

Internal Revenue Service

Enrolled Agent Exam – Part TWO

Exam Year May 1, 2017 – February 28, 2018

Table of Contents

Lesson 1. Business Entity and Accounting Options	
Business Legal Entity	Employer ID Numbers
Canceling an EIN or Closing an EIN Account	Sole Proprietorships
Partnerships	Disregarded Entities Not Disregarded for Employment and Excise Taxes
Corporations	C-Corporations vs. S-Corporations
Limited Liability Companies	Tax Year
Short or Improper Tax Year	Required Tax Year
Least Aggregate Deferral of Income	Section 444 Election
Accounting Methods	Approval of Accounting Method Change
Cash Method of Accounting	Accrual Method of Accounting
Advance Payment for Sales	Expense Accrual
Inventories	Identifying Inventory Cost
Valuing Inventory	Inventory Valued at Cost
Lower of Cost or Market	Rolling-Average Inventory Method
Inventory Practices Not Approved	Inventory Losses
Figuring Cost of Goods Sold	Form 1128 Application to Adopt, Change, or Retain a Tax Year
Form 3115 Business Entity and Accounting Options	Form 8716 Election to Have a Tax Year Other Than the Required Tax Year
Lesson 2. Basis of Business Assets	
Basis	
Costs of Going into Business	Types of Capital Assets
Uniform Capitalization Rules	Uniform Capitalization Rules Do Not Apply
Allocation of Basis Among Multiple Assets	Allocation Between Land and Buildings
Adjusted Basis	Depreciation
Basis Other Than Cost	Tax-deferred Exchanges
Allocating the Unlike Property Basis	Sale and Purchase of Similar Property
Partial Business Use of Property	
Lesson 3. Depreciation and Amortization	
Depreciation Overview	Depreciation Placed-in-Service Date
When to Stop Depreciation	Depreciation Corrections
Changes in Adoption of Accounting Method	Section 481(a) Adjustment
Which Depreciation System Applies	Alternative Depreciation System
Property Classes Under GDS	MACRS Property Basis
MACRS Depreciated Property	Which Depreciation Method Applies
Applicable Convention	Section 179 Deduction
Calculating Section 179 Deduction	Pass-through Section 179 Limitation

Additional Limits for Listed Property	Limits for Passenger Automobiles
Section 179 Recapture	Special Depreciation Allowance and Other Depreciation
Amortization	Amortization of Section 197 Intangibles
Amortization of Costs to Start a Business	Section 195 and Section 248 Costs
Election to Expense Costs of Starting a Business	Depletion
Form 4562 Depreciation and Amortization	
Lesson 4. Business Asset Dispositions	
Types of Asset Dispositions	Sales and Exchanges
How to Figure a Gain or Loss	Ordinary or Capital Gain or Loss
Short or Long Term Capital Gain or Loss	Section 1031 Like-Kind Exchanges
Who Qualifies for Section 1031 Exchanges	Section 1031 Exchange Structures
Qualifying Like-Kind Exchange Property	Mixed Use Property
Vacation Home Like-Kind Exchange	Related Person Like-Kind Exchange
Partially Nontaxable Exchanges	Section 1231 Property
Section 1231 Treatment	Section 1245 Property
Section 1245 Gain Treated as Ordinary Income	Section 1250 Property
Installment Sales	Gift of Depreciable Property
Calculating Charity Gift Deduction	Transfers at Death
Multiple Properties	Business Casualty or Theft Loss
Loss of Inventory	Figuring a Casualty Gain
Federal Disaster Area Business Loss	Section 1244 Small Business Stock Loss
SBIC Stock Loss	Section 1202 Small Business Stock Gain
Where to Report Gains and Losses	Schedule D Capital Gains and Losses
Form 4684 Casualties and Theft	Form 4797 Sale of Business Property
Form 8824 Like-Kind Exchanges	Form 8949 Sales and Other Dispositions of Capital Assets
Lesson 5. Business Expenses	
Types of Business Costs	
Business Bad Debts	Other Business Debt Issues
Specific Debt Charge-off Method	Nonaccrual-Experience Bad Debt Method
Claim for Refund from Bad Debt	Bad Debt Recovery
Cancellation or Forgiveness of Debt	Not-for-Profit Activities (Hobby Loss Rules)
Section 183(d) Safe Harbor and Form 5213	Employee Compensation
Types of Compensation	Awards
Vacation Pay	Unpaid Salaries
Property as Payment for Services	Golden Parachute Payments
Rent Expense	Interest Expense
Mortgage Interest	Capitalization of Interest
When to Deduct Interest	Taxes
Real Estate Taxes	Deductible Insurance Premiums
Nondeductible Insurance Premiums	Prepaid Insurance Premiums
Travel Expenses	Travel Outside U.S.
Entertainment Expenses	50 Percent Limit
Conventions	Cruise Ships
Business Gifts	Business Standard Mileage Rate
Business Use of Home	Simplified Method - Business Use of Home
Actual Expenses - Business Use of Home	Other Expenses
Repayments	Repayments Over \$3,000
Expenses Not Deductible	Employee or Independent Contractor
Common Law Employees	Independent Contractor
Reporting Payments to Statutory Employees	Statutory Nonemployees

