IRS

Annual Federal Tax Refresher (AFTR) Course Outline

(For Preparation of 2026 Individual 1040 Tax Returns)

- ✓ Course material should only include the subject areas on the AFTR Course Outline.
- ✓ We have listed topics required to be covered from inflationary adjustment Revenue Procedure 2025-32 SECTION 4. 2026 ADJUSTED ITEMS by item number in the best area to present this material. For example, there are some Rev. Proc. references best covered in Domain 1.1 while other referenced Rev. Proc. items are best covered in Domains 2 or 3.
- ✓ Highlight 2026 provisions by the One, Big, Beautiful Bill Act (OBBBA) in Domain 1 and cover topics comprehensively in Domain 2.
- ✓ New legislation enacted after the publication of this outline may be voluntarily incorporated into the course. You should test on the most current/accurate material you present in the course.
- ✓ We included some forms with their complete names in related areas to help you develop your program. When introducing a form number, include the complete form name, as it best describes what the form is used for.
- ✓ See Publication 6026, Annual Federal Tax Refresher (AFTR) Course for more instructions for CE providers on developing the AFTR Course and Test.

Domain 1 – New Tax Law/Recent Updates

1.1 Annual inflation and cost of living adjustments............ (Rev. Proc. 2025-32)

- Certain Expenses of Elementary and Secondary School Teachers............ Rev. Proc. 2025-32(.12)
- Interest on Education Loans............ Rev. Proc. 2025-32(.29)
- Foreign Earned Income Exclusion............ Rev. Proc. 2025-32(.39)
- Annual Exclusion for Gifts............ Rev. Proc. 2025-32(.42)

1.2 New standard mileage rates (Notice 2026-10)

1.3 Third-Party Network Transaction reporting requirement – Reinstates exception for aggregate number of transactions not exceeding 200 with an aggregate amount not exceeding $20,000 (OBBBA §70432) (FS-2025-08)

- (Form 1099-K, Payment Card and Third-Party Network Transactions)

1.4 Information Reporting Threshold – Change in threshold from $600 to $2,000 for most reportable payments (OBBBA §70433)

- (Form 1099-NEC, Nonemployee Compensation)
- (Form 1099-MISC, Miscellaneous Information)

1.5 Child and Dependent Care Credit – Increase in credit amount from 35% to 50% of qualifying expenses and changes to credit phaseout amounts (OBBBA §70405)

1.6 Adoption Credit – Refundable credit for $5,120............ Rev. Proc. 2025-32(.04)

1.7 American Opportunity and Lifetime Learning Credit – SSN and EIN requirements and treatment of noncompliant returns as math errors for IRS processing (OBBBA §70606)

1.8 Alternative Fuel Vehicle Refueling Property Credit – Amends credit allowance to property placed in service before July 1, 2026 (OBBBA §70433)

1.9 Itemized Deduction Updates

1.9.1 Itemized Deduction Limitations – New itemized deduction limit calculation (OBBBA §70111)

1.9.2 Mortgage Interest Deduction – Home equity indebtedness not allowed. Certain mortgage insurance premiums on acquisition indebtedness treated as qualified residence interest (OBBBA §70108)

1.9.3 Casualty Loss Deduction – Personal casualty loss deduction expanded to both federally declared and state declared disaster areas (OBBBA §70109)

1.9.4 Gambling Losses – Deduction limited to 90% of losses and to the extent of gains from wagering transactions (OBBBA §70114)

1.9.5 State and Local Tax (SALT) Deduction – Increased deduction limit to $40,400 ($20,200 for MFS) with phaseout limiting the deduction to a floor of $10,000. (OBBBA §70120)

1.10 Form 1040, Schedule 1-A, Additional Deductions (FS-2025-03)

1.10.1 Deduction for Tip Income – New deduction for up to $25,000 for qualified tips (OBBBA §70201)

1.10.2 Deduction for Overtime Pay – New $12,500 ($25,000 for joint filers) deduction for qualified overtime compensation (OBBBA §70202), FS-2026-01

1.10.3 Auto Interest Loan Deduction (OBBBA §70203)

1.10.4 Enhanced Deduction for Seniors – New additional $6,000 deduction for individuals aged 65 and older (OBBBA §70103)

1.11 Charitable Contributions – Charitable contribution deduction up to $1,000 ($2,000 for joint filers) for non-itemizers (OBBBA §70424) and charitable contributions must now exceed .5% of contribution base before deduction allowed (OBBBA §70425)

