

Uniform CPA Examination Taxation and Regulation (REG)

Blueprint



Table of Contents

2 Introduction: Uniform CPA Examination Blueprints

AUD1 Core Examination Section – Auditing and Attestation (AUD)

- AUD2 Section Introduction
- AUD6 Summary Blueprint
- AUD7 Area I – Ethics, Professional Responsibilities and General Principles
- AUD11 Area II – Assessing Risk and Developing a Planned Response
- AUD17 Area III – Performing Further Procedures and Obtaining Evidence
- AUD22 Area IV – Forming Conclusions and Reporting

FAR1 Core Examination Section – Financial Accounting and Reporting (FAR)

- FAR2 Section Introduction
- FAR6 Summary Blueprint
- FAR7 Area I – Financial Reporting
- FAR12 Area II – Select Balance Sheet Accounts
- FAR16 Area III – Select Transactions

REG1 Core Examination Section – Taxation and Regulation (REG)

- REG2 Section Introduction
- REG5 Summary Blueprint
- REG6 Area I – Ethics, Professional Responsibilities and Federal Tax Procedures
- REG8 Area II – Business Law
- REG11 Area III – Federal Taxation of Property Transactions
- REG12 Area IV – Federal Taxation of Individuals
- REG15 Area V – Federal Taxation of Entities (including tax preparation)

BAR1 Discipline Examination Section – Business Analysis and Reporting (BAR)

- BAR2 Section Introduction
- BAR6 Summary Blueprint
- BAR7 Area I – Business Analysis
- BAR11 Area II – Technical Accounting and Reporting
- BAR15 Area III – State and Local Governments

ISC1 Discipline Examination Section – Information Systems and Controls (ISC)

- ISC2 Section Introduction
- ISC6 Summary Blueprint
- ISC7 Area I – Information Systems and Data Management
- ISC10 Area II – Security, Confidentiality and Privacy
- ISC14 Area III – Considerations for System and Organization Controls (SOC) Engagements

TCP1 Discipline Examination Section – Tax Compliance and Planning (TCP)

- TCP2 Section Introduction
- TCP5 Summary Blueprint
- TCP6 Area I – Tax Compliance and Planning for Individuals and Personal Financial Planning
- TCP9 Area II – Entity Tax Compliance
- TCP14 Area III – Entity Tax Planning
- TCP16 Area IV – Property Transactions (disposition of assets)

Uniform CPA Examination Blueprints

The CPA licensure model requires all candidates to pass three Core exam sections and one Discipline exam section of a candidate's choosing. The Uniform CPA Examination (the Exam) has been designed accordingly as reflected in the Exam Blueprints. The Core exam sections assess the knowledge and skills that all newly licensed CPAs (nICPAs) need in their role to protect the public interest. The Discipline exam sections assess the knowledge and skills in the respective Discipline domain applicable to nICPAs in their role to protect the public interest.

The three Core exam sections, each four hours long, are: Auditing and Attestation (AUD), Financial Accounting and Reporting (FAR) and Taxation and Regulation (REG). The three Discipline exam sections, each four hours long, are: Business Analysis and Reporting (BAR), Information Systems and Controls (ISC) and Tax Compliance and Planning (TCP).

The table below presents the design of the Exam by Core and Discipline section, section time and question type.

Section	Section Time	Multiple-Choice Questions (MCQs)	Tasked-Based Simulations (TBSs)
AUD – Core	4 hours	78	7
FAR – Core	4 hours	50	7
REG – Core	4 hours	72	8
BAR – Discipline	4 hours	50	7
ISC – Discipline	4 hours	82	6
TCP – Discipline	4 hours	68	7

The table below presents the scoring weight of MCQs and TBSs for each Core and Discipline Exam section.

Section	Score Weighting	
	Multiple-Choice Questions (MCQs)	Tasked-Based Simulations (TBSs)
AUD – Core	50%	50%
FAR – Core	50%	50%
REG – Core	50%	50%
BAR – Discipline	50%	50%
ISC – Discipline	60%	40%
TCP – Discipline	50%	50%

The AICPA adopted a skill framework for the Exam based on the revised Bloom's Taxonomy of Educational Objectives¹. Bloom's Taxonomy classifies a continuum of skills that students can be expected to learn and demonstrate.

