



THE INCOME TAX SCHOOL

Review Package

Terms for Receiving This College Review Package

Tax practitioners, colleges/universities, and career schools that receive review packages and staff members who review these materials must not copy any of the materials or use them to develop their own courses.

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School Credentials

Review Package

Corporate and Executive Biographies

Charles E. McCabe, President and CEO, is the founder of the Richmond, Virginia-based Peoples IncomeTax, an innovative, multi-office tax preparation firm established in 1987. He has over 40 years of experience in the mass-market tax preparation industry. Previously, he was Director of the H & R Block Mid-Atlantic and New York City Regions overseeing in each region 200+ offices through 21 district managers. Honored in 1993, 1994, 1995 and 1996 as one of the fastest growing private companies in the metropolitan Richmond area, Peoples Income Tax, Inc. was also named a 1994 Blue Chip Enterprise by the U.S. Chamber of Commerce. Peoples was a recipient of the 1999 Torch Award for Marketplace Integrity from the Better Business Bureau, and in December 1999, at a ceremony in Washington, D.C., Robert Barr, then IRS Assistant Commissioner for Electronic Tax Administration (ETA), recognized Peoples as a “Special Friend of ETA.” In October 2000 McCabe was appointed to the IRS Electronic Administration Advisory Committee (ETAAC), which reports annually to Congress. In 1999 he was named Small Business Advocate of the Year by the Small Business Administration Virginia District. Chuck was awarded the Samuel H. Dilbert Community Service Award for 2004 by Commonwealth Catholic Charities. He was founding Chairman of the Virginia Council of CEOs and served as Chairman of the Better Business Bureau of Central Virginia. He is also the owner and manager of the popular LinkedIn Group Tax Business Owners of America.

Chuck graduated Summa Cum Laude, with a B.S degree in Management & Social Sciences from Adelphi University on Long Island. He earned an Executive M.B.A. degree from Pace University in New York City, where he also completed all course requirements except dissertation toward a Doctorate in Management. He is a graduate of Leadership Metro Richmond and has provided leadership and services to numerous philanthropic groups. He has also written numerous articles on taxes, management and adult education and is co-author of two nationally distributed books published by Peterson’s of Princeton, NJ: Back to School: The College Guide for Adults and New Horizons: The Education and Career Planning Guide for Adults. He has also written tax practice management manuals and presented seminars for national tax trade associations, such as NATP, NSTP and NSA and webinars for Accounting Today. He is founder of The Income Tax School, Inc., which licenses tax school systems to accounting and tax firms and provides e-learning courses to students nationwide. In 2006, Chuck was elected to the Executive Committee of the Career College Advisory Board for the State Council of Higher Education for Virginia. He has been an adjunct faculty member at several colleges and universities, where he has taught taxes and business management. Chuck also served as an advisor for the Kaufman FastTrac program for entrepreneurs, and has served as a mentor to a number of entrepreneurs, including independent tax business owners.

Sheila A. Clark, CTP, Director of The Income Tax School, has over 25 years of extensive professional experience in federal and state tax return preparation. Sheila began her tax preparation career with H&R Block in 1986. Sheila joined Peoples Income Tax, Inc., in 1993 as a seasonal tax associate. In 1994 Sheila began working with Peoples year-round and in 1997 joined Peoples corporate staff full-time as Assistant Director of Operations. In 2002, Sheila was appointed Vice President and Director of Operations. In 2011, Sheila began to also oversee Peoples Tax, Inc sister company, The Income Tax School as Director.

Sheila manages a team of curriculum writers, editors and administrators responsible for updating and writing income tax school manuals. Sheila also supervises the continuous development of the online tax school, product enhancements, learning management systems, content development, and maintenance of student records, continuing education reporting and ITS licensure. In addition, Sheila has written many of the courses herself using the unique ability to write accurate technical tax content that is readily understandable by tax practitioners.

The Income Tax School Advisory Board

Roger K. Burgess spent almost 35 years in the field of taxation after graduating with a BS in Business Administration from State University of New York at Buffalo. This experience includes 28 years with the Internal Revenue Service and 6+ years with Teradata, a division of NCR. Mr. Burgess began his career at IRS as Tax Auditor in the Examination (Audit) activity and rose through the ranks becoming a Senior Executive in 1988. As an IRS Executive, positions held included serving three years on the immediate staff of the IRS Commissioner; two years as a Deputy Assistant Commissioner with responsibility for agency wide Strategic Planning, Organizational Assessment, and Compliance Research; and four years as District Director with full responsibility for IRS operations in the states of Virginia and West Virginia. Since joining Teradata he has worked as a Senior Consultant for state tax projects in Texas, Iowa, Arizona, Missouri, and New Jersey blending his tax expertise with the capability of Data warehousing to develop innovative approaches resulting in improved compliance, increased tax revenues (\$700 Million), and outstanding customer service. During his IRS career, Roger was recipient of many awards, including the Exceptional Senior Executive Service Performance Award received annually from 1990 until retirement, the Chief Financial Officer Award in 1992, and the Commissioners Award (the Highest Award Bestowed by an IRS Commissioner) April 18, 1996 (Margaret M Richardson) and June, 2000 (Charles O Rossotti).

Thomas B. Cooke, JD, LL.M., MLT (Master of Laws in Taxation), is Distinguished Teaching Professor at the McDonough School of Business of Georgetown University where he teaches courses in Federal Income Taxation, the Legal Environment of Business and Global Business Experience in Vietnam. He received his B.A. from Villanova University and his J.D., LL.M. and M.L.T. from Georgetown University Law School. Professor Cooke has been recognized by the Internal Revenue Service for his service to the tax professional community. For several years, Professor Cooke lectured at each of six annual IRS's Nationwide Tax Forums held in major cities throughout the US. The Nationwide Tax Forums are offered to CPAs, Enrolled Agents, Attorneys and tax return preparers. During the 2005 program, Professor Cooke's presentations focused on the subjects of Ethics-Professional Responsibility and the Tax Code Provisions Affecting Higher Education. The 2005 attendees (12,000 +) awarded Professor Cooke with an overall rating of 94.9%. Professor Cooke is former Executive Director of the National Society of Tax Professionals (NSTP) www.nstp.org, Editor of The Federal Tax Alert distributed to some 7,000 NSTP members and Lecturer in the NSTP Annual Fall Tax Update Seminars held in some 25 cities.

Steven R. Isaac, M.S., is CEO of educationdynamics.com, which is comprised of the following four industry leaders: eLearners.com (www.elearners.com), Educational Directories Unlimited (www.edudirectories.com), GoalQuest (www.goalquest.com) and WorldClass Strategy (www.worldclassstrategy.com); Managing Director of The Interactive Marketing Institute of Virginia Commonwealth

University; Prior experience includes: EVP DIMAC Marketing Partners and CEO of DMW Worldwide, DIMAC's direct marketing agency and also directed the activities of the agency's offices in Boston, New York, Philadelphia and St. Louis; EVP, Cadmus Communications Corporation of Richmond, VA where he was responsible for ten business units forming the Marketing and Communications Sector and generating \$212 million in annual sales; EVP & COO, The Martin Agency, a unit of the Interpublic Group, was then \$350 million in billings and employed 499 people, Simultaneously, Steve served as COO of Martin Direct, formerly the Stenrich Group of New York City, of which Steve was founder and CEO.

Catherine A. Mueller, EA, Advanced Curriculum Developer and Editor, graduated from Virginia Commonwealth University with a B.S. Degree in Accounting (including Advanced Corporate Taxation) and a minor in Business Administration. She has been licensed as an Enrolled Agent to practice before all administrative levels of the IRS and also completed a graduate course in Taxpayer Representation.

Cathy worked for 15 years for U-Tote'M of Virginia, Inc., where she advanced from Accounting Clerk to General Manager and President, until the company was sold in 1992. Previously she had held various accounting jobs, and she was also self-employed providing Accounting, Tax and Business Consulting services for small businesses. Cathy retired from Peoples Income Tax on a full-time basis but has recently returned as Director of Operations for Peoples Income Tax.

James L. Narduzzi, M.A., Ph.D., is currently Dean and Professor in the School of Continuing Studies at the University of Richmond. From 1988 until 1994, he was Associate Academic Dean and Assistant Vice President at the University of Hartford and, prior to that, Director of the Washington Semester Program at The American University. Dr. Narduzzi currently serves on the editorial advisory committee of the Continuing Higher Education Review and as a Commissioner in the University Continuing Education Association (UCEA). He previously served on the UCEA Board of Directors, was chair of the 1999 UCEA Annual Conference and the 2002 UCEA Executive Assembly, and is the recipient of the 1998 Adelle F. Robertson Professional Continuing Educator Award. Locally, he serves as past-chair and board member of the Arts Council of Richmond, is a board member of the Greater Richmond Arts Fund, is a member of the leadership council of Success by Six, and is a past chair of the Metropolitan Richmond Heart Walk for the American Heart Association. He has written extensively about continuing education and international education and is the author of *Mental Health Among Elderly Native Americans*, written in 1994. Dr. Narduzzi holds a bachelor's degree in political science from Miami University in Ohio and an M.A. and Ph.D. in political science from The American University in Washington, D.C.

James J. L. Stegmaier, M.P.A., is Chesterfield County Administrator. Prior to being selected by the Chesterfield County Board of Supervisors in July 2007, he had served as Deputy County Administrator for Management Services since 1997, and was previously director of the county's Budget and Management Department

from 1986 until that time. He earned his baccalaureate degree from the Catholic University of America in 1976 with scholarships in Engineering and Psychology. He holds a master's degree in Public Administration from the University of Virginia with a Public Service Education Program fellowship. He also attended the Government Finance Officers Association Executive Finance Institute at Georgetown University; Leadership Metro Richmond; and the Senior Executive Institute at the University of Virginia. Stegmaier is a Credentialed Manager with the International City/County Management Association and is a member of the American Society for Public Administration, among other professional affiliations. Mr. Stegmaier also serves on the St. Francis Medical Center Advisory Board and on the advisory board of the Consolidated Bank and Trust, the historic bank founded by Maggie Walker, and on the boards of the Metro Richmond Convention and Visitors Bureau, the Riverside Regional Jail Authority and the Virginia Local Government Managers Association.

Lisa Zajur is Director and owner of the Spanish Academy & Cultural Institute and has been in the education field for 30 years holding a degree in education specializing in communications and curriculum design. Lisa developed the Awaken the Spanish Within® Language and Cultural Training programs and Voice Tonality™ technology system of learning (patent pending) Giraffe Leadership for Girls (ages 11-15). Clients include Bank of America, SuperValu Foods, Philip Morris, Owens & Minor, Better Business Bureau, Capital One, Bon Secours Hospitals, Law Enforcement, State Departments of Health, Juvenile Justice, Emergency Management and School Systems. Lisa was recipient of the Rising Star Award in 2002 from the American Business Women's Association and the Community Legend Award from the EEOC Urban League in 2007. She serves on numerous boards including Bon Secours St. Francis Hospital, University of Richmond School of Continuing Studies Dean's Advisory Board, Urban League, Boys and Girls Clubs, World Wide Marriage Encounter, ChildHelp USA and Children's Museum of Richmond. Lisa is married to Michel Zajur, President and CEO of the Virginia Hispanic Chamber of Commerce and they have three children; Lisa and Michel are co-authors of the children's book, Pinata Story.

Credentials

Experience

The Income Tax School, Inc. was originally developed in 1989 to meet the tax training needs of Peoples Income Tax, Inc. Charles McCabe, President and CEO of Peoples Income Tax, knew from past experience that it's difficult to find qualified tax preparers. After working as Regional Director for a leading national firm for nearly 20 years, he knew training tax preparers in-house or "growing your own tax preparers" was the best solution.

Over the years the tax school materials have been refined and have been available for individuals and businesses since 1993 as a way to learn taxes and train qualified tax preparers. Why send your employees and prospects to the competition when you can train them?

In 2001, The Income Tax School launched its online tax school and now teaches tax education to students all over the country and beyond. Many of our students are beginners who are just learning taxes for the first time. However, we also have EAs and CPAs that take our courses for Continuing Professional Education.

Registered with the National Association of State Boards of Accountancy (NASBA) for CPE Credit for CPAs

The Income Tax School is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors. State boards of accountancy have final authority on the acceptance of individual courses for CPE credit. Complaints regarding sponsors may be addressed to the National Registry of CPE Sponsors, 150 Fourth Avenue North, Suite 700, Nashville, TN 37217-2417. Web site: www.nasba.org



NASBA's National Registry of CPE Sponsors recognizes sponsors who offer continuing professional education in accord with nationally recognized standards. Contact your state board where you hold your CPA license to determine the CPE requirements for you and if CPE offered by NASBA sponsors such as The Income Tax School will meet your state's requirements. Most states require continuing professional education to maintain active an CPA license.

NOTE: Using The Income Tax School system does not, in itself, qualify licensees to award CPE credit. Licensees can apply individually to the Registry using our instructional materials. Call 1-800-984-1040 for complete details. ID Number: 103388

Certified to Operate in Virginia by the State Council of Higher Education for Virginia (SCHEV)

The Income Tax School, Inc. is certified to operate a proprietary career school in Virginia by the State Council of Higher Education for Virginia (SCHEV). *Certificate to operate a proprietary school does not extend to other companies who use the The Income Tax School system; each firm must apply for its own license, if required by its state and/or local jurisdiction.*



Approved by the California Tax Education Council (CTEC)

The Income Tax School is approved to offer qualifying and continuing tax education for both distance and interactive learning methods by CTEC for California licensed tax preparers. Tax school licensees can apply for CTEC approval using our instructional materials. Call 1-800-984-1040 for complete details..



Approved by the Oregon State Board of Tax Practitioners (OTPB)

The Income Tax School is approved to offer qualifying and continuing tax education for online learning methods by the Oregon Board of Tax Practitioners.



Approved by the Internal Revenue Service (IRS) Office of Professional Responsibility(OPR)

The Income Tax School is approved by the Office of Professional Responsibility at the Internal Revenue Service as provider of



qualifying continuing education for Enrolled Agents (EAs). This approval does not extend to licensees of The Income Tax School. The IRS was also approved for IRS Registered Tax Return Preparers (RTRPs); however, that designation is not offered by the IRS at this time.

College Credit Available through the University of Phoenix

As a degree candidate at the University of Phoenix, you can earn credit for courses completed through The Income Tax School.



Articles

Review Package

12 Advantages of a Career as a Tax Pro

By Charles E. McCabe

Revised May 13, 2013

A career in tax preparation has always been rewarding. Recent changes and trends in the tax preparation industry driven by technology, legislation and demographics will make the outlook for tax professionals even more attractive. Below are 12 reasons why tax preparation may be more rewarding for you.

1. Savings on Your Own Taxes

How much money do you pay in income taxes each year? For most middle-income taxpayers, somewhere between 1/4 and 1/3 of earnings are paid out in federal and state income taxes. This adds up to a great deal of money over one's lifetime. Tax knowledge will enable you to minimize your income tax liability and potentially save thousands of dollars over your lifetime. You will also save on tax preparation fees!

2. High Income Potential

Experienced tax preparers may earn \$25 per hour or more and self-employed tax professionals can earn more than \$100 per hour. During the 3-month tax season (mid-January to mid-April) it is possible for a self-employed tax preparer to earn \$50,000 or more. Year-round income opportunities also exist for tax preparers who provide taxpayer representation or related services such as small business bookkeeping, payroll and financial planning.

3. Fast Track to a Professional Career

Most people think of tax preparation as requiring expertise in accounting and high-level math. The reality is that tax is law not accounting. Becoming a tax professional requires no previous accounting experience and only basic arithmetic skills. A college degree is not a requirement. The most important attributes for success as a tax preparer are the ability to read and comprehend the tax laws and excellent people skills. You can become a tax preparer in 10-weeks or less by completing The Income Tax School's 60-hour Comprehensive Income Tax Course and meeting the IRS requirements. The Tax Pro package helps you to meet all of the IRS Preparer Regulations at no extra cost.

4. Career Stability

Ben Franklin said "... in this world nothing can be said to be certain, except death and taxes." Even when legislation is passed to simplify the tax code, tax law changes cause confusion among taxpayers and, invariably, new tax law changes are enacted to manipulate the economy or meet some social need. There will always be a need for tax professionals, especially to help individual and small business taxpayers who have more complex tax returns or who simply do not have the time, aptitude or interest in preparing their own returns; or who simply want peace-of-mind in knowing their tax professional stands behind their taxes and is available when needed to help them deal with the IRS.

5. Personal Satisfaction

Tax preparation may seem to an outsider to be a boring occupation. In reality, helping people deal with their taxes is very rewarding and gratifying. As a tax professional you are a highly trusted confidante to your clients. They trust you with their most confidential financial and personal information. You are able to make the dreaded task of tax preparation a pleasant experience by educating them in the tax laws and simplifying the task. You ensure that your clients' tax liabilities are minimized and their tax refunds are maximized. You establish very personal relationships with your clients who look forward to seeing you each year.

6. High Demand for Tax Professionals

Effective January 1, 2012, the IRS implemented nationwide regulation of tax preparers, but the regulations were suspended due to a court order. However, IRS is appealing and expects the regulations to be reinstated. The regulations would enhance the image of the tax preparation industry and lend credibility to those who meet the IRS standards. The new requirements would weed out many unqualified tax preparers, which would result in more tax preparation business for legitimate tax professionals. In addition, many elderly tax preparers are expected to retire soon. The Income Tax School's Tax Pro Career or Business Package will provide the educational foundation necessary to become a competent tax preparer and also to meet all the IRS preparer requirements if reinstated.

7. Professional Status

After completing the Comprehensive Income Tax Course, you will receive a certificate to frame and mount on the wall of your tax office. You may also consider enrolling in The Income Tax School Chartered Tax Professional certificate program to earn the professional CTP® designation. After earning the CTP® certification and gaining more tax experience you should have the knowledge necessary to take an Enrolled Agent (EA) review course, sit for the EA exam and also become an EA. The IRS EA designation is the most significant professional credential in the tax preparation industry.

8. Flexibility

Tax preparers may enjoy flexible hours since most tax preparation offices are open evenings and weekends. These hours enable moonlighting professionals to earn extra income during tax season. Tax preparation is also ideal for stay-at-home parents with young children who need to be home during the summer when the kids are out of school. Early retirees also enjoy the flexibility of being able to travel and spend time with their grandchildren during the off-season. People who work in retail during the holiday season can then work during tax season after their retail job ends. Self-employed professionals such as real estate agents and financial planners can add tax preparation to their practices and also cross-market their services to clients.

9. Portability

There is a need for tax preparers wherever there are U.S. taxpayers. Military spouses can prepare taxes at military bases anywhere in the World. Clients will typically continue to ask their tax preparers to do their returns remotely if they or their tax preparer relocates. Remote tax preparation is very easy using phone and e-mail. Real-time interviews can also be conducted by web-cam, with which most computers are now equipped.

10. Stopgap for Unemployment

If you are unemployed, tax preparation can be an ideal stopgap to earn income while you are seeking new employment and, if desired, can be continued part-time even after landing a new full-time job. A tax preparer who is also employed full-time enjoys the peace-of-mind in knowing that tax preparation can become a full-time job to fall back on should he or she be laid off from a regular job.

11. Complementary to Other Professions

Income tax crosses many professions. Nearly every financial transaction has a tax consequence. Tax knowledge can be a valuable asset to real estate, banking, insurance and financial planning professionals, among others.

12. Recession Resistant

All taxpayers must file taxes every year regardless of current economic conditions. Most people who use tax preparers do so because they lack the ability to prepare their own returns. In a bad economy, minimizing one's tax liability is especially important.

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About the Author

Charles E. ("Chuck") McCabe, a 40+ year veteran tax industry executive, has managed hundreds of tax offices. Chuck earned his B.S. in management from Adelphi University and Executive M.B.A. from Pace University. He is a national speaker, teacher and author on small business and tax practice management. Chuck is founder & CEO of Peoples Income Tax, Inc. and The Income Tax School, Inc. For additional information contact Chuck at cmccabe@TheIncomeTaxSchool.com, or 800.984.1040, or visit www.TheIncomeTaxSchool.com.

