

OUT OF SCOPE TOPICS: TY2023

- **Rentals**
- **Married Filing Separately**
- **Moving expenses**
- **Farm/Ranch income**

ACA/Marketplace Insurance:

- Self-employed health coverage deductions for the premium tax credit
- Form 8962 Part IV, Allocation of Policy Amounts, and Part V, Alternative Calculation for Year of Marriage
- Individuals eligible for the health coverage tax credit (PCT)

Filing status:

- Foreign students and Taxpayers with F, J, M, or Q visas
- Nonresident aliens who do not meet the green card or substantial presence test and are not married to a U.S. citizen or resident alien
- Individuals having a dual status for the tax year
- **Injured Spouse Allocation**

Income:

- Taxpayers with income from the following sources reported on Form 1040:
 - Other gains/losses (S 1 line 4)
 - Farm income** (S 1 line 6)
 - Taxpayers affected by the Additional Medicare Tax
 - Certain children with unearned income who must file Form 8615
 - Accrual method for reporting income
- Taxpayers who buy or sell bonds between interest payment dates
- Form 1099-INT, box labeled Specified private activity bond interest if AMT applies
- Adjustments needed for amounts listed on Form 1099-OID, or if the taxpayer should have received Form 1099-OID but did not
- Form 1099-DIV, boxes labeled Unrecap.
- Sec. 1250 gain,
- Section 1202 gain,

- **W-2's with Box 12 codes of Q, R, T, or FF**
- **1099-R with Box 7 distribution codes: A, E, J, K, N, P, R, T, U, W,**
- **Codes:2 with Form 8606, 5, 6, 8, 9**
- Cash liquidation distributions, and
- Noncash liquidation distributions
- State or local income tax refunds received during the current tax year for a year other than the previous tax year
- Alimony/divorce agreements executed before 1985
- Minister tax returns with parsonage/housing allowance

Business – Schedule C:

- Hobby income or not-for-profit activity
- Expenses over \$35,000
- Return and allowances
- Cost of goods sold (inventory)
- Expenses for employees
- Business use of home
- Contract labor
- Casualty losses
- Vehicle expenses reported as actual expenses
- Depreciation or asset write-offs
- Rental or lease expenses—vehicle leases of more than 30 days
- Accounting methods other than the cash method
- **Net losses**
- A "No" response that indicates the taxpayer does not meet any of the tests of material participation, or is uncertain about materially participating in a business
- Taxpayers receive any credit card or similar payments that included amounts that are not includible in income
- A "Yes" response indicating there is a requirement to file Form(s) 1099

See pgs. 5-16 in Pub 4012 for more obscure Out of scope items

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Schedule D – capital gains:

- Taxpayers who have sold any assets other than stock, mutual funds, or a personal residence
- Taxpayers who trade in options, futures, or other commodities, whether or not they disposed of any during the year
- **Determination of basis issues:** Basis of any asset acquired other than by purchase or inheritance, such as a gift or employee stock option, unless the taxpayer provides the basis and holding period
- Basis of inherited property determined by method other than the fair market value (FMV) of the property on the date of the decedent's death, unless the taxpayer provides the basis and holding period
- Like-kind exchanges and worthless securities
- Form 1099-B, boxes on Bartering: Profit or (loss) realized on closed contracts; Unrealized profit or (loss) on open contracts – prior year; Unrealized profit or (loss) on open contracts – current year; or Aggregate profit (loss) on contracts; Proceeds from collectibles; or FATCA filing requirement
- Reduced exclusion computations /determinations in the sale of a home
- Married homeowners who do not meet all requirements to claim the maximum exclusion on sale of home
- Decreases to basis, including: Deductible casualty losses and gains a taxpayer postponed from the sale of a previous home before May 7, 1997
- Depreciation during the time the home was used for business purposes or as rental property
- Taxpayers with "nonqualified use" issues
- Sale of a home used for business purposes or as rental property

Retirement – 1099-R:

- The taxpayer needs to file Form 8606
- Taxpayers who made nondeductible contributions to a traditional IRA
- Taxpayers who are subject to additional tax due to excess IRA contributions
- Roth IRA distributions that are taxable or partially taxable, and distributions with Form 1099-R, code J or T
- IRA rollovers that do not meet the tax free requirements
- Taxpayers who use general Rule to figure the taxable portion of pensions and/or annuities for past years
- Form 1099-R, distribution code A (lump-sum distribution qualifying for special tax treatments)

HSA:

- Excess contributions to an HSA that are not withdrawn in a timely fashion
- Qualified HSA funding distributions from an IRA
- Death of an HSA holder (when spouse is not the designated beneficiary)
- Additional Tax for Failure to Maintain HDHP Coverage
- Deemed distributions from an HSA due to prohibited transactions, such as using an HSA as a security for a loan
- Archer Medical Saving Accounts (MSA)
- Medicare Advantage MSA
- Health Reimbursement Arrangement
- Form 8889 Part III, Form 8959, 8960

Cancellation of Debt:

- Cancellation of debt for issues other than qualified principal residence or non-business credit card
- Cancellation of debt for a principal residence that was used in a business or as rental property
- Cancellation of debt when Form 1099-C, box 3 includes an amount for interest

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Cancellation of Debt Cont.

- Debt was canceled because the taxpayer filed bankruptcy or was insolvent immediately before the cancellation

Schedule A with:

- Casualty and theft losses
- Investment interest
- Form 1098-C, Contributions of Motor Vehicles, Boats and Airplanes
- Taxpayers affected by limits on charitable deductions
- Taxpayers that file Form 8283 to report noncash contributions of more than \$500
- If the taxpayer is donating property that was previously depreciated
- If the taxpayer is donating capital gain property or property that was previously depreciated
- Federal Fuels Credit
- Forms 2439

Other Topics:

- Adoptions with expenses
- Residential energy-efficient property credit (Form 5695, Part I)
- Plug-in electric vehicle credit
- Conversion kits
- Mortgage interest credit
- District of Columbia, first-time homebuyer credit
- Alternative fuel vehicle refueling credit
- Alternative motor vehicle credit
- Taxpayers who claimed the first-time homebuyer credit and their home is destroyed, condemned, or disposed of under threat of condemnation
- Estimated Tax Penalty
- Taxpayers who choose to claim any of the following credits:
 - Form 4136, Credit for Federal Tax Paid on Fuels
 - Form 2439, Notice to Shareholder of Undistributed Long-Term Capital Gains

Other Topics Cont.

- Form 8801, Credit for Prior Year Minimum Tax
- Form 8839, Qualified Adoption Expenses
- Form 8885, Health Coverage Tax Credit