
TABLE OF CONTENTS

| | |
|---|---------------|
| Introduction | 1 |
| I. Summary of Important Tax Changes/Provisions | 1 |
| II. Summary | 5 |
| Introduction: Test Your Knowledge | 9 |
| Introduction: Solutions and Suggested Responses | 10 |
| PART ONE: THE INCOME TAX RETURN | 11 |
| Chapter 1: Filing Information | 13 |
| I. Important Reminders | 13 |
| II. Introduction | 14 |
| Chapter 1: Test Your Knowledge | 15 |
| Chapter 1: Solution and Suggested Responses | 16 |
| Chapter 2: Filing Status | 17 |
| I. Introduction | 17 |
| II. Marital Status | 17 |
| III. Single | 19 |
| IV. Married Filing Jointly | 19 |
| V. Married Filing Separately | 21 |
| VI. Head of Household | 21 |
| VII. Qualifying Widow(er) with Dependent Child | 23 |
| Chapter 2: Test Your Knowledge | 25 |
| Chapter 2: Solutions and Suggested Responses | 27 |
| Chapter 3: Dependents | 29 |
| I. Important Changes | 29 |
| II. Exemptions | 29 |
| III. Dependents | 29 |
| Chapter 3: Test Your Knowledge | 31 |
| Chapter 3: Solutions and Suggested Responses | 32 |
| Chapter 4: Estimated Tax | 33 |
| I. Important | 33 |
| II. Estimated Tax | 33 |
| Chapter 4: Test Your Knowledge | 35 |
| Chapter 4: Solutions and Suggested Responses | 36 |
| PART TWO: INCOME | 37 |
| Chapter 5: Wages, Salaries, and Other Earnings | 39 |
| I. What's New | 39 |
| II. Introduction | 39 |
| III. Employee Compensation | 39 |

| | |
|---|-----------|
| IV. Special Rules for Certain Employees | 42 |
| V. Sickness and Injury Benefits | 44 |
| Chapter 5: Test Your Knowledge | 49 |
| Chapter 5: Solution and Suggested Responses | 50 |
| Chapter 6: Tip Income | 51 |
| I. Reporting Tip Income | 51 |
| Chapter 6: Test Your Knowledge | 53 |
| Chapter 6: Solution and Suggested Responses | 54 |
| Chapter 7: Interest Income | 55 |
| I. Important Reminder | 55 |
| II. Introduction | 55 |
| III. Taxable Interest | 55 |
| Chapter 7: Test Your Knowledge | 61 |
| Chapter 7: Solution and Suggested Responses | 62 |
| Chapter 8: Dividends and Other Corporate Distributions | 63 |
| I. What's New | 63 |
| II. Introduction | 63 |
| III. Ordinary Dividends | 63 |
| IV. Capital Gain Distributions | 65 |
| V. Nondividend Distributions | 66 |
| VI. Other Distributions | 66 |
| Chapter 8: Test Your Knowledge | 69 |
| Chapter 8: Solutions and Suggested Responses | 70 |
| Chapter 9: Rental Income and Expenses | 71 |
| I. Introduction | 71 |
| II. Rental Income | 71 |
| III. Rental Expenses | 72 |
| IV. Personal Use of Dwelling Unit (Including Vacation Home) | 75 |
| V. Depreciation | 81 |
| VI. Limits on Rental Losses | 91 |
| Chapter 9: Test Your Knowledge | 93 |
| Chapter 9: Solutions and Suggested Responses | 95 |
| Chapter 10: Retirement Plans, Pensions, and Annuities | 97 |
| I. What's New | 97 |
| II. Introduction | 97 |
| III. General Information | 98 |
| IV. Cost (Investment in the Contract) | 100 |
| V. Taxation of Periodic Payments | 100 |
| VI. Taxation of Nonperiodic Payments | 102 |
| VII. Rollovers | 105 |
| VIII. Special Additional Taxes | 107 |

