

# **Preparing 2022 Individual Income Tax Returns**

---

Published and Distributed by  
The CPE Store, Inc.  
[www.cpestore.com](http://www.cpestore.com)

# Table of Contents

---

## Module 1 – Chapters 1-4

<b>Chapter 1 – Filing Information</b> .....	<b>1</b>
Learning Objectives .....	1
Introduction.....	1
Do I Have To File a Return? .....	1
Which Form Should I Use?.....	5
Why Should I File Electronically?.....	5
When Do I Have To File? .....	6
How Do I Prepare My Return?.....	9
Where Do I File?.....	17
What Happens After I File?.....	18
What If I Made a Mistake?.....	21
Review Questions .....	27
Review Answers .....	29
<b>Chapter 2 – Filing Status</b> .....	<b>31</b>
Learning Objectives .....	31
Introduction.....	31
Marital Status.....	31
Single .....	32
Married Filing Jointly .....	32
Married Filing Separately.....	34
Head of Household .....	35
Qualifying Widow(er).....	38
Review Questions .....	39
Review Answers .....	40
<b>Chapter 3 – Dependents</b> .....	<b>41</b>
Learning Objectives .....	41
Introduction.....	41
Dependents .....	41
Social Security Numbers for Dependents.....	59
Review Questions .....	60
Review Answers .....	61
<b>Chapter 4 – Tax Withholding and Estimated Tax</b> .....	<b>63</b>
Learning Objectives .....	63
Introduction.....	63
Tax Withholding for 2023.....	63
Estimated Tax for 2023 .....	69
Credit for Withholding and Estimated Tax for 2022.....	74
Underpayment Penalty for 2022 .....	76
Review Questions .....	77
Review Answers .....	78

## Module 2 – Chapters 5-8

<b>Chapter 5 – Wages, Salaries, and Other Earnings</b> .....	<b>79</b>
Learning Objectives .....	79
Introduction.....	79
Employee Compensation .....	79
Special Rules for Certain Employees.....	87
Sickness and Injury Benefits.....	90
Review Questions .....	93
Review Answers .....	94
<b>Chapter 6 – Tip Income</b> .....	<b>95</b>
Learning Objectives .....	95
Introduction.....	95
Keeping a Daily Tip Record.....	95

## Table of Contents

Reporting Tips to Your Employer .....	96
Reporting Tips on Your Tax Return.....	97
Allocated Tips .....	98
Review Questions .....	99
Review Answers .....	100
<b>Chapter 7 – Interest Income.....</b>	<b>101</b>
Learning Objectives .....	101
Introduction.....	101
General Information .....	101
Taxable Interest.....	103
When to Report Interest Income .....	112
How to Report Interest Income .....	112
Review Questions .....	114
Review Answers .....	115
<b>Chapter 8 – Dividends and Other Distributions .....</b>	<b>117</b>
Learning Objectives .....	117
Introduction.....	117
Ordinary Dividends .....	117
Capital Gain Distributions .....	120
Nondividend Distributions.....	120
How to Report Dividend Income .....	122
Review Questions.....	124
Review Answers .....	125
<b>Module 3 – Chapters 9-13</b>	
<b>Chapter 9 – Rental Income and Expenses.....</b>	<b>127</b>
Learning Objectives .....	127
Introduction.....	127
Rental Income .....	127
Rental Expenses.....	128
Property Changed to Rental Use .....	129
Renting Part of Property.....	130
Not Rented for Profit .....	130
Personal Use of Dwelling Unit (Including Vacation Home) .....	130
Depreciation of Rental Property.....	135
Limits on Rental Losses .....	135
How to Report Rental Income and Expenses .....	136
Review Questions.....	138
Review Answers .....	139
<b>Chapter 10 – Retirement Plans, Pensions, and Annuities .....</b>	<b>141</b>
Learning Objectives .....	141
Introduction.....	141
General Information .....	141
Cost (Investment in the Contract) .....	142
Taxation of Periodic Payments .....	143
Taxation of Nonperiodic Payments .....	146
Rollovers .....	147
Special Additional Taxes .....	149
Survivors and Beneficiaries.....	152
Review Questions.....	153
Review Answers .....	154
<b>Chapter 11 – Social Security and Equivalent Railroad Retirement Benefits.....</b>	<b>155</b>
Learning Objectives .....	155
Introduction.....	155
Are Any of Your Benefits Taxable? .....	155
How to Report Your Benefits .....	157
Examples .....	158
Deductions Related to Your Benefits.....	161
Review Questions.....	163
Review Answers .....	164