1.12 529 Plan Account Disbursements – Amended definition of qualified higher education expense to include postsecondary credentialing expenses (OBBBA §70414) and increase in annual aggregate per-beneficiary distribution limitation from $10,000 to $20,000 (OBBBA §70413)

1.13 Trump Accounts – Tax exempt accounts for U.S. citizens born after Dec. 31, 2024, and before Jan. 1, 2029, with an initial government contribution of $1,000 (OBBBA §70204) (Notice 2025-68)

- (Form 4547, Trump Account Election(s))

1.14 Health Savings Accounts – Safe harbor for absence of deductible for telehealth and other remote care services now permanent (OBBBA §71306), bronze and catastrophic plans treated as high-deductible plans (OBBBA §71307) and direct primary care service arrangements (OBBBA §71308) (Notice 2026-5)

Domain 2 – General Review

2.1 Filing Status Review

- Gross Income Limitation for a Qualifying Relative.. Rev. Proc. 2025-32(.23)

2.2 Taxability of earnings (such as wages, salaries, tips)

- (Form W-2, Wage and Tax Statement)
- (Form 4137, Social Security and Medicare Tax on Unreported Tip Income)

2.3 Interest, dividends, foreign accounts and trusts

- (Schedule B, Interest and Ordinary Dividends)

2.4 Reporting and taxability of retirement income (Social Security benefits, pensions, annuities, 401(k) distributions)

- (Form SSA-1099, Social Security Benefit Statement)
- (Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.)

2.5 IRAs (contributions, deductions, distributions and 10% penalty) (IR-2025-111 IRA, 401(k) contribution limits 2026)

- (Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.)
- (Form 5498, IRA Contribution Information)

2.6 Reporting and taxability of unemployment compensation

- (Form 1099-G, Certain Government Payments)

2.7 Alimony (divorce agreements executed before 2019; executed or modified after 2018)

2.8 Schedule C, Profit or Loss from Business (Sole Proprietorship)

2.8.1 Determination of gross income & deductions

2.8.2 Business versus hobby

2.8.3 Business use of home (regular vs. simplified method)

2.8.4 Recordkeeping requirements

2.8.5 Entertainment expenses (50% of business meals deductible)

2.8.6 Section 179 expense limits...Rev. Proc. 2025-32(.10)

2.8.7 Depreciation

2.8.7.1 Bonus depreciation (100% limit reinstated) (Notice 2026-11)

2.8.7.2 Luxury auto depreciation limits .... (Rev. Proc. 2026-15)

2.8.7.3 Listed property updates

2.9 Overview of capital gains and losses

- Maximum Capital Gains Rate .... Rev. Proc. 2025-32(.03)
- (Form 1040 Schedule D, Capital Gains and Losses)
- (Form 8949, Sales and Other Dispositions of Capital Assets)
- (Form 1099-DIV, Dividends and Distributions)
- (Form 1099-B, Proceeds from Broker and Barter Exchange Transactions)

2.10 Standard Deduction .... Rev. Proc. 2025-32(.14)

2.11 Schedule A, Itemized deductions

- (Form 1040 Schedule A, Itemized Deductions)

2.11.1 Medical and dental expenses

- Eligible Long-Term Care Premiums .... Rev. Proc. 2025-32(.27)
- (Form 1099-LTC, Long Term Care and Accelerated Death Benefits)

2.11.2 State and local tax deduction

2.11.3 Home mortgage interest

- (Form 1098, Mortgage Interest Statement)

2.11.4 Charitable contributions

2.11.4.1 60% AGI limit for cash contributions

2.11.4.2 Contemporaneous written acknowledgment required for contributions of $250 or more (cash or property)

2.11.5 Federally declared and state declared disaster area casualty loss deduction (including loss deduction for non-itemizers)

2.11.6 Moving expense deduction not allowed and reimbursement is taxable (except for active military and members of the intelligence community (OBBBA §70113)

2.11.7 Recordkeeping and documentation of deductions

2.12 Tax credit eligibility (child tax credit, credit for other dependents, child and dependent care tax credit, education tax credits, earned income tax credit)

- Child Tax Credit .... Rev. Proc. 2025-32(.05)
- Earned Income Credit .... Rev. Proc. 2025-32(.06)
- (Form 1040 Schedule 8812, Credits for Qualifying Children and Other Dependents)
- (Form 2441, Child and Dependent Care Expenses)
- (Form 8863, Education Credits (American Opportunity and Lifetime Learning Credits))
- (Form 8862, Information To Claim Certain Credits After Disallowance)
- (Form 1098-T, Tuition Statement)
- (Form 1040 or 1040-SR Schedule EIC, Earned Income Credit)

