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Attention NCRPs: This course does *not* qualify for AFSP professionals requiring “Federal Tax Law Update” credits.

EXECUTIVE SUMMARY

PART 1. REAL ESTATE TAX ISSUES

Real Estate Tax Issues..... 4

This segment provides an overview of federal tax considerations that arise when individuals and partnerships own, operate, improve, rent, or exchange real estate. The instructor begins by explaining how facts and circumstances help determine whether a rental activity constitutes a trade or business and how that determination may affect passive losses, net investment income tax, depreciation elections, and the qualified business income deduction. The presentation then distinguishes residential rental property from nonresidential property, including the 80% gross-rent test and the treatment of qualified improvement property. Additional examples examine short-term rentals, rooms rented within a principal residence, mixed personal and business use, expense allocation, and recordkeeping under Section 280A. The segment also considers self-rental arrangements, substantial services that may create self-employment income, and the requirements for real estate professional status. It concludes with planning considerations for Section 199A and an introduction to the real-property requirements applicable to Section 1031 like-kind exchanges. *[Running time: 42:34]*

Learning Objective:

Upon completion of this segment, the user should be able to:

- Differentiate rental activities that may constitute a trade or business from passive investment activities by applying relevant facts-and-circumstances and material-participation considerations.
- Classify real estate as residential or nonresidential property and **determine** the potential depreciation treatment of buildings and qualifying post-acquisition improvements.
- Evaluate how short-term rental rules, Section 280A, self-employment tax, real estate professional status, Section 199A, and Section 1031 may affect the federal tax treatment of a real estate activity.

PART 2. AN ACCOUNTANT'S GUIDE TO IMPORTANT ESTATE AND TRUST TERMS

Estate and Trust Terms..... 17

This segment provides an overview of the terminology accountants commonly encounter when working with estates and trusts. It begins by emphasizing the importance of coordinating estate planning with legal counsel and understanding the client's non-tax objectives before evaluating tax consequences. The program distinguishes testate estates from intestate estates and explains how probate administration differs from the calculation of the taxable estate. It also reviews property that may transfer outside probate, including jointly owned property, life insurance proceeds, payable-on-death accounts, and retirement accounts.

Additional topics include living and testamentary trusts, codicils, testamentary capacity, spousal elections, and common distribution methods such as per stirpes, per capita, and by representation. The segment identifies the principal parties to estates and trusts and distinguishes income beneficiaries from remainder beneficiaries. It concludes with a discussion of accounting income, corpus, fiduciary fees, capital gains, domicile, ancillary probate proceedings, spendthrift provisions, and ascertainable distribution standards. *[Running time: 48:43]*

Learning Objective:

Upon completion of this segment, the user should be able to:

- Differentiate between testate and intestate estates, probate and taxable estates, and living and testamentary trusts.
- Identify the principal parties, beneficiary interests, property-transfer methods, and distribution standards commonly found in estate and trust documents.
- Evaluate how governing instruments and applicable state law allocate income, expenses, capital gains, and corpus among trust beneficiaries.

PART 3. LOSS LIMITATIONS IN PASS-THROUGH ENTITIES

Loss Limitations in Pass-Through Entities..... 30

This segment examines the federal tax limitations that determine whether owners of partnerships, limited liability companies, and S corporations may deduct pass-through losses. The discussion begins with entity classification and explains how an LLC may be taxed as a partnership, disregarded entity, or corporation. It then reviews partnership contribution rules, outside basis, capital accounts, liability allocations, and the distinction between recourse and nonrecourse debt.

The program compares these rules with S corporation stock and debt basis, including the requirements for bona fide shareholder loans and the treatment of guarantees. It explains the annual adjustments that increase or decrease basis and describes how losses are suspended and later restored.

