EA Review
Part 1: Individuals

May 1, 2025 - February 28, 2026

Testing Cycle

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This study guide is designed for exam candidates who will take their exams in the May 1, 2025 to February 28, 2026 testing cycle.

Note: Prometric will NOT TEST on any legislation or court decisions passed after December 31, 2024. For exams taken between May 1, 2025 and February 28, 2026, all references on the examination are to the Internal Revenue Code, forms and publications, as amended through December 31, 2024. Also, unless otherwise stated, all questions relate to the calendar year 2024. Questions that contain the term 'current tax year' refer to calendar year 2024.

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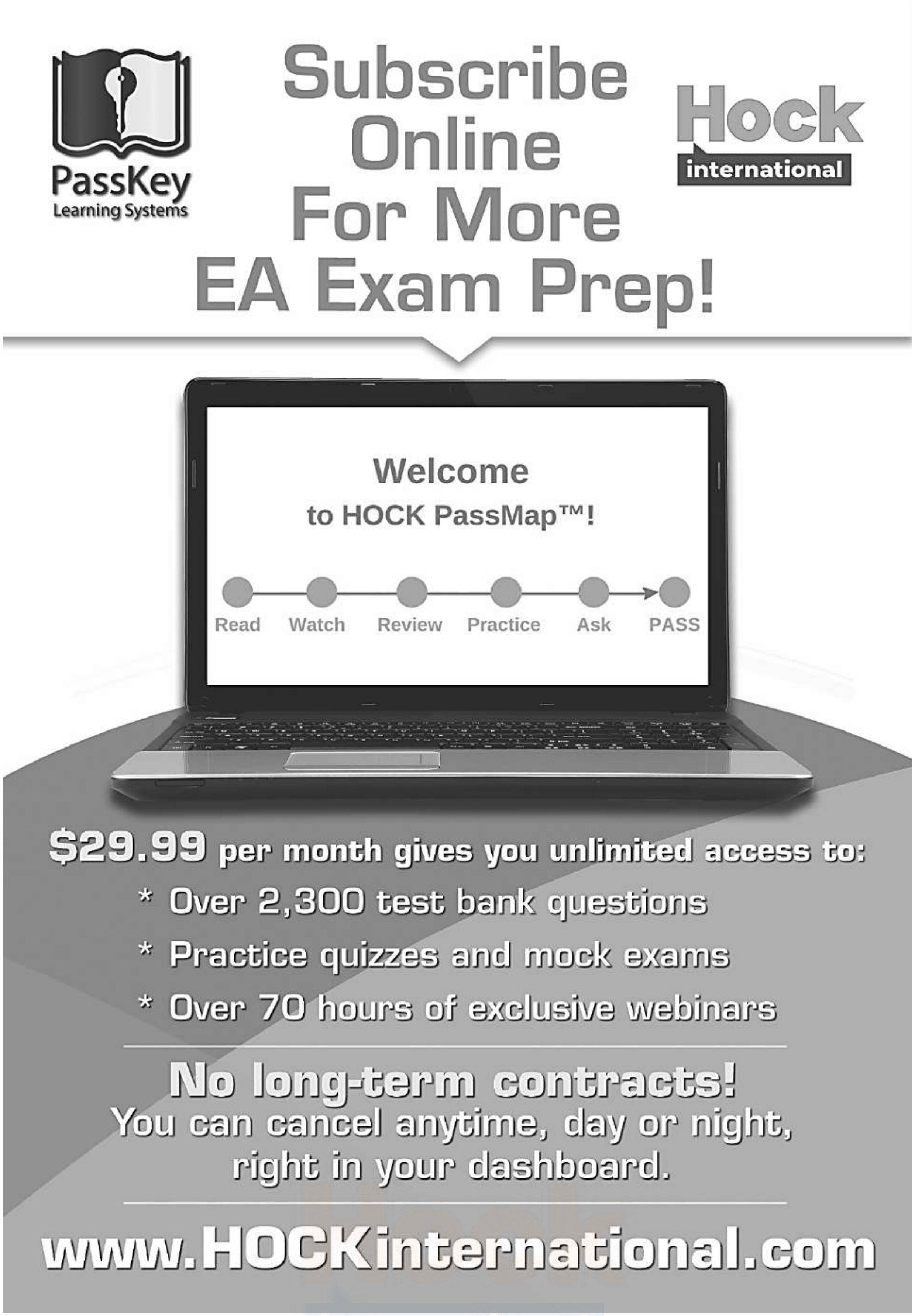
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Recent Praise for the PassKey EA Review Series

(Real customers, real names, public testimonials)

Fantastic textbooks and video resources.
Vino Joseph Philip
Comprehensive and accurate video lessons are available online, and testing is also available for each course. I passed all three exams on the first attempt after using Passkey's resources.

Perfect review book!
A. Bergman
The [PassKey] EA Review is great! Goes into detail and explains why. When you do the practice test, it actually tells you details of the answer for learning and retaining! Definitely recommend!

Easy to read and understand
Chrishun Etter
This book is good, especially if you have a hard time paying attention to a computer screen all the time. I would recommend this in addition to the subscription because the videos are very helpful as well.

Helped me to pass faster
Mohamed Helemish
I highly recommend Passkey if you are looking for something simple, and easy to understand, and if you want a good reference for your future career in taxes. I passed the exam with confidence and I used it with the three parts.

I highly recommend these materials.
Tosha H. Knelangeon
Using only the [PassKey] study guide and the workbook, I passed all three EA exams on my first try. I highly recommend these materials. As long as you put in the time to read and study all the information provided, you should be well-prepared.

I passed on the first try.
Jake Bavaro
I recently passed the first part of the EA exam using just the textbook and a separate practice test workbook. The textbook is very easy to read and understand. Although I have a background in accounting and tax, someone with little or no knowledge of either should be able to grasp all of the various topics covered in the book. I really do believe that it is a superior preparation resource.

I passed all three parts the first time taking them.
Sheryl Reinecke
I passed all three parts the first time. I read each chapter and the review quiz at the end of each chapter. Before taking the real exam, I did the practice exams in the additional workbook. I feel the material adequately prepared me for success in passing the exam.

You can pass.
Vishnu Kali Osirion
I really rushed studying for this section. These authors make tax law relevant to your day-to-day experiences and understandable. You can pass the exam with just this as a resource. I do recommend purchasing the workbook as well, just for question exposure. The questions in the book and in the workbook are pretty indicative of what's on the exam. This is a must-buy. Cheers.

Absolute Best Purchase
Sharlene D.
This book was definitely worth the purchase. The layout was great, especially the examples! Reading the book from front to back allowed me to pass [Part 2]. I also recommend purchasing the workbook or subscribing to the material on their website for this section.