GUIDE TO RECRUIT & TRAIN TAX PREPARERS



Charles E. McCabe
President & CEO

RECRUITING AND TRAINING TAX PREPARERS

When I began my career in the tax business over 40 years ago, getting good tax preparers was not very difficult. My employer, H & R Block, Inc., had developed their income tax school a few years earlier as an ingenious method of recruiting and training tax preparers to support their rapid expansion. As a district manager and later a regional director, I was able to find plenty of good people who were willing to pay to take the Basic Income Tax Course with no guarantee of employment. We could observe the students in class for several months and determine which graduates we would hire based on grades, participation, attitude, attendance, punctuality and other qualities demonstrated in the classroom. We rarely had trouble staffing our seasonal offices with intelligent, competent, friendly people whom we had taught to prepare tax returns. Today, virtually all national tax firms and many regional and local tax firms offer income tax classes to recruit and train tax preparers. Obviously, operating an income tax school has become recognized as a “best practice” for growing mass market tax preparation firms. Although the income tax school may still be the best way to recruit and train seasonal tax preparers, the environment is much different today.

Today's Personnel Challenge

In recent years, finding and keeping good employees has been a major challenge for most businesses, and tax preparation firms were no exception. Low unemployment rates created stiff competition for employees and drove wages higher. Fundamental demographic and economic trends reduced the available pool of prospective employees, especially for tax firms. Stay-at-home parents and early retirees had always been prime candidates for employment during tax season. But increases in two-wage-earner households and full-time post-retirement careers have caused these pools to shrink. Employees are working longer hours and being paid more. With less spare time and more money, part-time jobs are not as appealing to many workers. At the same time, more tax firms have been operating income tax schools and competing for fewer prospective students. Fortunately for tax firms and many other employers, the recent economic downturn is resulting in lay-offs that will free-up workers. Without an adequate staff of qualified trained tax preparers, a tax firm cannot grow.

Even with more people looking for jobs, it is not likely that many experienced tax preparers with availability for the three month tax season will be answering help wanted ads. Many people who respond to help wanted ads believe they know taxes because they've prepared their own returns and, perhaps, those of some friends and relatives. But unless they've recently prepared a volume of tax returns for the general public, their tax knowledge may be dated and limited. Temporary employment agencies tend to provide the same level of inadequacy. Good tax preparers are loyal to their clients and, due to employment contract non-compete provisions, they usually can't bring their clients with them. Hiring an experienced local tax preparer that has left his clientele behind often results in acquiring someone else's problem. At the very least, the employee may have to unlearn some bad habits. Occasionally we've been lucky and picked up a good experienced tax preparer, usually someone who has just moved into

town. Finding good people who are interested in tax preparation and teaching them taxes is still the best way we've found to staff our growing tax business.

Identifying the Best Tax Preparer Prospects

The best prospective tax preparers are not necessarily accountants. Accountants and other financially oriented professionals tend to be more numbers-oriented than people-oriented. Taxation is not accounting; it is law. Preparing tax returns is a very personal process that requires someone with strong people-skills to satisfy their clients. To the client, the interview *experience* can be just as important, if not more so, than the tax preparer's knowledge. That's why I named my company Peoples Income Tax. Amazingly, the trademark search firm I hired when I founded the Company in 1987 could not find another income tax firm named Peoples anywhere in the United States! We look for individuals with strong people-skills and we teach them taxes.

Clients don't like to see new faces every year. Most clients want to establish a relationship with a tax preparer that will be available year-after-year. Ideally, the tax preparer will also be available to handle any tax problems and questions during the off-season. Continuity of tax preparer may be less important to low-income clients who seek fast refunds and are primarily concerned with convenience, cost and speed. However, relationships are important to everyone. Also keep in mind the high cost of training and developing a new tax preparer. High employee retention is difficult to attain when you can offer only seasonal employment.

The best long-term tax preparer prospects are people whose personal needs can be met through seasonal careers, such as:

- (1) Homemakers with young children in school
- (2) Early retirees who like to travel or spend time with their grandchildren during the summer
- (3) Financial services professionals who can make their own hours and benefit by meeting prospective clients
- (4) People with complementary seasonal occupations
- (5) Moonlighting professionals who want to earn extra money
- (6) College seniors and graduate students who need business experience, and
- (7) Blue-collar workers who want to break into a new white-collar profession

Look for people who see tax preparation as a rewarding career because they like to help others, and avoid hiring someone whose primary motivation is money. You want people who are likely to stay with you for years. Hiring someone who is "between jobs" may provide a quick fix to a personnel shortage. However, unless you can reasonably expect the person to return next tax season as a part-time tax preparer (after finding a year-round job) this will usually prove to be a poor hiring decision. Such dilemmas can be prevented through proper planning and preparation during the off-season. The best strategy is to find good people with the desired qualities and interest and teach them to be tax preparers. This can be accomplished by operating your own income tax school,

or by arranging for your candidates to complete an income tax course offered elsewhere (either in-class or by correspondence).

Sources of Good Tax Preparer Prospects

- (1) **Help wanted advertising** usually comes to mind first. Classified help wanted ads are inexpensive and can be effective. The major local newspaper, as well as local printed employment guides and Internet job listing sites should be considered. If your city has a daily newspaper, advertise only on Sunday (or Saturday if the newspaper is published only six days a week). Remember that your candidates don't know they want to be tax preparers or students. You are offering a rewarding seasonal career, with flexible hours and pleasant working conditions, using computers and interacting with people. You are not seeking accountants, although some accountants may be interested and, if they have good people skills, qualified. Remember that many people who read help wanted ads are looking for a job now (especially students), and may not have the patience to take a tax course in the fall to qualify for a job starting in January. Some good sites to look into are Indeed.com, SnagaJob.com, and Craigslist.org.

- (2) **Temporary Employment Agencies** may seem like viable a solution to the need for temporary help, but the reality is they usually can't meet the needs of tax preparation firms. Most accounting and finance professionals registered with temporary employment agencies are not experienced in preparing individual tax returns for the general public and would need to complete a tax course to become qualified. Occasionally temp agencies have former employees of Block or other mass-market tax preparations firms. However, as previously noted, unless the tax preparer recently moved into town, you may be picking up someone else's problem, for a higher hourly rate! In a competitive market, you might find a temp agency that is willing to recruit and screen prospects to attend your tax school without compensation as a requisite for being placed with you after graduation. But you should be able to find tax school candidates without their help. Also remember that employing a temp is like hiring someone who is "between jobs" and your clients don't like to see different faces each year. Although the higher hourly rate of a temp includes payroll taxes and benefits, and the agency handles the screening and hiring, you are still paying the extra cost of the agency's profit.

Using a temp agency could be more effective for fast refund offices. As a source of professional tax preparers, I think an agency should be your last resort.

- (3) **Employee Outplacement Services** provide assistance to employees who have lost their jobs due to restructuring and downsizing. Some services are private businesses to which employers refer their displaced employees, and often pay the fee to ease the transition. Some larger employers provide in-house outplacement services. In addition, many communities have outplacement services provided by nonprofit organizations. Your state unemployment agency

might also make their clients aware of job opportunities you offer. Often displaced employees are nearing retirement and could make good long-term seasonal tax preparers. All such services should be contacted and made aware of your seasonal employment opportunities.

- (4) **Women and Senior Support Groups** often provide career services for their members. Listings for such groups might be found in your local Yellow Pages directory under headings such as “Associations,” “Senior Citizens Service Organizations” and “Women’s Services & Organizations.” Your local Chamber of Commerce might also be able to provide a directory of social service organizations for you to contact.
- (5) **The Military** is a source of prime candidates for second careers in tax preparation. If there is a military base in or near your community, you should contact the career services officer. Some of our best long-term office managers are retired military officers.
- (6) **Colleges and Career Schools** should also be contacted. Establish relationships with business school faculty members who are in a position to refer their best students to you to obtain practical career experience. Make the school career services office aware of your job opportunities. Most private career schools need to demonstrate a high level of career placement to maintain their state license requirements and provide statistics for their literature.
- (7) **Your Clients** may be one of the best sources of prospective tax preparers. We’ve always promoted our income tax school to our clients by displaying posters and tax school brochures in our tax office reception areas. We ask our tax associates to make clients who they feel would be good as tax preparers aware of opportunities and encourage them to take our tax course. During the height of the personnel shortage, we sent letters to all prior clients making them aware of our income tax school and offering tuition scholarships for any client who wished to take the course. We required only that they pay for the cost of their books and materials. This letter produced more students and employees than all of our paid advertising. Who would be a more positive employee than a satisfied client of your tax firm?
- (8) **Employee Referrals** are always an excellent source of good new employees. Your employees should be encouraged to refer prospective employees to you. Many companies offer substantial financial rewards for referrals that result in new hires. One suggestion is to offer a finders fee equal to \$10 times the average hours worked per week during tax season by a referred employee who successfully completes the tax season. Our employees are also authorized to award full-tuition scholarships to people who they know would be qualified and willing to become employees upon successful completion of our Comprehensive Income Tax Course. Again, the scholarship student is required to pay the cost of

the books and materials. As long as there is room in the class for another student, this costs the company nothing.

Training Tax Preparers

Your tax preparers will be much more productive and less frustrated when the pressure is on if they receive proper training. Tax preparer training should include four elements:

- (1) Income tax school, where they learn how to correctly prepare Federal and local state income tax returns and interview clients (We incorporate interview training into our tax school).
- (2) Pre-work training in your firm's policies and procedures, including customer service
- (3) Computer tax software workshop training, with computers available to students (1-3 students per computer), and
- (4) On-the-job training under the supervision of you, your office manager or a veteran tax preparer. Schedule on-the-job training early in the season before the office gets busy. Have new tax preparers prepare practice tax returns, by computer, using tax school problems, your tax software firm's tutorial and/or actual prior year file copies of tax returns.

How to Set Up a Tax School

To operate your own tax school, you will need the following:

- (1) A qualified instructor
- (2) A course curriculum
- (3) Instructional materials
- (4) A classroom, and
- (5) A plan to recruit students

(1) **The instructor** should be you or a veteran tax preparer of your firm who has good communication skills. Adults are much easier to teach than children. If you are a good manager and have solid tax knowledge and experience, you should be a good tax schoolteacher. If you charge tuition, your firm may need to be licensed as a private career school (check the laws in your state). Many tax school operators offer their courses tuition-free to avoid licensing, and they charge a fee for books and materials to cover their costs. If you are operating a licensed tax school, your instructors may have to meet education and/or experience requirements of the licensing agency. Be sure to research the laws governing private career schools in your state.

(2) **The Course Curriculum** is a critical element. Peoples' The Income Tax School Comprehensive Income Tax Course is comparable to the basic income tax preparation courses offered by H & R Block and Jackson Hewitt. The course consists of twenty 3-hour lessons, ideally taught over ten weeks (two morning or evening classes per week). The curriculum covers Form 1040 and all related schedules and statements. More complex subjects, such as sale of property and self-employment are not covered in-depth in the Basic course. A 10 lesson

short-course version is also offered by Peoples to train tax preparers who will be limited to preparing basic income tax returns or processing Refund Anticipation Loans. The short course covers the basics of Form 1040 including Schedules A & B and Form 2441, as well as Form 1040A, 1040EZ, EITC, E-filing and IRS Due Diligence. Corresponding local state and locality income tax preparation should be taught along with the Federal. Peoples' curriculum also includes taxpayer interviewing techniques. Subjects should be presented in a logical sequence, beginning with the basics and gradually progressing to more complex tax return situations. The course curriculum should also include in-class exercises and quizzes, homework problems and reading assignments, plus mid-term final exams. Students should not be permitted to use computer tax preparation software to do their tax course problems. Graduates can be taught how to use your tax preparation software before they are scheduled to prepare tax returns. Tax preparers should be encouraged or required to complete advanced continuing professional education (CPE) annually after completing the basic course and working as tax preparers. Peoples Income Tax offers advanced courses for in-house instruction.

- (3) **Instructional materials** can be developed in-house or purchased. Students should have access to reference books. A comprehensive reference such as the Commerce Clearing House (CCH) *U.S. Master Tax Guide* can be used as a text. However, for a basic tax course, IRS Publication 17, *Your Federal Income Tax* is the best reference book. The student course text should include a syllabus (course outline), student survey and evaluation forms, a lesson-by-lesson summary of the subjects emphasizing key points, special advice and interview tips for tax preparers, examples, illustrations, tables and charts, in-class quizzes, homework problems, reading assignments, and a glossary of tax terms. Students will also need an ample supply of blank tax forms to work out all of the problems in the course. Another critical element is the Instructor's Manual, which should include lesson plans with examples to use in class, key points to emphasize, role playing exercises (to teach interview techniques), and student attendance and achievement forms. The Instructor's Manual should also have answers to all student text quizzes, problems, homework assignments and mid-term & final exams, plus grading criteria. It is highly recommended that before each lesson the instructor read the reading assignments and do the problems assigned to the students to properly prepare to teach the lesson. The instructor should also be provided with a chalk or white board with supplies, plus an overhead projector and transparencies of all tax forms to be covered in the course. As an alternative to the overhead projector and transparencies, an LCD projector can be used to show completed tax returns and forms prepared by computer. A white wall or a large window shade can be used as a projection surface. The Income Tax School materials include a tax school Operator's Manual, Instructor's Manual, Student Manuals, tax forms, and reference text CDs. Transparencies and marketing materials are optional.

- (4) **The Classroom** does not have to be fancy, but it should be functional, comfortable and clean. A large open room is ideal. A conference room can also be used. Folding tables should be provided for students to open their books in front of them. Three students can fit at a 30" x 72" table and two can fit at a 24" x 48" table. If you have a large group, the 24" x 48" tables take up less space and are easier to arrange. Tables can be configured in rows, a U-shape, or like a conference table. Folding tables are inexpensive and can be purchased from suppliers such as OfficeMax, Staples, Home Depot, Costco and Sam's Club. Most tax offices have enough chairs, but additional inexpensive stacking chairs can be purchased if needed. Furniture can also be rented or borrowed. If your office is not large enough, you will need to find an outside classroom. A hotel meeting room is an option, but, unless you can work out a special deal for multiple 3-hour sessions, a hotel may be cost-prohibitive. A better alternative may be to reserve a room, for minimum or no cost, in your local community center, chamber of commerce, YMCA, Knights of Columbus, library, school or church. If this fails, you might be able to use the conference room of another business, or a vacant office or store.
- (5) **Your plan to recruit students** would include the suggestions made earlier in this article. The Income Tax School package includes optional marketing materials (prospective student brochures, window banners, posters, sample ads, and inquiry & follow-up forms). A successful student recruitment campaign involves a multitude of activities. The key strategy is to think about organizations and places where you will find the ideal type of people you want as long-term employees. Then you should determine how to reach them with information about your opportunity, and how to entice them to consider enrolling in your tax course.

Alternatives to Operating Your Own Income Tax School

If you lack the resources or time to operate your own income tax school, or if you need only one or two employees, there are other options. Many tax firms send their employees to tax courses operated by national or local competitors. Students sponsored by competing tax firms often enroll in our basic and advanced tax classes. We don't mind as long as they pay full tuition and don't try to recruit our other students. Some colleges offer practical courses in income tax preparation, but most college tax courses focus more on theory than application, and they rarely cover state income tax preparation. Yet the foundation provided by a college tax course can reduce the amount of additional training needed. We have seen two or more local tax firms pool their resources to jointly offer a tax course. One firm might provide the teacher, while the other provides the classroom. Both firms can share in the cost of advertising, promotion and instructional materials. This strategy will work best if the firms are not competing head-to-head for clients in the same local market.

Distance learning is another option. Employees can complete a home-study tax course, although independent learning requires greater self-discipline and many home-study

students do not finish. However, with encouragement and support from you as the employer, the success rate should be much greater. Each year, The Income Tax School enrolls a number of online students nationwide through its Comprehensive and other tax courses that are available via the Internet. Visit The Income Tax School website at www.TheIncomeTaxSchool.com for more information.

Apprenticeships represent another option. You and/or another veteran tax preparer could work with a college student or receptionist to teach the understudy taxes on the job. This may be a slow process, and it requires patience; but the result could be a highly qualified, loyal tax preparer that has learned tax preparation the right way!

Guerilla Tactics

Suppose tax season is just around the corner and you realize that you will not have enough tax preparers to staff your office. Maybe a key tax preparer decided not to return; or worse, you've learned that he is going into competition with you and will likely solicit your clients whom she served last year. If you'd properly planned and prepared, you wouldn't be in this situation. You should have had your tax preparers sign employment agreements including a legally enforceable non-solicitation provision. But if you are in such a predicament, what can you do?

It's time to use guerilla tactics. Fortunately, some qualified tax preparers seem to "come out of the woodwork" during December and January. You should run prominent help wanted ads for *experienced* tax preparers (refer to the previous section on help wanted advertising). If ads are grouped by job title, run separate ads under both "Accountants" and "Tax Preparers." Advertise continuously through mid-January. Obtain a mailing list from a list broker or tax industry supplier of tax practitioners within commuting distance of your office(s) and send out a job opening notice on your letterhead, assuring complete confidentiality for respondents. Contact reputable temp agencies that place accounting and financial professionals for experienced tax preparers. Be very specific as to the tax preparation experience you require. Screen prospects by phone and schedule qualified candidates to take a tax test in your office (our tax school Operator's Manual includes a test of basic tax knowledge). Most applicants who come to us from help wanted advertisements fail our tax test and realize that they need to take an income tax course to become qualified. If you need several tax preparers, consider conducting a free accelerated income tax course for job applicants, including daily lessons over a two or three week period. Schedule the successful graduates for additional training in your computer software and company policies and procedures. If your practice includes fast refund returns (Refund Anticipation Loans, Electronic Refund Checks, etc.), you could conduct a "Short Tax Course" to train people to prepare only those basic returns and, thereby, free-up your senior preparers to handle only the more complex returns.

You should also take measures to maximize the productivity of your existing tax preparers by providing them with adequate tools to do the job, including tax office assistants to greet clients, schedule appointments, answer telephones, pull files,

conduct pre-interviews and process and transmit tax returns. Ask experienced tax preparers to work extra hours. If you have part-timers who are employed full-time elsewhere, they may be willing to take vacation time from their regular jobs during peak periods. If you serve walk-ins, call your prior clients to schedule appointments and spread out your work load. Ask your priors to come in during slower days and times. Take drop-off returns and complete them after hours. Extend your office hours. In short, do whatever it takes to serve your clients and keep from losing business. After you get through the tax season, begin planning early so you will not be in this situation again next year!

Conclusion

Finding and keeping good tax preparers is essential to building and growing a quality tax service. Qualified seasonal tax preparers are scarce and competition for experienced tax preparers is stiff. Experienced tax professionals command a high price and may not become your best long-term employees. Retention of tax preparers is essential to maintain client relationships and contain recruiting and training costs. A proven “best practice” is to operate an income tax school to recruit and train entry-level tax preparers and provide continuing professional education for experienced tax preparers. There are alternatives to operating your own income tax school, but “growing your own” tax preparers is the best way to ensure an adequate staff of competent, people-oriented tax preparers who will continue year-after-year to serve your valued clients. Support is available from Peoples Income Tax, Inc., and other sources.

Hiring Seasonal Tax Preparers

In the tax business, as with any other service business, people represent the greatest expense and the greatest source of frustration, as well as the greatest opportunity for business success. Our employees deliver the services for which we are paid and they represent our business. Making bad hiring decisions can be very costly. The following are key considerations that are unique to or especially important in the income tax preparation business when hiring tax preparers:

People Skills

Years ago when I relocated from Baltimore to become director for the New York City region of a national tax firm, I was faced with a major problem. The client retention rate for the New York City Region was 65%, compared to 80% for the mid-Atlantic region I had just left, and 75% average for the U.S. This meant that 35% of last year's clients would have to be replaced with new clients before the region could show any growth. To determine the root of this problem, I instructed my district managers to calculate the client retention rate for each individual tax preparer who worked in the 200+ offices of the region. The results were alarming! Many of the tax preparers who looked like superstars on paper had client retention rates of 65% or lower. I refer to these preparers as "tax technicians." They took pride in preparing accurate tax returns. They were reliable, they did their daily reports and their share of checking, and they got the money in the bank. Everything looked great, except they were not pleasing their clients. Why? Their primary motivation was to make as much as possible in commissions, and they lacked people skills. I've observed such tax technicians while visiting tax offices and sitting in the "waiting area" (which we prefer to call the reception area). They were oblivious to my presence, or to the clients entering the office, or any who walked out due to the frustration of not being acknowledged and having to wait too long. They didn't care, as long as there were still enough clients to keep them busy making money. They were often arrogant, aloof, or even bigoted. Even though many of the clients were not highly educated, they were not stupid. They knew when they were not being treated with respect. Why would they want to come back next year?