The segment then applies the at-risk rules under Section 465, passive activity loss limitations under Section 469, and excess business loss provisions under Section 461. Particular attention is given to qualified nonrecourse financing, at-risk recapture, material participation, suspended passive losses, and the conversion of excess business losses into net operating losses.
[Running time: 47:31]

Learning Objective:

Upon completion of this segment, the user should be able to:

- Calculate the initial and adjusted tax basis of partnership interests and S corporation stock and debt.
- Differentiate the basis, at-risk, passive activity loss, and excess business loss limitations applicable to pass-through entity owners.
- Determine whether a pass-through loss is currently deductible, suspended for a future year, subject to recapture, or treated as a net operating loss.

ABOUT THE SPEAKERS

Jennifer Croshal, CPA, is a California licensed Certified Public Accountant with a boutique accounting practice in the San Francisco Bay Area. Some of Jennifer's specialties include: high and middle net worth individuals, stock option planning, real estate investment planning, small business guidance and planning, final individual income tax return filing and planning, and trust, estate and gift tax filings. In addition to the practice, Jennifer enjoys teaching in person and virtual professional continuing education courses in accounting and taxation on a regular basis.

Ian Redpath, JD, LL.M., is a nationally recognized tax attorney and consultant from Buffalo, New York, and is a principal in the Redpath Law Office. Mr. Redpath has published numerous articles on contemporary tax issues and co-authored several books on tax topics. He has extensive national and international experience developing, writing, and presenting professional CPE programs. In addition to his active tax practice, he serves as Chairman of the Department of Accounting, Director of Graduate Accounting Programs, and Professor of Taxation and Forensic Accounting at Canisius College in Buffalo.

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Learning Objectives (Refer to executive summary)	
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Recommended field of study(ies) (Refer to executive summary)	
Program Level	Update
Prerequisites (Circle One)	Basic Accounting and Auditing professional experience
	Basic Tax professional experience
	Basic Governmental professional experience
Advance preparation	None required
Course registration and, where applicable, attendance requirements (1)	

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—From a Declaration of Principles jointly adopted by a *Committee of the American Bar Association and Committee of Publishers and Association*

PART 1. REAL ESTATE TAX ISSUES

Real Estate Tax Issues

Real estate taxation requires practitioners to evaluate how a property is used, how actively the taxpayer participates, and which tax provisions apply to the activity. In this course, CPA Jennifer Croshal introduces several important federal tax issues affecting rental and investment properties. Topics include determining whether a rental rises to the level of a trade or business, distinguishing residential from nonresidential property, applying depreciation and qualified improvement property rules, and evaluating passive activity limitations. The course also addresses short-term rentals, home-sharing arrangements, self-employment tax, real estate professional status, the qualified business income deduction, and the fundamentals of Section 1031 like-kind exchanges.

Ms. Jennifer Croshal

Hello and welcome to today's course. Today I'm going to be talking about real estate issues. And my name is Jennifer Croshal. I'll be your instructor today. And to start us off, I'd like to just introduce myself, let you know a little bit about me and my practice and my perspective on our profession so that you kind of know where I'm coming from when I start talking about our topic today.

So again, my name is Jennifer Croshal. I'm an accountant, a CPA in the Northern California area. I feel really privileged to be in such a great profession. And I hope that comes across today in what I'm talking about. But I really look at what we do as being guides and teachers and in a lot of ways, sometimes we step into a role that feels like we're a therapist because we're helping our clients to navigate situations that can be very challenging, very stressful, very emotional many times.

And we're really there to make it as smooth as possible on an annual basis or whenever we're dealing with them with their issues.

So, jumping into today's topic, we're going to navigate looking at really a wide variety of real estate issues. It's a short course, we can touch on a lot of these topics, but a lot of what I'm going to be talking about today could probably have its own course

So, we're going to touch on determining when a rental actually rises to the level of a trade or business, how that works, and then understand the differences between a residential property and a non-residential property as well.

We're going to talk about some of the related income rental limitations with regard to passive loss limitations. We'll talk about the interplay between the net investment income tax, and then the qualified business income tax deduction, as well as when rentals might have a crossover with self-employment tax issues.

So, we'll cover those. And then if I have time there at the end, we'll talk briefly about 1031 exchanges as well, just to kind of talk about more of a summary of these topics and overview and give you some very good crucial reminders and information about these topics.