Excellent explanations!
Janet Briggs
The best thing about these books is that each answer has a comprehensive explanation about why the answer is correct. I passed all three EA exams on the first attempt.

PassKey was the only study aid that I used
Stephen J Woodard, CFP, CLU, ChFC
The [PassKey] guides were an invaluable resource. They were concise and covered the subject matter succinctly with spot-on end-of-chapter questions that were very similar to what I encountered on the exams.

Amazing!
Sopio Svanishvilion
PassKey helped me pass all three parts of the Enrolled Agent exam. They are a "must-have" if you want to pass your EA exams.

I passed all three with Passkey.
Swathi B.R.
I went through the online membership, read the whole book, solved all the questions, and passed the EA exam on my first attempt. For all three [parts], I referred to Passkey EA Review. Wonderful books.

Passed all 3 Parts!
Kowani Collins
Thank you so much for providing this resource! I have passed all 3 parts of the SEE exam. PassKey allowed me to study on my own time and take the exam with confidence. Thank you for providing such thorough and easy-to-follow resources!

Introduction

Congratulations on taking the first step toward becoming an enrolled agent, a widely respected professional tax designation. The Internal Revenue Service licenses enrolled agents, known as EAs, after candidates pass a competency exam testing their knowledge of federal tax law. As an enrolled agent, you will have the same representation rights as a CPA, with the ability to represent taxpayers in IRS audits and appeals—an EA's rights are unlimited before all levels and offices of the IRS.

The PassKey study guide series is designed to help you study for the EA exam, which is formally called the *IRS Special Enrollment Examination* or "*SEE.*"

EA Exam Basics

The EA exam consists of three parts, which candidates may schedule separately and take in any order they wish. The computerized exam covers all aspects of federal tax law, with Part 1 testing the taxation of individuals; Part 2 testing the taxation of businesses, and Part 3 testing representation, practice, and procedures.

Each part of the EA exam features 100 multiple-choice questions, requiring no written answers. The exam will include some experimental questions that are not scored. You will not know which questions count toward your score and which do not.

Computerized EA Exam Format

Part 1: Individual Taxation–100 questions

Part 2: Business Taxation–100 questions

Part 3: Representation, Practice, and Procedures–100 questions

You will have 3.5 hours to complete each part of the exam. The actual seat time is four hours, which allows time for a pre-exam tutorial and a post-exam survey. An on-screen timer counts down the amount of time you have to finish. The testing company Prometric exclusively administers the EA exam at thousands of testing centers across the United States and certain other countries. You can find valuable information and register online at ***https://www.prometric.com/IRS***.

Prometric Testing Center Procedures

The testing center is designed to be a secure environment. The following are procedures you will need to follow on test day:

1. Check in about thirty minutes before your appointment time and bring a current, government-issued ID with a photo and signature. If you do not have a valid ID, you will be turned away and will have to pay for a new exam appointment. Prometric will not issue refunds if you forget to bring a proper ID with you.
2. The EA exam is a closed-book test, so you cannot bring any notes or reference materials into the testing room. The center supplies sound-blocking headphones if you want to use them.
3. No food, water, or other beverages are allowed in the testing room.
4. You will be given scratch paper and a pencil to use, which will be collected after the exam.

5. You can use an on-screen calculator during the exam, or Prometric will provide you with a handheld calculator. You cannot bring your own calculator into the examination room.
6. Before entering the testing room, you may be scanned with a metal detector wand.
7. You must sign in and out every time you leave the testing room.
8. You cannot talk or communicate with other test-takers in the exam room. Prometric continuously monitors the testing room via video, physical walk-throughs, and an observation window.

Important Note: Violating any of these procedures may result in the disqualification of your exam. In cases of cheating, the IRS says candidates are subject to consequences that include civil and criminal penalties.

Break Policy: The Special Enrollment Exam (SEE) now includes one scheduled 15-minute break. You may decline the scheduled break and continue testing. If you choose to take the scheduled break, you will leave the testing room, adhering to all security protocols. You can take additional unscheduled breaks; however, the exam clock will continue to count down during any unscheduled break.

Exam-takers who require special accommodations under the Americans with Disabilities Act (ADA) must contact Prometric directly to obtain an accommodation request. The test is administered in English; a language barrier is not considered a disability.

Exam Content

Each year, using questions based on the prior calendar year's tax law, the IRS introduces multiple new versions of each part of the EA exam. If you fail a particular part of the exam and need to retake it, do not expect to see identical questions the next time.

Prometric's website includes broad content outlines for each exam part. When you study, make sure you are familiar with the items listed, which are covered in detail in your PassKey study guides. Questions from older exams are available on the IRS website for review. Be aware that tax laws change yearly, so be familiar with recent updates.

Your PassKey study guides present an overview of all the major areas of federal taxation that enrolled agents typically encounter in their practices and are likely to appear on the exam. Although our guides are designed to be comprehensive, we suggest you also review IRS publications and try to learn as much as possible about tax law in general, so you are well-equipped to take the exam. In addition to this study guide, we highly recommend that all exam candidates read:

- **Publication 17,** *Your Federal Income Tax* (for Part 1 of the exam), and
- **Circular 230,** *Regulations Governing Practice before the Internal Revenue Service* (for Part 3 of the exam)

You may download these publications for free from the IRS website.

Note: Some exam candidates take *Part 3: Representation, Practice, and Procedures* first rather than taking the tests in order, since the material in Part 3 is considered less complicated. However, test-takers should know that several questions pertaining to taxation of *Individuals* (Part 1) and *Businesses* (Part 2) are often included on the Part 3 exam.

Exam Strategy

Each multiple-choice question has four answer choices. There are several different question formats. During the exam, you should read each question thoroughly to understand precisely what is being asked. Be particularly careful when the problem uses language such as “not” or “except.”

Format One–Direct Question
Which of the following entities are required to file Form 709, United States Gift Tax Return?
A. An individual B. An estate or trust C. A corporation D. All of the above
Format Two–Incomplete Sentence
Supplemental wages do not include payments for:
A. Accumulated sick leave B. Nondeductible moving expenses C. Vacation pay D. Travel reimbursements paid at the federal government’s per diem rate
Format Three–All of the Following Except
Five tests must be met for you to claim an exemption for a dependent. Which of the following is *not* a requirement?
A. Citizen or Resident Test B. Member of Household or Relationship Test C. Disability Test D. Joint Return Test

If you are unsure of an answer, you may mark it for review and return to it later. Try to eliminate clearly wrong answers from the four possible choices to narrow your odds of selecting the right answer. But be sure to answer every question, even if you have to guess, because all answers left incomplete will be marked as incorrect. Each question is weighted equally.