So, the first lesson in hiring tax preparers is to hire individuals with good people skills. I would argue that people skills are more important than tax knowledge, because you can teach tax knowledge. What happens when one of your clients gets a letter from the IRS resulting from an error made by your seasonal tax preparer? If the preparer was a tax technician, your client will probably never return. But if the preparer made the client feel good about the interview experience and demonstrated genuine care and concern for the client's welfare, the client will most likely be back, as long as you resolve the problem.

Tax Knowledge

Obviously your seasonal tax preparers need tax knowledge, both Federal and, at least, local state. They don't need to know everything about all the tax laws; nobody does. However, they do need an awareness of all of the tax laws pertaining to the types of

returns they will prepare. And they must know how to research the tax laws to be able to reach the correct conclusions to tax situations they encounter in areas of the tax law in which they are not well versed. In addition, tax preparers need strong interviewing skills.

Many people who respond to help wanted ads for experienced tax preparers believe they know taxes because they've prepared their own returns and, perhaps, those of some friends and relatives. But unless they've recently prepared a volume of tax returns for the general public, their tax knowledge may be limited or dated. The solution my company has developed for this problem is to require each new tax preparer job applicant to take our "Test of Basic Tax Knowledge," which is provided at the end of this guide (Exhibit A) to assist you in the hiring process.

Availability

Another important consideration is the availability of part-time employees. Tax preparers will be needed to work evenings and weekends, as well as extra hours during peak periods, to accommodate as many clients as possible during the short tax filing season. Part-time (evening and weekend) preparers should be willing to work at least 16 hours per week over at least three non-consecutive days, plus extra hours during peak times. Generally you will need at least two part-timers for every full-time tax preparer. Be sure to hire more people than you will need. Invariably, someone will come down with the flu, have a personal conflict, or quit, right when you need their help the most.

Conflicts of Interest

Always ask tax preparer job applicants if they personally prepare tax returns for pay. A tax preparer, who works for you, while also preparing returns on the side, constitutes a potentially serious conflict of interest. We require all tax preparers (including full-time, year-round employees) to sign an employment agreement which includes non-compete, confidentiality and non-solicitation provisions. Contrary to popular belief, non-compete provisions can be enforced in most states, provided that they are deemed by the court to be "reasonable." To meet the test of reasonableness, the provision must not: (1) unreasonably restrict the employee from pursuing his or her livelihood as a tax professional, (2) impose restrictions within an unreasonably large geographic area, or (3) impose restrictions for an unreasonably long period of time. In drafting a non-compete provision, you should consult with a local attorney with expertise in the labor laws and courts in your state and locality. Confidentiality and non-solicitation provisions can be even more important than non-compete provisions, because they are usually more enforceable and are just as effective in preventing former employees from stealing your customers. Remember that even taking a list of clients and their contact information out of your office is a violation of a confidentiality agreement (as well as IRS Section 7216 privacy regulations). If we want to hire someone who prepares tax returns for a relatively few long-term loyal clients, we will ask the person to provide a list of those clients' names and social security numbers and prepare an addendum to the employment agreement excluding them from the restrictive provisions. Finally, be sure that each new-hire is both

legally and morally obligated to not take your clients if he or she decides to leave or is fired. Most people have good intentions when entering into an employment agreement, but employees sometimes become disgruntled and leave. Employees who sign employment agreements without understanding fully the provisions, by which they are legally bound, may feel morally justified to not honor their contracts. Avoid being in the position of having to take legal action by explaining, in detail, all employment contract provisions and confirming that every tax preparer you hire understands and agrees to your terms and conditions.

Taking On Your Competitors' Problems

Good tax preparers are loyal to their clients and, due to restrictive employment contract provisions; they usually can't bring their clients with them. Starting over with a new employer usually means taking a cut in pay as well. Hiring an experienced local tax preparer who has left his or her clients behind often results in acquiring someone else's problem. At the very least, the employee may have to unlearn some bad habits. Occasionally we've been lucky and picked up a good experienced tax preparer, usually someone who has just moved into town.

Finding Good Tax Preparers

Sources of good tax preparer prospects include organizations that serve the kind of people who you are seeking, such as women and senior support groups, the military, employee outplacement services, colleges, universities and career schools. Help wanted advertising might produce a few experienced tax preparers who tend to "come out of the woodwork" in late December and early January each year. Most of the applicants from help wanted advertising will fail the Test of Basic Tax Knowledge. However, they usually have some knowledge, as well as the aptitude and interest in becoming tax professionals; and they can often be trained. Temporary employment agencies will produce about the same results as your own help wanted ads, except that the hourly rate will include the extra cost of the agency's profit. Using a temp agency could be more effective for fast refund offices. Referrals by employees are an excellent source of good new employees. Encourage your employees to refer qualified prospective employees to you.

Your clients may be one of the best sources of prospective tax preparers. You've probably had clients come in from time-to-time with their taxes already correctly prepared. They may come to you simply to gain the peace-of-mind of knowing that you have checked and verified their calculations and that you will be available to help should they get a letter from the IRS. Who would be a better ambassador for your tax firm than a satisfied client who chose to come to you over all of your competitors?

Other Considerations

Many good sources of general advice in screening, interviewing, psychological testing and hiring employees to avoid costly mistakes can be obtained, often at little or no cost.

Search the Internet, visit your local library, and ask for advice from organizations such as your local Chamber of Commerce, Retail Merchants Association, Small Business Development Center, or Human Resources Professional Association.

Conclusion

You should hire only employees who are people-oriented and want to prepare tax returns not only to earn money, but because they like the challenge of tax preparation and want to help people. You can often teach taxes to someone with good people skills, but it is unlikely that you will succeed in teaching people skills to someone who doesn't care about others or who cannot relate to and have empathy for people from all socioeconomic backgrounds. Make sure the people that you hire have adequate tax knowledge to prepare tax returns for the general public. Avoid hiring tax preparers who have been rejected by your competitors. Let your rejects go to work for them instead! Also avoid potential conflicts of interest and be sure that every tax preparer understands, agrees to and signs an employment agreement including non-compete, non-solicitation and confidentiality provisions. Screen all applicants carefully to ensure that they have the skills, availability and qualities necessary to deliver quality client service and create real client value and satisfaction. This will help you to generate more referral business and attain a higher client retention rate. Focus on building a staff of tax preparers who are satisfied with a seasonal career, are not only motivated by money, and who will stay with you year after year.



Basic Partnership Information

Review Package

A Turn Key Solution for In-house Tax Training

If you're looking to grow your tax business, you're going to need *GREAT* people to be successful. If you've tried to hire a tax preparer off the street, you already know it's hard to find one that *really* knows as much as they say they do. And if they *do* happen to know as much as they say they do, you have to wonder...*why* are they available? *Why* are they leaving their clients behind? Many times there is some sort of baggage that you really don't want to get involved in. Occasionally you may get lucky, and find someone who has just relocated, or someone who truly has a special circumstance as to why they are available. This person really *does* have tax knowledge and they are a real asset to your business. Because this is not the norm, it's become a best practice in the tax preparation industry to train your own tax preparers in-house.

Benefits of Operating Your Own Tax School

- Teach online classes in your office or with students at home for more flexibility.
- Build off-season profits
- Develop qualified tax preparers
- Reduce recruitment costs
- Improve current staff's tax knowledge
- Enhance your tax knowledge
- Have job prospects pay you for training
- Enhance your public image
- Tailor your classes to meet your clients' needs
- Learn as much or more than those you are teaching
- Provide Continuing Professional Education for your Tax Preparers

Independent tax firms are growing their businesses nationwide by using the proven best practice of operating an income tax school in-house. The Income Tax School offers a complete package to train your own tax preparers in a live classroom setting with hard copy books or online through our learning management system.

The Income Tax School enables you to:

- Recruit and train qualified seasonal tax preparers
- Provide continuing education for experienced tax preparers

Growing your own qualified, seasonal tax preparers is the best way to ensure an adequate staff of competent, people-oriented preparers who continue to serve your valued clients year-after-year.

The Income Tax School gives you an edge in top quality tax preparation training to better serve your customers. With our tax preparer courses and expertise, you will have the ability to run your own tax school or let us train your staff for you so that you can tend to your business. The Income Tax School offers beginner and advanced income

tax training courses that are easy to understand yet comprehensive enough to make a difference.

An All-Inclusive, Easy-To-Use System – We provide everything you need...

- Tax practice materials license
- Operator's manual to help you run your school successfully
- Toll-free support for instructors
- Top quality training materials that are easy to teach
- Beginner and advanced tax preparer courses
- Marketing materials to promote your school available for purchase
- Instructor's manual with all your lesson plans and solutions
- Free instructor PowerPoint lesson presentation
- Answer keys on CD to use with overhead projector or PowerPoint
- Student textbooks available
- Student forms packets are available to complete all assignments
- IRS Publication 17 on CD for additional reading assignments
- Certificates for graduates provided free

Tax Preparer Testing and Continuing Education Requirements Suspended at this Time - Get the Latest Information Below.

Timeline:

During 2009, IRS Commissioner Doug Shulman conducted a 6-month background study on Tax Preparer Standards. Input was obtained from all segments of tax industry participants to develop “uniform and high ethical standards of conduct for tax preparers” as a way to increase tax compliance and reduce the “tax gap.”

The result of that study was the announcement by Commissioner Shulman on January 4, 2010 of the IRS plan to require “unenrolled” paid tax return preparers to register with the IRS and pass a basic test competency exam. The IRS announced that all paid tax return preparers must be attorneys, CPAs, EAs, or registered tax return preparers, unless they are supervised by such individuals or prepare returns not covered by the competency exam. Passing a basic competency exam, passing a brief background check, and obtaining a PTIN (preparer tax identification number) would be required in the near future to become a registered tax return preparer. Once you have a PTIN with the IRS, you would be subject to 15 hours of annual continuing education.

Beginning in 2012, the IRS began ramping up this new program as a competency test and continuing education were put into place. The Income Tax School offered both RTRP Tax Preparer Testing programs as well as Continuing Education courses that met the RTRP requirements.

On March 13, 2012, three tax preparers joined with the Institute for Justice in filing a lawsuit against the IRS in the U.S. District Court for the District of Columbia. The three are accusing the IRS, among other things, of lacking the authority to license tax preparers. The IRS lost the suit in early 2013, as the judge ruled that the IRS did not have the authority to regulate tax preparers.

Effective January 18, 2013, the IRS has suspended RTRP requirements. Tax return preparers covered by this program are **NOT** currently required to complete competency testing or secure continuing education.

Here are the official statements from the [IRS](#):

“On Friday, Jan. 18, 2013, the United States District Court for the District of Columbia enjoined the Internal Revenue Service from enforcing the regulatory requirements for registered tax return preparers. In accordance with this order, tax return preparers covered by this program are not required to complete competency testing or secure continuing education. The ruling does not affect the regulatory practice requirements for CPAs, attorneys, enrolled agents, enrolled retirement plan agents or enrolled actuaries.

On Friday, Feb. 1, the court modified its order to clarify that the order does not affect the requirement for all paid tax return preparers to obtain a preparer tax identification number (PTIN). Consistent with this modification, the IRS has reopened the [online PTIN system](#).

We remain confident in our legal authority and committed to protecting taxpayers through implementing reasonable standards in the tax preparation area. Our appeal of the district court opinion was filed on **Mar. 29, 2013.**”

Update May 16, 2013

“Fee amounts collected for scheduled registered tax return preparer test appointments canceled due to the court ordered injunction are being refunded. Additionally, fees collected from return preparers who tested on or after January 18, 2013, the date the test was enjoined, are also being refunded. No additional refund or reimbursement requests related to registered tax return preparer regulation are being provided or considered at this time. E-mail notifications will be provided to those receiving refunds to explain the process. No action is necessary to receive the refund. A credit for the test fee will automatically be made to the account used to pay the fee. It is anticipated that all refunds will be processed by July 19, 2013.”

The Income Tax School was an IRS approved provider of CE for the RTRP program which is now suspended indefinitely. Should this program be reinstated or another program be announced, The Income Tax School will be prepared to offer programs for those requirements.

For more information about this issue from the IRS, please visit www.irs.gov/taxpros

To hear what other Tax Business Owners feel about this issue and many more, check out the LinkedIn Group headed by our CEO, Chuck McCabe, [Tax Business Owners of America](#).

Become a Tax School Licensee

Benefits of Teaching in a Classroom Setting

- Observe candidates before hiring them
- Teach interview techniques through role-playing
- Student interaction enhances learning
- Develop a rapport with employee prospects

Benefits of Teaching Online

- Accessible from any computer with Internet Access
- No classroom teaching and equipment required
- Automatic grading on all homework, quizzes and exams
- Easy monitoring of students' progress
- Easy online access to useful resources (IRS website, forms, IRS Publication)
- Students can work at their own pace, 24/7
- Accommodates students unable to attend live classes

Hire Right the First Time: Try our [Applicant Screener Test](#)

We Can Also Train for You...

We know you're busy. Running your own tax business can require a lot of your time. That's why we are also available to train your staff for you through online instruction. The Income Tax School's instructors are highly qualified to teach and are trained through the same quality courses. Our instructors also prepare taxes for the general public to maintain their knowledge and skills. You can count on The Income Tax School for top quality income tax preparation training. Call 1.800.984.1040 for special group pricing.

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Marketing Materials

Banners And Posters

Decide which product(s) you are interested in.

- A. 18" x 24" inch customized indoor poster – \$16.50 each, plus shipping
- B. 3' x 4' foot customized indoor banner – \$60 each, plus shipping
- C. 2' x 6' foot customized outdoor vinyl banner – \$60 each, plus shipping

A



B



C



There are two ways to place your order:

1. Call Yolanda at Banner Express at (804) 285-7575 to place your order by phone
2. Order online at this link: http://banner-express.com/products_services/order.html

If you go to the link above, simply complete all of information on that page and submit it online.

FYI: Banner Express already has the artwork, so under “**Artwork provided**”, you can leave it as “**None**”.

In the “**Specific Project Information**” section at the link above:

- You should name the project: **The Income Tax School – Attention: Yolanda**
- You will need to specify which product(s) you want in the “**Additional Details**” section
- The options you can list here include: 2’x6’ vinyl banner, 3’x4’ vinyl banner, or 18”x24” poster. Please include how many you want of each item you list
- You will also need to include the phone number with the area code that you would like to print on the item(s).
- If you have any questions, please contact Terry Judge at tmjudge@theincometaxschool.com

Customized Flyers

For only \$12.95, we will create 50 customized full-color flyers like the one here with your company information including name, address, phone number, website and logo. [Learn more](#)

Tax Preparation...
a Flexible and Rewarding Career

SCL
SAMPLE COMPANY LOGO

1.800.555.1040
www.SampleTax.com

Recent economic changes make it more important than ever for taxpayers to claim all of the credits and deductions due them and pay no more than the exact amount of taxes they owe. As a result, **qualified tax preparers are in high demand.**

Sample Tax offers The Income Tax School curriculum, the national standard for tax preparation, that will enable you to quickly embark on a rewarding, flexible, and dependable career!

Benefits of Becoming a Tax Professional

- Recession-resistant career
- Seasonal and flexible schedule - PT or FT hours
- Enjoy a career serving the needs of your clients
- Emphasis on problem solving and interpersonal skills
- Reduce your own tax liability
- Income potential is unlimited

Get Started Today and Enjoy a New Career as a Tax Professional!

About the Course:
Our beginner tax course starts with the basics and assumes no prior tax knowledge. You don't need to know accounting or high level math. Simple arithmetic and an understanding of decimals and fractions will be necessary. The most important thing to have is **good people skills** because this is a people business. We'll teach you everything you need to know!

- Complete Course in Just Weeks
- Open Book Examination
- Certificate of Achievement Awarded
- Surprisingly low cost

Register Today to Ensure Your Place in the Class!
Call 1.800.555.1040

Money Back Guarantee

If, for any reason, you are not completely satisfied with The Income Tax School, you may return all materials for a full refund under these terms:

- Full refund (within 15 days) of the purchase price (plus any tax) for all materials returned in unused condition within fifteen (15) days from receipt of all course materials from The Income Tax School.
- Shipping charges (either way) will not be refunded.
- Returned materials must be unused and in re-sellable condition.
- Refunds for partial returns of school kit components will be based on the prices from the kit as they would be if they were priced individually, not from the individual prices listed separately on the price sheet.
- Materials may not be copied. The purchaser will still be bound by the confidentiality and non-complete provisions of The Income Tax School Program License Agreement.

Please call sales at (800) 984-1040 if you have any questions.



College, University and Career School Partnership Information

Review Package

College, University and Career School Partnership Program

This section describes in more detail the College and/or University online partnership program. The Income Tax School courses are a natural fit with current college and university offerings. The Income Tax School online, non-credit CE courses appeal to accounting, financial, and tax professionals – plus so many other people looking for a new career.

How the program works:

1. Typically, The Income Tax School courses are listed under Online Courses on school websites, right along with other distribution partners such as ProTrain or ed2go.
2. Usually there is an introduction on the school's website about the partnership and then a link is provided to a co-branded webpage on The Income Tax School's website.
3. The Income Tax School will create a co-branded webpage with your school's name, logo, and the courses available.
4. The Income Tax School will provide you with a trackable URL link for the co-branded webpage.
5. Simply add the trackable URL link that we provide to you onto your website. This link is usually placed in an area with similar type programs (financial/accounting, online programs, certificate programs, etc.).
6. When your students click the link on your school's website, it will take them to a unique co-branded webpage on The Income Tax School's website.
7. Students will see your school's logo at the top, information about the partnership, and links to course offerings.
8. Your school logo will remain at the top of every webpage as students browse through The Income Tax School website.
9. When a purchase is made, you will receive an email with detailed information.

Reporting of Sales:

You will receive a username and password to login into a private section on The Income Tax School website to see reports of sales made through the partnership.

Details about Live Classes:

- **Qualified schools and college bookstores receive discounted pricing** when ordering individual tax course books for school use or for re-sale to students as course textbooks in volume.
- **Qualification Requirements:**
Colleges that are accredited by a recognized college accrediting agency and private vocational or career schools that are not also in the income tax preparation or electronic filing business, and are licensed to operate as schools legally in their states will qualify for the following pricing:

- **No Operator’s License or Fee:** Qualified schools are not required to buy the Operator’s Kit or sign the license agreement.
- **Special Shipping Policy:** Books may be shipped (at ITS’s discretion) Freight Collect (COD) to qualified schools or college book stores.
- **Special Return Policy:** Qualified schools will have 15 days from the start date of the course in which to return any unopened books for a full refund (excluding any freight charges).
- **Volume Discounts:** Volume discounts are available, contact us for details.
- **A Desk Copy is provided complimentary to faculty** who have adopted The Income Tax School texts for classroom use in quantities of ten or more.
- **Instructor Guides:** include lesson plans, teaching tips, in-class and homework assignments, answers to all quizzes and exams. Everything is provided for the instructor who needs only tax knowledge and teaching skill. Class preparation requires only reading the student text and understanding the correct answers to the student assignments.

Frequently Asked Questions:

1. Who creates the co-branded webpage?

The Income Tax School (ITS) creates the co-branded web. We just need your logo (high quality jpg filed preferred)

2. Is the ITS site linked to a partner site via a pop up window so the customer NEVER actually leaves the partner site? When the student exits the ITS site, do they automatically go back to the partner site?

When you add the link to your website, the landing page resides on the ITS website. When you add the trackable URL link to your website, you should select that the landing page open in a new window. When you do this, your students will be leaving your website but your website will still stay open in the background. The student will have two windows up -- one with the college website and one with ITS website. It is very obvious that the student is on another site. The co-branded webpage is a landing page with your school’s name and logo. As your students browse through the ITS website, they will see your school’s logo at the top next to The Income Tax School’s logo.

3. Is there a way that once a customer visits The Income Tax School through a co-branded site that they are “stuck” to the co-branded site for a period of time?

ITS tracks people (your students) for 365 days. So, if a potential student was on your school’s website and clicked to our site and then later came to our site directly to make a purchase, we would know they were a student from your college or university for 365 days.

4. Is there any start up cost to join the partnership?

There is not any cost to the school to join this partnership. The school will use its

own resources to create the landing page.

5. What about marketing the partnership?

We like to send out a press release when a new partnership is formed. We encourage our partners to do the same. We also ask that you promote the partnership through events your school may have, through emails, and on your website.

6. How can we review ITS school online program?

Email Maureen at Mscott@theincometaxschool.com for your 7 day free trial of an online product for academic review.

7. Does the student receive a Certificate of Competition when they finish the program?

Yes, the student receives a Certificate of Completion from ITS that shows the students name, the course they completed, as well as any eligibility for continuing education credits (if applicable).