¹ Revised taxonomy see Anderson, L.W. (Ed.), Krathwohl, D.R. (Ed.), Airasian, P.W., Cruikshank, K.A., Mayer, R.E., Pintrich, P.R., Raths, J., & Wittrock, M.C. (2001). A taxonomy for learning, teaching, and assessing: A revision of Bloom's Taxonomy of Educational Objectives (Complete Edition). New York: Longman. For original taxonomy see Bloom, B.S. (Ed.), Engelhart, M.D., Furst, E.J., Hill, W.H., & Krathwohl, D.R. (1956). Taxonomy of educational objectives: The classification of educational goals. Handbook 1: Cognitive domain. New York: David McKay.

Uniform CPA Examination Blueprints (continued)

Representative tasks that are critical to an nICPA's role in protecting the public interest have been identified. The representative tasks combine both the applicable content knowledge and skills required in the context of the work of an nICPA. Based on the nature of a task, one of four skill levels, derived from the revised Bloom's Taxonomy, is assigned to each of the tasks, as follows:

Skill Levels	
↑ Evaluation	The examination or assessment of problems, and use of judgment to draw conclusions.
Analysis	The examination and study of the interrelationships of separate areas in order to identify causes and find evidence to support inferences.
Application	The use or demonstration of knowledge, concepts or techniques.
Remembering and Understanding	The perception and comprehension of the significance of an area utilizing knowledge gained.

The skill levels to be assessed on each Core and Discipline section of the Exam are included in the table below.

Section	Remembering and Understanding	Application	Analysis	Evaluation
AUD – Core	30–40%	30–40%	15–25%	5–15%
FAR – Core	5–15%	45–55%	35–45%	–
REG – Core	25–35%	35–45%	25–35%	–
BAR – Discipline	10–20%	45–55%	30–40%	–
ISC – Discipline	55–65%	20–30%	10–20%	–
TCP – Discipline	5–15%	55–65%	25–35%	–

Each section of the Exam has a section introduction and a corresponding section blueprint.

- The **section introduction** outlines the scope of the section, the content organization and tasks, the content allocation, the overview of content areas, section assumptions, the skill allocation and a listing of the section's applicable reference literature.
- The **section blueprint** outlines the content to be tested, the associated skill level to be tested and representative tasks an nICPA would likely encounter. The blueprints are organized by content AREA, content GROUP and content TOPIC. Each topic includes one or more representative TASKS that an nICPA may be expected to complete.

The purpose of the blueprint is to:

- Document the minimum level of knowledge and skills necessary for initial licensure.
- Assist candidates in preparing for the Exam by outlining the knowledge and skills that may be tested.
- Apprise educators about the knowledge and skills candidates will need to function as nCPAs.
- Guide the development of Exam questions.

The tasks in the blueprints are representative and are not intended to be (nor should they be viewed as) an all-inclusive list of tasks that may be tested on the Exam. The number of tasks associated with a particular content group or topic is not indicative of the extent such content group, topic or related skill level will be assessed on the Exam.

Taxation and Regulation

The Taxation and Regulation (REG) section of the Uniform CPA Examination (the Exam) tests the knowledge and skills that nCPAs must demonstrate with respect to:

- U.S. ethics and professional responsibilities related to tax practice
- U.S. business law
- U.S. federal tax compliance for individuals and entities with a focus on recurring and routine transactions

The assessment of federal tax compliance will focus on an nCPA's role in both the preparation and review of tax returns. The assessment will incorporate:

- Data and technology concepts including the verification of the completeness and accuracy of source data used to prepare returns and supporting schedules and the consideration of the outputs of automated validation checks and diagnostic tools that highlight potential errors or anomalies.
- Applied research with a focus on reviewing and using excerpts of source materials (e.g., Internal Revenue Code, Treasury Regulations) to complete a range of tasks including identifying issues, analyzing facts and determining appropriate responses.

A list of reference materials relevant to the REG section of the Exam is included under References at the conclusion of this introduction.

Content organization and tasks

The REG section blueprint is organized by content AREA, content GROUP and content TOPIC. Each topic includes one or more representative TASKS that an nCPA may be expected to complete when performing tax preparation services or other responsibilities of a CPA.