There may also be a limited number of questions that have four choices, with three incorrect statements or facts and only one with a correct statement or fact, which you would select as the right answer. With 3.5 hours allotted for each part of the exam, you have about two minutes per question. Try to answer the questions you are sure about quickly, so you can devote more time to those that include calculations or that you are unsure about. Allocate your time wisely. To familiarize yourself with the computerized testing format, you may take a tutorial on the Prometric website. The tutorial illustrates what the test screens look like.

Scoring Methods

The EA exam is not graded on a curve. The IRS determines scaled scores by calculating the number of questions answered correctly from the total number of questions in the exam and converting to a scale that ranges from 40 to 130. The IRS has set the scaled passing score at 105, which corresponds to the minimum level of knowledge deemed acceptable for EAs.

After you finish your exam and submit your answers, you will exit the testing room, and Prometric will send your results to your email, showing whether you passed or failed. Test results are automatically shared with the IRS, so you do not need to submit them yourself. Test scores are confidential and will be revealed only to you and the IRS. If you pass, your printed results will show a passing designation but not your actual score. The printout also will not indicate which specific questions you answered correctly or incorrectly.

If you fail, you will receive diagnostic information to help you know which subject areas to concentrate on when studying to retake the exam:

- Level 1: Area of weakness where additional study is necessary.
- Level 2: Might need additional study.
- Level 3: Clearly demonstrated an understanding of the subject area.

These diagnostic indicators correspond to various sections of each part of the exam. If necessary, you may take each part of the exam up to four times during the current testing window. You will need to re-register with Prometric and pay fees each time you take an exam part. Due to the global pandemic, the IRS extended the two-year carryover period to **three years** for passing all three parts of the exam.

Example: Randall, an EA exam candidate, successfully passed Part 1 on November 15, 2022. Subsequently, he passed Part 2 on February 15, 2023. Randall has until November 15, 2025, to pass the remaining part. Otherwise, he loses credit for Part 1. Randall has until February 15, 2026, to pass all other parts of the examination or he will lose credit for Part 2.

Applying for Enrollment

Once you have passed all three parts of the EA exam, you can apply to become an enrolled agent. The process includes an IRS review of your tax compliance history. Failure to file or pay personal income taxes in a timely manner can be grounds for denial of enrollment.

The IRS Return Preparer Office will review the circumstances of each case and make determinations on an individual basis. You may not practice as an EA until the IRS approves your application and issues you an enrollment card, a process that takes up to 60 days or more.

Successfully passing the EA exam can launch you into a fulfilling and lucrative new career. The exam requires intense preparation and diligence, but with the help of PassKey's comprehensive *EA Review*, you will have the tools you need to learn how to become an enrolled agent.

We wish you much success!

Ten Steps for the EA Exam

STEP 1: Learn

Learn more about the enrolled agent designation, and explore the career opportunities that await you after passing your EA exam. In addition to preparing income tax returns for clients, EAs can represent individuals and businesses before the IRS, just as attorneys and CPAs do. A college degree or professional tax background is not required to take the EA exam. Many people who use the PassKey study guides have had no prior experience preparing tax returns, but go on to rewarding new professional careers.

STEP 2: Gather Information

Gather more information before you launch into your studies. You will find valuable information about the exam itself on the Prometric testing website at www.prometric.com/IRS. Be sure to download the official Candidate Information Bulletin, which takes you step-by-step through the registration and testing process.

STEP 3: Obtain a PTIN

PTIN stands for "Preparer Tax Identification Number." Before you can register for your EA exam, you must obtain a PTIN from the IRS. The PTIN sign-up system can be found at www.irs.gov/ptin. You will need to create an account and provide personal information. Foreign-based candidates without a Social Security number are also required to have a PTIN to register to take the exam; they will need to submit additional paperwork with their Form W-12 (PTIN Application and Renewal).

STEP 4: Register with Prometric

Once you have your PTIN, you may register and schedule your exam on the Prometric website by creating an account to set up your user ID and password. Alternatively, you can schedule an appointment to take the exam by calling 800-306-3926 (toll-free) or 443-751-4193 (toll), Monday through Friday, between 8 a.m. and 9 p.m. (ET); or by submitting IRS Form 2587.

STEP 5: Schedule Your Test

After creating an account, you can complete the registration process by clicking on "Scheduling." Your exam appointment must be scheduled within one year from the registration date. You can choose a test site, time, and date that is convenient for you. Prometric has test centers in most major metropolitan areas of the United States, as well as in many other countries.

You may schedule your exam through the website or call Prometric directly Monday through Friday (some centers have Saturday testing). The testing fee is nonrefundable. Once you have scheduled, you will receive a confirmation number. Keep it for your records because you will need it to reschedule (which may incur a charge), cancel, or change your appointment.

STEP 6: Adopt a Study Plan

Focus on one exam part at a time and adopt a study plan that covers each unit of your PassKey guides. The period of time you'll need to prepare for each exam is truly unique to you, based on how much prior tax preparation experience you have and your current level of tax knowledge, how well you understand and retain the information you read, and how much time you have to study for each test.

For those without prior tax experience, a good rule of thumb is to study *at least* 60 hours for each of the three exam sections. Part 2: Businesses may require additional study preparation, as evidenced by the lower pass rates. One thing is true for all candidates: for each of the tests, start studying well in advance of your scheduled exam date.

STEP 7: Get Plenty of Rest and Good Nutrition

Get plenty of rest, exercise, and good nutrition before the EA exam. You will want to be at your best on exam day.

STEP 8: Test Day

Be sure to arrive early at the test site. Prometric advises arriving at least 30 minutes before your scheduled exam time. If you miss your appointment and cannot take the test, you will forfeit your fee and must pay for a new appointment. Remember to bring a government-issued ID with your name, photo, and signature. Your first and last name must exactly match the first and last name you used to register for the exam.

STEP 9: During the Exam

This is when your hard work finally pays off. Focus and don't worry if you don't know the answer to every question, but make sure you use your time well. Give your best answer to every question. All questions left blank will be marked as wrong.

STEP 10: Congratulations. You Passed!

After celebrating your success, you need to apply for your EA designation by filling out Form 23, *Application for Enrollment to Practice Before the Internal Revenue Service*. Once your application is approved, you will be issued an enrollment card and you will officially be a brand-new enrolled agent!

Essential Tax Law Figures for Individuals

Here is a quick summary of some important tax figures for the enrolled agent exam cycle that runs from May 1, 2025, to February 28, 2026.

Study Note: The IRS has stated in the most recent version of the official Prometric SEE Candidate Bulletin that candidates should not take into account any legislation or court decisions made after December 31, 2024.