| | |
|--|------------|
| Chapter 10: Test Your Knowledge | 113 |
| Chapter 10: Solution and Suggested Responses | 114 |
| Chapter 11: Social Security and Equivalent Railroad Retirement Benefits | 115 |
| I. Introduction | 115 |
| II. Are Any of Your Benefits Taxable? | 116 |
| III. How To Report Your Benefits | 118 |
| Chapter 11: Test Your Knowledge | 121 |
| Chapter 11: Solution and Suggested Responses | 122 |
| Chapter 12: Other Income | 123 |
| I. Introduction | 123 |
| II. Canceled Debts | 123 |
| III. Life Insurance Proceeds | 125 |
| IV. Partnership Income | 126 |
| V. S Corporation Income | 126 |
| VI. Recoveries | 127 |
| VII. Rents from Personal Property | 128 |
| VIII. Repayments | 128 |
| IX. Royalties | 129 |
| X. Unemployment Benefits | 130 |
| XI. Other Income | 132 |
| Chapter 12: Test Your Knowledge | 139 |
| Chapter 12: Solutions and Suggested Responses | 140 |
| PART THREE: GAINS AND LOSSES | 141 |
| Chapter 13: Selling Your Home | 143 |
| I. Important Information | 143 |
| II. Introduction | 143 |
| III. Main Home | 144 |
| IV. Figuring Gain or Loss | 145 |
| V. Excluding the Gain | 149 |
| VI. Business Use or Rental of Home | 153 |
| VII. Reporting the Sale | 154 |
| Chapter 13: Test Your Knowledge | 157 |
| Chapter 13: Solution and Suggested Responses | 158 |
| PART FOUR: ADJUSTMENTS TO INCOME | 159 |
| Chapter 14: Individual Retirement Arrangements (IRAs) and Moving Expenses | 161 |
| PART I: INDIVIDUAL RETIREMENT ARRANGEMENTS (IRAS) | 161 |
| I. 2018 Information | 161 |
| II. Important Reminders | 162 |
| III. Introduction | 163 |
| IV. Traditional IRAs | 163 |

| | |
|--|------------|
| V. Roth IRAs | 179 |
| PART II: MOVING EXPENSES | 184 |
| I. Important Change | 184 |
| Chapter 14: Test Your Knowledge | 187 |
| Chapter 14: Solutions and Suggested Responses | 189 |
| Chapter 15: Alimony | 192 |
| I. What's New | 192 |
| II. Introduction | 192 |
| III. General Rules | 194 |
| IV. Instruments Executed After 1984 and Before 2019 | 195 |
| V. Recapture Rule | 197 |
| Chapter 15: Test Your Knowledge | 198 |
| Chapter 15: Solution and Suggested Responses | 199 |
| Chapter 16: Education-Related Adjustments | 200 |
| I. Educator Expenses | 200 |
| II. Student Loan Interest Deduction | 201 |
| III. Tuition and Fees Deduction | 203 |
| Chapter 16: Test Your Knowledge | 208 |
| Chapter 16: Solution and Suggested Responses | 209 |
| PART FIVE: STANDARD DEDUCTION AND ITEMIZED DEDUCTIONS | 210 |
| Chapter 17: Standard Deduction | 212 |
| I. Important Changes | 212 |
| II. Introduction | 212 |
| III. Standard Deduction Amount | 212 |
| Chapter 17: Test Your Knowledge | 214 |
| Chapter 17: Solution and Suggested Responses | 215 |
| Chapter 18: Medical and Dental Expenses | 216 |
| I. Important | 216 |
| II. Introduction | 216 |
| III. What Are Medical Expenses? | 217 |
| IV. What Expenses Can Be Included This Year? | 217 |
| V. How Much of the Expenses Can Be Deducted? | 217 |
| VI. Whose Medical Expenses Can Be Included? | 217 |
| VII. What Medical Expenses Are Includible? | 219 |
| VIII. How to Treat Reimbursements | 223 |
| IX. Damages for Personal Injuries | 223 |
| X. How to figure and Report Deductions on a Tax Return | 224 |
| XI. Impairment-Related Work Expenses (Business or Medical) | 224 |
| XII. Health Insurance Costs for Self-Employed Persons | 225 |
| Chapter 18: Test Your Knowledge | 228 |