The tasks in the blueprint are representative. They are not intended to be (nor should they be viewed as) an all-inclusive list of tasks that may be tested in the REG section of the Exam. Lists or examples included within the text of a representative task beginning with the word “including” are not intended to be exhaustive. Within some representative tasks are parenthetical lists. If a parenthetical list begins with “e.g.,” this is not intended to be an exhaustive list but

rather examples of the types of content that could be assessed. Parenthetical lists that do not include “e.g.” are intended to be an exhaustive list of the content to be assessed with respect to that representative task.

Content allocation

The following table summarizes the content areas and the allocation of content tested in the REG section of the Exam:

Content area		Allocation
Area I	Ethics, Professional Responsibilities and Federal Tax Procedures	10–20%
Area II	Business Law	15–25%
Area III	Federal Taxation of Property Transactions	5–15%
Area IV	Federal Taxation of Individuals	22–32%
Area V	Federal Taxation of Entities (including tax preparation)	23–33%

Overview of content areas

Area I of the REG section blueprint covers the following:

- Ethics and Responsibilities in Tax Practice – Requirements based on Treasury Department Circular 230 and the rules and regulations for tax return preparers.
- Licensing and Disciplinary Systems – Requirements of state boards of accountancy to obtain and maintain the CPA license.
- Federal Tax Procedures – Understanding federal tax processes and procedures, including audits and appeals, appropriate disclosures, substantiation, penalties and authoritative hierarchy.
- Legal Duties and Responsibilities – Understanding legal issues that affect the CPA and their practice.

Taxation and Regulation (continued)

Area II of the REG section blueprint covers several business law concepts focused on the legal implications of business transactions and issues as they relate to accounting, auditing and financial reporting. The Area includes the following:

- Government regulation of business, specifically employment taxes, worker classification laws, the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005, the Foreign Corrupt Practices Act of 1977 and the Patient Protection and Affordable Care Act.
- Areas of agency, contracts, debtor-creditor relationships and business structure.
 - The Uniform Commercial Code under the topics of contracts and debtor-creditor relationships.
 - Legal aspects of business entity selection, formation, operation and termination.

Area III of the REG section blueprint covers federal tax compliance related to routine and recurring property transactions for individuals and entities. The Area includes the following:

- Basis of an asset purchased for use in a trade or business, and the related depreciation of the asset.
- Basis of an asset converted from personal to business use, and the related depreciation of the asset.
- Basis of assets held by individuals.
- Basis of intangible assets.
- Cost recovery (depreciation and amortization) of assets held for use in a trade or business.

Area IV of the REG section blueprint covers federal tax compliance related to routine and recurring transactions and issues for individuals. The Area includes the following:

- Inclusion and exclusion of amounts for purposes of calculating gross income, adjusted gross income and taxable income.

- Reporting of income from pass-through entities, including the proper handling of items on an individual's tax return.
- Loss limitations, filing statuses available to a taxpayer, the role of tax credits and safe harbor requirements for estimated taxes.

Area V of the REG section blueprint covers federal tax compliance related to routine and recurring transactions and issues for entities. The Area includes the following:

- Required adjustments to book income to determine taxable income.
- Computation of taxable income for C corporations, including state and local tax issues, and allowable tax credits.
- Determination of ordinary business income (loss) and separately stated items for S corporations and partnerships, and the impact of current year transactions on the owner's basis in the entity.
- Classification options for limited liability companies, eligibility and election of S corporation status and types of tax-exempt organizations.

Section assumptions

The REG section of the Exam includes multiple-choice questions and task-based simulations. Candidates should assume that the information provided in each question is material and should apply all stated assumptions. Candidates will not be tested on their knowledge of specific tax rate percentages, amounts or limitations that are indexed to inflation. Absent any stated assumptions, candidates should assume that transactions or events referenced in the question occurred in the current year and should apply the most recent provisions of the tax law in accordance with the timing specified in the CPA Exam Policy on New Pronouncements.

Taxation and Regulation (continued)

Skill allocation

The Exam applies a skill framework based on the revised Bloom's Taxonomy of Educational Objectives⁴. Bloom's Taxonomy classifies a continuum of skills depicted in the table below:

Skill Levels	
↑ Evaluation	The examination or assessment of problems, and use of judgment to draw conclusions.
Analysis	The examination and study of the interrelationships of separate areas in order to identify causes and find evidence to support inferences.
Application	The use or demonstration of knowledge, concepts or techniques.
Remembering and Understanding	The perception and comprehension of the significance of an area utilizing knowledge gained.