Legislation Affecting the 2024 Tax Year:

Federal Tax Disaster Relief Act of 2023. This disaster-focused legislation did three things:

- Federally declared disasters declared from February 26, 2021, through February 10, 2025, are classified as "qualified disasters" for purposes of the personal casualty loss rules, allowing taxpayers to claim larger casualty losses than allowed under existing law.
- Created a new income exclusion for qualified wildfire relief payments.
- Created a new income exclusion for East Palestine train derailment payments.

SECURE Act 2.0, Provisions for 2024: This bill was signed into law as part of the *Consolidated Appropriations Act of 2023.* SECURE 2.0 includes many provisions affecting retirement plans. Several important changes that went into effect in 2024.

- **Emergency withdrawals:** SECURE 2.0 creates a new exception for distributions made in 2024 that are used for emergencies that are "unforeseeable or immediate financial needs relating to personal or family emergency expenses." Only one distribution of up to $1,000 is allowed per year.
- **New early withdrawal exception for domestic abuse victims:** Victims of domestic abuse also are exempt from early withdrawal penalties. The maximum withdrawal allowed is the lesser of $10,000, or 50% of the account balance.
- **529 Rollovers:** Beginning in 2024, owners of 529 plans can transfer unused funds directly to the plan beneficiary's Roth IRA without incurring federal tax or the 10% penalty for nonqualified withdrawals.
- **New Roth Accounts:** Starting in 2024, employers can offer their employees employer-sponsored Roth accounts, including Roth 401(k), Roth 403(b), and Roth 457 plans. These accounts must be funded with after-tax contributions.
- **IRA catch-up contributions:** Previously, the limit on IRA catch-up contributions was set at $1,000. SECURE 2.0 authorizes indexing for inflation beginning in 2024.

Corporate Transparency Act: Congress passed the Corporate Transparency Act ("CTA") on January 1, 2021, but the requirements to report beneficial ownership information (BOI) did not go into effect until January 1, 2024. On Sunday, March 2, 2025, the Treasury Department announced that it will not enforce the reporting rule against domestic reporting companies and plans to issue proposed regulations to revise it so that only foreign reporting companies must file a BOI report with the FinCEN. At the time of this book's printing, foreign entities still have a filing requirement. Note that the current EA exam specifications do not include these new BOI requirements.

Individual Income Tax Return Filing Deadline: April 15, 2025. The extended filing deadline is **October 15, 2025.**[1]

FBAR Due Date: The due date for the FBAR (FinCen 114, Report of Foreign Bank and Financial Accounts)[2] coincides with the filing of the federal tax return. An automatic 6-month extension is allowed, typically until October 15. FBARs must be timely e-filed separately from federal tax returns, on the FinCEN website.

2024 Standard Deduction Amounts (by Filing Status):

- Single/MFS: $14,600
- MFJ or QSS: $29,200
- Head of Household: $21,900
- Additional Standard Deduction for Age 65 and over and/or blindness
    - MFJ, QSS or MFS: $1,550
    - Single or HOH: $1,950

2024 Filing Thresholds Based on Filing Status and Gross Income

Reference: https://www.irs.gov/individuals/check-if-you-need-to-file-a-tax-return

Filing Status	Age	Filing threshold
Single	Under 65	$14,600
	65 or older	$16,550
Married Filing Joint and Qualifying Surviving Spouse (QSS)	Under 65 (both spouses)	$29,200
	65 or older (one spouse)	$30,750
	65 or older (both spouses)	$32,300
Married Filing Separate	Any age	$5 (not a typo)
Head of Household	Under 65	$21,900
	65 or older	$23,850
Any filing status	The taxpayer had net earnings from self-employment of at least $400.[3]	
Any filing status	Church employee income of $108.28 or more.	

[1] Taxpayers are automatically granted a 2-month extension of time to file (to June 15) if the taxpayer lives outside the U.S. and their tax home is outside the U.S.

[2] FBAR refers to FinCEN Form 114, Report of Foreign Bank and Financial Accounts, that must be filed with the Financial Crimes Enforcement Network (FinCEN), which is a bureau of the Treasury Department. The FBAR is not filed with the IRS, but the IRS is responsible for FBAR enforcement.

[3] Table source: Publication 501, Section: Filing Requirements for Most Taxpayers. In some cases, taxpayers with gross income below these thresholds may still be required to file a return, such when special taxes are owed.

2024 Tax Rates and Brackets: The individual tax rates for 2024 for U.S. citizens and U.S. residents are: 10%, 12%, 22%, 24%, 32%, 35%, and 37%. Nonresident aliens filing Form 1040-NR are taxed at a flat 30% rate on US-sourced income unless a tax treaty specifies a lower rate.

Personal and Dependency Exemptions: The deduction for all personal exemptions is suspended (reduced to zero) through 2025. For 2024, the gross income limitation for a qualifying relative is $5,050 (also called the "deemed exemption" amount).[4]

2024 Retirement Plan Contribution Limits: Roth and traditional IRAs: $7,000 (additional catch-up contribution of $1,000 for taxpayers age 50 or older)

2024 "Kiddie Tax" Threshold: The "Kiddie Tax" age limit is for those under 18 and certain dependents under 24. The unearned income threshold is $2,600. The kiddie tax only applies to unearned income.[5]

2024 "Nanny Tax" on Household Employees: The nanny tax threshold is $2,700 in 2024. A household employer is normally obligated to withhold and pay federal FICA (Social Security and Medicare) taxes for any household employee above this threshold. A household employer is required to pay FUTA taxes if they paid a household employee $1,000 or more in a calendar quarter in the current or prior year. These thresholds are on a per-employee basis.

2024 Maximum Compensation Subject to FICA

- OASDI maximum wage base: $168,600[6]
- Employee and employer portion: 7.65% (6.2% Social Security + 1.45% Medicare)
- Self-employed 15.30% (12.4% Social Security + 2.9% Medicare)
- Additional Medicare Tax: 0.9% on earned income exceeding the following thresholds:[7]
    - Married filing jointly: $250,000
    - Married filing separately: $125,000
    - Single, HOH, and QSS: $200,000

[4] A "deemed personal exemption" is used for purposes of determining who is a "qualifying relative" under IRC Sec. 152(d)(1)(B). An exemption amount still applies to Qualified Disability Trusts, which were not subject to an exemption repeal under the Tax Cuts and Jobs Act.

[5] The kiddie tax is reported on Form 8615, which is attached to the child's Form 1040. Alternatively, parents can elect to include the child's unearned income directly on their own return, using Form 8814, if certain requirements are met.

[6] "OASDI" is the official name for Social Security in the United States, and the terms are often used interchangeably. The acronym stands for "Old-Age, Survivors, and Disability Insurance." Church employee income is wages received as an employee of a church or qualified church-controlled organization that has a certificate in effect electing an exemption from employer social security and Medicare taxes.

