

2020 National Income Tax Workbook Chapters

Financial Distress. This chapter discusses the tax consequences of foreclosures, repossessions, and abandonments. It explains when cancellation of indebtedness must be included in income and when it can be excluded. This chapter provides comprehensive examples of the reduction in tax attributes that must occur when cancelled debt is excluded from income. This chapter also explains the bad debt deduction for business and nonbusiness bad debts.

Qualified Business Income Deduction Issues. This chapter discusses select issues related to the section 199A deduction. It explains how to calculate the qualified business income (QBI) deduction and the limitations on the deduction. This chapter also explains when trades or businesses can be aggregated, how to net and carryover QBI losses, and when a taxpayer can claim the QBI deduction for rental real estate income.

S Corporation Tax Issues. This chapter reviews important tax issues for S corporations, including the choice of entity rules and the S corporation election. It explains issues that the IRS has identified in its compliance campaigns, including S corporation distributions, the built-in-gains tax, and S corporation loss limitations. This chapter also includes an explanation of calculating basis and required basis reporting on Schedule E (Form 1040).

Business Issues. This chapter discusses some of the issues that tax practitioners encounter when they prepare returns for clients who operate a business. Topics include the following:

- Tax issues for a taxpayer engaged in a multi-level marketing business
- Opportunity zones
- Bonus depreciation
- New health reimbursement arrangements for small businesses

Individual Issues. This chapter covers several issues tax practitioners encounter when preparing individual income tax returns, including the following:

- Deductions for health insurance and other health expenses
- Casualty losses and gains
- Deductions, credits, and exclusions for education
- Who can claim the child tax credit, credit for other dependents, education credits, and other individual income tax credits?

Business Entity Issues. The chapter reviews new partnership reporting requirements. It discusses the taxation of section 501(c)(7) social clubs and 501(c)(10) fraternal organizations, including eligibility for exemption, recordkeeping and reporting requirements, and income tax issues. This chapter also includes new rules, regulations, and filing requirements for nonprofit entities.

Investment and Retirement. This chapter covers investment and retirement tax planning issues, including the following:

- Required minimum distributions and the SECURE Act modification of the required distribution rules
- Planning for IRA beneficiary designations under the new rules
- Testamentary charitable remainder trusts
- Qualified charitable distributions
- Taxation of common investments such as interest-bearing bank accounts, certificates of deposit, and savings bonds

Trust and Estate Issues. This chapter discusses estate planning to preserve the increased exemption amount before it expires at the end of 2025. It reviews the definition of a gift, use of the annual gift tax exclusion, and when it is necessary to file a gift tax return. This chapter also explains how a tax practitioner can identify different types of trusts, and how those trusts report income tax to their beneficiaries.

IRS Issues. This chapter covers issues the IRS targets as key issues for practitioners. Topics include the following:

- Cybersecurity
- Virtual currency
- IRS Withholding Estimator
- Taxation of the gig economy
- IRS information sources

Federal Ethics. This chapter discusses important issues that help tax practitioners comply with their ethical obligations. Topics include the following:

- Due diligence for a tax practitioner who helps a self-employed taxpayer claim the earned income credit, who prepares a return for a taxpayer who does not have records to substantiate material participation, or who performs valuations of a business
- Best practices in making and accepting referrals, including referrals from an online referral service
- When a tax practitioner can disclose information through the IRS Whistleblower Program
- Ethical considerations for tax practitioners using online faxing, digital storage and backups, and online portals
- Ten case studies that illustrate real-life ethical scenarios

New and Expiring Legislation. This chapter covers recently enacted tax legislation and procedures, including comprehensive coverage of the tax provisions in the Families First Coronavirus Response Act and the Coronavirus Aid, Relief, and Economic Security (CARES) Act. It is organized by subject to help participants quickly find topics of interest and includes the following:

- A summary of each provision
- Cross-references to other chapters to help participants find further information
- Effective dates to help participants keep track of when provisions begin and when they expire
- A table of tax provisions that expired or are set to expire

Agriculture and Natural Resource Issues. This chapter covers emerging topics that affect farmers and ranchers, including the following:

- Family members working for each other on farm or ranch, including the reinstated kiddie tax rules
- Farm or ranch employer-provided meals and lodging
- Special use valuation
- Depreciation of farm property
- Self-employment tax on agricultural activities

Rulings and Cases. This chapter summarizes selected rulings and cases that were issued from September 2019 through August 2020. It gives participants an update on issues that are being addressed by the IRS and the courts.

Tax Rates and Useful Tables. This chapter reports the tax rates, deduction limits, credit limits, and income thresholds and limits that change each year.