| | |
|---|------------|
| Chapter 18: Solutions and Suggested Responses | 229 |
| Chapter 19: Taxes | 230 |
| I. Important | 230 |
| II. Introduction | 230 |
| III. Tests to Deduct Any Tax | 231 |
| IV. Income Taxes | 233 |
| V. General Sales Taxes | 235 |
| VI. Real Estate Taxes | 236 |
| VII. Personal Property Taxes | 242 |
| VIII. Taxes and Fees That Cannot Be Deducted | 242 |
| IX. Where to Deduct | 243 |
| Chapter 19: Test Your Knowledge | 244 |
| Chapter 19: Solutions and Suggested Responses | 245 |
| Chapter 20: Interest Expense | 246 |
| I. What's New | 246 |
| II. Introduction | 246 |
| III. Home Mortgage Interest | 246 |
| IV. Investment Interest | 258 |
| V. Items You Cannot Deduct | 260 |
| VI. Allocation of Interest | 261 |
| VII. How to Report | 261 |
| Chapter 20: Test Your Knowledge | 264 |
| Chapter 20: Solutions and Suggested Responses | 266 |
| Chapter 21: Contributions | 268 |
| I. What's New | 268 |
| II. Introduction | 268 |
| III. Organizations That Qualify to Receive Deductible Contributions | 268 |
| IV. Contributions You Can Deduct | 269 |
| V. Contributions You Cannot Deduct | 277 |
| VI. Contributions of Property | 279 |
| VII. When to Deduct | 285 |
| VIII. Limits on Deductions | 285 |
| IX. Records to Keep | 287 |
| X. How to Report | 293 |
| Chapter 21: Test Your Knowledge | 294 |
| Chapter 21: Solutions and Suggested Responses | 295 |
| Chapter 22: Nonbusiness Casualty and Theft Losses | 296 |
| I. What's New | 296 |
| II. Introduction | 297 |
| III. Casualty | 297 |
| IV. Losses You Can Deduct | 297 |
| V. Losses You Cannot Deduct | 298 |

| | |
|--|------------|
| VI. Gain on Reimbursement | 298 |
| VII. When To Deduct a Loss | 299 |
| VIII. Disaster Losses | 300 |
| IX. Gains Realized on Homes in Disaster Areas | 301 |
| X. Special Treatment for Losses on Deposits in Insolvent or Bankrupt Financial Institutions | 302 |
| XI. Damage From Corrosive Drywall | 303 |
| XII. Theft Loss Deduction for Ponzi-Type Investment Scheme Using the Procedures in Revenue Procedure 2009-20 | 303 |
| XIII. Proof of Loss | 304 |
| XIV. Figuring a Loss | 304 |
| Chapter 22: Test Your Knowledge | 308 |
| Chapter 22: Solutions and Suggested Responses | 309 |
| Chapter 23: Car Expenses and Other Employee Business Expenses | 310 |
| I. Introduction | 310 |
| II. Travel Expenses | 312 |
| III. Gift Expenses | 325 |
| IV. Transportation Expenses | 326 |
| V. Recordkeeping | 334 |
| VI. How to Report | 338 |
| Chapter 23: Test Your Knowledge | 352 |
| Chapter 23: Solutions and Suggested Responses | 354 |
| Chapter 24: Tax Benefits for Work-Related Education | 358 |
| I. What's New | 358 |
| II. Important | 358 |
| III. Introduction | 358 |
| IV. Qualifying Work-Related Education | 359 |
| V. What Expenses Can Be Deducted? | 362 |
| VI. Deducting Business Expenses | 368 |
| Chapter 24: Test Your Knowledge | 370 |
| Chapter 24: Solution and Suggested Responses | 371 |
| Chapter 25: Section 199A Pass-Through Income Deduction | 372 |
| I. Qualified Business Income | 372 |
| II. Alternative Minimum Tax | 403 |
| III. Repatriation of Foreign Earnings | 403 |
| IV. Charitable Contributions and Foreign Taxes | 404 |
| V. Taxes Paid on Income from Pass-Through Entities | 406 |
| Chapter 25: Test Your Knowledge | 408 |
| Chapter 25: Solutions and Suggested Responses | 410 |
| Chapter 26: Limit on Itemized Deductions | 412 |
| I. What's New | 412 |
| Chapter 26: Test Your Knowledge | 414 |