Employment Tax and Reporting Obligations	Form 1099-MISC Exceptions
Misclassification of Employees	Employment Taxes
Preparing and Filing Form W-2	Failure to File and Failure to Pay Payroll Penalties
Trust Fund Recovery Penalty	Correcting Employment Taxes
Correcting Employment Taxes Using Form 941-X	Special Classes of Employment and Types of Payments
Employer Federal Tax Return Due Dates	Form 941 Employer's Quarterly Federal Tax Return
Form 945 Annual return of Withheld Federal Income Tax	Form 8829 Expenses for Business Use of Your Home
Form 8919 Uncollected Social Security and Medicare Tax on Wages	Form W-2 Wage and Tax Statement
Form 1099-Misc Miscellaneous Income	
Lesson 6. Benefits and Tax Credits	
Employee Fringe Benefits	Excluded Fringe Benefits
Nondiscrimination Rules	Highly Compensated Employees
Key Employees	Cafeteria Plans
Employee Stock Options	Moving Expense Reimbursements
De Minimis Benefits	Working Condition Benefits
Welfare Benefit Funds	Archer Medical Savings Accounts
Health Savings Accounts	High-Deductible Health Plans
General Business Credits	Work Opportunity Credit Process
Cobra Subsidy Credit Expired	Alternative Minimum Tax
Benefits Summary Table	Form 3800 General Business Credit
Lesson 7. Self-Employment and Farm Taxes	
Self-employed Person	
Sole Proprietorship	Statutory Employees
Proprietorship EIN	Husband and Wife Qualified Joint Venture
Qualified Joint Venture EINs	Basics of Section 469 Passive Activity Rules
Information Returns	Schedule C
Schedule C-EZ	Other Schedules and Business Forms
Net Earnings from Self-Employment	Self-employment Health Insurance
Include SE Taxes in Estimated Tax Payments	Self-employment Tax
Other Earnings Subject to SE	Earnings NOT Subject to SE
Newspaper Carriers and Distributors	Corporation Income
More Than One Business	Partnership Self-employment
Death of a Partner	Gains and Losses on Property Dispositions
Farm Income	Qualified Farmer Estimated Tax
Farmer Employers	Crop Insurance Proceeds
Weather Related Conditions	Farm Income Averaging
Farm Expenses	Heavy Highway Vehicle Use Tax
Net Operating Losses	How to Figure an NOL
2-Year NOL Carryback	Exceptions to 2-Year Carryback Rule
Waiving the NOL Carryback Period	NOL and Change in Marital Status
Schedule C Profit or Loss From Business	Schedule E Supplemental Income and Loss
Schedule F Farming	Schedule SE Self-employment Tax
Form 1045 Application for Tentative Refund	
Lesson 8. Partnership and LLC Formation	
Partnership Formation	Qualified Joint Venture Instead of Partnership
Limited Liability Company	Family Partnerships
Partnership Agreement	Partnership Return Form 1065
Separately Stated Items	Partnership Elections