[7] Earned income of spouses is combined towards this Additional Medicare Tax threshold for MFJ returns. Employers must withhold this tax from wages or compensation when they pay employees more than $200,000 in a calendar year, regardless of the employee's filing status.

2024 Capital Gains and Long-Term Dividends: Short-term capital gains and ordinary dividends are taxed at ordinary income rates. The top rates for qualified dividends and long-term capital gains are as follows:

Long-Term Capital Gains & Qualified Dividends Tax Rates for 2024				
Rate	Single	MFJ	MFS	HOH
0%	$0 – $47,025	$0 – $94,050	$0 – $47,025	$0 – $63,000
15%	$47,026 – $518,900	$94,051 – $583,750	$47,026 – $291,850	$63,001 – $551,350
20%	$518,901+	$583,751+	$291,851+	$551,351+
Other long-term gains rates				
Gain on sale of collectibles		Examples: artwork, antiques, gemstones, stamps, etc.		Maximum 28%
Unrecaptured Sec. 1250 gain		Applies to depreciable real estate property.		Maximum 25%

2024 Net Investment Income Tax: A 3.8% tax applies to individuals, estates, and trusts with net investment income above certain threshold amounts. The MAGI thresholds are:

- Married filing jointly and Qualifying Surviving Spouse: $250,000
- Single and HOH: $200,000
- Married filing separately: $125,000
- Estates and trusts: $15,200

2024 Foreign Earned Income Exclusion: $126,500 per person.

2024 Bonus Depreciation: Bonus Depreciation ramps down to 60% starting January 1, 2024.

2024 Section 179 Deduction: The maximum Section 179 expense deduction is $1,220,000. This limit is reduced by the amount by which the cost of Section 179 property placed in service during the tax year exceeds $ 3,050,000. The investment phaseout threshold for Section 179 in 2024 ends at $4,270,000. This means that if your total investment in qualifying Section 179 placed in service for the year property exceeds this amount, a business will not be able to make any Section 179 election for the year.[8]

2024 QBI deduction Limits: The Section 199A limitation modified taxable income threshold amounts are as follows:

- Married Filing Joint: $383,900 to $483,900
- All other filing statuses: $191,950 to $241,950

2024 Standard Mileage Rates:

- Business use: 67 cents a mile

[8] Section 179 and bonus depreciation are covered more extensively in the PassKey EA Review Part 2, Businesses.

- Medical and moving: 21 cents a mile
- Charitable: 14 cents a mile in service of charitable organizations

2024 HSA Limits: For 2024, the annual contribution limits on deductions for HSAs for individuals with self-only coverage is $4,150 (an increase of $300) and $8,300 for family coverage (increase of $550). There is an additional contribution amount of $1,000 for taxpayers who are age 55 or older. To qualify to contribute to a health savings account, the taxpayer must have a high-deductible health insurance policy.

2024 FSA Limits:

- Health Care FSA (HCFSA): $3,200
- Dependent Care FSA (DCFSA): $5,000 for unmarried filers and couples filing jointly, and $2,500 for MFS filers.

2024 QSEHRA Limits: Maximum payments and reimbursements through the QSEHRA are: $6,150 for an employee only and $12,450 for an employee plus family.

2024 Long-Term Care Premiums Maximum Deduction (Per Person): The maximum amount of qualified long-term care premiums includible as medical expenses *decreased* in 2024. The limit on the deduction for premiums is for *each* person (not per tax return). Long-term care premiums up to the amounts below can be included as medical expenses on Schedule A.

Taxpayer's Age At the End of Tax Year	2024 Deductible Limit
40 or less	$470
More than 40 but not more than 50	$880
More than 50 but not more than 60	$1,760
More than 60 but not more than 70	$4,710
More than 70	$5,880

2024 Alternative Minimum Tax (AMT) Exemption Amounts:

- Single or Head of Household: $85,700
- Married Filing Jointly or Surviving Spouse: $133,300
- Married Filing Separately: $66,650
- Estates and Trusts: $29,900

2024 Estate and Trust *Exemption* Amounts

- Estates: $600
- Simple trusts: $300
- Complex trusts: $100
- Qualified disability trusts: $5,050[9]

2024 Estate and Gift Tax Exclusion Amounts

- Estate and gift tax (highest rate): 40%
- Combined estate tax and lifetime gift/GST exemption: $13,610,000 per recipient in 2024 ($27,220,000 per married couple)
- Gift tax annual exclusion: $18,000 ($19,000 in 2025)
- Annual exclusion for gifts to noncitizen spouse: $185,000

[9] For estates and trusts, the exemption amount is not allowed in the entity's final tax year (the year of dissolution).

2024 Tax Credit Changes

2024 Earned Income Tax Credit (EITC)

- **Investment income:** The investment income limit in 2024 is $11,600. The investment income limitation is now increased and indexed for inflation.
- **Special rule for separated spouses.** Taxpayers who file married filing separately may qualify for the EITC in limited circumstances.[10]

Children Claimed	Maximum AGI (all filing statuses except MFJ)	Maximum AGI (MFJ filers only)
Zero ("childless EITC")	$18,591	$25,511
One	$49,084	$56,004
Two	$55,768	$62,688
Three or more	$59,899	$66,819

Maximum amount of the EITC in 2024:
- No qualifying children: $632 (the "childless EITC")
- 1 qualifying child: $4,213
- 2 qualifying children: $6,960
- 3 or more qualifying children: $7,830

2024 Child and Dependent Care Credit (CDCTC): The Child and Dependent Care Credit or "Daycare credit" is a percentage ranging between 20% to 35% of up to $3,000 in qualifying expenses (for one dependent) or $6,000 (for two or more dependents). This credit is not refundable in 2024.

2024 Child Tax Credit (CTC): The maximum Child Tax Credit in 2024 is $2,000 per qualifying child. The Additional Child Tax Credit (ACTC) is the refundable component, of which a maximum of $1,700 is refundable in 2024. The credit phaseout begins at $400,000 (MFJ) and $200,000 for all other filing statuses.

2024 Adoption Credit: $16,810. The AGI phaseout range is $252,150–$292,150 for all filing statuses. The exclusion for employer-paid adoption reimbursement is the same. The adoption credit applies per adopted child. It is non-refundable, but any unused credit can be carried forward for five years.

[10] Taxpayers claiming the EITC who file married filing separately must meet the eligibility requirements under a special rule in the American Rescue Plan Act (ARPA) of 2021, (explained later). The IRS cannot issue refunds claiming the Earned Income Tax Credit (EITC) and the Additional Child Tax Credit (ACTC) before mid-February. This is a congressional provision in the Protecting Americans from Tax Hikes (PATH) Act. This time frame applies to the entire refund, not just the portion associated with these credits.