The REG section of the Exam assesses content at the first three skill levels of Bloom's Taxonomy as described below:

- Remembering and Understanding is mainly concentrated in Area I and Area II. These two areas contain the general ethics, professional responsibilities and business law knowledge that is required for nICPAs and they are tested at the lower end of the skill level continuum.
- Application and Analysis skills are primarily tested in Areas III, IV and V. These three areas contain more of the day-to-day tasks that nICPAs are expected to perform related to the preparation and review of tax returns and therefore are tested at the higher end of the skill level continuum.

The representative tasks combine both the applicable content knowledge and the skills required in the context of the work that an nICPA would reasonably be expected to perform.

References – Regulation

The References detailed below are the sources of the subject matter eligible for assessment in the REG section, to the extent that the subject matter is included in the blueprint's content areas, groups and topics. Further, the assessment of the subject matter described in a representative task that identifies an organization, publication, law, regulation, standard or framework is limited to the specific sections of the References detailed below. Similarly, subject matter identified in a representative task and related subject matter is eligible for assessment to the extent it is included in the References detailed below.

- Revised Model Business Corporation Act
- Revised Uniform Limited Partnership Act
- Revised Uniform Partnership Act
- Uniform Accountancy Act
- Uniform Commercial Code
- Internal Revenue Code of 1986, as amended
- Treasury Department Circular No. 230, Regulations Governing Practice before the Internal Revenue Service
- Treasury Regulations
- Other administrative pronouncements regarding federal taxation
- Case law on federal taxation
- Public Law 86-272
- Bankruptcy Abuse Prevention and Consumer Protection Act of 2005
- Patient Protection and Affordable Care Act
- The Foreign Corrupt Practices Act of 1977
- Uniform Division of Income for Tax Purposes Act (UDITPA)
- Current textbooks on business law, federal taxation, accounting and ethics

⁴ Revised taxonomy see Anderson, L.W. (Ed.), Krathwohl, D.R. (Ed.), Airasian, P.W., Cruikshank, K.A., Mayer, R.E., Pintrich, P.R., Raths, J., & Wittrock, M.C. (2001). A taxonomy for learning, teaching, and assessing: A revision of Bloom's Taxonomy of Educational Objectives (Complete Edition). New York: Longman. For original taxonomy see Bloom, B.S. (Ed.), Engelhart, M.D., Furst, E.J., Hill, W.H., & Krathwohl, D.R. (1956). Taxonomy of educational objectives: The classification of educational goals. Handbook 1: Cognitive domain. New York: David McKay.

Summary Blueprint

Content area allocation	Weight
I. Ethics, Professional Responsibilities and Federal Tax Procedures	10–20%
II. Business Law	15–25%
III. Federal Taxation of Property Transactions	5–15%
IV. Federal Taxation of Individuals	22–32%
V. Federal Taxation of Entities (including tax preparation)	23–33%

Skill allocation	Weight
Evaluation	–
Analysis	25–35%
Application	35–45%
Remembering and Understanding	25–35%

The following pages include the detailed blueprints that define the areas, groups, topics and representative tasks for the REG section. It is important to note that the number of representative tasks associated with a particular content group or topic is not indicative of the extent to which such content group, topic or related skill level will be assessed on the Exam (i.e., more numerous tasks in a particular group, topic or skill compared to another should not infer more content weight assigned to that group, topic or skill).

Area I – Ethics, Professional Responsibilities and Federal Tax Procedures (10–20%)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
A. Ethics and responsibilities in tax practice					
1. Regulations governing practice before the Internal Revenue Service	✓				Recall the regulations governing practice before the Internal Revenue Service.
		✓			Apply the regulations governing practice before the Internal Revenue Service given a specific scenario.
2. Internal Revenue Code and Regulations related to tax return preparers	✓				Recall who is a tax return preparer.
	✓				Recall situations that would result in tax return preparer penalties.
		✓			Apply potential tax return preparer penalties given a specific scenario.
B. Licensing and disciplinary systems					
	✓				Understand and explain the role and authority of state boards of accountancy.
C. Federal tax procedures					
1. Audits, appeals and the judicial process	✓				Explain the audit and appeals process as it relates to tax matters.
	✓				Explain the different levels of the judicial process as they relate to tax matters.
2. Substantiation and disclosure	✓				Summarize the requirements for the appropriate disclosure of a tax return position.
	✓				Recall requirements to report foreign bank accounts.
		✓			Identify situations in which disclosure of tax return positions is required.
			✓		Identify whether substantiation is sufficient given a specific scenario.

