Table of Contents

TAB 1: Introduction & IRS 1

What is expected of me? 2

Work Hours 4

Accuracy and Quality 5

Organization 7

Ethics 9

Circular 230 10

Practitioner Penalties 14

Researching Answers 16

Statutory Law 16

Administrative Authority 16

Judicial Authority 17

Regulations 18

Revenue Ruling 18

Revenue Procedure 18

Technical Advice Memoranda 18

Notices 19

Announcements 19

Publications 19

Frequently Asked Questions 19

Private Letter Rulings 19

IRS Publications 20

PTIN Registration 20

E-Services 21

E-News for Tax Professionals 23

Practitioner Priority Service 24

Recordkeeping Responsibilities 27

Providing Client Copies of Returns 27

Retaining Copies of Returns 27

TAB 2: Form 1040 29

Brief History of the Income Tax in the United States 29

Form 1040 30

Basics of the Form 1040 30

2024 Tax Rates, Brackets, and Amounts 30

2024 Capital Gains 30

2024 Standard Deduction 31

Other Standard Deductions 31

2024 All Capital Gain Rates 31

Who Must File 32

When and How to File 34

2024 Form 1040 35

2024 Form 1040-SR 37

Due Date 40

Gathering Information for Filing a Return 42

Organizer 43

Basic US Income Tax Formula 44

Filing Status and Standard Deductions 45

Current Standard Deduction Amounts 45

Marital Status, Married or Single 45

Income, Page 1 Form 1040 48

2024 Form W-2 49

Form W-2 Reference Guide for Box 12 Codes 51

Form W-2 Box 13 Retirement Plan Checkbox Decision Chart 52

Household Wages not reported on Form(s) W-2, Line 1b 52

Tip Income (1a if on W-2, 1c if reported separately) 53

Medicaid Waiver Payments not reported on Form(s) W-2, Line 1d 53

Taxable Dependent Care Benefits from Form 2441, Line 26, line 1e 54

Employer-Provided Adoption Benefits from Form 8839, Line 29, line 1f 54

Wages from Form 8919, Line 6, line 1g 54

Other Earned Income, Line 1h 54

Nontaxable Combat Pay Election, Line 1i 55

Standard Deduction or Itemized Deductions, (Line 12) 56

Qualified Business Income Deduction (Line 13) 56

Add lines 12 and 13, Line 14 56

Taxable Income (Line 15) 56

Computing the Tax 58

IRS Tax Tables (2024) 58

Marginal Rate Chart for Calculation 70

Signing the Tax Return 71

Paying the Tax 71

Retirement Income – Form 1099R 73

2024 Form 1099-R 73

Table 1. Guide to Distribution Codes 76

Rollovers 80

Social Security Benefits 82

Worksheet 1. Figuring Your Taxable Benefits 84

Form SSA-1099- Social Security Benefit Statement 85

Repayment of Social Security Benefits 85

Lump Sum Social Security Benefits 86

Refunds of Overpayments to IRS for Personal Income Tax 88

Direct Deposit 88

Paper Check 88

Other Bank Products 89

Split Refunds 89

2024 Form 8888-Allocation of Refund 89

TAB 3: Schedule 1 90

Schedule 1, Other Income Items 90

Life Insurance 90

Welfare 90

Worker’s Compensation Insurance Damages 90

Disaster Relief 90

State Tax Refunds, Line 1 90

Worksheet 2a. Computations for Worksheet 2, lines 1a and 1b 91

Worksheet 2. Recoveries of Itemized Deductions 92