2024 Credit for Other Dependents/Other Dependent Credit (ODC): The ODC is a tax credit available to taxpayers for dependents who do not qualify for the Child Tax Credit. The maximum credit amount is $500 for each dependent. There is no refundable portion.

2024 Premium Tax Credit: The American Rescue Plan Act temporarily removed the 400% FPL ceiling (commonly called the "subsidy cliff") and increased the amount of the credit to qualifying households. For 2024, the repayment caps range from $375 to $3,150, depending on the taxpayer's income and filing status. The ACA subsidy cliff is scheduled to come back in 2026.

2024 Retirement Savings Contributions Credit (Saver's Credit): This credit is between 10% to 50% of eligible contributions to IRAs and qualifying retirement plans up to a maximum credit of $1,000 ($2,000 MFJ). To claim this credit in 2024, the taxpayer's modified adjusted gross income (MAGI) must not be more than $38,250 for Single, Married Filing Separately, or Qualifying Surviving Spouse. MAGI must not be more than $57,375 for Head of Household, and $76,500 for Married Filing Jointly.[11]

2024 Individual Energy Credits

There are two types of residential energy credits, which are claimed on Form 5695, Residential Energy Credits:

- **Residential Clean Energy Credit:** (previously named the residential energy efficient property credit). Taxpayers may be eligible to claim this energy credit for:
    - Solar, wind and geothermal power generation equipment
    - Solar water heaters
    - Fuel cells
    - Battery storage

- **Energy Efficient Home Improvement Credit:** (previously named the nonbusiness energy property credit). The maximum total yearly credit of $3,200 is comprised of separate $1,200 and $2,000 limits. Some types of qualifying property include: insulation material or air sealing material or systems, exterior doors, natural gas, propane, or oil furnaces or hot water boilers.

[11] The IRS uses two different names for this particular credit: the "Saver's Credit" and the "Retirement Savings Contribution Credit." However, they are the same credit.

2024 Education-Related Credits and Deductions

American Opportunity Tax Credit (AOTC)

- Credit Amount: Up to $2,500 per eligible student.
- Refundable portion: Up to 40% of the credit (up to $1,000) can be refundable.
- Qualified expenses: Tuition, certain fees, and course materials required for attendance.
- Eligibility: Available only for the first four years of post-secondary education.
- Phaseout: Begins at $80,000 for single filers and $160,000 for married filing jointly. The credit is completely phased out at $90,000 and $180,000, respectively.

Lifetime Learning Credit

- Credit amount: Up to $2,000 per *tax return*.
- Qualified expenses: Tuition and fees for enrollment in eligible educational institutions.
- Eligibility: Available for all years of post-secondary education and for courses to acquire or improve job skills. There is no limit on the number of years this credit can be claimed.
- Phaseout: Begins at $80,000 for single filers and $160,000 for married filing jointly. The credit is completely phased out at $90,000 and $180,000, respectively.

Additional Information: Both education credits are claimed on Form 8863, Education Credits (American Opportunity and Lifetime Learning Credits). Both credits have the same income phaseout ranges.

Non-Qualified Expenses: Room and board, transportation, insurance, medical expenses, and student health fees (even if mandatory) do not qualify for either credit.

Education Savings Accounts:

- **Coverdell ESA (also called an "Education IRA"):** The maximum contribution limit is $2,000 per beneficiary in 2024.
- **Section 529 Plans (Qualified Tuition Programs or QTP):** The IRS does not specify a specific dollar amount for annual contribution limits to 529 college savings plans, but contributions are considered gifts. This means they are subject to the annual gift tax limit. For 2024, the annual gift tax exclusion is $18,000 per beneficiary.
- **NEW Section 529 Rollovers:** The SECURE Act 2.0 added a provision that will permit rollovers from a Section 529 account into a Roth IRA; this provision became effective in 2024. Beneficiaries of 529 accounts may roll over up to $35,000 (lifetime limit) to a Roth IRA (subject to annual limits) if the 529 account has been open for more than 15 years.

Student loan interest deduction: Student loan interest deduction begins to phase out for taxpayers with MAGI more than $80,000 ($165,000 for joint returns) and is completely phased out for taxpayers with MAGI of $95,000 or more ($195,000 or more for joint returns). The maximum deduction per return is $2,500, regardless of filing status. MFS filers cannot take this deduction.

Educational Savings Bond Expense Exclusion: The savings bond education tax exclusion allows taxpayers to exclude interest income upon redeeming eligible savings bonds when the bond owner pays qualified higher education expenses at an eligible institution. Phaseout ranges for 2024 are:

- **Single or Head of Household:** The exclusion begins to phase out at a modified adjusted gross income (MAGI) of $96,800 and is completely phased out at $111,800.
- **Married Filing Jointly:** The exclusion begins to phase out at a MAGI of $145,200 and is completely phased out at $175,200

Taxpayers who file as married filing separately cannot take this exclusion.

Educator Expense deduction: The deduction for educator expenses, also known as the "teacher credit," is set at $300 for the year 2024. If two teachers are married and file taxes jointly, they can claim a total deduction of up to $600 (with a limit of $300 for each spouse).

Student Loan Forgiveness: Exclusion from gross income is available for student loan forgiveness after 2020 and before 2026 for most forgiven student loans. In addition, an employer may contribute up to $5,250 annually toward an employee's student loans, and such payment is excluded from the employee's income through 2025. The $5,250 cap applies to both the student loan repayment benefit and other educational assistance (e.g., tuition, fees, books) provided by the employer.

New Tax Law Provisions for Individuals in 2024

Emergency Distributions: There is a waiver of the 10% additional tax on early distributions for emergency personal expense distribution of as much as $1,000 beginning in 2024. The distribution may also be repaid within three years from the date of distribution.

Domestic Violence Victim Distributions: Beginning in 2024, domestic abuse victims may distribute the lesser of $10,000 or 50% of accrued benefit from an eligible retirement plan without the 10% early distribution penalty (specific definitions and timing apply, see Publication 575). The distribution may be repaid within three years from the date of distribution.

Qualified Charitable Distributions: For 2024, the maximum amount of qualified charitable distributions (QCD) increased to $105,000 (an increase of $5,000 from the prior year). The maximum amount applies to each spouse if filing jointly.

2024 Increase in penalty for failure to file: The penalty for failure of an individual to file a tax return that is more than 60 days late shall not be less than the lesser of (1) $510 or (2) 100% of the tax due on the return.