Area I – Ethics, Professional Responsibilities and Federal Tax Procedures (10–20%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
C. Federal tax procedures (continued)					
3. Taxpayer penalties	✓				Recall situations that would result in taxpayer penalties relating to tax returns.
		✓			Identify taxpayer penalties given a specific scenario.
4. Authoritative hierarchy	✓				Recall the appropriate hierarchy of authority for tax purposes.
D. Legal duties and responsibilities					
1. Common law duties and liabilities to clients and third parties	✓				Summarize the tax return preparer's common law duties and liabilities to clients and third parties.
		✓			Identify situations which result in violations of the tax return preparer's common law duties and liabilities to clients and third parties.
2. Privileged communications, confidentiality and privacy acts	✓				Summarize the rules regarding privileged communications as they relate to tax practice.
		✓			Identify situations in which communications regarding tax practice are considered privileged.

Area II – Business Law (15–25%)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
A. Agency					
1. Authority of agents and principals	✓				Recall the types of agent authority.
		✓			Identify whether an agency relationship exists given a specific scenario.
2. Duties and liabilities of agents and principals	✓				Explain the various duties and liabilities of agents and principals.
		✓			Identify the duty or liability of an agent or principal given a specific scenario.
B. Contracts					
1. Formation	✓				Summarize the elements of contract formation between parties.
		✓			Identify whether a valid contract was formed given a specific scenario.
		✓			Identify different types of contracts (e.g., written, verbal, unilateral, express, implied) given a specific scenario.
2. Performance and discharge	✓				Explain the rules related to the fulfillment of performance obligations necessary for an executed contract.
	✓				Explain the different ways in which a contract can be discharged (e.g. performance, agreement, and operation of the law).
		✓			Identify whether a contract has been discharged given a specific scenario.
		✓			Identify whether both parties to a contract have fulfilled their performance obligation given a specific scenario.
3. Breach and remedies	✓				Summarize the different remedies available to a party for breach of contract.
		✓			Identify situations involving breach of contract given a specific scenario.
		✓			Identify the remedy available to a party for breach of contract given a specific scenario.

Area II – Business Law (15–25%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
C. Debtor-creditor relationships					
	✓				Explain the rights, duties and liabilities of debtors, creditors and guarantors.
	✓				Explain the rights of debtors and creditors and how property is distributed in bankruptcy proceedings.
	✓				Explain the difference between a secured and unsecured creditor and the requirements needed to perfect a security interest.
		✓			Identify rights, duties or liabilities of debtors, creditors or guarantors given a specific scenario.
D. Federal laws and regulations (employment tax, qualified health plans, bankruptcy, worker classifications and anti-bribery)					
	✓				Summarize the federal laws and regulations for qualified health care plans, including required business mandates and premium tax credits.
	✓				Explain the federal laws and regulations related to employment taxes from both an employer and employee perspective.
	✓				Recall the factors used to determine classification of an employee versus an independent contractor.
	✓				Recall the types of bankruptcy and the requirements for discharge of indebtedness.
	✓				Summarize the federal laws and regulations prohibiting bribery of foreign government officials, including payments made to generate preferential treatment from a foreign government.
		✓			Identify compliance issues with various federal laws and regulations (employment tax, qualified health plans, bankruptcy, worker classifications and anti-bribery) given a specific scenario.

Area II – Business Law (15–25%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
E. Business structure					
1. Selection and formation of business entity and related operation and termination	✓				Summarize the processes for formation and termination of various business entities.
	✓				Summarize the legal characteristics of various business entities.
2. Rights, duties, legal obligations and authority of owners and management	✓				Summarize the rights, duties, legal obligations and authority of owners and management.
		✓			Identify the rights, duties, legal obligations and authority of owners and management given a specific scenario.