## Table of Contents

<b>Chapter 12 – Other Income .....</b>	<b>165</b>
Learning Objectives .....	165
Introduction.....	165
Bartering.....	165
Canceled Debts .....	166
Host or Hostess .....	167
Life Insurance Proceeds.....	167
Partnership Income.....	169
S Corporation Income .....	169
Recoveries .....	169
Rents from Personal Property.....	171
Repayments .....	171
Royalties .....	172
Unemployment Benefits .....	173
Welfare and Other Public Assistance Benefits.....	174
Other Income.....	175
Review Questions.....	182
Review Answers .....	183
<b>Chapter 13 – Basis of Property .....</b>	<b>185</b>
Learning Objectives .....	185
Introduction.....	185
Cost Basis .....	185
Adjusted Basis.....	187
Basis Other Than Cost.....	190
Review Questions.....	197
Review Answers .....	198
<b>Module 4 – Chapters 14-18</b>	
<b>Chapter 14 – Sale of Property .....</b>	<b>199</b>
Learning Objectives .....	199
Introduction.....	199
Sales and Trades.....	199
Capital Gains and Losses.....	204
Review Questions.....	210
Review Answers .....	211
<b>Chapter 15 – Selling Your Home.....</b>	<b>213</b>
Learning Objectives .....	213
Introduction.....	213
Does Your Home Sale Qualify for the Exclusion of Gain? .....	213
Figuring Gain or Loss.....	217
How Much Is Taxable?.....	221
Reporting Your Home Sale.....	222
Review Questions.....	225
Review Answers .....	226
<b>Chapter 16 – Reporting Gains and Losses.....</b>	<b>227</b>
Learning Objectives .....	227
Introduction.....	227
Reporting Capital Gains and Losses.....	227
Review Questions.....	232
Review Answers .....	233
<b>Chapter 17 – Individual Retirement Arrangements (IRAs).....</b>	<b>235</b>
Learning Objectives .....	235
Introduction.....	235
Traditional IRAs .....	235
Roth IRAs.....	251
Review Questions.....	257
Review Answers .....	258

## Table of Contents

<b>Chapter 18 – Health Savings Accounts (HSAs).....</b>	<b>259</b>
Learning Objectives .....	259
Introduction.....	259
Qualifying for an HSA.....	259
Contributions to an HSA.....	261
Distributions From an HSA.....	265
Balance in an HSA.....	267
Death of HSA Holder.....	267
Filing Form 8889.....	267
Employer Participation .....	267
Review Questions.....	269
Review Answers .....	270
<b>Module 5 – Chapters 19-23</b>	
<b>Chapter 19 – Education-Related Adjustments .....</b>	<b>271</b>
Learning Objectives .....	271
Introduction.....	271
Student Loan Interest Deduction.....	271
Educator Expenses.....	274
Review Questions.....	276
Review Answers .....	277
<b>Chapter 20 – Other Adjustments to Income.....</b>	<b>279</b>
Learning Objectives .....	279
Introduction.....	279
Travel Expenses.....	279
Meals and Entertainment.....	287
Gifts .....	290
Transportation .....	290
Recordkeeping.....	295
How to Report.....	297
Review Questions.....	306
Review Answers .....	307
<b>Chapter 21 – Standard Deduction.....</b>	<b>309</b>
Learning Objectives .....	309
Introduction.....	309
Standard Deduction Amount.....	309
Standard Deduction for Dependents .....	311
Who Should Itemize .....	312
Review Questions.....	314
Review Answers .....	315
<b>Chapter 22 – Medical and Dental Expenses.....</b>	<b>317</b>
Learning Objectives .....	317
Introduction.....	317
What Are Medical Expenses?.....	317
What Expenses Can You Include This Year?.....	317
How Much of the Expenses Can You Deduct?.....	317
Whose Medical Expenses Can You Include?.....	318
What Medical Expenses Are Includible? .....	320
How Do You Treat Reimbursements?.....	323
How Do You Figure and Report the Deduction on Your Tax Return? .....	325
Damages for Personal Injuries.....	325
Impairment-Related Work Expenses.....	325
Health Insurance Costs for Self-Employed Persons.....	326
Review Questions.....	327
Review Answers .....	328
<b>Chapter 23 – Taxes.....</b>	<b>329</b>
Learning Objectives .....	329
Introduction.....	329
Tests to Deduct Any Tax.....	329

