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Introduction

The Phoenix Tax Group Guarantee

We have been successfully preparing tax practitioners to pass the Special Enrollment Exam for over 20 years. Practitioners who have used our study materials, study strategies and have put in the time and effort have had over a 90% passing rate.

30 Day Refund

If you are not satisfied with any of our products, you can return them for a full refund, excluding shipping and handling charges. A refund must be requested within 30 days of purchase, and all hardcopy materials must be returned in the original box. No credit will be given for any materials marked on, missing or damaged in any way. To request a refund, fill out the Refund Request form at the link below.

Pass Guarantee Refund

1. The Pass Guarantee applies only to products designated as "Packages."
2. To receive a refund, you must have taken and failed a test or exam twice.
3. You must provide your failed scores for both failed exams by filling out the online Refund Request Form (see link below). This must be done within 30 days of the second failed exam.
4. Hard copy materials must be returned within 30 days of the second failed exam.
5. If you purchased Enrolled Agent study materials together in a 3 part package, refunds will be pro-rated for the part being returned.
6. The refund will only apply to the person who purchased the study materials from The Phoenix Tax Group. The refund policy does not apply to companies purchasing study materials for employees.

Instructions

To ensure proper credit, please fill out our online refund request form.

http://www.phoenixtax.com/about/refunds
Course Objectives

This course is designed to prepare students to pass the IRS Special Enrollment Examination the first time they take the exam. After completing our course, you should have the tax knowledge needed to pass the exam.

This course is taught at an intermediate level. It is helpful if the student has had some beginning level courses relating to tax laws and at least a year of income tax preparation experience.

Our course is broken down into three parts similar to the parts on the exam. Part 1 discusses individual income tax law, Part 2 discusses sole proprietorship and partnership, corporation (including S corporation), fiduciary, estate, and trust tax law and tax-exempt organizations, and Part 3 discusses practitioner ethics, record-keeping, IRS tax examination, appeals, and collection procedures, practitioner rules and penalties, and research materials. All the materials have been updated to 2016 tax law. The 2017 exam (May 1, 2017 - February 28, 2018) will cover the federal tax law as of December 31, 2016. No tax law that goes into effect after 2016 will be on the test.

We feel we have the best and most comprehensive enrolled agent exam preparatory course available. However, we are always looking for ways to improve our course. We would appreciate it if you would take a moment to complete the course evaluation located at the end of each part of the course or complete our online evaluation at www.phoenixtax.com.

If you have any questions, please email us at support@phoenixtax.com. Do not call our 800 number.

Good luck on the exam.
How to Prepare for the Exam

The following is a set of guidelines for preparing for the exam:

1. We recommend that you study a minimum of 100 to 120 hours total for all three parts of the exam. For Part 1, we recommend 35-45 hours of study. For Part 2, we recommend 45-60 hours of study. For Part 3, we recommend 20-25 hours of study. Break up your study time. Do not try to study 3 or 4 hours at a time. Most people’s comprehension level starts to fade after an hour. You will be surprised how much you can absorb by studying in intervals of 15 to 30 minutes.

2. DO NOT rely on your tax experience to pass this exam. It has been our experience that people with limited tax experience (one year or less) have a far better success rate on this exam than people with many years of tax experience. The reason is that preparers with years of experience tend to rely on their practical knowledge of taxes. This exam tests on theory, not practical experience. The IRS is primarily interested in your ability to understand the tax law and to properly and accurately determine taxable income (i.e., figuring basis in an asset to determine gain, what income is taxable, what deductions are allowed, etc.).

3. You can now use a calculator to do the computational questions. Prometric will provide you with a hand-held calculator. You cannot bring your own calculator.

4. Be familiar with the tax forms and the filing dates for those forms. There is a quick reference in the Appendix.

5. The exam will test on a specific tax law in more than one part. For example, questions pertaining to property basis or retirement plans will be tested in both Part 1 and Part 2; questions pertaining to recordkeeping in Part 1 and Part 2 could be tested in Part 3; taxpayer penalties could be tested in all three parts. Therefore, we strongly recommend you to take the exam in the following order. Take Part 1 first, Part 2 second and Part 3 last. You should also take all three parts of the exam as close together as possible.

6. You must have a positive attitude toward this exam. If you do not think you can pass this exam, you won’t. Fifty percent of preparing for this exam is being mentally prepared.
About the Computer Based SEE Exam

The Internal Revenue Service has contracted with Prometric to conduct its examination program. Prometric provides computerized testing at test centers throughout the world. The IRS and Prometric are working together closely to ensure that examinations meet federal requirements as well as professional examination development standards.