So, jumping into the rental as a trade or business, we look to section 162 in our code to talk about really looking at the facts and circumstances of a situation to figure out if this rental really is rising to the level of a trader business.

Is it continuous? Is it regular in its activity where it's generating profit? And so what we do, we look to the Groetzinger case versus the Commonwealth to try and figure out some basic questions that we can ask ourselves as the professional and also to our clients, you know, when they are trying to decide, is this a rental property business or is this just a second home? And so that we know what deductions they're going to be eligible for, where we're claiming this on the tax return and so on.

So, some of the questions that we would be looking to talk to them about would be, what are the taxpayers efforts to rent that property? Are they putting it up on websites? Are they putting up signs? Are they putting things on apps, local neighborhood apps that it's available for rental? How are they telling people about that situation?

Maintenance and repairs supplied by that taxpayer; who's actually doing those maintenance and repairs for that property? Are the taxpayers employment of labor to manage that property or provide service to the tenants? Something that we want to look at. What are the facts related to this? Are they continuous? Are they regular? Who's purchasing materials, paying expenses or collecting rent?

And so looking at all these different facts and circumstances from the Groetzinger case, we can determine whether a rental activity is going to rise to the level of a trade or business. And so we know how to look at that situation. There's lots of court cases that we can look to. Okay.

But if a rental is rising to the level of a trade or business, what does that tell us as the professional? All right. That tells us that they will not have losses that are limited by the passive loss rules; that it's not just a passive activity.

Okay, is it a trade or business? If that income from operations and gains on the property sale is not subject to that 3.8 net investment income tax, that could be a huge difference in tax, 3.8%. The income will qualify for 199A, that qualified business income tax deduction, all right? Up to 20%, that could be very helpful.

Will that that rental property be able to be used for section 179 expensing in addition to potential bonus depreciation issues. So, these are some serious impacts if that rental rises to the level of a trade or business. That's why we're looking so heavily at the facts and circumstances in order to understand.

If that taxpayer doesn't meet material participation standards, right, those standards that require them to be working on that property and having that regular and continuous activity, we want to make sure that we understand what that means. Okay.

They are going to be subject to the passive activity rules, passive loss rules. They are going to be subject to net investment income tax. They're going to qualify potentially for 199A, but they might not have 179 expensing. So, we want to be able to understand what is the owner's involvement in this activity? Are they materially participating? Is it regular? Is it continuous? And then does that rise to the level of a business, or is this just a rental property that's a passive activity where you put it on all on schedule E.

So, we want to be able to understand and make sure that if our client is intending to have this be material or participation, they understand the number of hours they're keeping logs and contemporaneous records so that they can show, you know, this is where I was doing this work for this many hours per week. And it was regular and continuous for this property. This is a business. This isn't just a property and investment property that I own.

So that leads me into looking at the different types of property, right? You have residential properties and non-residential properties. The residential properties, okay, are going to have a different depreciable life. They're going to be depreciated over 27 and a half years versus a non-residential property has the longer depreciable life of 39 years. So, you're recovering that expense over a longer period of time depending on the type of property.

A residential property is going to have 80% or more of their gross rents for dwelling units. So when you're looking at larger residential buildings, not just a single-family home, maybe it's a multifamily home, how many of those units are dwelling units for people to actually live in? A house or an apartment that's used to provide living accommodations is what a dwelling unit is, okay?

Hotels, motels or other establishments with 50% or more of transient activity, transient nature, those are just going to be considered commercial properties or non-rental properties. If the property is not commercial, then it's residential, right?

And this also leads us when we're looking at the differences between the properties that for certain types of properties, you want to be able to understand what qualified improvement property is. And that is going to allow you some additional benefits if you have a non-residential property.

So, you can't apply these qualified improvement property benefits to a residential property, but you can for commercial or non-residential.

You would be allowed to have certain improvements be depreciated at a 15-year property improvement depreciation life. This is only for non-residential properties and it must be improvements that were after acquisition by that taxpayer. So, you can't have acquired a property and have these certain types of improvements and then start depreciating those at acquisition at this lower rate, this lower 15-year life.

