

Examination Content Outline

The following outline is a list of topics for each part of the examination. Not every topic on the list will necessarily appear on the examination and the list should not be viewed as all-inclusive. Some topics may appear in more than one examination part. This list is also available at www.prometric.com/see.

IRS Special Enrollment Examination: Part 2 Test Specifications 85 Total Questions

1. Business Entities – 28 Questions

1.1 Business Entities and considerations

- Sole proprietorships
- Partnerships and qualified joint ventures (QJV)
- Corporations
- S corporations
- Farmers
- LLCs
- Tax-exempt entities and associations
- Entity type default classifications and elections
- Employer identification number
- Accounting periods (tax year)
- Accounting methods
- Reporting requirements (e.g. Forms W-2, W-4, Form 1099)
- Hobby versus business determination and loss limitations

1.2 Partnerships

- Partnership income, expenses, distributions, and flow-through (e.g., self-employment income)
- Family partnerships
- Partner's dealings with partnership (e.g., exchange of property, guaranteed payments)
- Contribution of property to partnership (e.g., partnership's basis, property subject to indebtedness)
- Basis of partner's interest
- Disposition of partner's interest
- Partnership formation (e.g., partnership agreement, general vs. limited partners, capital contributions)
- Dissolution of partnership (e.g., sale, death of partner)

- Filing requirements, due dates, penalties, and audit notice requirements
- Services rendered in return for partnership interest
- Debt discharge

1.3 Corporations in general

- Filing requirements, due dates, and penalties
- Earnings and profits
- Shareholder dividends, distributions, and recognition requirements
- Special deductions and credits (e.g., dividends received deduction, charitable deduction)
- Liquidations and stock redemptions
- Accumulated earnings tax
- Estimated tax payments
- Corporate minimum tax credit
- International information reporting and taxes (e.g., BEAT, GILTI, IRC Section 965 transition tax, dividends received deduction)

1.4 Forming a corporation

- Services rendered to a corporation in return for stock
- IRC Section 351 exchange
- Transfer and/or receipt of money or property in addition to corporate stock
- Transfer of property subject to indebtedness
- Controlled groups
- Closely held corporations

1.5 S corporations

- Requirements to qualify (e.g., qualifying shareholders)
- Election procedure
- Income, expenses and separately stated items
- Treatment of distributions
- Shareholder's basis (e.g., loan basis, distributions and losses in excess of basis)

- Revocation, termination and reinstatement
- Debt discharge
- Non-cash distributions

2. Business Financial Information – 39 Questions

2.1 Business Income

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

2.2 Business expenses, deductions and credits

- Officers and employees' compensation (e.g., deductibility, fringe benefits, rules of family employment, statutory employee, necessary and reasonable)
- Business rental deduction, including self-rentals
- Depreciation, amortization, IRC Section 179, depletion, bonus depreciation, and correcting errors
- Business bad debts
- Business travel, meals, and gift expenses
- Interest expense
- Insurance expense
- Taxes (e.g., deductibility of taxes, assessments, penalties; proper treatment of sales taxes paid)
- Employment taxes
- Federal excise tax
- Casualties, thefts, and condemnations
- IRC Section 199A deduction (qualified business income (QBI))
- Eligibility and deductibility of general business credits (e.g., disabled access credit, R&D credit, small business healthcare tax credit, foreign tax credit)
- Net operating loss deduction
- Home office

2.3 Business assets

- Basis of assets
- Disposition of depreciable property
- Like kind exchange
- Converted property
- Capitalization and repair regulations (e.g., elections)

2.4 Analysis of financial records

- Proper business type, and the use of classification codes
- Income statement
- Balance sheet (e.g., proofing beginning and ending balances)
- Method of accounting and changes (e.g., accrual, cash, hybrid, Form 3115)
- Depreciation, depletion, and amortization (e.g., start-up and organizational cost)
- Depreciation recovery (e.g., recapture, IRC Section 280F)
- Pass-through activity (e.g., K-1, separately stated items, non-deductible expenses)
- Reconciliation of tax versus books (e.g., M-1, M-2, M-3)
- Related party activity
- Loans to and from owners

2.5 Advising the business taxpayer

- Filing obligations (e.g., extended returns and potential penalties, international information returns)
- Deposit obligations (e.g., employment tax, excise tax)
- Reporting obligations for businesses (e.g., Form 1099 series, IRC Section 1031 exchanges, Form 8300)
- Record-keeping requirements (e.g., mileage log, accountable plans)
- Related party transactions
- Selection of business entity (e.g., benefits and detriments)
- Comingling (e.g., personal usage of business accounts, separation of business and personal accounts)
- Advice on accounting methods and procedures (e.g., explanation of requirements)
- Transfer elections in or out of the business (e.g., contributed property, distributions)
- Life cycle of the business (e.g., formation, dissolution)

- Type of industry (e.g., specified service trade or business)
- Worker classification (i.e. independent contractor versus employee)
- Deductions and credits for tax planning (e.g., timing of income and expenses, NOL, depreciation versus IRC Section 179 versus bonus depreciation)
- ACA compliance
- Disposition of farm assets
- Farm rental
- Farm tax computation (e.g., Schedule J, Schedule SE, estimated tax)

3. Specialized Returns and Taxpayers – 18 Questions

3.1 Trust and estate income tax

- Trust types (e.g., simple/complex, grantor, irrevocable, tax shelters, foreign)
- Distributable net income and accounting income
- Exclusions, exemptions, and deductions
- Fraudulent trusts
- Income in respect of a decedent
- Income (e.g., allocations, corpus versus income)
- Separately stated items
- Filing requirements, tax years, and penalties

3.2 Exempt organizations

- Qualifying for and maintaining tax-exempt status (e.g., IRC 501(c))
- Applying for IRS tax-exempt status (e.g., Form 1023, Form 1024)
- Filing requirements (e.g., Form 990 series)
- Unrelated business taxable income

3.3 Retirement plans

- Employer and employee contributions
- Reporting requirements
- Plans for self-employed persons (e.g., SEP and SIMPLE)
- Prohibited transactions
- Qualified and non-qualified plans
- Non-discrimination rules

3.4 Farmers

- Farm income (e.g., self-raised livestock, crop insurance proceeds, subsidies, patronage dividends, conservation payments)
- Farm inventory
- Depreciation for farmers
- Various disaster-area provisions