Alimony Received, Line 2a and 2b 93

Business Income or (Loss), Line 3 93

Other Gains or (Losses), Line 4 93

Rental Real Estate, royalties, partnerships, S Corporations, Trusts, Etc. 93

Farm Income or Loss. Attach Schedule F, Line 6 93

Unemployment Compensation, Line 7 93

2024 Form 1099-G- Certain Government Payments 94

Certain State Paid Family and Medical Leave Payments, Line 7 95

Net Operating Losses (NOLs) Line 8a 95

Gambling Winnings for Casual Gamblers (professionals report on Sch C) 96

Cancelled Debt, Line 8c 97

Foreign Earned Income Exclusion from Form 2555, Line 8d 98

Income from Form 8853, Schedul3 1, Line 8e 99

Income from Form 8889, Schedule 1, Line 8f 100

Alaska Permanent Fund Dividends, Schedule 1, Line 8g 100

Jury Duty Pay, Schedule 1, Line 8h 100

Activity not engaged in for profit income, Schedule 1, Line 8j 101

Stock Options, Schedule 1, Line 8k 101

Personal Property Rentals, Line 8l 101

Olympic and Paralympic medals and USOC prize money 101

Section 941(a), Schedule 1, Lines 8n and 8o 101

461(l) excess business loss adjustment. Schedule 1, Line 8p 101

Taxable distributions from ABLE account, Schedule 1, Line 8q 102

Scholarships and Fellowships, Schedule 1, Line 8r 102

Nontaxable amounts of Medicaid waiver payments included on Form 1040 103

Pension or annuity from a nonqualified deferred compensation plan 103

Wages earned while incarcerated, Schedule 1, Line 8u 104

Digital Assets not reported elsewhere, Schedule 1, Line 8v 104

Other Income, Schedule 1, Line 8z 104

2024 Schedule 1 (Form 1040)- Additional Income and Adjustments to Income 107

Adjustments – Schedule 1, page 2 108

Educator Expenses, Line 11 108

Certain Business Expenses of reservists, performing artists, etc 108

Health Savings Account Deduction. Attach Form 8889, Line 13 109

Moving Expenses for members of the Armed Forces. Attach Form 3903 109

Deductible Part of Self-Employment Tax. Attach Schedule SE, Line 15 109

Self-Employed SEP, Simple, and Qualified Plans. Line 16 109

Self-Employed Health Insurance Deduction. Line 17 109

Penalty for Early Withdrawal of Savings. Line 18 109

Alimony Paid, Line 19a, b, and c 110

IRA Deduction, Line 20 110

IRA Deduction Worksheet- Schedule 1, Line 20 111

Student Loan Interest Deduction, Line 12 112

2024 Form 1098-E- Student Loan Interest Statement 113

Reserved for future Use, Line 22 113

Archer MSA Deduction, Line 23 113

Jury Duty Pay, Line 24a 113

Deductible Expenses related to income reported on Line 9l 113

Olympic and Paralympic medals and USOC prize money 113

Reforestation amortization and expenses, Line 24d 113

Repayment of supplemental unemployment benefits under Trade Act of 1974 114

Contributions to section 501(c)(18)(D) pension plans, Line 24f 114

Contributions to certain chaplains to section 403(b) plans, Line 24g 114

Attorney Fees/court costs for actions involving unlawful discrimination claims 114

Award from IRS for info provided that helped the IRS detect tax law violations 114