8. How are schools notified if someone enrolls from one of their co-branded web pages?

An email will be sent to the school when a student enrolls in a course.

On the next few pages, there are documents that explain the program and should answer additional questions.

1. A sample of our partner agreement.
2. Marketing descriptions for college websites. You can use this for the landing page on your site to direct students to the co-branded webpage.
3. A button for your site that has The Income Tax School with your co-branded webpage hyperlinked if you wish to use that on your site.
4. A press release to announce the partnership.

Special College, University and Career School Pricing Policy

Qualification Requirements

Colleges that are accredited by a recognized college accrediting agency and private vocational or career schools **that are not also in the income tax preparation or electronic filing business**, and are licensed to operate as schools legally in their states will qualify for the following pricing:

- **No Operator's License or Fee** - Qualified schools are not required to buy the Operations Kit or sign the license agreement.
- **Special Shipping Policy** - Schools pay actual shipping price
- **Special Return Policy** - Qualified schools will have 15 days from the start date of the course in which to return any unopened books for a full refund (excluding any freight charges).
- **Volume Discounts** - The following discounts apply to school books and online courses (not including the Operations Manual, license fee, student kits, marketing materials, other additional materials or shipping & handling) purchased with a single order form. Discount pricing is available on individual books or individual online course orders, not on student kits.
 - 100 - 199 students 25% discount
 - 200 - 399 students 30% discount
 - 400 - 599 students 35% discount
 - 600 or more students 40% discount

Sample Partner Agreement

Promotion Agreement

THIS PROMOTION AGREEMENT ("Agreement") dated as of the [redacted] day of [redacted], [redacted], by and between [redacted] of, a [redacted] educational institution ("College"), and The Income Tax School, Inc., a Virginia corporation ("ITS").

WITNESSETH:

WHEREAS, (College), is (insert description of College here)

WHEREAS, ITS is certified by the State Council of Higher Education for Virginia (SCHEV) to operate a proprietary career school providing professional income tax education to train students to become tax professionals and to provide Continuing Professional Education (CPE) for experienced tax, accounting, legal and financial services professionals; and

WHEREAS, ITS desires to offer its online income tax courses and CPE seminars through School under an arrangement that is beneficial to both ITS and College.

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein, College and ITS agree as follows:

1. Term. This Agreement shall commence on the date first above written and shall expire on December 31, 20XX (the "Initial Term"). Each consecutive one year period beginning January 1st shall be referred to as "Contract Year." At the end of the Initial Term, this Agreement shall automatically renew from Contract Year to Contract Year unless terminated by either party delivering to the other written notice of termination within thirty (30) days before the end of the Initial Term or then current Contract Year.

2. Courses to be Offered: Any Courses and CPE Seminars, as mutually agreed, described now or in the Future on the ITS website "Student Course Descriptions" page, which is currently at the URL below, may be offered by College.

<http://www.theincometaxschool.com/shop/shopdisplayproducts.asp?id=1&cat=Student+Course+Descriptions>

3. Tuition and Revenue Sharing: Gross Tuition shall be the amounts specified in the Student Course Descriptions page as the Price for each Tax Course and CPE Seminar, at the time of enrollment and includes a hard copy of the student text if applicable. College shall receive X% of Net Tuition Revenue for each Tax Course and CPE Seminar. Net Tuition Revenue is defined as

Gross tuition less refunds, realized by ITS from students enrolled through College, less any refunds and discounts extended to said students.

College may, if desired, purchase student Texts and Instructor Guides for live classroom instruction from ITS at the volume discount prices specified on the ITS website. College will not be charged the usual fee for the tax school Operator's Kit & License.

5. Registration and Enrollment Terms:

Registration will be handled by ITS and may be completed through the ITS Website, or by mail, phone or fax.

Enrollment Terms: ITS conforms to the standards required for Proprietary Career Schools licensed to operate by the State Council of Higher Education for Virginia (SCHEV) with regard to enrollment terms and refund policies. The ITS enrollment terms and refund policies are set forth on the ITS website.

6. Terms and Accounting: Payments by students of Online Tax Courses and Seminars will be made directly to ITS (by cash, check or major credit card). Online registrations will be processed through a secure online registration system at the ITS Website. ITS will maintain records of all students enrolled and will remit payments to College by the 20th day of each month for paid students registered during the prior month. Payments will be adjusted for any refunds paid to students who may have withdrawn for whom payment was already made to College.
7. Promotion: In consideration of the payments to be made to it, College agrees to adequately promote, at its expense, the ITS courses offered under this Agreement. ITS will provide, at its expense, all necessary graphic design and text content for such promotion, and will assist in the development of co-branded website interface page and a coded registration page for to ensure accurate tracking of students referred by College.
8. Student Support: ITS will provide all students with adequate technical support in using the ITS online Learning Management System (LMS) and curriculum support from qualified instructors. Student support will be provided primarily by e-mail. However, ITS may provide students with limited free toll-free telephone support as necessary. Instructors will track their students' progress through the administrator functions of the system.
9. Quality Control: ITS will maintain high quality standards in its delivery of online instruction to students enrolled in its courses and CPE seminars.

10. Compliance with Laws. ITS represents that it will be in compliance with all laws, ordinances, orders, rules, regulations and other governmental requirements relating to the educational services provided under this Agreement.

ITS shall, at its expense, obtain all permits and licenses which may be required by applicable law by virtue of conducting or operating The Income Tax School, and ITS shall comply with all laws, ordinances, orders, rules, regulations and other governmental requirements in the performance of this Agreement.

11. Use of Name. ITS shall have no right or interest in the name, _____ or in any other trademark, service mark or trade name of College. ITS acknowledges that such trademarks, service marks and trade names are the sole and exclusive property of College, and that ITS has no right to use such trademarks, service marks or names, except to identify the offering of the ITS courses as provided herein.

12. Use of ITS Name. College shall have no right or interest in the name Peoples Income Tax, The Income Tax School or Peoples, or in any other trademark, service mark or trade name of ITS. College acknowledges that such trademarks, service marks and trade names are the sole and exclusive property of ITS, and that _____ has no right to use such trademarks, service marks or trade names, except to publicize, as provided herein, that the ITS courses are available to students recruited by College as provided herein.

13. Remedies for Unauthorized Use of Names. The parties recognize that the trademarks, service marks or trade names referred to herein possess a special, unique and extraordinary character which makes it difficult to assess the monetary damage each party would sustain in the event of unauthorized use. The parties expressly recognize that irreparable injury would be caused to each other by such unauthorized use, and that preliminary or permanent injunctive relief would be appropriate in the event of any such unauthorized use.

14. Insurance and Indemnification of College. ITS agrees to carry, at its own expense, at all times during the term hereof adequate insurance necessary to cover all reasonable claims resulting from its delivery of educational services hereunder.

ITS agrees to indemnify and save College harmless against and from any and all liability, damages, expenses, including reasonable attorneys' fees, arising from claims and demands of ITS customers which relate to or arise out of the educational services provided by ITS. The indemnification obligations under this paragraph shall not apply to any damage which is caused by the negligence of College.

15. Mutual Waivers. In the event of losses or damages which are insurable, College and ITS shall look only to any insurance in their favor; each party hereby waives on behalf of itself claims for such loss or damage against the other and shall obtain for each policy of such insurance, provision requiring waiver of any claim against the other party by means of subrogation or otherwise, for loss or damage within the

scope of such insurance, and each party, for itself and its insurers waives all such insured or subrogation claim against the other party.

16. Relationship/Prices. The relationship of College and ITS is that of promoter and provider. This Agreement is not intended to create a partnership or joint venture between College and ITS, or to create a principal-and-agent relationship between the parties. The payments to College are intended only as a method of compensation for services. College has no right or power to establish or control the prices at which ITS offers the Products and Services. Such right and power is vested exclusively in ITS.

17. Right to Terminate on Default. If either party (ITS or College) fails to comply with any material provision or condition of this Agreement, and fails to cure such default after thirty (30) days written notice from the other party, then the other party may terminate this Agreement, and all obligations thereof, effective immediately.

18. Notices. All notices to be given hereunder shall be by in writing and delivered by United States Certified Mail, postage prepaid, return receipt requested, to the following addresses, or to such other addresses as either party may notify the other of:

Peoples Income Tax, Inc.
t/a The Income Tax School
c/o Charles E. McCabe
President and CEO
1801 Libbie Ave., Suite 100
Richmond, Virginia 23226

(Name of College)
name of school _____
authorized signer _____
title _____
street address, including suite no. _____
city, state, zip _____

19. Entire Agreement. This Agreement contains the entire understanding among the parties and supersedes all prior written and oral agreements among them regarding the subject matter contained herein.

20. Parties Bound. This Agreement shall bind and inure to the benefit of the parties hereto as well as their heirs, personal representatives, successors, and assigns.

21. Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision.

22. Amendments. This Agreement may be amended only in writing signed by the parties.

23. Construction. This Agreement shall be construed and enforced in accordance with the laws of the Commonwealth of Virginia.

24. Original Copies. This Agreement may be executed in more than one counterpart, each of which shall be deemed an original.

25. Captions. Captions included herein are for convenience only and shall not be construed to affect the meaning of this Agreement.

IN WITNESS WHEREOF, this Agreement is executed as of the above written date.

(Name of College)

a _____-based educational institution

By: _____

The Income Tax School, Inc.,
a Virginia corporation

By: _____
Charles E. McCabe, President and CEO

Sample Marketing Descriptions

Example 1:

Tax Education

The Economic and Workforce Development Division offers 40+ online tax education courses in partnership with **The Income Tax School**. The catalogue of courses range from 3-hour Continuing Professional Education (CPE) seminars for EAs, CPAs, CFPs and un-enrolled tax preparers to 30-60 hour tax preparation courses used by tax, accounting and financial professionals to meet training needs. The Income Tax School also offers an IRS RTRP Review Course and Practice Exams to prepare tax professionals to meet new compliance standards.

The Income Tax School continuing professional education seminars, as well as the tax preparation courses, are developed, taught, and updated by practicing tax pros and are written in easy-to-understand language. Of particular interest, the courses teach practical application by using real life scenarios, enabling students to prepare tax returns for the general public, as well as improving their competency in tax preparation.

[Learn More](#)

Example 2:

Tax Education

The Income Tax School is a premier provider of tax preparation courses for individuals, schools and businesses. The Income Tax School course catalog offers 40+ online tax education programs ranging from 3 hour Continuing Professional Education (CPE) seminars for EA's, CPA's, CFP's and un-enrolled tax preparers to 30-60 hour tax preparation courses used by tax, accounting and financial professionals to fulfill training needs. The Income Tax School also offers an IRS RTRP Review Course and Practice Exams to prepare tax professionals to meet new compliance standards.

The Income Tax School continuing professional education seminars as well as the tax preparation courses are developed, taught, and updated by practicing tax professionals and is written in an easy-to-understand language. Of particular interest, the courses teach practical application by using real life scenarios-enabling students to prepare returns for the general public as well as improving their competency in tax preparation.

Example 3:

Tax Education

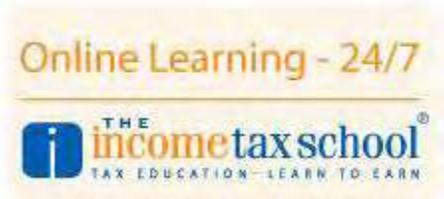
The Income Tax School is a premier provider of tax preparation courses for individuals, schools and businesses. The Income Tax School [course catalog](#) offers 40+ online tax education programs ranging from 3 hour Continuing Professional Education (CPE) seminars for EAs, CPAs, CFPs and un-enrolled tax preparers to 30-60 hour tax preparation courses used by tax, accounting and financial professionals to meet training needs. The Income Tax School also offers an IRS RTRP Review Course and Practice Exams to prepare tax professionals to meet new compliance standards.

The Income Tax School continuing professional education seminars, as well as the tax preparation courses, are developed, taught, and updated by practicing tax professionals and are written in an easy-to-understand language. Of particular interest, the courses teach practical application by using real life scenarios-enabling students to prepare returns for the general public as well as improving their competency in tax preparation. All the material is available online- 24/7- 365 days a year, allowing students to study at their own pace. Our tax preparation courses are designed to educate how to prepare tax returns without the dependency on software. Instructor feedback and support is provided with every course.

Once a student purchases an enrollment, they will have 4 months to complete courses up to 30 hours, and 8 months for courses between 31-60 hours.

[Enroll now in a Tax Education program.](#)

Sample Buttons for Website Promotions on College or University Website



Sample Press Release

The Income Tax School offers Tax Education Products through New Affinity Partnership with _____

Increased demand for tax courses and seminars result of new IRS requirements for tax preparers

Richmond, VA. September 13, 2010-- The Income Tax School, a premier provider of tax preparation courses, announced today they are offering tax education products to _____ clients through a co-branded effort exclusively designed for their business.

_____ clients can use a dedicated Web site to purchase various tax education products ranging from 3 hour Continuing Education seminars and 30-60 hour tax preparation courses to the premier 18- Chartered Tax Professional- CTP certificate program. There has been increased interest and demand for tax courses and seminars as a result of new IRS requirements for tax preparers.

"Adding strong affinity partners like _____ helps drive The Income Tax School toward our goal of being the national standard for tax education," said Chuck McCabe, President and CEO of The Income Tax School. "Our products are a good match for _____ clients who are looking for continuing education seminars as well as tax preparation courses that are up-to-date, of the highest quality and are written in layman's terms."

Quote from partner

For more information about the IRS requirements for tax preparers as well as The Income Tax School tax preparation and continuing education programs, please visit (co-branded _____ webpage link)

About The Income Tax School:

The Income Tax School (www.theincometaxschool.com), formerly a division of Peoples Income Tax, Inc., is a premier provider of tax preparation courses for individuals, schools and businesses. Established in 1990, The Income Tax School has set the national standard in tax education. The Income Tax School offers 40+ income tax training courses online, ranging from 3 hour CPE seminars and 30-60 hour tax preparation courses to the premier 180-hour Chartered Tax Professional-**CTP®** certificate program. The Income Tax School tax education materials are used by tax, accounting and financial services firms that provide in-house tax training, as well as by many colleges and career schools.

About Partner:

Press Contact: Maureen Scott, mscott@theincometaxschool.com, 804.204.1040

Partner press contact: _____



THE INCOME TAX SCHOOL

Sample Instructor Guide (partial) – Chapter 5 Comprehensive Tax Course

Chapter 5: Earned Income Credit

Review Chapter 4 Learning Activity with students. Go over any questions students may have.

Credits

Review refundable and nonrefundable credits with students. The student should understand how refundable and nonrefundable credits may affect the taxpayer's income tax return.

Earned Income Tax Credit

The tax preparer will probably do many more tax returns with earned income credit than any other credit. It is very important that students have a clear understanding of the EIC because this is the area where fraud most often occurs. Income tax returns with the EIC also have the greatest potential for erroneous filing with regard to the filing status and dependency exemptions.

Earned Income

Stress that all income is **not** considered "earned income." One cannot merely transfer the figure from the Adjusted Gross Income to the Earned Income Credit form. Go over the chart in the student manual and discuss what constitutes earned income for EIC purposes.

Valid Social Security Number

The instructor should stress to the student the importance of seeing the taxpayer's (and spouse if MFJ) and his dependents' Social Security cards. The taxpayer will not be allowed to claim the EIC if his card is marked as **not valid for employment**.

Eligibility Rules for EIC

The instructor should review the rules of eligibility for the EIC. Students need to be aware of the individual eligibility rules for taxpayers with and without children. The rules include up to a third child.

Earned income credit has been targeted by the IRS for frequent fraud, so it is extremely important that the preparer determines that the taxpayer truly qualifies for this credit. Emphasize that all the requirements must be met before attempting to claim this credit.

Adjusted Gross Income

The instructor should stress the difference between AGI and earned income. Review the following example with students to help them better understand modified AGI.

Example: Rebecca Austin (age 52, SSN 245-00-9874) lives alone with her son, Dylan (age 17, SSN 245-00-4477). Rebecca works with Watson Enterprises and received a W-2 reporting \$21,010 in wages. Rebecca also received \$1,026 in interest. Rebecca had no other income and she did not have deferred compensation listed on her Form W-2. What is Rebecca's AGI and earned income?

Rebecca's AGI is her wages plus the interest, \$22,036. Her earned income is \$21,010.

Married Filing Separate

Remind students that a taxpayer filing Married Filing Separately is not eligible to claim EIC.

Qualifying Child

Review the qualifying child rules with the students. Students need a very clear understanding of the definition of a qualified child. There are 4 tests which must be met.

A Qualifying Child of More Than One Person

Review the rules for a qualified child of more than one person. Examine the tie-breaker rules and review the examples in the student's text. Be certain to review the examples in the book with the students.

EIC for Taxpayers without Qualifying Children

Remind students that taxpayers who do not have qualifying children may also be eligible for the EIC.

Schedule EIC and Worksheets

Schedule EIC must be attached to Form 1040 or 1040A if the taxpayer is claiming the EIC using a qualifying child. All required information should be completed; otherwise, the taxpayer may experience a delay or denial of the EIC.

Earned Income Credit Limitations

Review the earned income credit limitations with the students. Stress the importance of preparing the earned income credit worksheets. Students will need to complete the EIC Eligibility Worksheets and EIC Worksheet A (or B) to determine the taxpayer's EIC.

EIC Disallowed

Discuss the reasons taxpayers are denied or disallowed the EIC. Reviewing Social Security cards of everyone listed on the return could greatly reduce the number of returns denied the EIC.

Students should ask a taxpayer if he has received a letter or notice from the IRS regarding a denied EIC claim. If the client has received a letter, the student should be aware that the taxpayer will be required to attach Form 8862 to his return.

EIC Examination Procedures

Review EIC exam procedures. Most students will not be experienced enough to assist a taxpayer with an EIC exam letter; however, students need to be aware of the types of documentation that the taxpayer may be required to provide for the Internal Revenue Service.

Due Diligence

Discuss due diligence in-depth, with the class. Students should be aware of the penalties a preparer faces if he fails to practice due diligence. Review Form 8867 and go over the due diligence worksheets. Remind students that Form 8867 must be submitted with the tax return.