You have to have done them after acquisition. These qualified improvements are not including building enlargements, elevators or escalators, or structural framework issues. Okay? So you want to be aware of what types of improvements are happening. These improvements can also be eligible for 179 expensing.

So, you're going to sort of juggle what's going to be the most beneficial for the client in that current year and over time. And sometimes you choose not to for various reasons, depending on what income is and what the other things are that are going on with that property. And maybe even on the other parts of the tax return itself.

So, for 179 expensing, this is section 179 where you can take that benefit in the current year. And there's certain types of improvements that allow you to do that, take all that expense in that current year. You may or may not want to do that depending on what is going on with income and the other parts of the tax return. But that might be things like a roof replacement, an HVAC property replacement, maybe fire protection changes or alarms or security systems. All right.

And you want to be aware of what that depreciable life would be under normal standards, 27 and a half or 39 years, and then figure out what's the most beneficial if it does meet these different.

So, I have an example that I'd like to go over. And I think that it's helpful sometimes to just think about a full property, like a building that comprises of three units. It's a multi-use building that's owned by a partnership in Florida. All right. It's got three units. The bottom floor space has retail, so it's mixed use. Okay. And then the upper areas are dwelling units.

The retail tenants rent is going to be 30% of the total gross rent. That means that 70% of the gross rent is for dwelling units. Ding, ding, ding. That indicates for us our 80% rule for dwelling units in order for it to be a residential building. So, we know that our 70% is lower than our minimum for residential.

So, it has to be a non-residential building. And so that's where you can see where we would then have an indicator that qualified improvement property might be an eligibility with bonus depreciation. So, we can have that shorter 15-year useful life for certain improvements after acquisition. We're going to look at 179 expensing for some of those activities if they rise to the level of a trade or business.

So, you can see how some of those planning tools can be important when you're looking at your partnerships or your individuals that do own properties. A big area that's just grown over time, and I see it a lot in my practice, are those short-term rentals and online-based rentals.

You want to consider that rentals with an average period of customer that's using that for seven days or less are going to be an exception to this general rule of rentals. It's not necessarily going to follow this cookie cutter rental, putting it on the schedule E, passive activity loss rules, right?

Because there's six exceptions to the definition of rentals. And this is one of them. So, we want to be aware of these situations where it might be considered a non-rental activity or a business.

And as a result, they have different types of active participation standards, okay? And the \$25,000 allowance is not going to apply. So, if the activity, if that rental activity is going to fall outside of that traditional definition of rentals, it's going to be passive or not passive based on whether they are materially participating, based on whether their activity is that regular and continuous and they are meeting those number of hour limits that they need to be for material participation.

So, you want to make sure you do this type of planning with your clients where you're looking at the activity itself. You're talking to them about what their involvement is, how regular, how continuous, how are they tracking their activity with this business.

The rules for section 469 are going to indicate the following that a property with average rental days of seven days or less is not going to be a rental. So, what are we looking at? How do we know it's not a rental that's subject to material or non-material participation rules? We want to look at that not rental activity is not going to be subject to passive loss rules.

So, look at the material participation rules under section 469 for your client. How are they going to be passing or not passing there? If the rental fails, it's also going to be subject to 3.8% net investment income tax. So, any sales of that property are going to be subject to an additional net investment income tax. The client might really want to factor this in depending on the value of the property, how long they intend to hold it, what those gains are going to be that could be a really large additional tax for them.

We want to look at the 199A, qualified business income tax deduction. So, we're not looking here at participation for 199A, but if it's regular and continuous under 162, then it's going to be falling under trader business rules. Okay. And so we would be looking at taking the 199A rules, 199A deduction. And then for depreciation purposes, a short-term rental might be subject to the non-residential property rules.

So, is it non-residential? Is it residential? Are they eligible for qualified improvement property for that lower 15-year life for certain improvements? So, these are all really important parts to doing that planning with our clients and making sure that they're prepared for what that's going to look like on the tax return. And when we make these decisions about how that property is going to be used, whether it's long-term rental, short-term rental, that they know how that's going to look from a tax planning perspective.