Area III – Federal Taxation of Property Transactions (5–15%)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
A. Basis of assets					
		✓			Calculate the tax basis of an asset purchased for use in a trade or business.
		✓			Calculate the tax basis of an asset converted from personal to business use.
		✓			Calculate the tax basis of property received as a gift or as an inheritance from a decedent.
		✓			Calculate the tax basis of stock acquired through a wash sale.
		✓			Calculate the basis of intangible assets, including organization costs, start-up costs and loan costs.
B. Cost recovery (depreciation and amortization)					
		✓			Calculate tax depreciation for tangible business property using MACRS, including identification of the applicable recovery period and convention.
		✓			Determine property eligible for a Section 179 deduction.
		✓			Calculate tax amortization for intangible assets.
			✓		Review a tax depreciation and amortization schedule for the current year and supporting documentation, including any source data used to create the schedule, to determine the completeness and accuracy of the expense amounts deducted for tax purposes.
			✓		Review and resolve discrepancies identified by automated diagnostic and validation checks to ensure the completeness and accuracy of the depreciation and amortization expense reported on a tax return based on the source data used to prepare the return.

Area IV – Federal Taxation of Individuals (22–32%)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
A. Gross income (inclusions and exclusions)					
		✓			Calculate the amounts that should be included in an individual's gross income as reported on Form 1040 – <i>U.S. Individual Income Tax Return</i> , including wages, interest and dividends, guaranteed payments received from a partnership, fringe benefits, income from a qualified retirement plan and punitive damages.
		✓			Calculate the capital gain that should be included in an individual's gross income as reported on Form 1040 – <i>U.S. Individual Income Tax Return</i> from transactions, including gains from the sale of investments or virtual currencies, assets received as gifts and assets received from a decedent and classify them as long-term or short-term.
		✓			Calculate the amounts that should be excluded from an individual's gross income as reported on Form 1040 – <i>U.S. Individual Income Tax Return</i> , including tax-exempt interest, gifts received and life insurance proceeds.
		✓			Calculate the income reported in the year of death for a decedent on Form 1040 – <i>U.S. Individual Income Tax Return</i> .
			✓		Review Form 1040 – <i>U.S. Individual Income Tax Return</i> and supporting documentation, including any source data used to create the return, to determine the completeness and accuracy of the gross income reported.
			✓		Review and resolve discrepancies identified by automated diagnostic and validation checks to ensure the completeness and accuracy of the gross income reported on Form 1040 – <i>U.S. Individual Income Tax Return</i> based on the source data used to prepare the form.
B. Reporting of items from pass-through entities					
		✓			Use information provided from disregarded and pass-through entities in which an individual has an ownership interest to report an owner's share of ordinary business income (loss) and separately stated items on an individual's tax return.

Area IV – Federal Taxation of Individuals (22–32%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
C. Adjustments and deductions to arrive at adjusted gross income and taxable income					
		✓			Identify adjustments allowed in the calculation of adjusted gross income given a specific scenario, including a contribution to a qualified retirement plan, contribution to a health savings plan and self-employment expenses.
		✓			Identify itemized deductions allowed in the calculation of taxable income given a specific scenario, including medical expenses, qualified residence interest expense, casualty losses, taxes and charitable contributions.
		✓			Calculate the qualifying business income (QBI) deduction for federal income tax purposes.
			✓		Review Form 1040 – <i>U.S. Individual Income Tax Return</i> and supporting documentation, including any source data used to create the return, to determine the accuracy of the adjusted gross income and taxable income reported.
			✓		Review and resolve discrepancies identified by automated diagnostic and validation checks to ensure the completeness and accuracy of the adjusted gross income and taxable income reported on Form 1040 – <i>U.S. Individual Income Tax Return</i> based on the source data used to prepare the form.
D. Loss limitations					
		✓			Calculate the net tax loss allowed on the sale of capital property, including netting of capital gains and losses and capital loss carryforwards.
		✓			Calculate the amount of ordinary business loss allowed for an individual materially participating in the operations of a pass-through entity with sufficient basis in the entity.
		✓			Calculate losses disallowed for tax purposes, such as from a hobby, wash sale or sale of a personal-use asset.

Area IV – Federal Taxation of Individuals (22–32%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
D. Loss limitations (continued)					
			✓		Review Form 1040 – <i>U.S. Individual Income Tax Return</i> and supporting documentation, including any source data used to create the return, to determine the accuracy of the losses reported.
			✓		Review and resolve discrepancies identified by automated diagnostic and validation checks to ensure the completeness and accuracy of the loss limitations reported on Form 1040 – <i>U.S. Individual Income Tax Return</i> based on the source data used to prepare the form.
E. Filing status					
	✓				Recall taxpayer filing status for tax purposes.
	✓				Recall relationships meeting the definition of dependent for purposes of determining taxpayer filing status.
		✓			Identify taxpayer filing status for tax purposes given a specific scenario.
F. Computation of tax and credits					
	✓				Recall and define the difference between a refundable and nonrefundable tax credit.
	✓				Recall and define the safe harbor requirements for individual estimated tax payments to avoid penalties.
		✓			Calculate the tax liability based on an individual's taxable income given a specific scenario, including consideration of the net investment income tax.