Classroom Review Questions

- Q: Define and give an example of a refundable credit.**
- Q: Define and give an example of a nonrefundable credit.**
- Q: What is the earned income credit (EIC)?**
- Q: Define and give examples of earned income.**
- Q: What types of income are included for purposes of earned income credit?**
- Q: What types of income are not included for purposes of earned income credit?**
- Q: What tests must be met for a child to be considered a qualified child?**
- Q: A child age 19, not in school and unemployed during the tax year may be considered a qualifying child. True or False?**
- Q: Who is entitled to use a child as a qualifying child if the child meets the rules for more than one person?**
- Q: For what reason would a taxpayer be disallowed EIC?**
- Q: If a taxpayer is denied EIC, what form must he complete to become eligible to claim the EIC again?**
- Q: What penalties does a taxpayer face if he is found to be negligent in filing a claim for the EIC?**
- Q: What penalties does a taxpayer face if he is found to be fraudulent in filing a claim for the EIC?**
- Q: Describe due diligence.**
- Q: What penalties does a tax preparer face if it is determined that he has not practiced due diligence?**

Elizabeth Garrett (age 45, DOB: 1/6/67, SSN 212-00-9090)
2120 S. Park Ave.
Your City, Your State – Your Zip

Child: Suzanne (age 17, DOB: 6/6/95, SSN 212-00-3658)

W-2 wages \$35,989 with withholding of \$7,835
Child Support \$12,000
Alimony received \$6,500

Chapter 5: Review Questions

1. Joe is confused about refundable versus nonrefundable credits. His preparer explains nonrefundable credits can reduce tax liability to zero but never add to his refund. Which of the following credits is a nonrefundable credit?
 - a) **Child and dependent care credit**
 - b) Additional child tax credit
 - c) Earned income credit
 - d) Excess Social Security withheld

a) **Correct. Child and dependent care credit is a nonrefundable credit as determined by the IRS. Page 5.1**

b) *This answer is incorrect. Additional child tax credit is a refundable credit as determined by the IRS.*

c) *This answer is incorrect. Earned income credit is a refundable credit as determined by the IRS.*

d) *This answer is incorrect. Excess Social Security withheld is a refundable credit as determined by the IRS.*
2. Tony tells Judith, his tax preparer, that a friend who has children told him about getting a bigger refund because of earned income credit. Tony, who has no children, wants to know if this is something he is eligible to claim. Which of the following is the most accurate statement in regard to who can claim the earned income credit?
 - a) Taxpayers who have earned income with children
 - b) Taxpayers who have earned income with no children
 - c) **Taxpayers who have earned income with or without children**
 - d) Taxpayers who have earned income only

a) *This answer is incorrect. Earned income credit is a refundable credit available to taxpayers with children but also is available to taxpayers without children.*

b) *This answer is incorrect. Earned income credit is a refundable credit available to taxpayers without children but also is available to taxpayers with children.*

c) **Correct. Earned income credit is a refundable credit available to taxpayers with and without children. Pages 5.1-5.2**

d) *This answer is incorrect. The earned income tax credit is available for taxpayers who worked and had earned income under a specific limit. The taxpayer can receive income from other sources such as interest from a savings account; however, investment income may negatively impact the taxpayer's eligibility for EIC.*

3. Judith also explains to Tony he must have earned income to be eligible and gives him some examples. Which of the following is listed **incorrectly** as earned income for purposes of the earned income credit?
- a) Wages, salaries, and tips
 - b) Net earnings from self-employment
 - c) Gross income received as a statutory employee
 - d) **Unemployment compensation**
- a) *This answer is incorrect. Wage, salaries, and tips are examples of earned income.*
b) *This answer is incorrect. Net earnings from self-employment would be an example of earned income.*
c) *This answer is incorrect. Gross income received as a statutory employee is an example of earned income.*
d) **Correct. Unemployment compensation is not considered earned income for purposes of earned income credit. Page 5.2**
4. Tony asks Judith about other types of income he has received. She explains the difference between earned and unearned income. Which of the following is an example of earned income for purposes of the earned income credit?
- a) Interest and dividends
 - b) Alimony
 - c) Pensions and annuities
 - d) **Union strike benefits**
- a) *This answer is incorrect. Interest and dividends are not earned income for purposes of the earned income credit.*
b) *This answer is incorrect. Alimony is not an example of earned income for purposes of the earned income credit.*
c) *This answer is incorrect. Pensions and annuities are not earned income for purposes of the earned income credit.*
d) **Correct. Union strike benefits are earned income for purposes of the earned income credit. Page 5.2.**

5. Allison lives in a community property state with her two children (ages 9 and 11). She has been separated from her husband for more than a year. The portion of her husband's earned income that is considered to be income to Allison (under community property laws) is \$15,292. Allison's earned income is \$12,000. Allison also received unemployment compensation of \$780. For earned income credit purposes, what is Allison's earned income?
- a) \$27,292
 - b) \$12,000**
 - c) \$12,780
 - d) \$28,072
- a) *This answer is incorrect. In determining earned income (for the purposes of earned income credit) in a community property state only the taxpayer's own earned income is used. Do not include income from the spouse that is considered income under community property rules.*
- b) Correct. In determining earned income (for the purposes of earned income credit) in a community property state only the taxpayer's own earned income is used. You do not include income from the spouse that is considered income under community property rules. Allison's earned income is \$12,000. Page 5.3**
- c) *This answer is incorrect. This answer adds Allison's earned income and the amount of unemployment compensation Allison received. The rules for calculating income for purposes of the earned income credit specifically exclude unemployment compensation.*
- d) *This answer is incorrect. In determining earned income (for the purposes of earned income credit) in a community property state only the taxpayer's own earned income is used.*
6. Emily, who has a 10 year old daughter, separated from her husband in November. In the past when she and her husband filed a joint return they received earned income credit. She is concerned whether or not she is still eligible for EIC. Her tax preparer explains there are many factors to determine this including her filing status. Which filing status would make Emily **ineligible** for EIC?
- a) Head of Household
 - b) Married Filing Separate**
 - c) Single
 - d) Qualifying Widow(er)
- a) *This answer is incorrect. Head of Household filing status is eligible for EIC.*
- b) Correct. A taxpayer using the filing status Married Filing Separate is not eligible for EIC. There are many credits that are either not eligible for or reduced by using the filing status of Married Filing Separate. Pages 5.5-5.6**
- c) *This answer is incorrect. Single filing status is eligible for EIC.*
- d) *This answer is incorrect. Qualifying Widow(er) filing status is eligible for EIC.*

7. Emily's tax preparer explains there are several tests involved in determining if a child is a *qualifying* child for purpose of EIC. Which of the following tests is **not** required to determine qualifying child eligibility?

- a) Relationship test
- b) Age test
- c) Residency test
- d) **Support test**

a) *This answer is incorrect. Relationship test is a test for a qualifying child for purposes of EIC.*

b) *This answer is incorrect. Age test is a test for a qualifying child for purposes of EIC.*

c) *This answer is incorrect. Residency test is a test for a qualifying child for purposes of EIC.*

d) **Correct. For the purposes of EIC, a qualifying child is not required to meet a support test. Page 5.6**

8. Mrs. Miller loves children and has several living with her. She asks her preparer which if any of the children would be considered a qualifying child for purposes of earned income credit. Which of the following would be considered to be **invalid** as a qualifying child for purposes of EIC?

- a) **Your roommate's child**
- b) Foster child
- c) Stepchild
- d) Grandchild

a) **Correct. Your roommate's child does not meet the relationship test for purposes of earned income credit. Page 5.7**

b) *This answer is incorrect. An eligible foster child meets the relationship test for the purposes of earned income credit.*

c) *This answer is incorrect. A stepchild meets the relationship test for purposes of earned income credit.*

d) *This answer is incorrect. A grandchild meets the relationship test for purpose of earned income credit.*

9. Edward has a foster child through an authorized placement agency and cares for him like his own. In order for Edward to be able to claim his foster child for purposes of EIC, the child must have lived with Edward for how long?
- a) At least some part of the year
 - b) More than the child lived with anyone else
 - c) The entire year
 - d) **More than six months**
- a) *This answer is incorrect. A foster child that lives with the taxpayer for some part of the year does not meet the IRS requirement for a foster child for purposes of earned income credit.*
- b) *This answer is incorrect. A foster child that lives with the taxpayer more than the child lived with anyone else does not meet the IRS requirement for a foster child for purposes of earned income credit.*
- c) *This answer is incorrect. A foster child that lives with the taxpayer all year meets the IRS requirement for a foster child for purposes of earned income credit, but this is not the minimum requirement.*
- d) **Correct. To meet the IRS requirement as a foster child (for purposes of earned income credit) must have lived with the taxpayer more than six months of the year. Pages 5.7 and 5.8**
10. A child meets all the rules to be a qualifying child for more than one person for purposes of EIC (one person is a parent, the other a grandparent). According to the tie-breaker rules, which person will be allowed to claim the child for purposes of EIC if the individuals do not mutually agree on who will claim the child as a qualifying child?
- a) The grandparent can claim the child for purposes of EIC
 - b) **The parent can claim the child for purposes of EIC**
 - c) The individual who has legal custody of the child
 - d) The person with the lower AGI will claim the child for purposes of EIC
- a) *This answer is incorrect. The grandparent would not be eligible to claim the exemption according to the tie-breaker rules.*
- b) **Correct. The tie-breaker rule states if the choice is between a parent and a non-parent, the parent will be allowed to claim the exemption. Pages 5.9-5.10**
- c) *This answer is incorrect. The individual who has legal custody of the child does not have the first right to claim the exemption according to the tie-breaker rules*
- d) *This answer is incorrect. The tie-breaker rule states if neither person is the child's parent, the person with the highest AGI will be allowed to claim the exemption.*

11. David, who has no children, asks his tax preparer about EIC. The preparer explains David must meet all of the following qualifications to be eligible for EIC in tax year 2012 **except**:

- a) Have an AGI of less than \$13,980 (\$19,190 if Married Filing Jointly)
- b) Be at least age 25 but under age 65 at the end of 2012
- c) The taxpayer may not be a dependent of another person
- d) **The taxpayer must be married filing a joint return**

- a) *This answer is incorrect. Having an AGI of less than \$13,980 (\$19,190 if Married Filing Jointly) is a qualification to be eligible for EIC.*
- b) *This answer is incorrect. Being at least age 25 but under age 65 at the end of 2012 is a qualification to be eligible for EIC.*
- c) *This answer is incorrect. The taxpayer not being a dependent of another person is a qualification to be eligible for EIC.*
- d) **Correct. There is no requirement that a taxpayer must be married filing a joint return to be eligible for EIC. Page 5.4**

12. Lucinda is a single mom with two children, ages 5 and 9. Lucinda has AGI of \$19,174 which includes earned income of \$18,942 and interest income of \$232. She supports her family without any additional help from other sources. Based on the information above what is the amount of Lucinda's EIC?

- a) \$0
- b) \$2,836
- c) **\$4,797**
- d) \$4,850

- a) *This answer is incorrect. Lucinda qualifies for the earned income credit.*
- b) *This answer is incorrect. \$2,836 is the amount if Lucinda had only one qualifying child.*
- c) **Correct. EIC is based on a comparison of AGI to earned income. In Lucinda's case the EIC based on her AGI is less than the EIC based on her earned income. She will receive the lesser amount of EIC. Page 5.5 and EIC tables from Pub. 596 or 1040 Instructions**
- d) *This answer is incorrect. \$4,850 is the amount Lucinda would have received if the EIC was based on her earned income.*

13. Rosana is a single mom with three children, ages 2, 4, and 6. Rosana has AGI of \$21,951 which consists of earned income of \$21,951. She provides the total support of herself and her three children. Based on the information above what is the amount of Rosana's EIC?

- a) \$0
- b) \$2,388
- c) **\$4,862**
- d) \$4,207

- a) *This answer is incorrect. Rosana qualifies for the earned income credit.*
- b) *This answer is incorrect. This is the amount of EIC if Rosana only had one child.*
- c) **Correct. Rosana's AGI and her earned income are the same amount, therefore her EIC is \$4,862. Page 5.5 and EIC tables from Pub. 596 or 1040 Instructions.**
- d) *This answer is incorrect. This is the amount of EIC if Rosana only had two children.*

14. When Peter filed his tax return the IRS disallowed the EIC he was expecting. For which of the following reasons would the IRS disallow EIC?
- a) The taxpayer used filing status Married Filing Separate
 - b) The child did not live with the taxpayer for the required period
 - c) The child's age exceeds the statutory limit
 - d) **Any of the reasons listed in the other three answer choices would be grounds for the IRS to disallow EIC.**
- a) *This answer is incorrect. If the taxpayer used an incorrect filing status and should have used Married Filing Separate the IRS would disallow EIC, but this is not the only correct answer.*
- b) *This answer is incorrect. If the child did not live with the taxpayer for the required period the IRS would disallow EIC, but this is not the only correct answer.*
- c) *This answer is incorrect. If the child's age exceeds the statutory limit the IRS would disallow EIC but may also disallow it for other reasons.*
- d) **Correct. The IRS would disallow EIC if the taxpayer used an incorrect filing status and should have used Married Filing Separate, if the child did not live with the taxpayer for required period, or if the child's age exceeds the statutory limit. Page 5.26**
15. All of the following taxpayers meet the income and residency tests for EIC. They do not have a qualifying child. Which taxpayer does **not** meet all of the tests to qualify for EIC?
- a) A 67 year old taxpayer and his 59 year old wife
 - b) A 32 year old single taxpayer
 - c) **A 24 year old taxpayer and his 24 year old wife**
 - d) A 25 year old single taxpayer
- a) *This answer is incorrect. The age requirement for a taxpayer without a qualifying child is be at least 25, but under 65 at the end of the year. A 67 year old taxpayer and his 59 year old wife would qualify. If a joint return both taxpayers do not have to meet the age requirement.*
- b) *This answer is incorrect. The age requirement for a taxpayer without a qualifying child is be at least 25, but under 65 at the end of the year. A 32 year old single taxpayer would qualify.*
- c) **Correct. The age requirement for a taxpayer without a qualifying child is be at least 25, but under 65 at the end of the year. A 24 year old taxpayer and his 24 year old wife would not qualify. Neither meets the age requirement of at least 25 years of age. At least one of the taxpayers on a joint return must meet this age requirement. Page 5.4**
- d) *This answer is incorrect. The age requirement for a taxpayer without a qualifying child is be at least 25, but under 65 at the end of the year. A 25 year old single taxpayer would meet the requirement.*



THE INCOME TAX SCHOOL

Sample Student Guide (partial) – Chapter 5 Comprehensive Tax Course

Chapter 5: Earned Income Credit

Learning Objectives:

- Examine the most common tax credit, the Earned Income Credit
- Know the definition of earned income as it related to the Earned Income Credit
- Identify the requirements for qualifying children for Earned Income Credit purposes
- Understand how taxpayers without children may qualify for Earned Income Credit
- Determine how to fill out Schedule EIC and where to put the information from that form on the 1040 or 1040A forms
- Examine IRS due diligence requirements

Credits

A tax credit reduces the taxpayer's current tax liability dollar for dollar. There are two categories of credits: refundable and nonrefundable.

Nonrefundable credits may reduce the taxpayer's tax liability to zero. If the credit is more than the tax liability, the excess is not refunded. Most credits are nonrefundable. A nonrefundable credit may reduce the tax due to zero, but will not produce payments to the taxpayer. The most common of the nonrefundable credits include the foreign tax credit, child and dependent care expenses credit, education credit, retirement savings contributions credit, child tax credit, and credit for the elderly and disabled.

Example: Total tax	\$481
Child care credit	<u>- 500</u>
Tax due/refund	\$ 0

Refundable credits are treated as tax payments. The credit amount is added to federal income tax withheld. If the total of these credits is more than the tax liability, the excess will be refunded. There are a number of refundable credits including:

- Earned Income Credit (Schedule EIC)
- Additional child tax credit (Form 8812)
- American opportunity credit for education (Form 8863)
- Excess Social Security and tier 1 RRTA tax withheld
- Credit for federal tax paid on fuels (Form 4136)
- Credit for taxes paid by regulated investment companies (Form 2439)
- Credit for prior year minimum tax (Form 8801)
- Health coverage tax credit (Form 8885)

Example: Total tax	\$481
Earned Income Credit	<u>- 500</u>
Refund	\$ 19

This chapter covers the Earned Income Credit. The other credits will be discussed in a later chapter.

Earned Income Credit

The Earned Income Credit (EIC, also known as EITC, Earned Income Tax Credit) is a refundable credit available to taxpayers with and without children. EIC is a tax benefit available for taxpayers who worked and had earned income under a specified amount adjusted annually.

In order for a taxpayer to receive EIC, he must qualify by meeting certain rules (discussed later in this chapter), and he must file a return even if he does not owe federal taxes, doesn't meet the filing requirements for his filing status, and does not have federal income taxes withheld from his pay.

Earned Income

The taxpayer must have earned income to be eligible for the "earned income credit." Earned income is income the taxpayer received for working, even if it is not taxable. If the taxpayer is filing a joint return, the taxpayer meets the requirement for earned income if at least one spouse worked and had earned income. Listed in the chart below are items of income that are considered earned income and items that are not considered earned income (for purposes of the EIC).

Examples of Earned and Unearned Income for Purposes of EIC

Includes *	Does Not Include *
Taxable Earned Income (Enter on line 1, EIC worksheet)	Interest and Dividends
Wages, salaries, tips	Social Security and Railroad Retirement Benefits
Union strike benefits	Welfare benefits (including Aid to Families with Dependent Children (AFDC) payments)
Long-term disability benefits received prior to minimum retirement age	Workfare payments
Net earnings from self-employment (Enter on step 5, Form 1040 EIC worksheet)	Pensions and annuities
Gross income received as a statutory employee	Veterans' benefits, including VA rehabilitation payments
	Nontaxable foster care benefits
	Alimony
	Earnings for work performed while an inmate at a penal institution including amounts received through work release programs or while in a halfway house
	Workers' compensation benefits
	Child support
	Unemployment compensation
	Nonqualified deferred compensation plan or a Section 457 plan, pension or annuity
	Community property
	Nontaxable military pay
*The taxpayer has the option of including nontaxable combat pay in earned income for purposes of the earned income credit calculation.	

Nontaxable Combat Pay Election

Nontaxable pay for members of the Armed Forces is not considered earned income for the EIC. The taxpayer may choose to include nontaxable military pay in earned income for purposes of the EIC. Electing to include nontaxable combat pay in earned income may increase or decrease the EIC. Figure the credit with and without the nontaxable combat pay before making the election. If the taxpayer makes the election he must include in earned income all nontaxable combat pay he received. If the taxpayer is filing a joint return and both he and his spouse received combat pay, each can make their own election. The taxpayer's nontaxable combat pay can be found on his W-2, box 12, code Q.

Community Property

If the taxpayer is married, qualifies to file as Head of Household, and lives in a community property state, his earned income for purposes of EIC does not include any amount earned by his spouse that is treated as belonging to him under those laws. Even though the taxpayer must include it in his gross income on his federal tax return, the amount is not earned income for purposes of EIC. The taxpayer's earned income includes the entire amount he earned, even if part of it is treated as belonging to his spouse under the state's community property laws.

Valid Social Security Number

Taxpayer

Taxpayers can claim the EIC only if they have a Social Security number that allows them to work. A valid Social Security number is one that has been issued by the Social Security Administration (SSA). Social Security cards with the **not valid for employment** legend are issued to aliens who are not eligible to work in the United States, but who need a SSN so they can get a federally funded benefit such as food stamps and Supplemental Security Income (SSI).

If the taxpayer (or his spouse if Married Filing Jointly) has a Social Security card that contains a legend that says **not valid for employment**, he is not eligible for the EIC. If the taxpayer has a qualifying child whose Social Security card says **not valid for employment**, the taxpayer is not eligible for the EIC on the basis of that child. Preparers should remember that all Social Security cards look the same with the exception of the legend.

If the taxpayer's Social Security card reads "**valid for work only with INS authorization**" or "**valid for work only with DHS authorization**," he is deemed to have a valid SSN.

If the taxpayer has an identification number (such as an individual taxpayer identification number, ITIN) other than a SSN, he is not eligible to receive EIC.

Qualifying Child

The taxpayer's qualifying child must have a valid Social Security number (SSN), unless the child was born and died in 2012. If the child was born and died in the same tax year, then the taxpayer may attach to his return a copy of the child's birth certificate, death certificate, or hospital records showing a live birth. The taxpayer cannot claim the EIC on the basis of a qualifying child if:

1. His qualifying child's SSN is missing from his tax return or is incorrect,
2. His qualifying child's social security card says "Not valid for employment" and was issued for use in getting a federally funded benefit; or
3. Instead of an SSN, his qualifying child has:

- An individual taxpayer identification number (ITIN), which is issued to a noncitizen who cannot get an SSN; or
- An adoption taxpayer identification number (ATIN), which is issued to adopting parents who cannot get an SSN for the child being adopted until the adoption is final.

If the taxpayer has more than one qualifying child and only one has a valid SSN, he can claim the EIC only on the basis of that child.

Eligibility Rules for EIC

To be eligible to claim the EIC the taxpayer must meet all of the rules explained in the chart below.

Earned Income Credit Rules

First, the taxpayer must meet all the rules in this column.		Second, the taxpayer must meet all the rules in <i>one</i> of these columns, whichever applies.		Third, the taxpayer must meet the rule in this column.
Part A. Rules for Everyone		Part B. Rules If the Taxpayer Has a Qualifying Child	Part C. Rules If the Taxpayer Does Not Have a Qualifying Child	Part D. Figuring and Claiming the EIC
<p>1. The taxpayer's adjusted gross income (AGI) must be less than:</p> <ul style="list-style-type: none"> • \$45,060 (\$50,270 for married filing jointly) if the taxpayer has three or more qualifying children, • \$41,952 (\$47,162 for married filing jointly) if the taxpayer has two qualifying children, • \$36,920 (\$42,130 for married filing jointly) if the taxpayer has one qualifying child, or • \$13,980 (\$19,190 for married filing jointly) if the taxpayer does not have a qualifying child. 	<p>2. The taxpayer must have a valid social security number</p> <p>3. The taxpayer's filing status cannot be "Married Filing Separately."</p> <p>4. The taxpayer must be a U.S. citizen or resident alien all year.</p> <p>5. The taxpayer cannot file Form 2555 or Form 2555-EZ (relating to foreign earned income).</p> <p>6. The taxpayer's investment income must be \$3,200 or less.</p> <p>7. The taxpayer must have earned income.</p>	<p>8. The taxpayer's child must meet the relationship, age, residency, and joint tests.</p> <p>9. The taxpayer's qualifying child cannot be used by more than one person to claim the EIC.</p> <p>10. The taxpayer cannot be a qualifying child of another person.</p>	<p>11. The taxpayer must be at least age 25 but under age 65.</p> <p>12. The taxpayer cannot be a dependent of another person.</p> <p>13. The taxpayer cannot be a qualifying child of another person.</p> <p>14. The taxpayer must have lived in the United States more than half of the year.</p>	<p>15. The taxpayer's earned income must be less than:</p> <ul style="list-style-type: none"> • \$45,060 (\$50,270 for married filing jointly) if the taxpayer has three or more qualifying children, • \$41,952 (\$47,162 for married filing jointly) if the taxpayer has two qualifying children, • \$36,920 (\$42,130 for married filing jointly) if the taxpayer has one qualifying child, or • \$13,980 (\$19,190 for married filing jointly) if the taxpayer does not have a qualifying child

Adjusted Gross Income

EIC is based on a comparison of adjusted gross income (AGI) to earned income. Adjusted gross income is found on line 38 of Form 1040, line 22 of Form 1040A or line 4 of Form 1040EZ. Completing the EIC worksheets is essential in determining the amount of credit a taxpayer may claim on his return. Part 1 of EIC Worksheet A is the section where this comparison is made. Examples of the EIC worksheets can be found later in this chapter.