Required Minimum Distribution Changes: The SECURE Act 2.0 has changed the rules for RMDs. The first RMD for someone who turns 73 in 2024 is due by April 1, 2025. Accounts that are subject to RMDs include: Traditional IRAs, 401(k)s, 403(b), 457(b), and defined contribution plans.[12]

2024 Excess Business Loss Limit: The *Inflation Reduction Act* extended the provision for excess business losses through 2028. Non-corporate taxpayers, including sole proprietors, are limited in their offset use of overall business losses to offset nonbusiness income. The excess business loss limitation is $610,000 for MFJ, and $305,000 for all other filing statuses in 2024.

E-file Mandate for Information Returns: The IRS issued final regulations requiring most businesses to e-file beginning in 2024. This mandate applies to individuals and businesses who submit 10 or more information returns, such as Form 1099, W-2, and 1099-MISC. Failure to e-file, when required, may result in penalties imposed on taxpayers and businesses who file their information returns on paper instead.

[12] A defined contribution plan is a type of retirement plan where employees contribute a fixed amount or a percentage of their paychecks to an account intended to fund their retirement. A common example are 401(k) plans. These types of retirement plans are covered more extensively, from the employer's perspective, in Part 2, businesses.

2024 Tax Form Changes

Form 1040, U.S. Individual Income Tax Return: Now includes a checkbox and entry field in the Filing Status section that allows taxpayers to elect to treat a nonresident alien spouse or dual-status alien spouse as a resident.

Schedule 1 (Form 1040), Additional Income and Adjustments to Income: Now includes an entry field for taxpayers who had amounts reported on a Form 1099-K in error or for items sold at a loss as well as a new line for reporting cryptocurrency staking rewards.

Form W-2, Wage and Tax Statement: Now includes a new Box 12 code for Medicaid waiver payments excluded from income under Notice 2014-7.

New Form 1099-DA, Digital Asset Proceeds From Broker Transactions: For digital asset sales prior to 2025, the broker is not *required* to file a Form 1099-DA. The broker may, however, voluntarily file a Form 1099-DA or Form 1099-B, Proceeds From Broker and Barter Exchange Transactions, for each customer for whom the broker has effected a sale of digital assets.

Publication 1244, Employee's Daily Record of Tips and Report of Tips to Employer: is obsolete. Publication 531, Reporting Tip Income, will no longer be updated annually. It is changed to continuous use.

Form 5329, Additional Taxes on Qualified Plans (Including IRAs): adds two new codes for the exceptions to the additional tax on early distributions on eligible distributions to a domestic abuse victim and emergency personal expense distributions, effective for distributions made in 2024.

Form 8888, Allocation of Refund: is now only used to split a direct deposit refund between 2 or more accounts or to split a refund between a direct deposit and a paper check. The program allowing for depositing refunds into a Treasury Direct® account to buy savings bonds, as well as the ability to buy paper bonds with refunds, has been discontinued.

2024 Rules for Form 1099-K: The 2024 requirement for Form 1099-K reporting to the IRS is $5,000. Additionally, PayPal and Venmo will file Form 1099-K for any customer who was subject to backup withholding during 2024, regardless of total payments for the year. These reporting requirements do not apply to personal transactions such as birthday or holiday gifts, sharing the cost of a car ride or meal, or paying a family member or another for a household bill.

Unit 1: Preliminary Work with Taxpayer Data

More Reading:
Publication 17, *Your Federal Income Tax*

The enrolled agent exam, Part 1, covers a wide range of topics related to preparing tax returns for individual taxpayers. This includes essential knowledge of filing status, requirements, and deadlines; taxable and nontaxable income; deductions, credits, adjustments to income; determining the basis of property; calculating capital gains and losses; reporting rental income; understanding retirement income; and navigating estate and gift taxes.

In this section, we will cover the initial steps that tax return preparers must take in order to ensure accuracy when filing taxes for their individual clients.

For the current exam cycle, Part 1 of the exam is broken down into the following sections and corresponding number of questions:

1. **Preliminary Work with Taxpayer Data – 14 questions**
2. **Income and Assets – 17 questions**
3. **Deductions and Credits – 17 questions**
4. **Taxation – 15 questions**
5. **Advising the Individual Taxpayer – 11 questions**
6. **Specialized Returns for Individuals – 12 questions**

The current exam specifications are listed in the official Enrolled Agent Special Enrollment Examination Candidate Information Bulletin, which is available for download on the Prometric website. We will cover preliminary work with taxpayer data, as well as the importance of a taxpayer's biographical information in this unit.

Use of Prior Year Returns

When preparing tax returns for clients, tax professionals are expected to diligently gather and verify all necessary taxpayer information. This includes reviewing prior-year tax returns for accuracy, completeness, and compliance with tax laws. If any errors or omissions are discovered on a prior-year return, the preparer is required by law to inform the taxpayer of the mistake and explain the potential consequences if it is not corrected. However, the preparer is not obligated to fix the error.

Example: Leslie, an enrolled agent, noticed a serious error on her client Mark's prior-year tax return. He had self-prepared his return and reported a stock sale incorrectly, resulting in a significant understatement of tax. Leslie informed Mark of his mistake and advised filing an amended return. Grateful, Mark promised to correct it, and asked Leslie if she would help him by preparing the amended return. Leslie agrees to prepare the amended return for Mark for a reasonable fee.

Utilizing prior-year returns can help identify and prevent major mathematical mistakes and alert the preparer to any issues that may impact the current year's return. During this review process, the preparer must also consider any items from previous years that may affect the current year's return, such as:

- Carryovers,
- Net operating losses,

- Tax credit carryovers, examples of which include the prior year AMT tax credit and the adoption credit.
- Prior-year depreciation and asset basis.

Taxpayer Biographical Information

When filing tax returns, certain client biographical information is required. A tax professional must collect this information from each taxpayer to prepare an accurate tax return:

- Legal name, date of birth, and marital status
- Residency status and/or citizenship
- Dependent information
- The taxpayer's identification number (SSN, ITIN, or ATIN)

In order to prevent fraudulent tax filings, it is important for tax preparers to request identification from taxpayers. Photo IDs are preferable, and should include the taxpayer's name and current address. It is also crucial for tax preparers to verify social security cards, ITIN letters, and other documents to ensure that the correct TINs are used for the taxpayer, their spouse, and any dependents listed on the return.

Example: Mariana Lopez has always self-prepared her returns, but with a new job and investment income, she is looking for a professional tax preparer for the first time. She makes an appointment with Karl, an enrolled agent, to prepare her taxes. Before discussing her tax situation, Karl asks Mariana to provide a picture ID and a copy of her Social Security card for verification. Karl then carefully reviews her prior year's return and tax documents to ensure accuracy.