2.13 General Topics

2.13.1 Tax treatment of the acquisition and disposition of digital assets

- (Form 1099-DA, Digital Asset Proceeds From Broker Transactions)

2.13.2 Alternative Minimum Tax (AMT) – exemption/phaseout amounts .... Rev. Proc. 2025-32(.10)

- (Form 6251, Alternative Minimum Tax – Individuals)

2.13.3 QBI deduction (including Form 8995 and Form 8995-A) .... Rev. Proc. 2025-32(.26)

- (Form 8995, Qualified Business Income Deduction Simplified Computation)
- (Form 8995-A, Qualified Business Income Deduction)

2.13.4 Kiddie Tax including....................Rev. Proc. 2025-32(.02)(.11)

- (Form 8615, Tax for Certain Children Who Have Unearned Income)
- (Form 8814, Parents' Election to Report Child's Interest and Dividends)

2.13.5 Section 529 Plans

- (Form 1099-Q, Payments from Qualified Education Programs (Under Sections 529 and 530))

2.13.6 Achieving a Better Life Experience (ABLE) account (IRC §529A as amended)

- (Form 1099-QA, Distributions from ABLE Accounts)
- (Form 5498-QA, ABLE Account Contribution Information)

2.13.7 Cancellation of student debt (when to exclude from income)

- (Form 1099-C, Cancellation of Debt)

2.13.8 Net operating loss (NOL)

2.13.9 Premium Tax Credit (FS-2025-10)

- (Form 8962, Premium Tax Credit (PTC))
- (Form 1095-A, Health Insurance Marketplace Statement)
- (Form 1095-B, Health Coverage)
- (Form 1095-C, Employer-Provided Health Insurance Offer and Coverage)

2.13.10 Employee fringe benefits

- Cafeteria Plans....................Rev. Proc. 2025-32(.15)
- Qualified Transportation Fringe Benefit....................Rev. Proc. 2025-32(.16)
- Medical Savings Accounts....................Rev. Proc. 2025-32(.28)
- Health Savings Account (HSA) contribution limits....................(Rev. Proc. 2025-19)
- Archer MSAs contribution limits....................IRC 220(b)
- (Form 8889, Health Savings Accounts (HSAs))
- (Form 1099-SA, Distributions From an HSA, Archer MSA or Medicare Advantage MSA
- (Form 5498-SA, HSA, Archer MSA or Medicare Advantage MSA Information)

2.14 Withholding and estimated tax payments

- (Form W-4, Employee's Withholding Certificate)
- (Form 1040-ES, Estimated Tax for Individuals)

2.15 Balance due and refund options (www.irs.gov/payments)

- (Form 8888, Allocation of Refund)

2.16 Tax return due dates and filing for extensions

- Failure to File Tax Return....................Rev. Proc. 2025-32(.52)
- (Form 4868, Application for Automatic Extension of Time To File U.S. Individual Income Tax Return)

Domain 3 – Practices, Procedures and Professional Responsibility

3.1 Tax-related identity theft (Pub. 5199)

3.2 Safeguarding taxpayer data (Pub. 4557)

3.3 Overview and expiration of Individual Taxpayer Identification Numbers (ITINs) (Pub. 1915)

- (Form W-7, Application for IRS Individual Taxpayer Identification Number)

3.4 Preparer penalties (inflation adjustments to penalty amounts) .... Rev. Proc. 2025-32(.54)

3.5 Tax preparation due diligence

- (Form 8867, Paid Preparer's Due Diligence Checklist Earned Income Credit (EIC), American Opportunity Tax Credit (AOTC), Child Tax Credit (CTC) (including the Additional Child Tax Credit (ACTC) and Credit for Other Dependents (ODC)), and Head of Household (HOH) filing status)

3.6 E-file requirements (no pay stub filing, when to get signature form, timing for handling rejects)

- (Publication 1345, Handbook for Authorized IRS e-file Providers of Individual Income Tax Returns)
- (Form 8878, IRS e-file Signature Authorization for Form 4868 or Form 2350)
- (Form 8879, IRS e-file Signature Authorization)
- (Form 8948, Preparer Explanation for Not Filing Electronically)
- (Form 8508, Application for a Waiver from Electronic Filing of Information Returns)

3.7 Annual Filing Season Program

3.7.1 Annual Filing Season Program Requirements (Rev. Proc. 2014-42) (Pub. 5227) (Pub. 5646)

3.7.2 Circular 230 and consent to be subject to Circular 230 rules

3.7.3 Limited representation

3.8 Tax Pro Account and Individual Online Account (Pub. 5533) (Pub. 5533-A)