Example: Julia is a single parent with two children, ages 3 and 5. Julia has AGI of \$17,249 which includes earned income of \$17,099 and interest income of \$132. She meets the requirements for filing Head of Household and has no additional support.

The EIC based on Julia's earned income (\$17,099) would be \$5,236 for tax year 2012. The EIC based on Julia's AGI (\$17,249) would be \$5,208 for tax year 2012.

Julia's amount of EIC is \$5,208 – the lower of the two amounts. If she did not have the interest income then her EIC would have been \$5,236.

Married Filing Separate

To be eligible for the EIC, the taxpayer's filing status **cannot** be Married Filing Separate. If married, the taxpayer must usually file a joint return to be eligible for the EIC. If the taxpayer's spouse did not live in the home at any time during the last six months of the year, the taxpayer may be able to file as Head of Household. As Head of Household, the taxpayer must be considered unmarried and meet all other tests to qualify for the EIC.

Qualifying Child

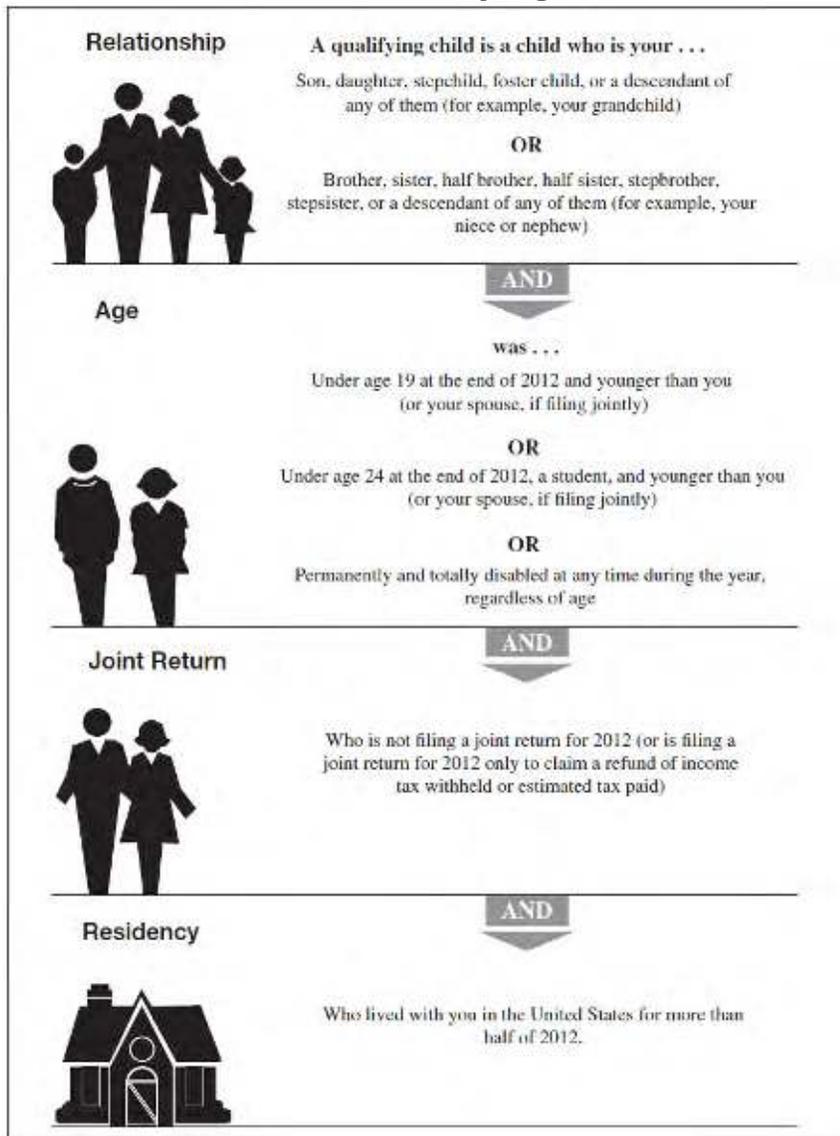
A qualifying child can include the taxpayer's eligible foster child, his brother, or his sister, whether or not he cares for them as he would his own child. If the taxpayer and someone else have the same qualifying child, only one person can use that child to claim the following tax benefits: the child's exemption, the child tax credit, head of household filing status, the credit for child and dependent care expenses, the exclusion of dependent care benefits, and the EIC. The other person cannot take any of these tax benefits unless he has a different qualifying child.

The taxpayer's child is a qualifying child if the child meets four tests. The four tests are:

1. Relationship
2. Age
3. Joint Return
4. Residency

The tests for a qualifying child are summarized in the following chart.

Tests for Qualifying Child



Relationship Test

To be a qualifying child, a child must be the taxpayer's:

- Son, daughter, stepchild, eligible foster child, or a descendant of any of them (for example, the taxpayer's grandchild); or
- Brother, sister, half-brother, half-sister, stepbrother, stepsister, or a descendant of any of them (for example, the taxpayer's niece or nephew)

The following definitions clarify the relationship test:

- **Adopted child** – An adopted child is always treated as the taxpayer's child. The term "adopted child" includes a child who was lawfully placed with the taxpayer for legal adoption.

- **Eligible foster child** – For the EIC, a person is the taxpayer’s eligible foster child if the child is placed with the taxpayer by an authorized placement agency or by judgment, decree, or other order of any court of competent jurisdiction. An authorized placement agency includes a state or local government agency. It also includes a tax-exempt organization licensed by a state. In addition, it includes an Indian tribal government or an organization authorized by an Indian tribal government to place Indian children.

Example: Allison, who is 12 years old, was placed in the taxpayer’s care 2 years ago by an authorized agency responsible for placing children in foster homes. Allison is the taxpayer’s eligible foster child.

Age Test

The child must be:

1. Under age 19 at the end of 2012 and younger than the taxpayer (or his spouse, if filing jointly).
2. A full-time student under age 24 at the end of 2012 and younger than the taxpayer (or his spouse, if filing jointly); or
3. Permanently and totally disabled at any time during 2012, regardless of age.

The following examples and definitions clarify the age test.

Example 1: Theodore’s son turned 19 on December 10. Unless his son was permanently disabled or a full-time student, he is not a qualifying child because, at the end of the year, he was not **under** age 19.

Example 2: Sam’s 23-year old sister, who is a full-time student and unmarried, lives with the Sam and his spouse. The sister is not disabled. Both Sam and his spouse are 21 years old and file a joint return. Sam’s sister is not his qualifying child because she is not younger than Sam or his spouse.

Example 3: The facts are the same as in Example 2 except that Sam’s spouse is 25 years old. Since Sam’s sister is younger than Sam’s spouse, she is a qualifying child even though she is not younger than Sam.

Full-time student – A full-time student is a student who is enrolled for the number of hours or courses the school considers to be full-time attendance.

Student defined – To qualify as a student, the child must be, during some part of each of any 5 calendar months during the calendar year:

1. A full-time student at a school that has a regular teaching staff, course of study, and regular student body at the school; or
2. A student taking a full-time, on-farm training course given by a school described in (1), or a state, county, or local government.

The 5 calendar months do not need be consecutive.

School defined – A school can be an elementary school, junior or senior high school, college, university, or technical, trade, or mechanical school. However, on-the-job training courses, correspondence schools, and Internet schools do not count as schools for the EIC.

Vocational high school students – Students who work in co-op jobs in private industry as a part of a school’s regular course of classroom and practical training are considered full-time students.

Permanently and totally disabled – The taxpayer’s child is permanently and totally disabled if both of the following apply:

1. He or she cannot engage in any substantial gainful activity because of a physical or mental condition.
2. A doctor determines the condition has lasted or can be expected to last continuously for at least a year or can lead to death.

Joint Return Test

To meet this test, the child cannot file a joint return for the year.

Even if the taxpayer’s child does not file a joint return, if the taxpayer’s child was married at the end of the year, he cannot be a qualifying child unless either of these two situations applies to the taxpayer:

1. The taxpayer can claim the child’s exemption; or
2. The reason the taxpayer cannot claim the child’s exemption is that the taxpayer gave that right to the child’s other parent under the special rule for divorced or separated parents.

Exception: The joint return test does not apply if a joint return is filed by the dependent and his spouse merely as a claim for refund and no tax liability would exist for either spouse on separate returns.

Residency Test

The child must have lived with the taxpayer in the United States for more than half of 2012. The following definitions clarify the residency test.

United States – This means the 50 states and the District of Columbia. It does not include Puerto Rico or U.S. possessions such as Guam.

Homeless shelter – The taxpayer’s home can be any location where he regularly lives. The taxpayer does not need a traditional home. For example, if a child lived with the taxpayer for more than half the year in one or more homeless shelters, the child meets the residency test.

Military personnel stationed outside the United States – U.S. military personnel stationed outside the United States on extended active duty are considered to live in the United States during that duty period for purposes of the EIC.

Extended active duty means the taxpayer is called or ordered to duty for an indefinite period or for a period of more than 90 days. Once the taxpayer begins serving his extended active duty, he is still considered to have been on extended active duty even if he does not serve more than 90 days.

Birth or death of child – A child who was born or died in 2012 is treated as having lived with the taxpayer all of 2012 if the taxpayer’s home was the child’s home the entire time he was alive in 2012.

Temporary absences – Count time that the taxpayer or his child is away from home on a temporary absence due to a special circumstance as time lived with the taxpayer. Examples of a special circumstance include:

- Illness
- School attendance
- Detention in a juvenile facility
- Business
- Vacation

- Military service

Kidnapped child – A kidnapped child is treated as living with the taxpayer for more than half of the year if the child lived with the taxpayer for more than half the part of the year before the date of the kidnapping. The child must be presumed by law enforcement authorities to have been kidnapped by someone who is not a member of the taxpayer's family or the child's family.

This treatment applies for all years until the child is returned. However, the last year this treatment can apply is the earlier of:

1. The year there is a determination that the child is dead; or
2. The year the child would have reached age 18

If the taxpayer's qualifying child has been kidnapped and meets these requirements, enter "KC," instead of a number, on line 6 of Schedule EIC.

A Qualifying Child of More Than One Person

Sometimes a child meets the rules to be a qualifying child of more than one person. However, only one person can treat that child as a qualifying child and claim the EIC using that child. The following paragraphs will help decide who, if anyone can claim the EIC when more than one person has the same qualifying child.

Which Person Will Claim the EIC?

If the taxpayer and someone else have the same qualifying child, the taxpayer and the other person(s) can decide which person, if otherwise eligible, will take all of the following tax benefits based on the qualifying child:

- The child's exemption
- The child tax credit
- Head of household filing status
- The credit for child and dependent care expenses
- The exclusion for dependent care benefits
- The EIC

The other person cannot take any of these tax benefits unless he has a different qualifying child. In other words, the taxpayer and the other person cannot agree to split these tax benefits between them based on one qualifying child.

If the taxpayer and the other person(s) cannot agree and more than one person claims the EIC or the other tax benefits just listed using the same child, the tie-breaker rule applies. However, the tie-breaker rule does not apply if the other person is the taxpayer's spouse and the taxpayer file a joint return.

Tiebreaker rules – To determine which person can treat the child as a qualifying child to claim these tax benefits, the following tiebreaker rules apply.

- If only one of the persons is the child's parent, the child is treated as the qualifying child of the parent.
- If the parents do not file a joint return together but both parents claim the child as a qualifying child, the IRS will treat the child as the qualifying child of the parent with whom the child lived for the longer period of time during the year. If the child lived with each parent for the same amount of time, the IRS will treat the child as the qualifying child of the parent who had the higher adjusted gross income (AGI) for the year.

- If no parent can claim the child as a qualifying child, the child is treated as the qualifying child of the person who had the highest AGI for the year.
- If a parent can claim the child as a qualifying child but no parent does so claim the child, the child is treated as the qualifying child of the person who had the highest AGI for the year, but only if that person's AGI is higher than the highest AGI of any of the child's parents who can claim the child. If the child's parents file a joint return with each other, this rule can be applied by dividing the parents' combined AGI equally between the parents. See Example 8 in the later section of this chapter entitled "If the Other Person Cannot Claim the EIC."

Subject to these tiebreaker rules, the taxpayer and the other person may be able to choose which person claims the child as a qualifying child.

If the taxpayer cannot claim the EIC because his qualifying child is treated under the tiebreaker rules as the qualifying child of another person for the current tax year, he may be able to take the EIC using a different qualifying child, but he cannot take the EIC using the rules in Part C of the Earned Income Credit Rules for people who do not have a qualifying child.

What if Another Person Claims EIC Using This Child?

If the taxpayer's EIC is denied because his qualifying child is treated under this rule as the qualifying child of another person for 2012, he may be able to take the EIC using a different qualifying child; however, cannot take the EIC using this qualifying child.

If the Other Person Cannot Claim the EIC

If the taxpayer and someone else have the same qualifying child but the other person cannot claim the EIC because he or she is not eligible or his or her earned income or AGI is too high, the taxpayer may be able to treat the child as a qualifying child. See Examples 6 and 7 on the following page. The taxpayer cannot treat the child as a qualifying child to claim EIC if the other person uses the child to claim any of the other benefits listed earlier.

Review the following examples to help in determining whether or not the taxpayer can claim the EIC when he and someone else have the same qualifying child.

The following examples illustrate scenarios for a child who lives with a parent and grandparent.

Example 1 – Francine and her 2-year-old son, Josh, lived with Francine's mother all year. Francine is 25 years old, unmarried, and her AGI is \$9,000 from a part-time job. Her mother's only income was \$20,000 from her job, and her AGI is \$20,000. Josh's father did not live with Francine or Josh. The special rule explained later for divorced or separated parents or parents who live apart does not apply. Francine's son is a qualifying child of both Francine and Francine's mother because he meets the relationship, age, residency, and joint return tests for both. However, only one person can treat the child as a qualifying child to claim the EIC (and the other tax benefits listed earlier for which that person qualifies). Josh is not a qualifying child of anyone else, including his father. If Francine does not claim her son as a qualifying child for the EIC or any of the other tax benefits listed earlier, Francine's mother can treat Francine's son as a qualifying child to claim the EIC (and any other tax benefits listed earlier for which she qualifies).

Example 2 – The facts are the same as in *Example 1* except that Francine's AGI is \$25,000 and her mother's AGI is \$21,000. Francine's mother cannot claim Josh as a qualifying child for any purpose because her AGI is not higher than Francine's. Only Francine can claim her son.

Example 3 – The facts are the same as in *Example 1* except that Francine and her mother both claim Francine’s son as a qualifying child. In this case, Francine, as the child’s parent will be the only one allowed to claim her son as a qualifying child for the EIC and the other tax benefits listed earlier. The IRS will disallow Francine’s mother’s claim to the EIC and any other tax benefits listed earlier unless she has another qualifying child.

Example 4 – The facts are the same as in *Example 1* except that Francine also has two other young children who are qualifying children of both Francine and her mother. Only one person can claim each child. However, if Francine’s mother’s AGI is higher than Francine’s, she can allow her mother to claim one or more of the children. For example, Francine can claim one child and her mother can claim the other two.

Example 5 – The facts are the same as in *Example 1* except that Francine is only 18 years old. This means Francine is a qualifying child of her mother. Because of Rule 10 (see the chart on page 5.4), Francine cannot claim the EIC and cannot claim her son as a qualifying child. Only Francine’s mother may be able to treat Francine’s son as a qualifying child to claim the EIC. If Francine’s mother meets all the other requirements for claiming the EIC and Francine does not claim her son as a qualifying child for any of the other tax benefits listed earlier, Francine’s mother can claim both Francine and Josh as qualifying children for EIC.

Example 6 – The facts are the same as in *Example 1* except that Francine’s mother earned \$50,000 from her job. Because Francine’s mother’s earned income is too high for her to claim the EIC, only Francine can claim the EIC using her son.

Example 7 – The facts are the same as in *Example 1* except that Francine earned \$50,000 from her job and her AGI is \$50,500. Francine’s earned income is too high for to claim the EIC. But her mother cannot claim the EIC either, because her AGI is not higher than Francine’s.

The following example illustrates scenarios for a child who lived with both parents and a grandparent.

Example 8 – The facts are the same as in *Example 1* except that Francine and her son’s father are married to each other, live with their son and Francine’s mother, and have an AGI of \$30,000 on a joint return. If Francine and her husband do not claim their son as a qualifying child for the EIC or any of the other tax benefits listed earlier, Francine’s mother can claim him instead. Even though the AGI on Francine’s joint return, \$30,000, is more than her mother’s AGI of \$20,000, for this purpose half of the joint AGI can be treated as Francine’s and half as her husband’s. In other words, each parent’s AGI can be treated as \$15,000.

The following examples illustrate scenarios for separated parents.

Example 9 – Julia, her husband, and their 10-year-old son, Carl, lived together until August 1, 2012, when Julia’s husband moved out of the household. In August and September, Julia’s son lived with her. For the rest of the year, Carl lived with his father. Carl is a qualifying child of both Julia and his father since the child lived with each parent for more than half the year and because he met the relationship, age, and joint return tests for both. At the end of the year, Julia and her husband were not divorced, legally separated, or separated under a written separation agreement, so the special rule for divorced or separated parents or parents who live apart does not apply.

Julia and her husband will file separate returns. Julia’s husband agrees to let her treat their son as a qualifying child. This means, if Julia’s husband does not claim their son as a qualifying child for any tax benefits listed earlier, Julia can claim the child as a qualifying child for any tax benefit listed earlier for which she qualifies. However, Julia cannot claim head of household filing status because she and her husband did not live apart the last 6 months of the year. As a result, her

filing status is married filing separately, so she cannot claim the EIC or the credit for child and dependent care expenses. See Rule 3.

Example 10 – The facts are the same as in *Example 9* except that Julia and her husband both claim their son as a qualifying child. In this case, only the husband will be allowed to treat the child as a qualifying child. This is because, during 2012, Carl lived with his father longer than with Julia. Julia cannot claim the EIC for persons either with or without a qualifying child. However, because Julia and her husband did not live apart the last 6 months of the year, her husband cannot claim head of household filing status. As a result his filing status is married filing separately, so he cannot claim the EIC or the credit for child and dependent care expenses. See Rule 3.

The following examples illustrate scenarios for unmarried parents.

Example 11 – Connie, her 5-year-old son, and her son's father lived together all year. Connie and her son's father are not married. Connie's son is a qualifying child of both because he meets the relationship, age, residency, and joint return tests for both Connie and his father. Connie's earned income and AGI were \$12,000 and the child's father's earned income and AGI were \$14,000. Neither Connie nor the child's father had any other income. Connie's son's father agrees to let Connie treat the child as a qualifying child. This means, if the son's father does not claim Connie's son as a qualifying child for the EIC or any of the other tax benefits listed earlier, she can claim him as a qualifying child for the EIC and any other tax benefits listed earlier for which she qualifies.

Example 12 – The facts are the same as in *Example 11* except that Connie and her son's father both claim the child as a qualifying child. In this case, only the son's father will be allowed to treat Connie's son as a qualifying child. This is because his AGI, \$14,000, is more than Connie's AGI, \$12,000. Connie cannot claim the EIC for persons either with or without a qualifying child.

The following example illustrates a scenario for a child who did not live with a parent.