Partnership Start-up and Organization Costs	Contribution of Property
Basics of Contributed Property Basis	Section 754 Step-up Basis Election
Built-in Gain or Loss on Contributed Property	Disguised Sales
Distribution Within Seven Years of Contribution	Disposition of Certain Contributed Property
Contribution of Services	Basis of Partner's Interest
Partner's Liability Assumed by Partnership	Effect of Partnership Liabilities
Assumption of Partnership Liability	Property Subject to a Liability
Partner's Share of Recourse Liabilities	Constructive Liquidation
Income and Employment Tax Forms for LLCs	Form 1065 Partnerships
Schedule K-1 Partner's share of Income, Deductions, Credits, etc.	Partnership Schedules L, M-1, M-2, and M-3
Lesson 9. Partnership Operations	
Partner's Income or Loss	
Partner's Interest in Partnership	Reporting Distributive Share
Limit on Partner's Losses	Partner's At-Risk Limits
Passive Activities	Partnership and Partner Transactions
Guaranteed Payments	Sale or Exchange of Property on Certain Sales
More Than 50 Percent Ownership Test	
Lesson 10. Partnership Interest Disposition	
Terminating a Partnership	Converting Partnership to LLC
Partnership Distributions	Distributions as Sale or Exchange
Partner's Gain on Distribution	Partner's Loss on Distribution
Basis of Distributed Property	Basis Divided Among Properties
Allocating a Basis Increase	Allocating a Basis Decrease
Disposition of Partner's Interest	Sale, Exchange, or Other Transfer
Installment Reporting of Interest Sale	Partner's Retirement or Death
Liquidating Payments	Other Payments
Unrealized Receivables and Inventory	Value of Unrealized Receivables
Inventory Items	Interest Exchange Notification
Disposition of Inventory and Receivables	Adjusting Property Basis
Lesson 11. Corporations	
Corporation Formation	
Business Taxed as Corporation	Existing Entity Default Rules
Exchange of Property for Stock	Control of a Corporation
Stock for Services Rendered	Nonqualified Preferred Stock
Mortgaged Property Transfers	Basis of Stock or Other Property
Capital Contributions	Personal Service Corporations
Closely Held Corporations	Corporation Estimated Taxes
Refiguring Required Estimated Installments	Quick Refund of Overpayment
Required Electronic Funds Transfer	Electronic Deposits Using EFTPS
Corporation Income Tax Return	Corporation Extension of Time to File
Corporation Penalty for Filing Late	Corporation Penalty for Late Payment of Tax
Form 4466 Corporation Application for Quick Refund of Overpayment of Estimated Tax	
Lesson 12. Corporation Income and Deductions	
Special Corporation Provisions	Below-market Loans
Corporation Capital Losses	Capital Loss Carryover and Carryback Rules
Corporation Charitable Contributions	Charitable Deduction Limit
Corporate Preference Items	Corporation Dividends Received Deduction

No Deduction for Certain Dividends	Limit on Deduction for Dividends
Effect of Net Operating Loss	Extraordinary Dividends
Start-up and Organizational Costs	Organizational Costs
Deducting Expenses Paid to Related Persons	Ownership of Stock
Gains on Related Party Transactions	Production Activities Deduction
Form 8903 Domestic Production Activities Deduction	
Lesson 13. Corporation Net Income and Income Tax	
Figuring a Net Operating Loss	Claiming the NOL Deduction
Figuring the NOL Carryover	At-risk Limits
Passive Activity Limits	Corporate Income Tax Rates
Qualified Personal Service Corporations	Controlled Groups of Corporations
Corporation Tax Credits	Eligible Small Business Credits
Recapture Taxes	Corporation Alternative Minimum Tax
Small Corporation AMT Exemption	Figuring AMT
Minimum Tax Credit	Accumulated Earnings Tax
Accumulated Earnings Credit	Corporation Taxable Income Example
Form 1120 Reconciliation Statements L, M-1, M-2, and M-3	Revised Schedule M-3
Reconciling Book Income Summary	Form 1120 U.S. Corporation Income Tax Return
Schedule M-3 Net Income (Loss) Reconciliation for Corporations With Total Assets of \$10 Million or More	
Lesson 14. Corporate Distributions and Liquidations	
Money or Property Distributions	Distributions of Stock or Stock Rights
Constructive Distributions	Reporting Dividends and Other Distributions
Current Year Earnings and Profits	Accumulated Earnings and Profits
No Current Year Earnings and Profits	Earnings and Profits
Return of Capital	Adjustments to Earnings and Profits
How to Compute Current Earnings and Profits	Liquidations and Redemptions
Request for Prompt Assessment	Complete Liquidations
Partial Liquidations	Safe-Harbor Rule
Stock Redemptions	Substantially Disproportionate Redemption
Attribution Rules	Constructive Ownership Rules
Checklist for Closing a Business	Form 966 Corporate Dissolution or Liquidation
Form 4810 Request for Prompt Assessment Under IRC Section 6501(d)	
Lesson 15. S Corporations	
Subchapter S-Corporation	S-Corporation Pass-through Entity
S-Corporation Filing Penalties	Becoming an S-Corporation
Requirements of an S-Corporation	Electing S-Corporation Status
Election Termination	S-Corporation Tax Year
S-Corporation Income and Expenses	Treatment of Certain Items
Disallowed Losses	S-Corporation Taxes
S-Corporation Shareholder Income or Loss	Shareholder K-1 Pro Rata Share
Limit on Shareholder Losses and Deductions	Adjustments to Basis of Shareholder Stock
S-Corporation Loan Repayments	Worthless Stock and Debt
S-Corporation At-risk Rules	Accumulated Adjustments Account
Calculating the AAA	Previously Taxed Income
S-Corporation Distributions General Rules	Nonresident Alien and Foreign Corporation Withholding
Withholding on Specific Income	S-Corporation Filing Forms