## Table of Contents

Income Taxes .....	330
State and Local General Sales Taxes .....	331
State and Local Real Estate Taxes .....	332
Personal Property Taxes .....	335
Taxes and Fees You Cannot Deduct .....	336
Where to Deduct .....	336
Review Questions .....	337
Review Answers .....	338
 <b>Module 6 – Chapters 24-27</b>	
<b>Chapter 24 – Interest Expense..... 339</b>	
Learning Objectives .....	339
Introduction.....	339
Home Mortgage Interest.....	339
Investment Interest .....	346
Items You Cannot Deduct .....	348
Allocation of Interest.....	349
How to Report.....	349
Review Questions .....	351
Review Answers .....	352
 <b>Chapter 25 – Contributions..... 353</b>	
Learning Objectives .....	353
Introduction.....	353
Organizations That Qualify To Receive Deductible Contributions .....	353
Contributions You Can Deduct .....	354
Contributions You Cannot Deduct.....	358
Contributions of Property.....	359
When to Deduct.....	362
Limits on Deductions.....	363
Records to Keep.....	363
How to Report.....	367
Review Questions .....	368
Review Answers .....	369
 <b>Chapter 26 – Nonbusiness Casualty and Theft Losses..... 371</b>	
Learning Objectives .....	371
Introduction.....	371
Casualty .....	371
Theft.....	373
Loss on Deposits .....	374
Proof of Loss .....	374
Figuring a Loss .....	375
Deduction Limits .....	380
When to Report Gains and Losses .....	382
How to Report Gains and Losses .....	383
Review Questions .....	384
Review Answers .....	385
 <b>Chapter 27 – Other Itemized Deductions..... 387</b>	
Learning Objectives .....	387
Introduction.....	387
Miscellaneous Itemized Deductions.....	387
Nondeductible Expenses.....	390
Expenses You Can Deduct.....	393
Review Questions .....	396
Review Answers .....	397
 <b>Module 7 – Chapters 28-32</b>	
<b>Chapter 28 – How to Figure Your Tax..... 399</b>	
Learning Objectives .....	399
Introduction.....	399

## Table of Contents

Figuring Your Tax .....	399
Alternative Minimum Tax (AMT).....	400
Tax Figured by IRS .....	401
Review Questions .....	403
Review Answers .....	404
<b>Chapter 29 – Tax on Unearned Income of Certain Children .....</b>	<b>405</b>
Learning Objectives .....	405
Introduction.....	405
Which Parent's Return To Use .....	405
Parent's Election To Report Child's Interest and Dividends.....	406
Tax for Certain Children Who Have Unearned Income .....	407
Review Questions.....	409
Review Answers .....	410
<b>Chapter 30 – Child and Dependent Care Credit .....</b>	<b>411</b>
Learning Objectives .....	411
Introduction.....	411
Can You Claim the Credit?.....	411
How to Figure the Credit.....	419
How to Claim the Credit .....	422
Do You Have Household Employers? .....	422
Review Questions.....	424
Review Answers .....	425
<b>Chapter 31 – Credit for the Elderly or the Disabled .....</b>	<b>427</b>
Learning Objectives .....	427
Introduction.....	427
Are You Eligible for the Credit?.....	427
How to Claim the Credit .....	430
Figuring the Credit Yourself.....	430
Examples .....	432
Review Questions .....	434
Review Answers .....	435
<b>Chapter 32 – Child Tax Credit and Credit for Other Dependents .....</b>	<b>437</b>
Learning Objectives .....	437
Introduction.....	437
Taxpayer Identification Number Requirements.....	437
Improper Claims .....	438
Child Tax Credit (CTC).....	438
Qualifying Child for the CTC .....	438
Credit for Other Dependents (ODC).....	439
Limits on the CTC and ODC.....	439
Claiming the CTC and ODC .....	440
Additional Child Tax Credit (ACTC).....	440
Review Questions.....	442
Review Answers .....	443
<b>Module 8 – Chapters 33-36</b>	
<b>Chapter 33 - Education Credits.....</b>	<b>445</b>
Learning Objectives .....	445
Introduction.....	445
Who Can Claim an Education Credit.....	446
Qualified Education Expenses .....	447
Review Questions .....	451
Review Answers .....	452
<b>Chapter 34 – Earned Income Credit (EIC).....</b>	<b>453</b>
Learning Objectives .....	453
Introduction.....	453
Do You Qualify for the Credit? .....	453
Part A. Rules for Everyone .....	454

Table of Contents

Part B. Rules if You Have a Qualifying Child ..... 458  
Part C. Rules If You Do Not Have a Qualifying Child ..... 465  
Part D. Figuring and Claiming the EIC ..... 468  
Review Questions ..... 470  
Review Answers ..... 471

**Chapter 35 – Premium Tax Credit (PTC)..... 473**  
Learning Objectives ..... 473  
Introduction..... 473  
What is the Premium Tax Credit (PTC)? ..... 473  
Who Can Take the PTC? ..... 474  
How to Take the PTC..... 475  
Review Questions ..... 477  
Review Answers ..... 478

**Chapter 36 – Other Credits..... 479**  
Learning Objectives ..... 479  
Introduction..... 479  
Nonrefundable Credits ..... 479  
Refundable Credits ..... 486  
Review Questions ..... 488  
Review Answers ..... 489

**Glossary..... 491**

**Index ..... 499**