirement if \$250 or More
Required Noncash Contribution Records	Casualty and Theft Losses
Declared Disaster Area Deduction Year Option	Deposit in Insolvent or Bankrupt Financial Institution
Figuring the Amount of Loss	When to Deduct a Loss
Reimbursement for Casualty Loss	Loss Property Used Partly for Business
Net Operating Loss	Deductions Subject to 2 percent Limit
Investment Interest Income and Expense	Standard Mileage Rates
Deductions Not Subject to 2 percent Limit	Nondeductible Schedule A Expenses
Nonresident Alien Issues	Schedule A (Form 1040) Itemized Deductions
Lesson 6. Schedule C and Employee Business Expenses	
Self-employed Person	
Sole Proprietorship	Husband and Wife Qualified Joint Venture
Self-employed Information Returns	Schedule C
Schedule C-EZ	Figuring Cost of Goods Sold
Deductible Schedule C Expenses	Self-employment Health Insurance
Self-employed Estimated Taxes	Self-employment Tax
Other Earnings Subject to SE	Earnings NOT Subject to SE
Employee Business Expenses	Armed Forces Business Expenses
Travel Expenses	Tax Home
Temporary Assignment	Deductible Travel Expenses
Business Related Meals	Cannot Use Standard Meal Allowance
Travel Inside United States	Travel Outside United States
Conventions	Cruise Ships
Entertainment Expenses	50 Percent Limit
Transportation Workers	Per Diem Rates
Incidental Expenses	Business Gift Expense
Local Transportation Expense	Business Use of Vehicle
Standard Mileage Rate Not Allowed	Job Search Expenses
Accountable and Nonaccountable Plans	Per Diem and Vehicle Allowances

Nonaccountable Plan Reimbursements	Back-up for Travel, Meals, and Entertainment
Work Related Education	Required Education by Employer or Law
Education Expenses	Section 179 Limits
Business Use of Home	
Lesson 7. Basis of Assets	
Cost Basis	Real Property Basis
Construction of Assets	Basis of Land and Buildings
Adjusted Basis	Basis Other Than Cost
Like-kind Exchanges	Nontaxable Trade
Special Rules for Related Persons	Partially Nontaxable Exchange
Allocating Basis	Property Received as a Gift
Inherited Property Basis	Surviving Tenant Basis
Qualified Joint Interest Basis	Basis of Stocks and Bonds
Basis of Mutual Funds	Stock Dividends
Restricted Stock Basis	Form 8824 Like-kind Exchanges
Lesson 8. Gains and Losses	
Gain or Loss	
Other Effects of Capital Gains	Calculating Gain or Loss
Taxable (Recognized) Gain	Holding Period
Online Sales as Auction Business	Section 1244 Small Business Stock Loss
SBIC Stock Loss	Section 1202 Small Business Stock Gain
Collectibles	Involuntary Conversions
Foreclosures	Forms 1099-A and 1099-C
Recourse vs. Nonrecourse Debt	Loss Limit on Property Changed to Business or Rental
Partially Nontaxable Like-kind Exchange	Unlike Property Given Up
Transfers between Spouses	Related Party Sales
Losses on Coverdell ESA Investments	Net Operating Loss
How to Figure an NOL	Worthless Securities
Securities Wash Sales	Section 1231 Property
Installment Sales	Installment Sale Price Reduced
Buyer Assumes Mortgage Less Than Basis	Buyer Assumes Mortgage More Than Basis
Installment Sale Repossession	Other Installment Transactions
Sale of Residence	Calculating Gain or Loss on Sale of Residence
Maximum Home Sale Exclusion	Reduced Maximum Exclusion on Home Sale
Ownership and Use Tests	Ownership and Use Test Exceptions
Disability Exception	Married Persons
Surviving Spouse Entitled to Full Gain Exclusion	Business Use of Home Gains
Separate Part of Property Used for Business or Rental	Business and Non-business Bad Debt
Where to Report Asset Dispositions	How to Complete Form 8949
Net Gain or Loss	Schedule D Capital Gains and Losses
Form 1045 Application for Tentative Refund	Form 1099-A Acquisition or Abandonment of Secured Property
Form 1099-B Proceeds from Broker and Barter Exchange Transactions	Form 1099-C Cancellation of Debt
Form 4684 Casualties and Thefts	Form 4797 Sales of Business Property