Area V – Federal Taxation of Entities (including tax preparation) (23–33%)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
A. Differences between book and tax income (loss)					
		✓			Identify permanent vs. temporary differences to be reported on Schedule M-3 in a given scenario.
		✓			Calculate the book/tax differences to be reported on a Schedule M-1 or M-3.
			✓		Review an entity's adjusted book trial balance and supporting documentation to identify and calculate possible book/tax differences.
			✓		Review a C corporation's adjusted book trial balance and supporting documentation, including relevant source data used to create the trial balance, to determine the completeness and accuracy of the book/tax differences reported on Form 1120 – <i>U.S. Corporation Income Tax Return</i> .
B. C corporations					
1. Computations of taxable income, tax liability and allowable credits		✓			Calculate taxable income for a C corporation.
			✓		Calculate the current-year net operating or capital loss of a C corporation, and the limitations on use in the current year.
			✓		Calculate the credits allowable as a reduction to tax for a C corporation.
2. State and local tax issues	✓				Define the general concept and rationale of nexus with respect to state and local taxation.
	✓				Define the general concept and rationale of apportionment and allocation with respect to state and local taxation.
		✓			Calculate state taxable income using the applicable apportionment factors given a specific scenario.

Area V – Federal Taxation of Entities (including tax preparation) (23–33%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
C. S corporations					
1. Eligibility and election	✓				Recall eligible shareholders for an S corporation for tax purposes.
	✓				Recall S corporation eligibility requirements for tax purposes.
		✓			Identify situations in which S corporation status would be revoked or terminated for tax purposes.
2. Determination of ordinary business income (loss) and separately stated items		✓			Calculate ordinary business income (loss) and separately stated items for an S corporation for tax purposes.
		✓			Calculate the impact of current year operations on an S corporation's accumulated adjustments account.
			✓		Review federal Form 1120S – <i>U.S. Income Tax Return for an S Corporation</i> and supporting documentation, including any source data used to create the return, to determine the completeness and accuracy of the classification of items as ordinary business income (loss), separately stated or nondeductible.
				✓	Review and resolve discrepancies identified by automated diagnostic and validation checks to ensure the completeness and accuracy of the ordinary business income (loss) and separately stated items reported on Form 1120S – <i>U.S. Income Tax Return for an S Corporation</i> based on the source data used to prepare the form.
3. Basis of shareholder's interest		✓			Calculate a shareholder's stock basis in an S corporation for tax purposes resulting from business operations, cash contributions by the shareholder and cash distributions to the shareholder.
		✓			Calculate changes in a shareholder's debt basis in an S corporation resulting from current year repayment of debt.

Area V – Federal Taxation of Entities (including tax preparation) (23–33%) (continued)

Content group/topic	Skill				Representative Task
	Remembering & Understanding	Application	Analysis	Evaluation	
D. Partnerships					
1. Determination of ordinary business income (loss) and separately stated items		✓			Calculate ordinary business income (loss) and separately stated items for a partnership for tax purposes, including consideration of guaranteed payments disbursed.
			✓		Review federal Form 1065 – <i>U.S. Return of Partnership Income</i> and supporting documentation, including any source data used to create the return, to determine the completeness and accuracy of the classification of items as ordinary business income (loss), separately stated or nondeductible.
			✓		Review and resolve discrepancies identified by automated diagnostic and validation checks to ensure the completeness and accuracy of ordinary business income (loss) and separately stated items reported on Form 1065 – <i>U.S. Return of Partnership Income</i> based on the source data used to prepare the form.
2. Basis of partner's interest		✓			Calculate the partner's basis in a partnership for tax purposes resulting from business operations, cash contributions by a partner, cash distributions to a partner and changes in existing partnership liabilities.
E. Limited liability companies					
	✓				Recall the tax classification options for a limited liability company for tax purposes.
F. Tax-exempt organizations					
	✓				Recall the different types of tax-exempt organizations for tax purposes.