| | |
|---|------------|
| PART SIX: FIGURING YOUR TAXES AND CREDITS | 416 |
| Chapter 27: How to Figure Your Tax | 418 |
| I. Important | 418 |
| II. Figuring Your Tax | 418 |
| III. Alternative Minimum Tax | 419 |
| Chapter 27: Test Your Knowledge | 422 |
| Chapter 27: Solution and Suggested Responses | 423 |
| Chapter 28: Tax on Unearned Income of Certain Children | 424 |
| I. Introduction | 424 |
| Chapter 28: Test Your Knowledge | 426 |
| Chapter 28: Solutions and Suggested Responses | 427 |
| Chapter 29: Child and Dependent Care Credit | 428 |
| I. Introduction | 428 |
| II. Tests to Claim the Credit | 428 |
| III. How to Figure the Credit | 438 |
| IV. How to Claim the Credit | 443 |
| V. Employment Taxes for Household Employers | 443 |
| Chapter 29: Test Your Knowledge | 444 |
| Chapter 29: Solutions and Suggested Responses | 445 |
| Chapter 30: Credit for the Elderly or the Disabled | 446 |
| I. Introduction | 446 |
| II. Can You Take the Credit? | 446 |
| III. Figuring the Credit | 451 |
| Chapter 30: Test Your Knowledge | 452 |
| Chapter 30: Solutions and Suggested Responses | 453 |
| Chapter 31: Child Tax Credit | 454 |
| I. Introduction | 454 |
| II. Qualifying Child | 454 |
| III. Amount of Credit | 455 |
| IV. Claiming the Credit | 456 |
| V. Additional Child Tax Credit | 456 |
| Chapter 31: Test Your Knowledge | 458 |
| Chapter 31: Solutions and Suggested Responses | 459 |
| Chapter 32: Education Credits | 460 |
| I. Introduction | 460 |
| II. Who Can Claim an Education Credit | 462 |
| III. Qualified Education Expenses | 463 |
| Chapter 32: Test Your Knowledge | 468 |
| Chapter 32: Solutions and Suggested Responses | 469 |

| | |
|--|------------|
| Chapter 33: Earned Income Credit | 470 |
| I. Introduction | 470 |
| II. Do You Qualify for the Credit? | 471 |
| Chapter 33: Test Your Knowledge | 474 |
| Chapter 33: Solutions and Suggested Responses | 475 |
| | |
| Chapter 34: Premium Tax Credit | 476 |
| I. Introduction | 476 |
| II. What Is the Premium Tax Credit (PTC)? | 476 |
| III. Who Can Take the PTC? | 477 |
| IV. How to Take the PTC? | 478 |
| Chapter 34: Test Your Knowledge | 480 |
| Chapter 34: Solutions and Suggested Responses | 481 |
| | |
| Chapter 35: Other Credits | 482 |
| I. Important | 482 |
| II. Introduction | 482 |
| III. Nonrefundable Credits | 483 |
| IV. Refundable Credits | 488 |
| Chapter 35: Test Your Knowledge | 492 |
| Chapter 35: Solution and Suggested Responses | 493 |
| | |
| Glossary | 494 |
| | |
| Final Exam Copy | 510 |