Testing Dates
The 2017 SEE examination begins May 1, 2017 and examinations will be offered continuously through February 28, 2018. The exam is in three parts. The three parts **DO NOT** have to be taken at once. You can take one part at a time. Once you have taken and passed one part, you have two years from the date of passing that part to take and pass the other two parts.

Testing Fees
The exam costs $111.94 per part ($335.82 for all three parts).

Exam Questions
Each part of the exam has 100 questions. All questions are weighted equally.

Time Limited for the Exam
You are given 3.5 hours to complete each part of the exam. The actual seat time is 4 hours to allow for a tutorial at the beginning and a survey at the end.

Examination Results
The exam is graded on a scale of 40 - 130 with 40 being the lowest score and 130 being the highest score possible. You must have a score of 105 or better for each part of the exam to pass. You will receive your scores immediately after taking the exam.

**Passing Score.** If you pass, the score will only show a passing designation. It will not show a score.

**Failing Score.** If you fail, your score report will show a scaled score between 40 and 104. You will also receive diagnostic information to assist you with future examination preparation. Diagnostic information will show an indicator of 1, 2, or 3 meaning:

1. Considerably below the minimally acceptable score. It is important for you to approach how you study this topic as you prepare to take the test again. You may want to consider taking a course or participating actively in a study group on this topic.
2. Marginally below the minimally acceptable score. You should study this topic in detail as you prepare to take the test again.
3. At or above the minimally acceptable score. Be sure to review this topic as you prepare to take the test again.
Experimental Questions

The examination may include some experimental questions that will not be scored. If present, they are distributed throughout the exam and will not be identified as such. These are used to gather statistical information on the questions before they are added to the exam as scored items. These experimental questions will not be counted for or against your final score.
Obtain a PTIN

You must have a PTIN to sign up for the Enrolled Agent Exam. Chances are you already have your PTIN, but if you do not, you can still get one. The IRS Tax Professional PTIN Sign-up System is available at www.irs.gov/ptin. Once online, you will need to:

Create Your Account. Provide your name, email address, and security question information. The system will then email your temporary password, which you will change when you go back to enter your information in the PTIN application.

Apply for Your PTIN. Complete the online application by providing personal information, information about your previous year’s tax return, professional credentials, and more. You will need the following information available to complete this process.

- Permanent Mailing Address
- Address on your last filed tax return
- Social Security Number
- Professional Certification Number (e.g. CPA number) if you have one
- Employer Identification Number (EIN) if you have one
- Electronic Filing Identification Number (EFIN) if you have one
- CAF Number, if you have one

Pay Your Fee. Make your payment of $50 by credit card, direct debit, or eCheck.

Get Your PTIN. After the bank confirms your payment, you will receive your PTIN. You will be able to view your next steps, including any testing requirements, through your online PTIN account. It takes about 15 minutes to sign up online and receive your PTIN. If you opt to use the paper application, Form W-12 IRS Paid Preparer Tax Identification Number (PTIN) Application, it will take 4-6 weeks to process.

IRS PTIN Sign-up Videos

You can preview the PTIN sign-up process on the IRS YouTube Channel. The IRS has created two step by step video recordings of the online PTIN Sign-Up process.

PTIN Sign-up Part 1: http://youtu.be/3WBI5WRyxng

PTIN Sign-up Part 2: http://youtu.be/vmyBeA7Pu2o
Registering and Scheduling an Examination Appointment

Registration Process
You can register and schedule the exam using one of the three following options:

A. Online—a one-step process
The quickest way to register and schedule an examination is online. This is the only way to register and schedule an exam in the same day.

To register and schedule an examination online, follow these steps:

2. Click the Obtain a PTIN/Register for My Test button.
3. If it’s your first time, click Create Account button to set up your user ID and password.
4. Register and pay for the test. You will be asked to provide your PTIN number. Prometric will assign you a candidate number. It will be the same as your PTIN.
5. Schedule your test. Again, go to www.prometric.com/irs. Click on the Schedule My Test button. You will be asked to provide the candidate number that Prometric assigned to you when you registered for your test in step 4. Schedule your test at your closest testing center at a convenient date and time.

B. By phone
1. Call Prometric at 800.306.3926

C. By mail
1. Mail your completed Form 2587 to:
   Prometric
   Attn: IRS Special Enrollment Examination
   7941 Corporate Drive
   Nottingham, MD 21236
   
   2. Wait six to 10 calendar days for delivery and processing before scheduling an examination appointment.
Scheduling an Examination

Candidates can take each part of the examination at their convenience. Consequently, parts do not have to be taken on the same day, or on consecutive days. All parts do not have to be taken or scheduled during an examination window.