How about if somebody has a short-term rental in their own residence, okay, in their home? Sometimes people want to rent a room or they are having their kids pay them rent and they're claiming that on their tax return.

So you want to know what those basic rules are and we have to be very clear when we're looking at renting within somebody's principal residence that we understand section 280A limitations: that rooms that are used exclusively for business are not going to be subject to those 280A rules. Okay, but rooms that are not used exclusively for business are going to have limitations on what somebody can deduct for those areas. So we're looking at, you know, what are the personal use areas? What are the common use areas?

And what are the areas that are used exclusively for business. And once we've distinguished these specific areas, we want to be looking at, what's going to show up on schedule A as solely personal deductions? Okay, maybe it's a portion of it. And so you'd allocate to schedule A, and then you'd go ahead and allocate to schedule E or schedule C, depending on what you where you're claiming that and whether it rises to the level of a trade or business.

So, you want to be looking at how to distinguish that so you can follow the section 280A rules. There's lots of court cases that I wanted to sort of touch on here because I think it's helpful to just understand how these then come into play when you're looking at a specific client situation.

So, we can look at the Russell versus Commonwealth case. And in this Russell case, there was a taxpayer who owned a property that was two floors. The first floor had the primary bedroom and bathroom and living room and all those common spaces, a second bedroom and bathroom. And on the second floor were two bedrooms and a bathroom. The house also had a pool and a jacuzzi and an attached garage.

So in this court case, the taxpayer had actually used the primary bedroom and connecting bathroom as his principal residence only for personal use. And then he said the rest of the house, was utilized for rental, that he didn't really use anything there and only used a portion of the garage, that in his room he had a little kitchenette so he didn't even use the kitchen.

So he was very clear that those areas were his and these areas were not his as primary residence use. But then the court actually looked at the detail and they said, hey, you didn't have a rental agreement with these tenants to say that you weren't allowed to go to use those areas you could have used those areas on occasion.

And there was nothing clear to say that these were not mixed use. So, the petitioner, this taxpayer, they failed to show that their bedroom, their primary bedroom, was their only principal residence portion. So, you can see how you really need to talk to your clients about having some clarity about the personal use areas, the mixed-use areas or shared areas and then the areas that are used exclusively for rental or exclusively for business so that they're following those restrictions that we have with Section 280A.

Because no deduction is going to be allowed with respect to the use of that dwelling unit when that taxpayer is using them as part of their residence. You can't go ahead and show those portions as a rental or take any deductions for those parts that are going to be more than the rent that's collected if these are kind of shared areas.

I've seen this a lot more when, you know, I've got some clients where they're younger, maybe they're right out of college or in their 20s, they purchase a home, they want to have friends that live with them and pay them rent. And so we're talking about these areas and really distinguishing a rental agreement and formalizing so that if it's ever questioned, they can go back and they can say, yes, we had a distinct agreement.

These are the specific areas. And they would be able to prove that. So we can all sleep at night, right? And it would pass the smell test. Having said all this, there are two exceptions. And I think we're all kind of used to this in the tax code that there's lots of exceptions for rules.

So, in this situation, there are two exceptions to the rules of 280A to show that that portion of the dwelling unit that's used exclusively as a hotel, motel, or other establishment, those might not be limited like in a principal residence. The property has to be regularly available for occupancy by paying customers. And then that no person can have an interest in that property that's used for a business portion. So, you just want to be aware like what type of property is it? What's the regular and continuous use of that property? Okay, is it open for business?

Another example that I have here is that Jill owns a four-bedroom house, and she's using one bedroom for herself, and she's renting out the other three to non-related parties, okay, just friends. So, Jill and those tenants, they can access the home common areas, the kitchen, the bath, the living room, and then those three bedrooms that she's renting out are rented at fair market value, which is another common conversation that you might have to have with your clients about how much are they actually renting it out for and is it for fair market value.

