

Individual Tax Review

Learning Objectives/Table of Contents

Chapter

1 Form 1040

- 1-A** Properly report items of taxable income for individuals on Form 1040 and determine the taxpayer's proper filing status.
- 1-B** Determine who qualifies to be a dependent on a taxpayer's tax return.
- 1-C** Apply principles to determine if an item of income is taxable or nontaxable.

2 Itemized Deductions

- 2-A** Determine deductibility of medical expenses.
- 2-B** Identify allowable deductions for taxes, interest, charitable contributions, and casualty losses.
- 2-C** Recognize allowable miscellaneous itemized deductions for individuals.

3 Sole Proprietorships

- 3-A** Determine filing requirements and proper reporting of income and expenses for sole proprietorships on Schedule C, Form 1040.
- 3-B** Identify business use of the home expenses and properly compute the deduction.
- 3-C** Recognize whether an activity is a hobby or a business and properly report hobby income and expenses.

4 Investment Income

- 4-A** Determine the difference between taxable and nontaxable interest and dividends.
- 4-B** Identify and categorize capital gains and losses.
- 4-C** Report the sale of business property and other depreciable and amortizable property including those sold under an installment sale arrangement.
- 4-D** Calculate the basis of a residence and apply the exclusion of gain rules in both principal residence and business/rental situations

5 Rental, Passive, and At-Risk

- 5-A** Classify rental income and expenses and determine if the 14-day nontaxable rent rule applies to a client's mixed-use property.
- 5-B** Recognize passive activity losses, determine a client's loss limit and participation level, and apply the special \$25,000 allowance for rental real estate if requirements are met.
- 5-C** Identify whether a taxpayer's loss is subject to at-risk rules, and properly report any losses limited by at-risk rules.

6 Business Deductions

- 6-A** Apply rules for employee reimbursements under an employer accountable plan and an employer nonaccountable plan.
- 6-B** Apply rules for accounting for inventory, and determine items that must be reported under the uniform capitalization rules.
- 6-C** Know when to report income under the cash, accrual, and hybrid accounting methods and when exceptions apply.

7 Depreciation

- 7-A** Compute depreciation using the MACRS system, recognize depreciable property, and apply the principles of recovery periods, conventions, and depreciation rates.
- 7-B** Identify the principles of IRC Section 179 and distinguish qualifying and nonqualifying property under this code section.
- 7-C** Recognize the principles of the rules regarding Section 197 intangible assets.