Closing an S-Corporation Business	Form 2553 Election by a Small Business Corporation
Form 1120S S-Corporations	
Lesson 16. Estates and Trusts (Form 1041)	
Trust Basics	Income in Respect of a Decedent
Fraudulent Trusts	Estates and Trusts Income Tax Return (1041)
Decedent Estate Filing Requirements	Trust Filing Requirements
Bankruptcy Estate	Taxation of Trusts and Decedent Estates
Decedent's Estate	Tax Liability of the Beneficiary
Exemption and Deductions (Form 1041)	Estate Losses
Estate Expenses	Distributable Net Income (DNI)
Funeral and Medical Expenses	AMT of Estates and Trusts
Estate Credits and Estimated Taxes	Beneficiary's Taxable DNI
Annuity Payable	Estate Character of Distributions
Grantor Type Trust	Taxable Income of a Trust
Simple Trusts	Complex Trusts
Qualified Disability Trust	Form 1041 U.S. Income Tax Return for Estates and Trusts
Schedule I (Form 1041) Alternative Minimum Tax - Estates and Trusts	Schedule K-1 (Form 1041) Beneficiary's Share of Income, Deductions, Credits, Etc.
Lesson 17. Retirement Plans	
Retirement Plans in General	
Qualified Retirement Plans	Defined Contribution Plans
Establishing Qualified Plans	Automatic Enrollment Feature
Nonqualified Retirement Plans	Nonprofit Organization Plans
Traditional IRA	Establishing an IRA
Timing of IRA Contributions	IRA Deductible Contribution Limits
Taxpayer Covered by an Employer Plan	Taxpayer NOT Covered by an Employer Plan
Effect of Modified AGI on Deduction if Covered by Retirement Plan at Work	Effect of Modified AGI on Deduction if NOT Covered by Retirement Plan at Work
Nondeductible IRA Contributions	Inherited IRA
Moving Retirement Plan Assets	Rollovers
Recharacterizations	Required Minimum Distributions
Distribution Tax Status	Qualified Charitable Distributions
Penalties and Additional Taxes	Prohibited IRA Transactions
Acts Resulting in Penalties	Exceptions to Age 59 1/2 Rule
Roth IRA	Reduced Roth IRA Contributions
IRA Conversions to Roth	Rollover from Employer's Plan to a Roth IRA
Rollover from a Roth IRA	Qualified Roth IRA Distributions
Ordering Rules for Roth Distributions	Simplified Employee Pensions
SEP-IRA Contribution Limits	Self-employed SEP-IRA Deduction Limit
Salary Reduction Simplified Employee Pension (SARSEP)	Designated Roth Contribution Program
SIMPLE IRA Plans	SIMPLE Contribution Limits
SIMPLE Distributions and Rollovers	Qualified Plans for Self-Employed
Setting up a Qualified Plan	Qualified Plan Contributions
Excess Annual Contributions	Employer Deduction Limits
Carryover of Excess Contributions	401(k) Elective Deferrals
Treatment of 401(k) Contributions	Required Beginning Date
Eligible Rollover Distribution	Withholding Requirements
Prohibited Qualified Plan Transactions	Disqualified Person
Late Deferral Deposit Penalties	Reporting Requirements

Form 5329 Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts	Form 8606 Nondeductible IRAs
Retirement Plan Comparison Table	
Lesson 18. Exempt Organizations	
Nonprofit Basics	IRS Exempt Organizations Division
Tax Exempt Status	Forms Required to Request Exempt Status
Preparing Form 1023	Annual Tax Reports and Returns
Filing Penalties for 990 Series Forms	E-File for Charities and Nonprofits
Form 990-N for Small Tax Exempt Organizations	E-Filing for Large Tax Exempt Organizations
Waivers for e-Filing Requirement	Penalty for Failure to e-File
Filing Due Date	Annual 501(a) Information Returns
Forms 990 and 990-EZ	Required Records Retention
501(c)(3) Disclosure Rules	Charitable Deduction Property
Noncash Donations Over \$5,000	Donee Information Return Form 8282
Recordkeeping Rules for Donors	Forms and Reports Disclosure
Unrelated Business Income Tax	UBTI Disclosure Requirement
Nonprofit Organization Payroll Taxes	FICA and FUTA Tax Exceptions
Form 990 Return of Organization Exempt From Income Tax	