Example 13 – Alvin and his 7-year-old nephew, his sister's child, lived with Alvin's mother all year. Alvin is 25 years old, and his AGI is \$9,300. His only income was from a part-time job. Alvin's mother's AGI is \$15,000. Her only income was from her job. Alvin's nephew's parents file jointly, have an AGI of less than \$9,000, and do not live with Alvin or their child. Alvin's nephew is a qualifying child of both Alvin and his mother because he meets the relationship, age, residency, and joint return tests for both. However, only Alvin's mother can treat him as a qualifying child. This is because Alvin's mother's AGI, \$15,000, is more than Alvin's AGI, \$9,300.

Special Rule for Divorced or Separated Parents or Parents who Live Apart

A child will be treated as the qualifying child of his or her non-custodial parent (for purposes of claiming an exemption, but not for the EIC) if all of the following apply:

1. The parents:
 - a) Are divorced or legally separated under a decree of divorce or separate maintenance.
 - b) Are separated under a written separation agreement; or
 - c) Lived apart at all times during the last 6 months of the year, whether or not they are or were married.
2. The child received over half of his or her support for the year from the parents.
3. The child is in the custody of one or both parents for more than half of the year.
4. Either of the following statements is true:
 - a) The custodial parent signs Form 8332 or a substantially similar statement that he or she will not claim the child as a dependent for the year, and the non-custodial parent attaches the form or statement to his or her return. If the divorce decree or separation agreement went into effect after 1984 and before 2009, the noncustodial

parent may be able to attach certain pages from the decree or agreement instead of Form 8332.

- b) A pre-1985 decree of divorce or separate maintenance or written separation agreement that applies to 2012 provides that the non-custodial parent can claim the child as a dependent, and the non-custodial parent provides at least \$600 for the support of the child during the year.

Applying Rule 9 (see Earned Income Tax Rules on page 5.4) to divorced or separated parents or parents who live apart – If a child is treated as the qualifying child of the non-custodial parent under the special rule for children of divorced or separated parents or parents who live apart, only the non-custodial parent can claim an exemption and the child tax credit for the child. However, the custodial parent, if eligible, or another eligible taxpayer, can claim the child as a qualifying child for the EIC and other tax benefits listed earlier. If the child is the qualifying child of more than one person for these benefits, then the tiebreaker rules determine which person can treat the child as a qualifying child.

The following examples illustrate scenarios for a child who lived with a divorced parent and grandparent.

Example 1 – Carmen and her 5-year-old son lived all year with Carmen's mother, who paid the entire cost of keeping up the home. Carmen's AGI is \$10,000. Her mother's AGI is \$25,000. Carmen's son's father did not live with Carmen or her son. Under the special rule for children of divorced or separated parents or parents who live apart, Carmen's son is treated as the qualifying child of his father, who can claim an exemption and the child tax credit for the child. However, Carmen's son's father cannot claim the boy as a qualifying child for head of household filing status, the credit for child and dependent care expenses, the exclusion for dependent care benefits, or the EIC. Carmen and her mother did not have any child care expenses or dependent care expenses. If Carmen does not claim her son as a qualifying child, her mother can claim him as a qualifying child, for the EIC and head of household filing status, if she qualifies for these tax benefits.

Example 2 – The facts are the same as in *Example 1* except that Carmen's AGI is \$25,000 and her mother's AGI is \$21,000. Her mother cannot claim Carmen's son as a qualifying child for any purpose because her AGI is not higher than Carmen's.

The following example illustrates a scenario for a divorced parent and grandparent claiming the same qualifying child.

Example 3 – The facts are the same as in *Example 1* except that Carmen and her mother both claim Carmen's son as a qualifying child for EIC. Carmen's mother also claims him as a qualifying child for head of household filing status. As the child's parent, Carmen will be the only one allowed to claim her son as a qualifying child for the EIC. The IRS will disallow her mother's claim to the EIC and head of household filing status unless she has another qualifying child.

You Cannot Be a Qualifying Child of Another Person

The taxpayer is a qualifying child of another person (his parent, guardian, foster parent, etc.) if all of the following statements are true:

1. The taxpayer is that person's son, daughter, stepchild, grandchild, or eligible foster child. Or, he is that person's brother, sister, half-brother, half-sister, stepbrother, or stepsister (or the child or grandchild of that person's brother, sister, half-brother, half-sister, stepbrother, or stepsister).
2. The taxpayer was:
 - a) Under age 19 at the end of the year and younger than that person (or that person's spouse if the person files jointly)

- b) Under age 24 at the end of the year, a full-time student, and younger than that person (or that person's spouse if the person files jointly)
- c) Any age if permanently and totally disabled at any time during the year.
3. The taxpayer lived with that person in the United States for more than half of the year
4. The taxpayer is not filing a joint return for the year (or is filing a joint return only as a claim for refund)

If the taxpayer (or his spouse, if filing a joint return) is a qualifying child of another person, he cannot claim the EIC. This is true even if the person for whom he is a qualifying child does not claim the EIC or meets all of the rules to claim the EIC. Enter "NO" beside line 64a (Form 1040) or line 38a (Form 1040A).

Payments	62	Federal income tax withheld from Forms W-2 and 1099	62	
	63	2012 estimated tax payments and amount applied from 2011 return	63	
If you have a qualifying child, attach Schedule EIC.	64a	Earned income credit (EIC)	64a	
	b	Nontaxable combat pay election 64b		
	65	Additional child tax credit. Attach Schedule 8812	65	
	66	American opportunity credit from Form 8863, line 8	66	

NO

Enter "NO" on the dotted line next to line 64a.

The following example illustrates a scenario for a qualifying child of another person.

Example – Murray and his daughter lived with Murray's mother all year. Murray is 22 years old, unmarried, and attended a trade school full time. Murray had a part-time job and earned \$5,700. Murray had no other income. Because Murray meets the relationship, age, residency tests, and joint return tests, he is a qualifying child of his mother. Murray's mother can claim the EIC if she meets all the other requirements. Because Murray is his mother's qualifying child, he cannot claim the EIC. This is so even if Murray's mother cannot or does not claim the EIC.

Child of a Person Not Required to File a Return

The taxpayer is not the qualifying child of another taxpayer (and so may qualify to claim the EIC) if his parent (or other person for whom he met the relationship, age, residency, and joint return tests) is not required to file an income tax return and either:

- Does not file an income tax return, or
- Files a return only to get a refund of income tax withheld or estimated tax paid.

The following example illustrates a scenario when a return is not required.

Example 1 – The facts are the same as in the last example except Murray's mother had no gross income, is not required to file a 2012 tax return, and does not file a 2012 tax return. As a result, Murray is not his mother's qualifying child. He can claim the EIC if he meets all the other requirements to do so.

The following example illustrates a scenario when a return is file to claim a refund.

Example 2 – The facts are the same as in *Example 1* except Murray's mother had wages of \$1,500 and had income tax withheld from her wages. She files a return only to get a refund of the income tax withheld and does not claim the EIC or any other tax credits or deductions. As a result, Murray is not his mother's qualifying child. He can claim the EIC if he meets all the other requirements to do so.

The following example illustrates a scenario when EIC is claimed.

Example 3 – The facts are the same as in *Example 2* except Murray's mother claimed the EIC on her return. Since she filed the return to get the EIC, she is not filing it only to get a refund of

income tax withheld. As a result, Murray is his mother's qualifying child. He cannot claim the EIC.

EIC for Taxpayers Without Qualifying Children

Taxpayers who do not have qualifying children may also be eligible for the EIC. To be eligible for the EIC, the taxpayer must:

- Have an AGI of less than \$13,980 (\$19,190 if MFJ)
- Be at least age 25 but under age 65 at the end of the tax year (the age requirement applies even if the taxpayer is filing a joint return; however, it is not required that both the taxpayer **and** his spouse meet the age requirement)
- The taxpayer may not be a dependent of another person
- The taxpayer may not be the qualifying child of another person; and
- The taxpayer's home must have been in the United States for more than half of the year.

If the taxpayer does not meet the requirements listed above, write "**NO**" next to line 64a, Form 1040 or line 38a, Form 1040A or line 8a, Form 1040EZ.

Example 1 – Evan is age 28 and unmarried. He meets the age test for a taxpayer without a qualifying child.

Example 2 – Josh and Sarah are married and filing a joint return. Sarah is age 23 and Josh is age 27. They meet the age test for a taxpayer without a qualifying child because Josh is at least age 25 but under age 65.

Example 3 – Edgar is married and filing a joint return with his spouse who died in August 2012. Edgar is age 67. His spouse would have been age 65 in November 2012. Because Edgar's spouse was under age 65 when she died, he meets the age test.

Schedule EIC and Worksheets

Taxpayers eligible for the EIC with qualifying children must complete schedule EIC. The information on Schedule EIC shows that the child meets all the tests for a qualifying child. Schedule EIC requires the child's name, Social Security number, year of birth, number of months lived in the home located in the United States, and the child's relationship to the taxpayer. Schedule EIC must be attached to the taxpayer's Form 1040 or 1040A.

Worksheets are available to help with the calculation of the EIC. The completed worksheet should be placed in the clients file and should not be sent or mailed with the federal tax return. Worksheets for EIC are available on the following pages.

Please see the example of the EIC worksheets and Schedule EIC on the following pages. These examples are based on the following scenario.

Max and Jennifer Simmons have two children Amanda, age 11, and Jake, age 7, who lived with them the entire year. Max and Jennifer have \$32,695 in wages and \$18 in interest from a savings account. Jennifer received \$1,200 in alimony payments from her ex-husband. Their AGI is \$33,913. Because of the alimony, they must file Form 1040.

Note: Please be aware that the following EIC worksheets are based on Form 1040. If you are using Form 1040A or Form 1040EZ you may need to check the line numbers.



Appendix A

Supporting Documents

Review Package



10121 W. Broad St., Suite A
Glen Allen, Virginia 23060

Certificate of Completion

This certificate is presented to

Jane Johnson

for successfully completing

Comprehensive Income Tax Course

Field of Study: Taxes

IRS CE Provider #: EEZ75

Completion: 2/11/2013

Program Number	Category	Credit Hours
EEZ75-E-00001-13-S	Ethics	3
EEZ75-U-00009-13-S	Tax Law Updates	3
EEZ75-T-00013-13-S	Federal Tax	18
Sponsor #: 103388	NASBA	60
CTEC Sponsor #: 1071	Qualifying Education	60

Instructional delivery method: Self-Study

Course location: Internet Based

In accordance with the standards of the National Registry of CPE Sponsors,
CPE credits have been granted based on a 50-minute hour.

National Registry of CPE Sponsors Identification Number: 103388



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Shula Clark

Director of The Income Tax School

Business Name: _____ Date: _____
 Contact Person: _____ Email: _____
 Address: _____
 City: _____ ST. _____ Zip: _____
 PH: _____ Fax: _____

Product	Qty	Price	Total	Product	Qty	Price	Total	Product	Qty	Price	Total
Licensing / Operator's Kit (OPK)				Small Business II Tax Course				State Supplements (Sold with Comp)			
Required Purchase				3 Student Kit				Student and Instructor (Cost/Student)			
License/OPK - New		\$147	\$0	5 Student Kit		\$653	\$0	California		\$42.50	\$0
License - Renewal		\$97	\$0	10 Student Kit		\$1,089	\$0	Oregon		\$42.50	\$0
Courses				Transparencies							
15 Hour CE Package				Forms Packet							
3 Student Kit (119 ea)		\$357	\$0	Answer Key		\$25	\$0	California Continuing Education			
5 Student Kit (109 ea)		\$545	\$0	Student Manuals (or Online User ID)				CABTL Student Online			
10 Student Kit (99 ea)		\$990	\$0					CABTL Student Book			
Additional student			\$0	Comprehensive				CABTL Instructor			
RTRP Competency Exam Review with CE				Advanced I							
Competency Review		\$159	\$0	Advanced II				CE Seminar 5 Kits			
Comprehensive				Small Business I							
3 Student Kit		\$435	\$0	Small Business II							
5 Student Kit		\$653	\$0	Instructor Manuals (or Online User ID)							
10 Student Kit		\$1,089	\$0	Comprehensive				Online Group Pricing Comprehensive			
Transparencies		\$45	\$0	Advanced I				2 Students			
Forms Packet		\$18	\$0	Advanced II				3 Students			
Advanced I Tax Course				Small Business I				5 Students			
3 Student Kit		\$435	\$0	Small Business II				10 Students			
5 Student Kit		\$653	\$0	Student Manuals to				Additional Student			
10 Student Kit		\$1,089	\$0	Supplement Online Courses				Online Group Pricing Comp. w/State			
Transparencies		\$30	\$0	Comprehensive				2 Students			
Forms Packet		\$13	\$0	Advanced I				3 Students			
Advanced II Tax Course				Advanced II				5 Students			
3 Student Kit		\$435	\$0	Small Business I				10 Students			
5 Student Kit		\$653	\$0	Small Business II				Additional Student			
10 Student Kit		\$1,089	\$0	Student Manuals With State				Flyers			
Transparencies		\$30	\$0	to Supplement Online Courses				Package of 50			
Forms Packet		\$10	\$0					Inquiry & Follow-up Cards			
Small Business I Tax Course				Comprehensive				Package of 50			
3 Student Kit		\$435	\$0	Advanced I				Tax Practice Management Manuals			
5 Student Kit		\$653	\$0	Advanced II				Tax Office Operations			
10 Student Kit		\$1,089	\$0	Small Business I				Marketing			
Transparencies		\$30	\$0	Small Business II				Personnel			
Forms Packet		\$10	\$0					Expansion			
								All Four Manuals			
								Additional Products			
								Applicant Screener			
Total This Column (Column A)				Total This Column (Column B)				Total This Column (Column C)			
			\$0				\$0				\$0

Credit Card Number: _____
 CVN from credit card: _____
 Exp. Date: _____
 Name on credit card: _____
 Billing address: _____
 Card Signature: _____
 I agree to the conditions and terms of The Income Tax School, Inc. license agreement

Licensee Signature: _____
 AP Code: _____ Sales Person: _____

1. Operator's Kit/Licensee Fee	\$0
2. Total Cost of Products	\$0
3. Discount	\$0.00
4. Discounted Total (Line 1 & 2 less 3)	\$0.00
5. VA Residents Only (Line 4 x 5%)	\$0.00
6. Shipping (line 2 x 6%)	\$0.00
7. Licensee Shipping Account	
10. Total (add lines 4, 5, & 6) Shown Below	\$0.00

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FOR TAX BUSINESS OWNER**

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3. During the term of this Agreement, neither you nor any of your employees or affiliates shall, directly or indirectly, compete with ITS in the business of operating any Program or providing materials intended for use in any Program in any area in which ITS operates, nor will you or any of your employees or affiliates attempt to hire any employee of ITS, encourage any employee to terminate his or her relationship with ITS, solicit or encourage any customer of ITS to terminate its relationship with ITS or to conduct with any other person or entity any business or activity which such customer conducts with ITS.

4. The Effective Date of this Agreement shall be the earlier of when you either sign the Order Form attached hereto/on the reverse hereof or sign this Agreement. The initial term shall expire on March 1 of the year next following the year in which the Effective Date falls. Unless earlier terminated in accordance with the terms hereof, this Agreement shall automatically renew for additional terms of twelve (12) months upon expiration on the then current term subject to advance payment of the then current annual renewal fee as set forth on ITS' Web sites at www.theincometaxschool.com prior to renewal. This Agreement shall terminate at the end of the then current term in the event either of the parties notifies the other of non-renewal at least thirty (30) days prior to the end of the then current term or if the annual renewal fee is not paid prior to renewal. If the Agreement is not renewed, ITS may charge the New Licensee fee if a new Agreement is made. ITS may terminate this Agreement at any time in the event you breach any of the terms hereof. Except as set forth in Section 5, within ten (10) days of termination of this Agreement, you shall return to ITS all Materials in your possession or destroy such Materials and furnish ITS with a sworn declaration confirming such destruction. The provisions of Sections 2, 4, 6 and 7 shall survive termination of this Agreement.

5. Subject to the terms and required return data and certifications more particularly described at ITS Web sites at www.theincometaxschool.com regarding its MONEY BACK GUARANTEE, within fifteen (15) days of receipt of ITS Materials, you may elect to terminate this Agreement and return The Income Tax School Materials to ITS for a refund of the license fee less shipping and handling charges provided The Income Tax School Materials are in resellable condition, in ITS' sole discretion. Tax Practice Management Materials may not be returned for a refund.

6. YOU ACKNOWLEDGE THAT INCOME TAX PREPARATION RULES, REGULATIONS AND METHODS ARE SUBJECT TO CHANGE AND ARE OF SUCH COMPLEXITY THAT THE MATERIALS MAY BE INACCURATE, INCOMPLETE OR CONTAIN DEFECTS. THE MATERIALS ARE PROVIDED "AS-IS" WITHOUT WARRANTY OF ANY KIND INCLUDING ANY WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, TITLE, QUIET ENJOYMENT, ACCURACY AND NON-INFRINGEMENT. ITS SHALL HAVE NO LIABILITY OR RESPONSIBILITY FOR DAMAGES OF ANY KIND, HOWEVER CAUSED AND BASED ON ANY THEORY OF LIABILITY, INCLUDING SPECIAL, INDIRECT, PUNITIVE OR CONSEQUENTIAL DAMAGES ARISING OUT OF OR RESULTING FROM ANY PROGRAMS, SERVICES OR MATERIALS LICENSED OR MADE AVAILABLE HEREUNDER OR YOUR USE OR MODIFICATION THEREOF. THIS LIMITATION SHALL APPLY EVEN IF ITS HAS BEEN NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES. IN NO EVENT MAY ANY ACTION BE BROUGHT AGAINST ITS ARISING OUT OF THIS AGREEMENT MORE THAN ONE (1) YEAR AFTER THE CLAIM OR CAUSE OF ACTION ARISES, DETERMINED WITHOUT REGARD TO WHEN YOU SHALL HAVE LEARNED OF THE DEFECT, INJURY OR LOSS. THE ENTIRE AND AGGREGATE LIABILITY OF ITS AND YOUR EXCLUSIVE REMEDY SHALL BE, IN ITS' SOLE DISCRETION, TO CORRECT ERRORS, OR TO REFUND THE ANNUAL LICENSE FEE PAID BY YOU FOR THE CURRENT TERM AND TERMINATE THIS AGREEMENT. ITS' SHALL NOT IN ANY EVENT BE LIABLE FOR MORE THAN THE ANNUAL LICENSE FEE PAID BY YOU TO ITS FOR THE CURRENT TERM (WHETHER SUCH LIABILITY ARISES FROM BREACH OF WARRANTY, BREACH OF THIS AGREEMENT OR OTHERWISE, AND WHETHER IN CONTRACT OR IN TORT, INCLUDING NEGLIGENCE AND STRICT LIABILITY).

7. You are an independent contractor and are not an agent or employee of ITS and you have no authority whatsoever to bind ITS by contract or otherwise. You are responsible for obtaining all licenses, permits and approvals required under applicable law to operate your business and the Programs. You may not assign this Agreement, by operation of law or otherwise, without the prior written consent of ITS. The parties to this Agreement hereby submit to the jurisdiction of the Federal and state courts located in Richmond, Virginia, in any action or proceeding arising out of, or relating to, this Agreement; and the parties waive all objections based on venue or forum non conveniens with respect to such courts. The parties agree that all claims in respect to such action or proceeding may be heard and determined only in such courts and they agree not to commence any legal or equitable proceeding in any other court. The parties further agree that any arbitration or mediation arising out of, or relating to, this agreement shall take place in Richmond, Virginia. The validity, construction, and performance of this Agreement shall be governed by the laws of the Commonwealth of Virginia (excluding its principles of conflict of laws). This Agreement will not be governed by the United Nations Convention on Contracts for the International Sale of Goods, the application of which is expressly excluded. If any provision(s) of this Agreement shall be held to be invalid, illegal, or unenforceable by a court or other tribunal of competent jurisdiction, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby. No failure or delay by ITS in enforcing any right or remedy under this Agreement shall be construed as a waiver of any future or other exercise of such right or remedy by ITS. This Agreement constitutes the sole and entire agreement of the parties as to the matter set forth herein and supersedes any previous agreements, understandings, and arrangements between the parties relating hereto. This Agreement may only be modified in writing and signed by an authorized officer of ITS.

Company Name: _____ **Phone Number:** _____

Address: _____

Authorized Signature: _____ **Date:** _____

Printed Name of Signer: _____ **Title:** _____



Appendix B
Additional Tax Practitioners/
Business Program Information

Review Package

Achieve Your Goals With The Income Tax School

Tax Preparer Training, IRS Exam Preparation, Continuing Education and More...

