

PART 2 - BUSINESSES

Section 1: Businesses

45%

1 Business entities

Types of business entities and their filing requirements:

- 1 Sole proprietorships
- 2 Partnerships
- 3 Corporations
- 4 S corporations
- 5 Farmers
- 6 LLCs
- 7 Tax-exempt entities and associations
- 8 Elections for type of entity
- 9 Employer identification number
- 10 Accounting periods (tax year)
- 11 Accounting methods

2 Partnerships

Partnership income, expenses, distributions, and flow-through (e.g., self employment income)

- 1 income)
- 2 Family partnerships
- 3 Partner's dealings with partnership (e.g., exchange of property, guaranteed payments, contribution of property to partnership)
- 4 Basis of partner's interest
- 5 Disposition of partner's interest
- 6 Partnership formation (e.g., partnership agreement, general vs. limited partners, capital contributions)
- 7 Dissolution of partnership (e.g., sale, death of partner)
- 8 Filing requirements and due dates
- 9 Services rendered in return for partnership interest
- 10 Debt discharge

3 Corporations in general

- 1 Filing requirements and due dates
- 2 Earnings and profits
- 3 Shareholder dividends, distributions, and recognition requirements
- 4 Special deductions and credits (e.g., dividends received deductions, charitable deduction).
- 5 Liquidations and stock redemptions
- 6 Accumulated earnings
- 7 Estimated tax payments

4 Forming a corporation

- 1 Services rendered to a corporation in return for stock
- 2 IRC section 351 exchange
- 3 Transfer and/or receipt of money or property in addition to corporate stock
- 4 Mortgaged property transferred
- 5 Controlled groups

- 6 Closely held corporations
- 7 Personal service corporations (e.g., 35% rate)

5 S corporations

- 1 Requirements to qualify
- 2 S corp income, expenses and separately stated items
- 3 Treatment of distributions (e.g., reasonable compensation)
- 4 Shareholder's basis (e.g., loan basis, distributions and losses in excess of basis)
- 5 Revocation, termination and reinstatement
- 6 Debt discharge
- 7 Non-cash distributions
- 8 Election procedure

Section 2: Business Financial Information

40%

1 Business income

- 1 Gross business income
Cost of goods sold (e.g., inventory practices, expenditures included, uniform capitalization rules)
- 2
- 3 Net income, net operating losses, and loss limitations including passive activity and at risk limitations
- 4 Gain or loss on disposition of depreciable property
- 5 Cancellation of business debt

2 Business expenses, deductions and credits

- 1 Employees' pay (e.g., deductibility of compensation, fringe benefits, rules of family employment, statutory employee, necessary and reasonable)
- 2 Reporting requirements for contractors and employees (e.g., W-2, W-4, Form 1099)
- 3 Business rental deduction
- 4 Depreciation, amortization, IRC section 179, and depletion
- 5 Business bad debts
- 6 Business travel, entertainment, and gift expenses
- 7 Interest expense
- 8 Insurance expense
- 9 Taxes (e.g., deductibility of taxes, assessments, and penalties; proper treatment of sales taxes paid)
- 10 Employment taxes
- 11 Federal excise tax
- 12 Casualties, thefts, and condemnations
- 13 IRC section 199 deduction (domestic production activities)
Eligibility and deductibility of general business credits (e.g., disabled access credit, investment credit)
- 14
- 15 Alternative minimum tax net operating loss deduction
- 16 Home office

3 Business assets

- 1 Basis of assets
- 2 Disposition of depreciable property

3 Like kind exchange

4 Analysis of financial records

1 What type of business (e.g., service, retail, manufacturer, farm)

2 Income statement

3 Balance sheet (e.g., proofing beginning and ending balances)

4 Method of accounting (e.g., accrual, cash, hybrid)

5 Depreciation and amortization

6 Depreciation recovery (e.g., recapture, Sec 280F)

7 Pass-through activity (e.g., K-1, separately stated items, non-deductible expenses)

8 Reconciliation of tax versus books (e.g., M-1, M-2, M-3)

9 Related party activity

10 Loans to and from owners

5 Advising the business taxpayer

1 Filing obligations (e.g., extended returns)

2 Deposit obligations (e.g., employment tax, excise tax)

3 Reporting obligations for businesses (e.g., 1099 series, 1031 exchanges, Form 8300)

4 Record-keeping requirements (e.g., mileage log, accountable plans)

5 Related party transactions

6 Selection of business entity (e.g., benefits and detriments)

7 Comingling (e.g., personal usage of business accounts, separation of business and personal accounts)

8 Advice on accounting methods and procedures (e.g., explanation of requirements)

9 Transfer elections in or out of the business (e.g., contributed property, distributions)

10 Life cycle of the business (e.g., formation, dissolution)

11 Type of industry (e.g., personal service corporation)

12 Worker classification

Section 3: Specialized Returns and Taxpayers

15%

1 Trust and estate income tax

1 Trust types (e.g., grantor, irrevocable, tax shelters)

2 Distributable net income and accounting income

3 Exclusions and deductions

4 Fraudulent trusts

5 Income in respect of a decedent

6 Income (e.g., allocations)

7 Separately stated items

8 Filing requirements

2 Exempt organizations

1 Qualifying for and maintaining tax-exempt status (e.g., 501(c))

2 Filing requirements (e.g., 1023, 1024, 990 series)

3 Unrelated business taxable income (UBTI)

3 Retirement plans

1 Employer and employee contributions

- 2 Reporting requirements
- 3 Plans for self-employed persons (e.g., SEP and SIMPLE)
- 4 Prohibited transactions
- 5 Qualified and non-qualified plans
- 6 Non-discrimination rules

4 Farmers

- 1 Farm inventory
- 2 Depreciation for farmers
- 3 Various disaster-area provisions
- 4 Disposition of farm assets
- 5 Farm income (e.g., self-raised livestock, crop insurance proceeds)
- 6 Farm tax computation (e.g., Schedule J, Schedule SE, estimated tax)