Candidates can take examination parts up to four times each during the testing period (May 1, 2017 to February 28, 2018). Once your registration has been processed, you can schedule an examination appointment at any time online at www.prometric.com/irs or by calling 800-306-3926 between 8 a.m. and 9 p.m. (Eastern Time), Monday through Friday. You will be provided a number confirming your appointment. Record and keep this confirmation number for your records—you will need it to reschedule, cancel or change your appointment in any way.

Examination Locations

Examinations are administered by computer at a Prometric Testing Center. Currently, the Special Enrollment Examination is given at nearly 300 Prometric testing centers located across the United States and internationally. Test centers are located in most major metropolitan areas. A complete list of these testing centers, addresses and driving directions is located at www.prometric.com/irs. In the box titled Do More, click on “Continue” and select your preferred test location. Most locations are open on Saturdays and some locations are open on Sundays and evenings.

Testing Fees

The testing fee is $111.94 for each part of the examination. This fee is paid at the time you schedule your examination. Accepted forms of payment include: MasterCard, Visa, American Express, Discover, Diner's Club cards bearing the MasterCard symbol and JCB. Electronic checks are also accepted when scheduling by phone. Money orders, paper checks and cash are not accepted. Examination testing fees are not refundable or transferable.

Rescheduling Your Appointment

If you need to reschedule an examination for another date, time or location, you must contact Prometric. Rescheduling fees will apply as follows:

- No fee if you reschedule at least 30 calendar days prior to your appointment.
- $35 fee if you reschedule five to 29 calendar days before your appointment.
- Another $111.94 full examination fee if you reschedule less than five calendar days before your appointment date.
Chapter One

Business Entities

Chapter One sets the stage for your studies by defining the different legal business entities. It describes the various EIN and reporting requirements as well as accounting periods and methods available to each business entity. The tax treatment of these eight business entities is the primary knowledge area assessed by Part 2 of the Enrolled Agent Exam.

In This Chapter

1. Employer Identification Number
2. Sole Proprietorship
3. Partnership
4. C Corporation
5. S Corporation
6. Limited Liability Company (LLC)
7. Estate
8. Trust
9. Exempt Organizations
10. Accounting Periods
11. Accounting Methods
**Employer Identification Number**

An employer Identification Number (EIN) is required for the following entities:

1. Reporting employment taxes and excise taxes.
2. A partnership.
3. A corporation.
4. Limited Liability Company (LLC).
5. A trust or an estate.
6. An employee plan.
7. An exempt organization.

**How to Apply for an EIN**

A taxpayer can apply for an EIN by telephone, fax, mail or internet.

**Form SS-4**

Use Form SS-4, Application for Employer Identification Number, to apply for an EIN.

**Entity Default Rules**

An eligible entity is classified for federal tax purposes under the default rules described below unless it files Form 8832, Entity Classification Election or Form 2553, Election by a Small Business Corporation (S corporation).

**Domestic Default Rule**

Unless an election is made on Form 8832, a domestic eligible entity is:

- A partnership if it has two or more members.
- Disregarded as an entity separate from its owner if it has a single owner.

A change in the number of members of an eligible entity classified as an association does not affect the entity’s classification. However, an eligible entity classified as a partnership will become a disregarded entity when the entity’s membership is reduced to one member and a disregarded entity will be classified as a partnership when the entity has more than one member.

**Foreign Default Rule**

Unless an election is made on Form 8832, a foreign eligible entity is:

- A partnership if it has two or more members and at least one member does not have limited liability.
- An association taxable as a corporation if all members have limited liability.
- Disregarded as an entity separate from its owner if it has a single owner that does not have limited liability.
Association

For purposes of the above rules, an association is an eligible entity taxable as a corporation by election or, for foreign eligible entities, under the default rules.

Sole Proprietorship

Definition

A sole proprietorship is an unincorporated business that is owned by one individual. The business is not a separate entity apart from its owner. Its liabilities are personal liabilities and the owner undertakes the risk of the business for all assets owned, whether or not used in the business.

Reporting Requirements

Business profits or losses of a sole proprietorship are reported on Schedule C, or C-EZ of Form 1040. A sole proprietor may also be required to file other returns (such as employment or excise tax returns).

Employer Identification Number (EIN)

A sole proprietorship does not need a separate EIN, unless required to file employment or excise tax returns.