So if they are renting it for fair market value to other people, you want to be able to understand what allocable shares of expenses they're going to be able to deduct. And most of us are used to taking these types of allocations of expenses from the client for some sort of reasonable method based on the square footage of those bedrooms and how much rent is collected.

And those portions might be collected and claimed on the schedule E. And then a portion might be claimed and scheduled on or claimed on the schedule A. So usually what I do in these types of situations with my client is talk to them about how they're organizing and collecting their expenses for the property.

Are they paying 100% of it? Do other people have certain utilities in their name? How's that working for them? And it varies depending on the arrangement. So, what I've done is ask most of my clients, hey, give me a spreadsheet or the total of 100% of all the expenses. And then I'm going to ask the portion of the house that's used exclusively for business use, right? The rented portion that's not shared.

And we're going to take a portion of those expenses like, you know, the mortgage interest, the property taxes, the operational costs. It might even be a rental where there's like a, and I'm forgetting the name of it offhand, but like a primary renter. And so that primary renter is paying the rent. And this often happens in cities like I'm near San Francisco where there is a rent control.

So, there's like a primary renter that's on the lease and they might be subletting a portion of that. So, they're collecting rent and kind of handling all of that situation. So, you want to be aware of how they're collecting income and what's considered income, what's not considered income and looking at those specifics with them.

If they break out, if they share that 100% and then we break it out, it can be helpful not only to claim it on the tax return and have those clear numbers, but also, if you're looking at this a year or two from now and you're trying to figure out why did I put \$150 over here and \$200 over here, you can show that on your spreadsheet.

And you can keep that in the client file. And that can be just really helpful to just trigger a reminder about how you're working through those problems.

Another situation that I see a lot with this in terms of rental of a principal residence is sometimes, and I have a couple clients who run sort of a bed and breakfast model of an Airbnb where they have used a portion of the home as their principal residence and then they renovated a portion to be like a bed and breakfast or an Airbnb. So, they want to break out the portion of the home that's used just as their principal residence and they break out the portion of the home that's used for the bed and breakfast portion.

So as long as it's available all year round, okay, then we're looking at the rules related to short-term use, okay, seven days or less, maybe it's a longer use, and we want to be able to understand how we're going to claim it, not only from renting out their principal residence and understanding the 280A rule activities and limitations, but also whether it is going to be considered a traditional rental under the rules or if it's going to be excluded because of the regular use being seven days or less.

So you want to understand what those limitations are and make sure that you're breaking out those proper portions of the square footage that's used exclusively for business, the exclusively personal areas and the dual use areas. That way you can make sure to follow all these specific rules. Record keeping I think is an important reminder for clients on showing these areas.

And like I said, making sure that your clients understand that in addition to, you know, making the payments for these, that they have to have some sort of tracking of the agreements that they have with tenants. If it's long-term tenants having a rental agreement, especially if they are renting out a portion of their home, so that it's very clear what's allowed and not allowed.

So, what happens if you are renting out a hotel, motel, or another part of the home, just to kind of go back through that, those are going to be non-residential. Those are exceptions, non-residential, and those are going to be subject to the 39-year depreciable life versus the residential, which is 27 and a half years of life.

For any interior improvements that happen or those qualified improvements, they might have qualified improvement property after the acquisition of those properties, which would bring in those benefits of the shorter 15-year useful life. They might have additional bonus depreciation. They might be eligible for 179 expensing for that active business. So, I look at these situations in the context of my clients, and I find it more helpful for learning purposes.

In terms of what I impart on you about what to look for is think about what the use of that property is going to be. How active and regular are your clients in that business? Is it meeting one of the exceptions to the residential or non-residential property qualifications? What is that arrangement going to look like? Is it meeting the qualified business income tax deduction rules? Or is it going to have the net investment income tax added on if they sell that property will that apply?

And we don't have to memorize things.

There's a tendency in tax to be like, I know what this number is or where this is and what that is. And so that you can spew off all this information and you gradually will get that. You'll get there the more that you work in these areas. But the numbers often change and the rules often change.

