



Tax Breaks, Tips, and Updates: Part 1

Course Instructions

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NASBA - Sponsor number: 103021

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Instructions to Participants

To assist the participant with navigating the learning process through to successful completion, this course has been produced with the following elements:

Overview of Topics / Table of Contents: In this electronic format you'll find a slide menu on the left side of the screen. This serves as your overview of topics for the program. You may navigate to any topic by clicking on the slide name.

Definition of Key Terms / Glossary: You'll find key terms defined for this program in the course information on the following page(s).

Index / Key Word Search: You can find information quickly in the PDF materials (slide handout plus any additional handouts) by using the search function built into your Adobe Reader.

Review Questions: Questions that test your understanding of the material are placed throughout the course. You'll see explanatory feedback pop up for each incorrect answer, and reinforcement feedback for the correct answer for every review question.

Final Exam: The final exam measures if you have gained the knowledge, skills, or abilities outlined in the learning objectives. You may submit your final exam at the end of the course. Exams are graded instantly. A minimum score of 70% is required to receive the certificate of completion. **You have one year from date of purchase to complete the course.**

Course Evaluation: Once you have successfully passed your online exam, please complete our online course evaluation. Your feedback helps Wolters Kluwer maintain its high quality standards!

About This Course

This section provides information that is important for understanding the course, such as course level and prerequisites. Please consider this information when filling out your evaluation after completing the course.

Publication Date: January 2020

Course Description

This on-demand course provides information on tax strategies to help reduce your clients' taxes, explains how extra tax assessments (AMT, SE, etc.) can be reduced. You will learn about often overlooked credits and deductions. And you will get the tools to make you a hero to your clients and perhaps their bosses.

Part 1 of a 2 part series on a variety of tax tips and updates.

Learning Objectives

Upon successful completion of this course, participants should be able to:

- Recognize how to implement tax breaks that impact the Federal 1040 return
- Identify the characteristics of the Child Tax Credit
- Differentiate true statements about the First-Time Homebuyer Credit
- Recognize possible deductions on joint tax returns
- Identify deductible medical expenses
- Describe what a self-employed taxpayer may deduct under certain business travel expenses
- Differentiate which itemized deductions are not subject to any limitations
- Recognize credits with a refundable credit component
- Identify the types of lawsuit related attorney fees that are actually deductible above the line as an adjustment on page 1 of Form 1040
- Differentiate examples of miscellaneous income
- Differentiate true statements regarding moving expenses
- Recognize the expenses that a school principal cannot deduct as itemized deductions on Form 2106, Employee Business Expenses
- Recognize what qualified student loan interest can be
- Evaluate what to do with clients Schedule-A deductions for 2015 tax returns
- Differentiate statements regarding points paid on a home mortgage loan
- Recognize which Forms are used in relation to Kiddie Taxes
- Identify which is not a permanently extended tax provision

NASBA Field of Study

Taxes. Some state boards may count credits under different categories—check with your state board for more information.

Course Level

Update. Program knowledge level that provides a general review of new developments. This level is for participants with a background in the subject area who desire to keep current.

Prerequisites

Basic understanding of tax prep.

Advance Preparation

None.

Course Expiration

AICPA and NASBA Standards require all Self-Study courses to be completed and the final exam submitted within 1 year from the date of purchase as shown on your invoice. No extensions are allowed under AICPA/NASBA rules.

Key Terms

- **Educator's Expense limitations:** Qualified expenses of \$250 per person (\$500 married filing jointly) are deductible only to the extent the amount of such expenses exceed the following amounts for the tax year: • The interest on qualified U.S. savings bonds that you excluded from income because you paid qualified higher education expenses, • Any distribution from a qualified tuition program that you excluded from income, • Any tax-free withdrawals from your Coverdell Education Savings Account, or • Any reimbursed expenses not reported to you on box 1 of your Form W-2 (PDF). <https://www.irs.gov/pub/irs-pdf/i1040gi.pdf#page=90>
- **First Time Homebuyer's Credit :** Taxpayers who used the First Time Homebuyer's Credit in 2008 received a credit of up to \$7,500. However, this was, essentially, an interest-free loan. It must be repaid. Taxpayers may repay it at any time, when the house is sold, or repay it over 15 years. The Form 5405 is used to report the repayment each year. This can be filed as a stand-alone form if the taxpayer does not otherwise have a filing requirement.
- **Invisible Adjustments:** The tax return shows lines for adjustments to income. However, there are at least 10 additional adjustments available to taxpayers that do not have their own distinct line, visible on the tax return. They are reported on line 36 (even on the new Schedule 1) by using a code to designate the nature of the adjustment. They include: Archer MSA deduction (see Form 8853). Identify as "MSA." 1. Jury duty pay if you gave the pay to your employer because your employer paid your salary while you served on the jury. Identify as "Jury Pay." 2. Deductible expenses related to income reported on line 21 from the rental of personal property engaged in for profit. Identify as "PPR." 3. Reforestation amortization and expenses (see Pub. 535). Identify as "RFST." 4. Repayment of supplemental unemployment benefits under the Trade Act of 1974 (see Pub. 525). Identify as "Sub-Pay TRA." 5. Contributions to section 501(c)(18)(D) pension plans (see Pub. 525). Identify as "501(c)(18)(D)." 6. Contributions by certain chaplains to section 403(b) plans (see Pub. 517). Identify as "403(b)." 7. Attorney fees and court costs for actions involving certain unlawful discrimination claims, but only to the extent of gross income from such actions (see Pub. 525). Identify as "UDC." 8. Attorney fees and court costs you paid in connection with an award from the IRS for information you provided that helped the IRS detect tax law violations, up to the amount of the award includible in your gross income. Identify as "WBF." 9. Medicare - One extra adjustment not mentioned in the IRS publication – Legal fees paid for a private cause of action under Medicare Secondary Payer statute. <http://www.teaguecampbell.com/private-cause-action-medicare-secondary-payer-act/>
- **Social Security Earnings:** Wages are subject to Social Security withholding or self-employment taxes up to an annual limit. Those wages are taxed at 6.2% or 12.4% for self-employment taxes. However, there is also a Medicare tax on those wages. There is no earnings limit on the Medicare taxes. That tax rate is 1.45% on wages and 2.9% on self-employment income. <https://www.ssa.gov/news/press/factsheets/colafacts2020.pdf>
- **Standard Deductions:** Instead of using Schedule A and itemizing deductions, a taxpayer generally has the option of using the annual standard deduction amount. They are prohibited from using standard deductions if they are married filing

separately and their spouse has itemized, or an individual was a nonresident alien or dual status alien during the year (see the link for more exceptions).

<https://www.irs.gov/taxtopics/tc551>

- **Tax Cuts and Jobs Act:** Sweeping new legislation, that became law on 12/22/2017, that made permanent changes in business tax laws, and made many temporary changes for individuals, that take effect (primarily) for 2018 – 2025 tax years.

<http://docs.house.gov/billsthisweek/20171218/CRPT-115HRPT-%20466.pdf>