New EIN Required

A sole proprietor will need a new EIN if any of the following are true:

- Filing for bankruptcy under Chapter 7 (liquidation) or Chapter 11 (reorganization).
- Incorporating.
- A sole proprietor that takes in partners and operate as a partnership.
- Establishing a pension, profit sharing, or retirement plan.

New EIN Not Required

A sole proprietor will not need a new EIN if any of the following are true:

- Change the name of the business.
- Change location or add locations.
- Operating multiple businesses.

Partnership

Definition

A partnership is the relationship between two or more persons who join together to carry on a trade or business. Each partner contributes money, property, labor or skill, and expects to share in the profits and losses of the business. An unincorporated organization with two or more members is generally classified as a partnership for federal tax purposes if its members carry on a trade, business, financial operation, or venture and divide its profits. Partners in a partnership are personally
Chapter 1

liable for its debts. A qualified joint venture conducted by a husband and wife who file a joint return is not rated as a partnership for federal tax purposes. A qualified joint venture, for purposes of this provision, includes only businesses that are owned and operated by spouses as co-owners, and not in the name of a state law entity (including a general or limited liability company). A partnership must file an annual information return to report the income, deductions, gains, losses, etc., from its operations, but it does not pay income tax. Instead, it “passes through” any profits or losses to its partners. Each partner includes his or her share of the partnership's items on his or her tax return.

Reporting Requirements

A partnership files Form 1065, U.S. Return of Partnership of Income, plus other returns that apply (such as employment or excise tax returns). The partnership is required to send a copy of Schedule K-1 (Form 1065) to each partner showing each partner’s share of the partnership’s income, gain, loss, deductions, and credits for the tax year.

Employer Identification Number (EIN)

A partnership is required to obtain an EIN.

New EIN Required

A partnership will need a new EIN if any of the following are true:

- Incorporating.
- One partner takes over and operates as a sole proprietorship.
- The partnership is terminated and a new partnership is begun.

New EIN Not Required

A partnership will not need a new EIN if any of the following are true:

- The partnership declares bankruptcy. However, if a liquidating trust is established for a partnership that is in bankruptcy, an EIN for that trust is required.
- The partnership name changes.
- Change location or add locations.
- The partnership terminates under IRC Section 708(b)(1)(B). A partnership shall be considered terminated if within a 12-month period there is a sale or exchange of at least 50% of the total interest in partnership capital and profits to another partner. If the purchaser and remaining partners immediately contribute the properties to a new partnership, they can retain the old partnership EIN.

C Corporation

Definition

A corporation is defined as a legal entity or structure created under the authority of the laws of a state consisting of a person, or group of persons, who become shareholders. The entity’s existence is considered separate and distinct from that of its members. Since a corporation is an entity in its own right, it is liable for its own debts and obligations. In forming a corporation, prospective shareholders transfer
money, property, or both, for the corporation’s capital stock. A corporation generally
takes the same deductions as a sole proprietorship to figure its taxable income. A
corporation can also take special deductions. The profit of a corporation is taxed to
the corporation when earned, and then is taxed to the shareholders when dis-
tributed as dividends (double taxation). However, shareholders cannot deduct any
loss of the corporation.

**Reporting Requirements**

C Corporations usually file a Form 1120 series return, plus other returns that apply
(such as employment or excise tax returns).

**Employer Identification Number (EIN)**

A corporation is required to obtain an EIN.

**New EIN Required**

A corporation will need a new EIN if any of the following are true:

- The corporation is a subsidiary of a corporation and currently uses the parent’s
corporate EIN.
- The corporation becomes a subsidiary of a corporation.
- The corporation becomes a partnership or a sole proprietorship.
- The corporation creates a new corporation after a statutory merger.
- The corporation receives a new corporate charter.

**New EIN Not Required**

A corporation will not need a new EIN if any of the following are true:

- The corporation is a division of a corporation.
- After a corporate merger, the surviving corporation uses its existing EIN.
- A corporation declares bankruptcy. However, if a liquidating trust is established
  for a corporation that is in bankruptcy, an EIN for that trust is required.
- Corporate name change or change in location or add locations.
- The corporation elects to be taxed as an S Corporation by filing Form 2553.
- The corporation is sold and the assets, liabilities and charters are obtained by the
  buyer.
- After a corporate reorganization, the corporation only changes identity, form, or
  place of organization.

**S Corporation**

**Definition**

An eligible domestic corporation can avoid double taxation (once to the corporation
and again to the shareholders) by electing to be treated as an S corporation. S cor-
porations are corporations that elect to pass corporate income, losses, deductions
and credit through to their shareholders for federal tax purposes. Shareholders of S
corporations report the flow-through of income and losses on their personal tax