Lesson 9. Retirement Plans	
	Basic Types of Retirement Plans
Qualified Plans and Non-qualified Plans	Traditional IRA
Same Gender Spousal Retirement Benefits	Establishing an IRA
General IRA Contribution Limits	IRA Contribution Due Date
IRA Age 70 1/2 Rules	IRA Deductible Contributions
Spousal IRA	Taxpayer Covered by an Employer Plan
IRA Deduction MAGI Phaseout	Partially Deductible IRA Contributions
Nondeductible IRA Contributions	Form 8606 Penalties
Inherited IRA	IRA Transfers and Rollovers
IRA Rollover One Year Rule	Retirement Plan Rollovers to HSAs
Distribution Codes on Form 1099-R	Plan Distribution Withholding Requirements
IRA Recharacterizations	IRA 30-Day Reconversion Rule
Required Minimum Distributions	RMD Penalty
IRA Qualified Charitable Distributions	IRA Distributions Fully or Partially Taxable
IRA Prohibited Transactions	Acts Resulting in IRA Penalties
Loans Not Allowed Against IRAs	IRA Early Distributions
Qualified Reservist Distributions	IRA Exceptions to Age 59 1/2 Rule
IRA Education Exception on Early Distributions	Roth IRA
My Retirement Account (myRA)	Roth IRA Contribution Limits
Reduced Roth IRA Contributions	IRA Conversion to Roth IRA
Employer Plan Converted to Roth IRA	Qualified Roth IRA Distributions
Ordering Rules for Roth Distributions	When Form 8606 is Required
401(k) Plans	401(k) Maximum Contribution Limits
401(k) Hardship Distributions	401(k) Early Distributions
401(k) Plan Loans	403(b) Plans
Foreign Pension and Annuity Distributions	Pension and Annuity Lump-Sum Distributions
Retirement Account Records	Retirement Plan Comparison Tables
Form 1099-R Distributions from Pensions, Annuities, and other Deferred Income Plans	
Lesson 10. Taxation and Credits	
Role of Taxation	Capital Gain Rates
Calculating Tax Liability	ACA Medicare NII Tax
ACA Medicare Wages Tax	ACA Premium Tax Credit
ACA Shared Responsibility (Tax) Payment	Alternative Minimum Tax
Credit for Prior Year Minimum Tax	Employee FICA Taxes
Tax on Tip Income	Household Employment Taxes
Refund of FICA Taxes Withheld in Error	Refund of Over-withheld Social Security Taxes
Self-employment Tax	Self-employment Tax Rates
Self-employment Tax Exemptions	Individual Taxpayer Penalties
Failure to Pay Estimated Taxes	Tax Credits
Penalty for Erroneous Claim for Credit or Refund	Adoption Credit
Child and Dependent Care Credit	Child and Dependent Care Employee Benefits
Figuring the Child and Dependent Care Credit	Child Tax Credit
Credit for Elderly or Disabled	Figuring Credit for Elderly or Disabled
Earned Income Credit	EIC Paid Preparer Due Diligence
EIC General Eligibility Rules	EIC Married and Head of Household Status
EIC Qualifying Child	EIC Qualifying Child for More than One Person
EIC Qualifying Earned Income	EIC Military Combat Pay Election

EIC Disallowance	Education Credits
General Education Credit Requirements	Expanded Tuition and Related Expenses
Nonqualifying Education Credit Expenses	American Opportunity Credit Limits
No Double Education Benefits Allowed	AOC Student Eligibility
Comparison of Education Credits	Calculating American Opportunity Credit
Lifetime Learning Credit	Calculating Lifetime Learning Credit
Foreign Tax Credit	Foreign Taxes Not Eligible for FTC
Retirement Savings Tax Credit	Saver's Credit Rate Chart
Mortgage Interest Credit (Form 8396)	Alternative Motor Vehicle Credit
Energy Credits for Residences	Other Energy Credit Provisions
First-time Homebuyer Credit and Recapture	Other Taxes and Credit Recaptures
Lesson 11. Final Return of Decedent	
Decedent's Final Return (Form 1040)	
Revoking a Final Joint Return Election	Claiming a Refund for a Decedent
e-Filing Final Return of Decedent	Decedent Income Reporting
Constructive Receipt of Decedent Income	Income in Respect of a Decedent
Decedent Unpaid Wages	Decedent Farm Income
Decedent Self-employment Income	Decedent Partnership Income
Decedent S-Corporation Income	Nominee Income Reporting
Community Income	Decedent Installment Obligations
Decedent Archer Medical Savings Account	Decedent Coverdell Education Savings Account
U.S. Savings Bonds Acquired from Decedent	Transfer of Right to Income in Respect of a Decedent
Decedent IRA Required Minimum Distribution	Inherited IRAs
Decedent Exemptions and Deductions	Decedent Losses
Decedent Medical Expense Election	Accelerated Death Benefits
Decedent Taxes and Credits	Decedent Tax Forgiveness
Report Death to Social Security	Social Security Death Benefit
Final Return of Decedent Sample Form 1040 Top and Signature Page	Final Return of Decedent Sample Schedule A and Schedule B Notations
Table to Reconcile Income Sources for Final Return of Decedent	Form 1310 Statement of Person Claiming Refund Due a Deceased Taxpayer
Lesson 12. Estate Tax Return	
	Basics of the U.S. Estate Tax System
Federal Estate Tax Changes Retro to 1/1/10	Gross Estate (Form 706) Filing Requirements
Form 706 Due Date	Extension of Time for Paying Tax
Gross Estate Calculation (Form 706)	Basis Rules for Decedent Property
Transfers at Death or Before	Table of Estate Exemption and Tax Rates
Estate Valuation	Special-use Valuation
Taxable Estate	Restriction on Deduction for Alien Spouse
State Death Tax Deduction	Credits against the Estate Tax
Credit for Federal Gift Taxes	Lapsed Back Gifts
Estate Tax Lien	Form 706 U.S. Estate (and Generation-Skipping Transfer) Tax Return
Form 4768 Application for Extension of Time to File a Return and/or Pay U.S. Estate Tax	

Lesson 13. Gift Tax Return	
Gift Tax Return (Form 709)	Lifetime Gift Exclusion
Annual Gift Exclusion	Gift Loan
Value of Gift	Examples of Gifts
Donor's Adjusted Basis	Filing Form 709 May Not Be Required
Qualified Tuition Plan Gift Exception	Marital Gift Deduction
Gift Splitting	Consent of Spouse
Same Gender Couples Gifting	Applying the Unified Credit to Gift Tax
Gifts Subject to Both Gift and GST Tax	Skip Person
Filing Form 709	Automatic Gift Tax Return Extension Form 8892
Form 709 U.S. Gift (and Generation-Skipping Transfer) Tax Return	