

THE PROFESSIONAL TAX PREPARER PROGRAM



Module II

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INTRODUCTION

Welcome to the latest edition of the *Becoming the 1040 Expert* course. This program features tax law as it existed for the 2017 tax year (2018 tax preparation season). It is one of the courses included in the Professional Tax Preparer series offered by Universal Accounting Center.

This basic level course will train you in the preparation of Page 2 of the 1040 Form including Standard and Itemized Deductions, refundable and non-refundable credits, tax computations, and how to finalize a tax return. There are no pre-requisites needed before taking this course, although a person may wish to complete *Establishing the Tax Foundation* which provides training in Page 1 of the 1040 Form to prepare him or herself to complete the entire form.

This manual, together with the four DVDs, provides clear explanations of the broadest possible range of basic tax concepts associated with this portion of the 1040 form. It includes specific examples of how these concepts apply to real taxpayers, as well as hands-on practice with actual IRS tax forms, practical tips for tax professionals and their clients, and multiple choice quizzes to test your knowledge.

Within that range of tax concepts, there are issues the course only mentions in passing, if at all. The tax code is so vast and complex it would not be possible to create a single course that could address every tax rule that exists. As a basic level course, it was not intended—nor does it pretend—to be a one-stop, all-purpose tax encyclopedia. Instead, it covers the most important and most common topics, and anyone who finishes this course should be able to complete Page 2 of the 1040, without too much difficulty, for 95% of the returns that clients will present.

But at the end of the day, an equally important outcome of our training should be to help you understand how important research and study are in the tax profession, and what to do when a client presents a tax problem you've never encountered before. Each chapter of the *Becoming the 1040 Expert* course contains dozens of references to Internal Revenue Service publications which can be readily obtained at your local IRS office, or easily accessed online at www.irs.gov.

One such publication, entitled *Your Federal Income Tax*, is often called by its IRS document number: Publication 17, or Pub 17 for short. Experienced professionals consider this the tax preparer's Bible. It is an invaluable resource, and we strongly encourage you to obtain an updated copy every year. We will frequently refer to it throughout the course, although its use is not required to complete the course.

At the end of this course, you are invited to take an online exam. Once you have completed the course, we encourage you to log in to the UAC website and create a testing account to measure your mastery of the material.

By the way, we encourage you *not* to try to memorize everything you learn. Not only is the sheer volume of information likely to make that an impossible task, but a good deal of tax information is updated every year, so it is also a pointless one. For that reason, we specifically allow students to use their course materials when taking their online exam. While it is not possible to stop and look up every answer in a timed test, we do consider them “open book” tests.

This is especially true for the 2018 tax year, when a series of sweeping changes enacted by Congress at the end of 2017 go into effect.

In this course you will notice that we will sometimes refer to certain important terms by their abbreviations. Common ones include:

- IRS (Internal Revenue Service)
- IRC (Internal Revenue Code)
- SSN (Social Security number)
- SSA (Social Security Administration)
- TIN (Taxpayer identification number)
- ITIN (Individual taxpayer identification number)
- ATIN (Adoption tax identification number)
- PIN (Personal identification number)
- AGI (Adjusted gross income)
- EIC (Earned income credit)
- AMT (Alternative minimum tax)
- MFJ (Married filing jointly)
- MFS (Married filing separately)
- HOH (Head of household)
- QW (Qualifying widow/widower)
- IRA (Individual retirement account)
- SE (Self-employment)

While it may be more technically correct when referring to taxpayers, dependents or others who may be of either sex as “he or she” or “his or her,” for simplicity sake we will just use “him” or “his” when gender is not at issue.

SPECIAL NOTE TO CPE CANDIDATES

To qualify for Continuing Professional Education (CPE), a CPE candidate must have completed the course, including the final examination, within one year of the date of purchase.

PREFACE

For professional tax preparers, the 2019 filing season is of unique significance because it follows the 2018 tax year, the first year where the most sweeping changes to the tax code in decades, the Tax Cuts and Jobs Act of 2017, went into effect.

Some of these changes overturn longstanding tax rules that we—and our clients—have come to think of as normal. It will take some time to adjust our thinking about many of these new rules, and that may seem futile when most of the 1040 changes are set to expire after 2025, but it will be critical to successfully performing our duty as tax professionals to understand them thoroughly.

Since most TCJA provisions are automatically set to sunset after only eight years, we will keep the information about previous years in this course for reference, rather than deleting them now and reinserting them later, if and when the TCJA expires. Don't be confused by the seeming contradiction between conflicting explanations of old and new rules.

In this year's edition of the Professional Tax Preparer, we have endeavored to be as clear and detailed as possible about the elements of the Tax Cuts and Jobs Act. Some of the most important ones—the doubling of the standard deduction, and the elimination of certain itemized deductions—show up immediately in the next few chapters.