Identity Protection PIN (IP PIN): Taxpayers also have the option to request an Identity Protection PIN (IP PIN). An IP PIN is a six-digit number that helps protect a taxpayer's Social Security number (SSN) or Individual Taxpayer Identification Number (ITIN) from unauthorized use.

This service is now available to anyone, regardless of whether they have been a victim of identity theft or not. If an IP PIN is issued or requested, the IP PIN must be entered into software for the IRS to accept an electronically filed tax return.[13] The IP PIN can either be requested for a single year (a one-time enrollment) or for the current and future years (continuous enrollment).

Example: Brenner's wallet was stolen while he was Christmas shopping. A few days after filing a police report, Brenner asks Laura, his enrolled agent, what else he should do to protect himself from being a victim of ID theft. Laura advises Brenner to file an ID theft affidavit with the IRS and request an IP PIN, which she does on his behalf. On January 20, 2025, Brenner receives his IP PIN, which will help prevent any fraudulent tax filings. Laura meets with Brenner two weeks later to prepare his 2024 tax return. She carefully reviews his tax documents, prepares his tax return, and enters his IP PIN into her software for secure e-filing. Brenner feels reassured about the process and knows his return will be processed without any issues.

[13] Protecting a taxpayer from tax-related ID theft is covered in more detail in Book 3, Representation, and is listed on the official test specifications for that exam section.

Taxpayer Identification Numbers

The IRS requires all individuals listed on a federal income tax return to have a valid Taxpayer Identification Number (TIN), including the taxpayer, their spouse (if married), and any dependents listed on the return. The types of TINs are:

- **Social Security number (SSN)**
- **Individual taxpayer identification number (ITIN)**
- **Adoption taxpayer identification number (ATIN)**[14]

Note: A taxpayer's personal and financial information is considered highly sensitive and confidential. Tax preparers must understand the importance of protecting this information and take all necessary precautions to ensure it remains secure. A preparer who wrongfully discloses a taxpayer's information could face civil and criminal charges.

A taxpayer who cannot obtain an SSN must apply for an ITIN in order to file a U.S. tax return. Generally, only U.S. citizens and lawfully admitted noncitizens authorized to work in the United States are eligible for a Social Security number.

Example: Umberto is an Italian citizen who has never been to the United States. On January 20, 2024, he inherited a rental property from his deceased aunt, Giuseppina, a green-card holder who was living in the U.S. On his accountant's advice, Umberto decides to keep the rental property as a passive income source. He hires a management company to receive the rents and manage the property in his absence. Umberto requests an ITIN for tax reporting purposes. He will report his U.S. rental income on Form 1040-NR. He will not be taxed on his worldwide income, only on his income from U.S. sources.

Nonresident aliens with a U.S. tax liability generally have ITINs, although not always. For example, an ITIN would be required when a U.S. soldier marries a foreign spouse and wishes to file jointly. The couple would need to request an ITIN for the alien spouse to file a joint return.

Example: Kristal is a U.S. citizen living in Norway. In 2024, she met and married Trond, a Norwegian citizen. The couple plans to live in Norway. Trond does not plan to apply for U.S. residency, but Kristal and Trond can make the election to file jointly and treat Trond as a U.S. resident alien by checking the appropriate box on the Form 1040, and attaching a statement to their joint return. To make this election, Trond must request an ITIN.

People who do not have lawful status in the United States may obtain an ITIN for tax reporting purposes only.

The issuance of an ITIN does not affect an individual's immigration status or give the taxpayer the right to work in the United States. A taxpayer with an ITIN is not eligible to receive Social Security benefits or the Earned Income Tax Credit. ITINs are for federal tax reporting only and are not intended to serve any other purpose.

ITIN Application Process

Taxpayers who need an individual taxpayer identification number (ITIN) must fill out Form W-7, also known as the Application for IRS Individual Taxpayer Identification Number. In addition to

[14] A special form is used for ATIN requests; Form W-7A, *Application for Taxpayer Identification Number for Pending U.S. Adoptions.* This form is used to apply for an ATIN for a child who is placed in the taxpayer's home for legal adoption.

submitting this form, taxpayers must provide documentation that proves their foreign status and verifies their identity. There are three ways to apply for an ITIN.

- Using Form W-7
- Using an IRS-authorized Certified Acceptance Agent (CAA) or
- In-person at a designated IRS Taxpayer Assistance Center

A taxpayer can also engage the services of a CAA, or Certified Acceptance Agent,[15] to request an ITIN. CAAs can authenticate a passport and/or birth certificate for taxpayers who want to request an ITIN, but do not wish to mail their original documents to the IRS. All ITINs expire unless they are renewed.

Example: Maude, a U.S. citizen with a Social Security number, currently resides in Canada and is employed by an international shipping firm. She recently married Santino, a Canadian citizen, who has a daughter named Lucia from a previous marriage (both Santino and Lucia are Canadian citizens). Maude and Santino decide to file their taxes jointly as a married couple and claim Lucia as a dependent. To do so, they need to apply for Individual Taxpayer Identification Numbers (ITINs) for Santino and Lucia. Maude may enlist the help of a Certified Acceptance Agent (CAA) to obtain these ITINs for her new husband and stepdaughter.

Note: Typically, the process for obtaining an ITIN involves submitting an application (Form W-7) by mail along with a taxpayer's initial tax return. This filing must be done on paper. The Form W-7 *cannot* be filed electronically. There are limited situations where a foreign person may apply for an ITIN without filing a tax return, such as when claiming tax treaty benefits or providing an ITIN for reporting purposes to a third party, such as a bank or financial institution. A full list of exceptions can be found in the Form W-7 instructions.

Adoption Taxpayer Identification Number (ATIN)

ATINs are designed explicitly for adopted children who are not yet eligible for a Social Security number. An ATIN is requested using Form W-7A, *Application for Taxpayer Identification Number for Pending U.S. Adoptions.* For an adopted child who does not have an SSN, a taxpayer may request an ATIN if:

- The child is placed in the taxpayer's home for legal adoption,
- The adoption is a domestic adoption, or the adoption is a foreign legal adoption,
- The taxpayer cannot obtain the child's existing SSN, even though they made a reasonable attempt to obtain it from the birth parents, the placement agency, or other persons.
- The taxpayer cannot obtain an SSN for other reasons, such as the adoption not yet being final.

An ATIN issued for an adoptive child expires two years from the date it is issued, although an extension can be requested using IRS Form 15100, *Adoption Taxpayer Identification Number Extension Request.* An ATIN cannot be used to obtain the Earned Income Tax Credit, the Child Tax Credit, or the American Opportunity Tax Credit.

[15] A Certified Acceptance Agent (CAA) is an individual or organization that is authorized by the Internal Revenue Service to assist alien individuals and with obtaining ITINs. The IRS maintains a list of CAAs on its website.