Housing deduction from Form 2555, Line 24j 114

Excess deductions of Section 67(e) expenses from Sch K-1 (Form 1041) 114

Other Adjustments. List type and amount, Line 24z 114

TAB 4: Dependents 115

Dependent Tax Issues 115

Head of Household Filing Status 115

Worksheet 1. Cost of Keeping Up a Home 116

Who is a Qualifying Person Qualifying You to File as Head of Household? 117

Dependents 118

Rules for Qualifying Child 119

Relationship Test 119

Age Test 119

Form 8867, Paid Preparer’s Due Diligence Checklist 120

2024 Form 8867- Paid Preparer’s Due Diligence Checklist 121

Determine applicability and amount of Earned Income Tax Credit 123

Residency of a Qualifying Child 123

Disability of Qualifying Child 123

Schedule C 123

Table 5. Overview of the Rules for Claiming a Dependent 124

Income Tax Credits for Dependents 124

Refundable credits include 125

Nonrefundable credits include 125

Child & Other Dependents Tax Credits 125

Reference History Information 125

General Information 125

Key points of current law 125

The Other Dependents Credit 126

Adoption Credit 127

Domestic Adoption 129

Foreign Adoption 129

Dependent Care Credit 130

Qualified Expenses 131

Overview of the Earned Income Credit 134

Chart: Limits for the Earned Income 134

Rules All Taxpayers Must Meet 135

Rule 2 - Valid Social Security Number 136

Rule 3 - Married Filing Separately 137

Rule 4 - US Citizen or Resident 137

Rule 5 - Foreign Earned Income Exclusion 138

Rule 6 - Investment Income Limit 138

Taxpayers may use worksheet to compute their investment income 138

Worksheet 2. Worksheet for Line 4 of Worksheet 1 140

Rule 7 - Earned Income 140

Rules if Taxpayer Has a Qualifying Child or Children 142

Rule 8 – Relationship, Age, Residency, and Joint Return Tests 143

Figure A- Overview of tests to claim a qualifying child 146

Rule 9 – Qualifying Child Cannot Be Used by Multiple People for Credit 147

Tiebreaker rules 147

Rule 10 - Taxpayer Cannot Be a Qualifying Child 149

Rules for Claiming Earned Income Tax Credit Without a Qualifying Child 150

Rule 11 – You Meet the Age Requirements 150

Rule 12 – You Cannot Be the Dependent of Another Person 150

Rule 13 – You Cannot Be a Qualifying Child of Another Taxpayer 150

Rule 14 – Lived in the United States More Than Half of the Year 150

Determining the Earned Income Tax Credit 150

Rule 15 – Earned Income Limits 150

Worksheet A- 2022 EIC- Line 27 152

Worksheet B- 2022 EIC-Line 27 153

2024 Schedule EIC (Form 1040)- Earned Income Credit 155

2024 Earned Income Credit Table 156

TAB 5: Itemized Deductions 168

Itemized Deductions, Schedule A 168

2024 Reminders 168

Introduction to Itemized Deductions 169

Medical Expenses 170

Medical Expense Chart 173

Long-term care premium itemized deduction limits for 2024 178

Taxes 179

IRC Section 266 Election 183

Home Mortgage and Investment Interest 183

2024 Form 1098- Mortgage Interest Statement 185

Form 1098 Boxes 185

Interest Deductions-the Overview Personal Borrowings- Chart 188

Example of Refinancing Actions and Results 195

Where to Deduct Interest Expense 196

Tracing Rules 196

Settlement Statement (HUD-1) 202

Charitable Contributions 205

Non-Deductible Items 208

Examples of Charitable Contributions 209

Volunteers' Questions and Answers 212

Preparer Summary-the Noncash Rules 214

Contribution Summary 215

Contribution Summary 220

Deductible Casualty Losses if Federally Declared (Pub 547) 220

Individual Casualty and Disaster Rules 2018-2025 221

Chart- How to Apply the Deduction Limits for Personal-Use Property 224

Chart- When to Deduct a Loss 225

Miscellaneous Itemized Deductions 226

Recordkeeping Regarding Wagering Winnings and Losses 228

TAB 6 : IRAs 229

Individual Retirement Accounts (IRAs) 229

Chart: Retirement changes 2018-2023 230

2024 Changes from SECURE Act 2.0 230