Take an advanced course or begin the stepping stones to a new career!

Whether you're just starting to explore opportunities in the tax preparation industry or you've been in the field for a while, The Income Tax School can help you reach your goals.

About our courses:

Our courses are very hands-on, have many real-world examples and are taught without tax software. Our mission is to help you be as successful as you can be as a Tax Professional. Learning by hand ensures that you are truly internalizing the knowledge. With each course you'll learn the details of the specific tax law, how to prepare tax returns and how to research tax issues.

Each course is divided into modules consisting of 5 chapters. In every chapter you will find:

- Learning objectives
- Chapter content
- Key terms
- Review questions
- Learning activities
- Learning activity questions

In addition, there are quizzes after every other chapter to further ensure that you are keeping up with the coursework, and a final exam is at the end of each module.

Choose The Income Tax School for:

- Online 24/7 course access
- Study at your own pace
- Easy to understand text
- Real world tax scenarios
- Learn without tax software
- Immediate online grading
- Hardcopy of texts available
- Email Instructor support
- Student forum provided
- Career center and internship program
- Certificate of Completion
- Money Back Guarantee



Learn online, 24/7

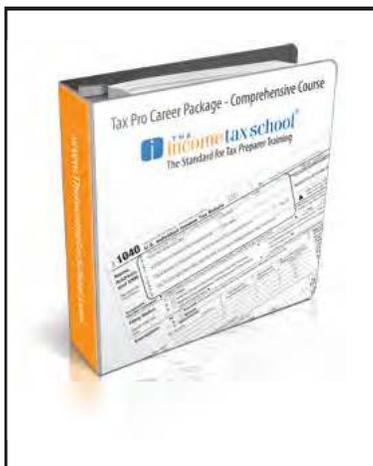
www.TheIncomeTaxSchool.com



Federal Income Tax Course Offerings

Tax Return Preparer Courses

Comprehensive Tax Course with Career Package



CE Credit Hours: 60

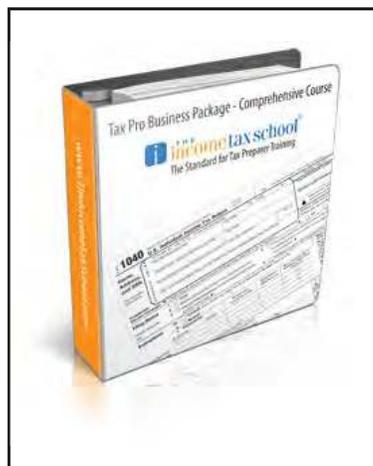
Term: 6 months

This course will enable you to prepare individual tax returns for the general public, including individual taxpayers who operate sole-proprietor businesses. This course also provides the educational foundation necessary to successfully pass the IRS Competency Exam should it be reinstated (Wage and Nonbusiness Income Form 1040 Examination).

Upon completion of this course, you will be able to: Prepare most business (self-employed/Schedule C) and individual nonbusiness tax returns, perform a thorough interview with a taxpayer, determine a taxpayer's filing status and eligibility for exemptions, accurately report income and deductions for a taxpayer, determine a taxpayer's eligibility for credits and deductions, compute income for Schedules C, E and F, determine depreciation deductions and eligibility for Section 179, accurately calculate a taxpayer's refund or balance due, and advise a taxpayer in tax planning strategies.

State Supplement available for California and Oregon.

Comprehensive Tax Course with Business Start-Up Package



CE Credit Hours: 60

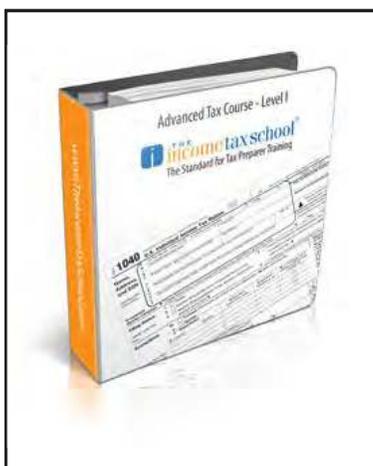
Term: 6 months

This course will enable you to prepare individual tax returns for the general public, including individual taxpayers who operate sole-proprietor businesses. This course also provides the educational foundation necessary to successfully pass the IRS Competency Exam should it be reinstated (Wage and Nonbusiness Income Form 1040 Examination).

Upon completion of this course, you will be able to: Prepare most business (self-employed/Schedule C) and individual nonbusiness tax returns, perform a thorough interview with a taxpayer, determine a taxpayer's filing status and eligibility for exemptions, accurately report income and deductions for a taxpayer, determine a taxpayer's eligibility for credits and deductions, compute income for Schedules C, E and F, determine depreciation deductions and eligibility for Section 179, accurately calculate a taxpayer's refund or balance due, and advise a taxpayer in tax planning strategies.

State Supplement available for California and Oregon.

Advanced Individual I Tax Course



CE Credit Hours: 30

Term: 3 months

This course will provide continuing study in tax preparation for individual taxpayers. At the completion of the course, you will have the confidence to take on more complex individual returns and research more complicated tax issues by reinforcing and building on your existing tax knowledge.

Topics include: Earned Income Credit, Investments, At Risk Rules, Passive Activities, Injured/Innocent Spouse, Tax/Special Credits, Cost of Goods Sold/Business Start-up, Depreciation, Amortization, Section 179, Employee Business Expense, Auto Expense, Self-employment Tax, Statutory Employees, Capital Gains/Losses, Basis of Property, Sale of Stock, Installment Sales, Rental Properties, K-1s/1099s, Sale of Business Property, and Estimated Taxes.

State Supplement available for California.

Our tax courses are updated and enhanced every year. The material is easy to follow and clearly explains the tax laws and regulations. We'll teach you exactly how to apply the tax law to real-life situations. Our courses provide you with the foundation you need to succeed!

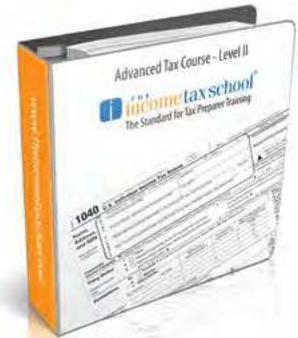
Advanced Individual II Tax Course

CE Credit Hours: 30

Term: 3 months

This course will provide continuing study in tax preparation for individual taxpayers. At the completion of the course, you will be able to prepare complex individual tax returns and research very involved tax issues. This course is ideal for veteran tax preparers who are working toward becoming more educated in tax law.

Topics include: Amended Tax Returns for Individuals, Special Needs and Concerns of Seniors, Tax Issues for High Income Taxpayers, Net Operating Losses, Schedule D - Special Issues, Tax Issues for Divorced Taxpayers, Tax Planning Tips and Strategies, Responding to the IRS, Part-year Resident State Tax Preparation Principles, and Non-resident Alien Returns - Form 1040NR.



Small Business I Tax Course

CE Credit Hours: 30

Term: 3 months

This course will provide an understanding and solid foundation for preparing business tax returns and researching related issues. This course is designed as an introduction to some of the issues involved in the preparation of tax returns for various forms of business entities. This course will give you the information necessary to handle basic partnerships, corporations, LLCs and more complex Schedule Cs. Students should be comfortable with their knowledge of individual tax return preparation before moving on to this course.

Topics include: Business Types, Accounting Methods, Financial Statements, Business Income, Schedule C, Cost of Goods Sold/Inventory, Depreciation, Section 179 Deduction, Contractor vs. Employee, Sale of Business Property, Partnerships, Corporations (C, S, LLC,), Employee Taxes, Excise Taxes, Estate Taxes, Extensions, Estimates, Employee Benefits, and Retirement Plans.

State Supplement available for California.



Small Business II Tax Course

CE Credit Hours: 30

Term: 3 months

This course will provide more detailed instruction on understanding and researching tax issues for various business types. This course is designed as an introduction to some of the more complex issues involved in the preparation of tax returns for various forms of business entities. This course will give you the information necessary to handle more complex business tax situations with knowledge and confidence.

Topics include: Understanding the Balance Sheet, Partnership Issues, Corporation Issues, General Business Credits, Tax Issues Related to Buying a Business, Sale or Liquidation of Business, Profit or Loss From Farming - Schedule F, Amended or Corrected Business Returns, What to Do When You Owe the IRS, and Tax Preparation for Non-profits: 501(c)(3), 501(c)(4), 501(c)(6), and more.



Learn online, 24/7

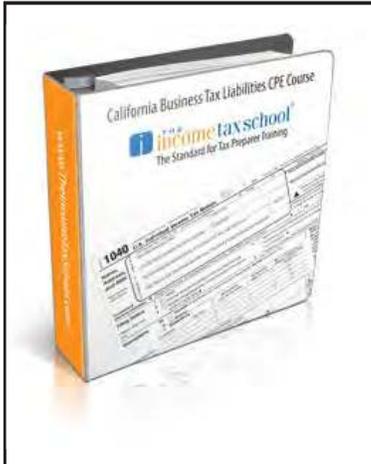
www.TheIncomeTaxSchool.com



State Continuing Education Tax Course Offerings

California State - CTEC Approved

California Business Tax Liabilities Continuing Education Tax Course



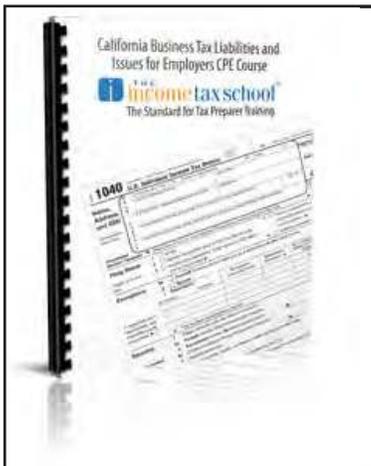
CE Credit Hours: 20 (10 Fed, 4 CA State, 3 Tax Law Updates, 3 ethics) Term: 3 months

This course will provide the tax knowledge needed to start a California business or to assist a client in starting a California business. Approved Continuing Education for CTEC registered preparers who need to renew their CTEC registration.

Topics include: Business Organization, Income, Expenses and Basis, Employment Taxes, California Business Tax & Payroll Requirements, Retirement Plans, Dispositions, and Ethics and Responsibilities of Tax Professionals.

CTEC Approved, CE# 1071-CE-3021

California Business Tax Liabilities and Issues for Employers Continuing Education Tax Course



CE Credit Hours: 4 (CA State)

Term: 1 month

This course covers the various types of business and payroll taxes for California. Approved Continuing Education for CTEC registered preparers who need to renew their CTEC registration.

Topics include: California Business Tax & Payroll Requirements, Self-Employment, California Taxes, Self-employed Taxpayer Tax Payment Requirements, The Common Law Test for Employment, Nonresident Withholding Issues, Net Operating Losses (NOL), and Differences in Federal and State Business Income Tax Returns.

CTEC Approved, CE#

The Income Tax School Credentials

We Adhere to the Highest Standards In The Industry

You Can Count On Us To Meet Your Needs



The Income Tax School is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

- State boards of accountancy have final authority on the acceptance of individual courses for CPE credit. Complaints regarding sponsors may be addressed to the National Registry of CPE Sponsors, 150 Fourth Avenue North, Suite 700, Nashville, TN 37217-2417. Web site: www.nasba.org



Approved Sponsor for California Tax Education Council (CTEC)

- The Income Tax School is approved to offer qualifying and continuing tax education for both distance and interactive learning methods by CTEC for California registered tax preparers.



Approved by Oregon State Board for Tax Practitioners (OTPB)

- The Income Tax School is approved by the Oregon Board of Tax Service Examiners.



Certified to Operate in Virginia by State Council of Higher Education for Virginia (SCHEV)

- The Income Tax School, Inc. is certified to operate a proprietary career school in Virginia by the State Council of Higher Education for Virginia (SCHEV).



IRS OPR Approved Sponsor for Enrolled Agent Continuing Education

- The Income Tax School is approved by the Office of Professional Responsibility (OPR) at the Internal Revenue Service as provider of qualifying continuing education for IRS Enrolled Agents (EAs).



College Credit Available through University of Phoenix

- As an undergraduate degree candidate at the University of Phoenix, you may be able to earn credit for courses completed through The Income Tax School.

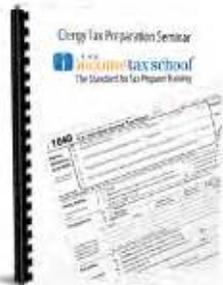
Continuing Education Seminars

Amended Tax Returns



Explore amended returns, such as common reasons for amendments, statute of limitations when claiming refund, 1040X preparation, amended return fees, & state income tax return amendments.

Clergy



Study the various types of expenses related to clergy income and the forms necessary to deduct the expenses.

Corporations



Learn the basics of preparing small corporate returns. Become familiar with the advantages and disadvantages of selecting a corporation as a business entity.

Divorced & Separated Taxpayers



Explore child exemptions, itemized deductions/credits, filing status, community property issues, alimony, child support, handling asset transfers, qualified domestic relations orders (QDRO), adjustments to income & more.

Earned Income Tax Credit



Get the most up-to-date information on the Earned Income Tax Credit. Learn about requirements, qualifying children, and rules for foster children.

Non-resident Alien Returns



Learn the difference between a non-resident alien & a resident alien. Discover when to use Form 1040NR & when Form 1040 use is more appropriate. Explore tax treaties with other countries, filing requirements, credits, deductions & exemptions.

State Returns



Review the various issues for filing part-year & non-resident tax returns. Discover how your client may be affected by credits, adjustments, subtractions, additions, exemptions & deductions. Gain an awareness for common issues shared among many states & items that may be state specific.

Rental Property



Learn what constitutes rental property, what expenses are deductible, & how to handle sales of rental property.

Responding to the IRS



Given the choice, most taxpayers would rather not deal directly with the IRS. This is where you step in. Learn how to handle IRS letters which request information or explanations. Gain knowledge in handling audit & complex collection issues. Learn about offers-in compromise.

Retirement Plans



Learn the different types of retirement income, & the tax treatment of distributions received.

These seminars provide in-depth knowledge in specific subjects enabling tax professionals to fill-in gaps in tax knowledge and become specialists in specific types of tax returns. Most seminars are three hours long.

<p>Employee Business Expenses</p>  <p>Get up-to-date info. on vehicle mileage allowance changes for employees. Discover tax saving tips for employees who have unreimbursed business expenses.</p>	<p>Employment Taxes</p>  <p>Explore employment taxes & withholding issues for independent contractors & statutory employees. Review earned income tax credit. Form 941, Form 940, & tax deposits will be introduced.</p>	<p>Ethics</p>  <p>Study ethics & responsibilities of tax pros, various professional association standards, Addendum to Treasury Department Circular No. 230 (Rev. 7-2002), & sample scenarios w/ suggested solutions.</p>	<p>High Income Taxpayers</p>  <p>Learn about issues high income taxpayers face such as alternative minimum tax, itemized deduction limitations, IRA contributions, exemptions, deductible credits, & adjustments to income.</p>	<p>Net Operating Losses</p>  <p>Learn rules about net operating losses, become more familiar with when it may be necessary to use an NOL, & learn how to complete an NOL calculation.</p>
<p>Schedule C - Sole Proprietorship</p>  <p>Learn about developing a sole proprietorship, advantages and disadvantages of being one, maintaining records, inventory & costs of goods sold.</p>	<p>Schedule D</p>  <p>Learn how to assist your client with wash sales, puts & calls, employee stock options, like-kind exchanges, the sale of a personal residence, the sale of business property & capital loss carryovers.</p>	<p>S-Corporations</p>  <p>Learn to prepare S-Corporation returns in addition to Schedule K-1. Know the advantages & disadvantages of electing to become an S-corporation.</p>	<p>Seniors - Needs & Concerns</p>  <p>Explore issues such as required minimum distributions, taxable social security, estimated payments, assisted living & long term care insurance deductions, estate planning & tax-free investments.</p>	<p>Tax Planning & Savings</p>  <p>Learn how to help your client save valuable tax dollars by offering tax planning tips & strategies. Discover how a contribution to an IRA may lower your client's tax liability. Help your client determine if he is utilizing the deductions & credits to which he is entitled.</p>

Why Reinvent the Wheel?

www.TheIncomeTaxSchool.com

All the Tools You Need to Build a Successful Tax Business

A Turn-Key Solution Without the Costly Franchise Fees and Royalties

Tax Business Marketing Manual

Reach Your Target Clients

Learn many of the key things to market your tax firm the way national tax firms do without having to spend as much. Learn to identify your target clients and reach them efficiently and effectively.

Contents:

- Marketing Planning
- Client Retention
- Mass Media Advertising
- Targeted Advertising
- Public Relations
- Group Tax Programs
- Tax Office Signage
- Sample Ads, Brochures & Flyers
- Marketing References... and much more!



Tax Office Operations Manual

Policies and Procedures of a Tax Office

Successful tax practices require much more than just knowing how to prepare tax returns. This comprehensive manual outlines effective company policies and procedures and communicates them to your employees and clients. Help your staff understand your company's philosophy to increase consistency in your operations. CD included to customize to your needs.

Contents:

- Guiding Principles
- Tax Office Policies
- Administrative Procedures
- Employment Agreements
- Fee Schedules
- Checking & Processing
- IRS E-filing
- IRS Due Diligence... and much more!



**Order as a Set
and Save!**

Tax Business Expansion Manual

Grow Your Business the Smart Way

Ready to lease a tax office or expand your tax business? Don't make any decisions without this guide! This manual, developed by a 40+ year veteran executive of a national tax firm, will give you a methodical, clear plan.

Contents:

- Game Plan to Compete with National Firms
- Site Selection Considerations
- Different Market Segments
- Sample Leases & Leased Department Agreements
- Lease Negotiation Strategies
- Alternative Distribution Channels
- Joint Ventures & Franchises
- Acquisitions... and much more!



Tax Business Personnel Manual

Training and Human Resources

In business with two or more employees? This manual is for you. Employees are the key to your success. With this guide, you'll be able to realize the benefits of hiring right, proper training, and keeping the best. CD included to customize to your needs.

Contents:

- Recruiting, Screening, Hiring, & Training
- Training Outlines
- Creating Job Descriptions
- Motivating & Retaining
- Personnel Policies & Procedures
- Employment Law Issues
- Employment Agreements
- Compensation & Benefits... and much more!



Grow Your Own Qualified, Seasonal Tax Preparers

Compete on a Level Playing Field with the National Firms

Operate Your Own Tax School for In-House Preparer Training

This best practice is the optimal method to ensure your business maintains a well trained staff of competent, people-oriented preparers who will continue to serve your valued clients year-after-year. Have confidence that your in-house trained preparers will prepare accurate tax returns for the general public. Plus, provide continuing education for experienced tax preparers.

Teach Live Tax Classes

- Observe candidates before hiring them
- Teach interview techniques through role-playing
- Student interaction enhances their learning
- Develop a rapport with employee prospects

Teach Online Classes

- Accessible anywhere, 24/7
- No live teaching needed
- Students can learn your tax software while training
- Students work at their own pace
- Automatic grading with feedback
- Monitor students' progress
- Easy online access to resources



Strategic Planning Retreat Webinars

Reposition Your Tax Business for the Next Decade of Growth & Profits

Perfect for anyone who wants to start, build or improve their own tax business

Topics Include:

- Recruiting & Training Tax Preparers
- Tax Office Policies & Procedures
- Personnel Issues & Policies
- Marketing with Limited Resources
- Tax Business Growth Strategies/Client Retention
- Expansion & Year-round Business Development

"These were great webinars and I got a lot out of them. It is a really exciting (and terrifying) time as I work through all of the issues and opportunities to get launched, and the webinars and the practice manuals I purchased have been a great help. Thanks again."

Brian Murphy, New Lebanon, OH

NEW! Tax Preparer Screener Test

Screen New Hires and Current Employees

- Determine new tax preparer applicants' levels of tax knowledge
- Test current preparers' tax knowledge
- Decide who needs a tax course before they can begin preparing taxes for you
- Results enable you to pinpoint gaps in knowledge
- Saves hours of interviewing time and prevents costly hiring mistakes
- Test is very economical!
- Covers all Form 1040 Returns including Schedules C, E, F & Depreciation
- Includes 75 questions, plus specific questions about a tax return
- Test is completed online with automatic grading
- Test score results emailed within 24 hours

Thank you for your interest in
The Income Tax School!



If you have any questions, please contact us at
info@TheIncomeTaxSchool.com or at 1.800.984.1040.

www.TheIncomeTaxSchool.com