PacificCPE

COURSE
31059C

Individual Income Tax: Figuring your Taxes and Credits

From figuring the actual tax liability to applying the right credits, this course covers it all. Topics include regular tax computation, the alternative minimum tax, kiddie tax rules, and a full range of credits—child and dependent care, elderly and disabled, child tax credit, education credits, earned income credit, and the premium tax credit. Both refundable and nonrefundable credits are addressed. This is a comprehensive resource for practitioners who want to ensure clients receive every credit they're entitled to.

CREDIT HOURS 2 | FIELD OF STUDY TAXES | EXAM QUESTIONS 10

Start Course ↓

Final Exam Copy ↓

LEARNING ASSIGNMENTS AND OBJECTIVES

Assignment

- Study the full course materials included here.
- Complete the review questions after each chapter.
- Answer 10 final exam questions.
- Final exam is scored immediately, 70% or better passes.
- Certificate of completion is available in your account.
- Failed exams can be retaken free of charge.

Course Objectives

- Recognize various alternative minimum tax adjustments and preference items.
- Recall the rules related to the tax on unearned income of certain children.
- Recall how to figure the child and dependent care credit.
- Identify who qualifies to take the credit for the elderly or disabled.
- Recall the limits of the child tax credit.
- Identify the requirements for and benefits of the American opportunity credit and the lifetime learning credit.
- Recall the limit of investment income to qualify for the earned income credit.
- Recognize who is eligible to claim the premium tax credit.
- Identify various nonrefundable and refundable credits available for income tax *purposes.*

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Chapter 1: HOW TO FIGURE YOUR TAX

Chapter Objective

After completing this chapter, you should be able to:

- Recognize various alternative minimum tax adjustments and preference items.

I. INTRODUCTION

After you have figured your income and deductions as explained in Parts One through Five, your next step is to figure your tax. This chapter discusses:

- The general steps you take to figure your tax, and
- An additional tax you may have to pay called the alternative minimum tax (AMT).

II. FIGURING YOUR TAX

Your income tax is based on your taxable income. After you figure your income tax and any alternative minimum tax, subtract your tax credits and add any other taxes you may owe. The result is your total tax. Compare your total tax with your total payments to determine whether you are entitled to a refund or must make a payment.

This section provides a general outline of how to figure your tax.

Tax. Most taxpayers use either the Tax Table or the Tax Computation Worksheet to figure their income tax. However, there are special methods if your income includes any of the following items.

- A net capital gain (see Chapter 4 of course 31053N).
- Qualified dividends taxed at the same rates as a net capital gain (see Chapter 8 of course 31051N of course 31051N, Chapter 4 of course 31051N of course 31053N).
- Lump-sum distributions (see Chapter 2 of course 31052N).
- Farming and fishing income (see Schedule J (Form 1040).
- Tax for certain children who have unearned income (see Chapter 2).
- Parents' election to report child's interest and dividends (see Chapter 2).
- Foreign earned income exclusion or the housing exclusion.

Credits. After you figure your income tax and any alternative minimum tax (discussed later), determine if you are eligible for any tax credits. Eligibility information for these tax credits is discussed in Chapter 3 of course 31051N through Chapter 1 of course 31052N and your form instructions.

III. ALTERNATIVE MINIMUM TAX

This section briefly discusses an additional tax you may have to pay.

The tax law gives special treatment to some kinds of income and allows special deductions and credits for some kinds of expenses. Taxpayers who benefit from the law in these ways may have to pay at least a minimum amount of tax through an additional tax. This additional tax is called the alternative minimum tax (AMT).

In 2025, you may have to pay the alternative minimum tax if your taxable income for regular tax purposes, combined with certain adjustments and tax preference items, is more than:

- $137,000 if your filing status is married filing joint (or qualifying surviving spouse),
- $88,100 if your filing status is single or head of household, or
- $68,500 if your filing status is married filing separate.

These amounts will be indexed annually for inflation.

Adjustments and tax preference items. The more common adjustments and tax preference items include:

- Addition of standard deduction (if claimed),
- Addition of itemized deductions claimed for state and local taxes and certain interest,
- Subtraction of any refund of state and local taxes included in gross income,
- Changes to accelerated depreciation of certain property,
- Difference between gain or loss on the sale of property reported for regular tax purposes and AMT purposes,
- Addition of certain income from incentive stock options,
- Change in certain passive activity loss deductions,
- Addition of certain depletion that is more than the adjusted basis** of the property,
- Addition of part of the deduction for certain intangible drilling costs, and

- Addition of tax-exempt interest on certain private activity bonds.

Chapter 1: TEST YOUR KNOWLEDGE

The following questionisdesig nedtoensure that you have acomplete under standingofthein formation presented in the chapter (assignment). It is included as an additional tool to enhance your learning experience and does *not* need to be submitted in order to receive CPE credit.

We recommend that you answer the question and then compare your response to the suggested solution on the following page before answering the final exam question(s) related to this chapter (assignment).

1. You may have to calculate and pay the alternative minimum tax (AMT) if your taxable income for regular tax purposes, combined with certain adjustments and tax preference items, exceeds a specified amount. Which of the following is not a tax preference item or an adjustment:

A. changes to accelerated depreciation of certain property

B. deductions for intangible drilling costs

C. tax-exempt interest on certain private activity bonds

D. interest income from savings accounts