4 new exceptions to the 10% early withdrawal penalty 231

Terminal Illness 231

Domestic Abuse 231

Financial Emergency 231

Natural Disasters 231

Types of Individual Retirement Accounts 232

2024 IRAs- chart 233

Traditional Deductible IRA 233

Earned income test 233

Other Retirement Plan test 234

Maximum income test 235

Traditional IRA Deduction Income Phase-Out Ranges 236

Are 2023 IRA Contributions Deductible? 236

Traditional Non-Deductible IRA 237

Withdrawals of Non-Deductible IRAs-the Pro-Rata Rule 239

The Pro Rata Rule 240

Rollover IRAs 240

Rollover Advantages & Disadvantages 241

IRA Distributions that DO NOT QUALIFY for Rollover 243

Rollover Chart 245

Other Traditional IRA Items 245

13 Reasons Why NOT to invest an IRA in real property 247

Investing an IRA in Gold 248

Deductions for Traditional IRAs 250

2024 Saver’s Credit Limits 250

Roth IRAs 252

Can You Make a 2024 Roth IRA Contribution? 253

Conversions to Roth IRAs 254

Bob’s 6 Roth Conversion Rules 254

RMDs from traditional IRAs may not be converted to Roth IRAs 255

TAB 7: Health Savings Accounts 262

Key Concepts of HSAs 262

Health Insurance Requirement 263

Preventive Care for Specified Conditions Chart 265

2024 Annual HDHP Limits Chart 266

HSA Tax Triple Play 267

HSA (Savings Account) Concept 268

Health Savings Account (HSA) 268

Pre-Tax or Post Tax HSA Deposit? 269

Who is eligible for an HSA? 269

Medicare and HSA Deposits 270

Contributions 270

HSA Deposit Allocation Chart 272

4 Types of HSA Contributions- Chart 273

HSA For W-2 and Form 1040 Reporting 273

Rollovers and Transfers 275

Due Dates for Contributions 275

HSA Investments 275

Employer Contributions 276

Distributions 276

Special Once-in-a-Lifetime IRA transfer to HAS 278

Qualified HSA Funding Distribution Requirement 279

Form 1099-SA- Distributions: HSA, Archer MSA, or Medicaid Advantage MSA 281

2022 Form 8889- Health Savings Accounts 282

TAB 8: Investment Income 283

Interest and Dividend Income 283

2024 Form 1099-INT 283

Form 1099-DIV 284

Filing Requirements 284

Confusing Interest Items 285

Form 1099-OID: Original Issue Discount 290

Series EE and U.S. Savings Bond Interest 292

How long savings bonds earn interest, based on issue date 293

Who owes the tax? 295

Modified Series EE/I Bond Exclusion AGI Phase-out Ranges 295

Dividend Income 297

Form 2439- Undistributed Long-Term Capital Gains 298

Election to Report Dividends as Investment Income 299

Capital Gains 301

What sales do not go on Schedule D via Form 8949? 301

Schedule D Review 303

Long-term capital gains tax rates for the 2024 tax year 303

Capital Gains Planning-2025 Approx. Amounts 303

Client Worksheet for Capital Gains Planning 304

5 Planning Points to Consider on Capital Gains 304

Where to Report Sales 304

Client’s record-keeping 305

Capital gains tax rates 305

Basis & Holding Periods 308

Preparation Issues 309

Special Schedule D/Form 8949 Items 311

Options 319

Traders 319

Sale of a Personal Residence 321

Form 1099-S: Proceeds From Real Estate Transactions 323

Basis of Home Acquired by Gift 327

Excluded Gain Calculation 328

Calculating Taxable Gain on Sale of Personal Residence (Converted) 331

Worksheet 3. Determine if You Have Taxable Gain 335

Business, Rental or Home Office Use of Residence 336

Form 8949, Sales of Capital Assets 339

Form 8949 Codes 341

TAB 9: Credits 347

Qualified Retirement Savings Contributions (Saver’s) Credit 347

2024 Saver’s Credit 347

Alternative Motor Vehicle Credits 348

Alternative Fuel Vehicle Refueling Property Credit 348

New Clean Vehicle Credit 348

Used Clean Vehicle Credit 349

Residential Energy Credits (Inflation Reduction Act of 2022) 349

Energy Efficient Home Improvement Credit 349

Residential Clean Energy Credit 350

Home Improvement Credits- Summary 351

Premium Tax Credit 353

2024 Federal Poverty Levels 353