

Annual Federal Tax Refresher (AFTR) Course Outline (For Preparation of 2020 Individual 1040 Tax Returns)

Domain

1 – New Tax Law/Recent Updates*

- 1.1 Annual inflation adjustments (Rev. Proc. 2019-44)
- 1.2 New standard mileage provisions (Rev. Proc. 2019-46)
- 1.3 Repeal of the maximum age for contributions to a traditional IRA
- 1.4 Change in the required minimum distribution (RMD) age for IRAs and retirement plans from age 70 ½ to age 72
- 1.5 No 10% penalty on early distributions of up to \$5,000 from IRAs and retirement plans for births or adoptions
- 1.6 Non-spouse beneficiaries of inherited IRAs and qualified plans generally must now withdraw over 10 years
- 1.7 Change in Kiddie tax - Children taxed on unearned income at parents' highest marginal rate (not trust and estate rates)
- 1.8 Up to \$10,000 in a 529 Plan can be used to pay off student loans
- 1.9 Expansion of 529 plans to cover certain apprenticeships
- 1.10 Medical expense deduction AGI limit is now 7.5% (previously 10%)
- 1.11 Current status of tax extenders:
 - 1.11.1 Reinstatement of credit for non-business energy property
 - 1.11.2 Tuition and fees deduction extended
 - 1.11.3 Itemized deduction for mortgage insurance premiums extended
 - 1.11.4 Exclusion of cancellation of debt income from qualified principal residence indebtedness extended

Domain 2 – General Review

- 2.1 Taxability of earnings (e.g., wages, salaries, tips)
- 2.2 Schedule B: interest, dividends, foreign accounts and trusts
- 2.3 Reporting and taxability of retirement income (Social Security benefits, pensions, annuities, and IRA/401(k) distributions)
- 2.4 No Roth IRA recharacterizations
- 2.5 Alimony (divorce agreements executed before 2018; executed after 2018; and modified after 2018)
- 2.6 Schedule C, Profit or Loss from Business (Sole Proprietorship)
 - 2.6.1 Determination of gross income & deductions
 - 2.6.2 Business versus hobby
 - 2.6.3 Business use of home (regular vs. simplified method)
 - 2.6.4 Recordkeeping requirements
 - 2.6.5 Entertainment expenses not deductible but meals generally allowed at 50%
 - 2.6.6 Section 179 expense limits
 - 2.6.7 Depreciation
 - 2.6.7.1 Bonus depreciation
 - 2.6.7.2 Luxury auto depreciation limits
 - 2.6.7.3 Listed property updates
- 2.7 Schedule D and Form 8949, overview of capital gains and losses
- 2.8 Standard Deduction
- 2.9 Schedule A, Itemized deductions
 - 2.9.1 State and local tax deduction (\$10,000 married/\$5,000 married filing separate)
 - 2.9.2 Home mortgage interest and home equity loans
 - 2.9.3 Charitable contributions
 - 2.9.3.1 60% AGI limit for cash contributions
 - 2.9.3.2 No deduction for athletic tickets
 - 2.9.3.3 Contemporaneous written acknowledgement required for \$250 or more
 - 2.9.4 Casualty and Theft loss deduction limited to only Federally declared disaster areas
 - 2.9.5 Moving expense deduction suspended and reimbursement taxable (except active military)
 - 2.9.6 Recordkeeping and documentation of deductions

- 2.10 Tax credit eligibility (child tax credit, credit for other dependents, child and dependent care tax credit, education tax credit, earned income tax credit)
- 2.11 Overview Topics
 - 2.11.1 Tax treatment of the acquisition and disposition of virtual currency (Notice 2014-21)
 - 2.11.2 Alternative Minimum Tax (AMT) - exemption/phaseout amounts
 - 2.11.3 QBI deduction (including Form 8995 and Form 8995-A)
 - 2.11.4 Kiddie Tax
 - 2.11.5 Section 529 Plans
 - 2.11.6 Achieving a Better Life Experience (ABLE) account
 - 2.11.7 Cancellation of student debt (when to exclude from income)
 - 2.11.8 Net operating loss (NOL)
 - 2.11.9 Premium Tax Credit
 - 2.11.10 Employee fringe benefits
 - 2.11.11 Depreciation of rental property
- 2.12 Withholding and estimated tax payments
- 2.13 Balance due and refund options
- 2.14 Tax return due dates and filing for extensions

Domain 3 – Practices, Procedures and Professional Responsibility

- 3.1 Tax-related identity theft (Pub. 5199)
- 3.2 Safeguarding taxpayer data (Pub. 4557)
- 3.3 Overview and expiration of Individual Taxpayer Identification Numbers (ITINs) (Notice 2016-48)
- 3.4 Preparer penalties (Cost of living adjustments to penalty amounts found in Rev. Proc. 2019-44)
- 3.5 Tax preparation due diligence (for filing as head of household, earned income tax credit, child tax credit, and American opportunity tax credit)
- 3.6 E-file requirements (e.g., no pay stub filing, when to get signature form, timing for handling rejects)
- 3.7 Annual Filing Season Program Requirements (Pub. 5227)
 - 3.7.1 Circular 230 and consent to Circular 230 rules**
 - 3.7.2 Limited representation

**Any new tax law enacted after publication of this outline may be voluntarily incorporated into the course. However, there is no requirement that this new material must also be included in the test.*

***Please remind course participants to go into their PTIN account and sign the Circular 230 Consent statement in order to participate in the Annual Filing Season Program. For steps on how to complete the consent, see the instructional video in the upper right corner of the Annual Filing Season Program web page on IRS.gov at: <https://www.irs.gov/Tax-Professionals/Annual-Filing-Season-Program>*