So it's helpful to just understand, I'm going to be meeting with a client. Let me brush up on those qualified improvement property rules because we're going to be talking about how they're going to be used. Will it be 80% or more dwelling units? So it's going to be a residential property with this depreciable life and qualifying for these rules. Or is it going to be less than that, like in our example earlier? So that can be a really helpful way to plan for a meeting that you're going to have with a client coming up.

There are these self rental rules. I just wanted to touch on that today to make sure that, I mean, while these rules are preventing taxpayers from deriving passive income for an active business, and also to make sure that they are claiming, if they're getting a benefit in one area that they're claiming that income in another area.

And a lot of times I see this when, people are, they have their own business and they want to rent a space and claim it as an expense on the business area or the business tax return. And they don't understand that they may have to carry it as income on their personal return if they're renting it out.

So just understanding how that rental to an active business is going to affect other areas of the tax return. And a lot of times it's really not giving them the benefit that they think that they're getting.

So going through that exercise to just help people understand how self-rentals work is really important and might save you a lot of time to just explain it and say, this isn't really worth it.

So, what happens when a rental business is going to be subject to self-employment taxes? All right, self-employment taxes. We're looking at section 1402, which specifically excludes net rental income from self-employment unless these amounts for rent are going to be earned as a real estate dealer, okay, in their ordinary course of business, that this is their profession they are a real estate dealer, so they're earning this money.

It's not going to be rental income. It's going to be subject to self-employment taxes. Or unless they're providing substantial services that are going to be rendered for the occupancy of those spaces. They primarily are for the occupants convenience. And in addition, these, these substantial services are normally going to be provided with the rental of those rooms or similar spaces.

What does that mean to us as the tax professional? Well, we've got a lot of clients that are becoming new investors in Airbnb and VRBO and these other vacation rentals. And they might be doing a lot of these activities that are considered substantial services in order to keep that property ready for regular use.

And so we want to make sure that if they're not hiring out other people and they're actually doing certain parts of the work that they're allocating out a portion of that income because they are doing that work and that portion of that income for the rental might be subject to self-employment taxes.

So, we got to talk this through with our clients. They have to understand breaking out those portions if they are substantially involved, if they're providing those services, that's not just a passive activity.

Sometimes it's helpful to know what something is not when you're describing what it is. And things that are not substantial services are maintaining something for the condition of occupancy. So the example that I really like is from a court case, actually, the Bobo case versus the Commonwealth. And it was a case talking about a mobile home park.

So, for a mobile home park, those rented out, you have to have hookups, utility hookups for that rental. You have to have sewage facilities that they can plug into. And you have to have laundry facilities available in order for occupancy to happen. So those are not substantial services. Those are just services provided to maintain that property for a condition of occupancy. So those would not be subject to self-employment taxes. You're just providing those, making sure that that property can be lived in. All right?

So, to give an example of how you'd break this out and how you'd actually calculate that, a taxpayer might own four apartments in the same building maybe, okay? Four apartments in the same building. And two of those might be furnished without services. So, they're just renting it out furnished. And then two of those might be furnished with services, okay? Depends on who they're renting, where they are, maybe that it be more appealing in a certain area to have services to be furnished.

So the areas that are providing services, those two units that are providing services, those gross rents will be broken out and claimed. Those net earnings would be subject to self-employment. Whereas the two units that are furnished without services, whatever those gross rent amounts are, those would not be subject and they might be broken out in different areas of the tax return.

So have to figure out what is going to go where. Talk to your client about how to organize it for you ahead of tax time so that you're not sitting down in the tax meeting and talking about it.

We kind of have a philosophy in our office to encourage questions, even in the off season. And I try not to charge my hourly rate for quick calls or quick emails to clarify. If we're going to be running numbers or doing something more extensive, I'll bill for my time.

But I want to encourage people to come to me in July or October, you know, when things change so that we can do this type of planning and I can do that little bit of training to say this is how you're going to send it to me come tax time when we meet so that they can break that out and know what should be included properly.

So, I think that can be really helpful. I'd like to touch on what a real estate professional is. And if we were in person, I'd have you raise your hand with a show of hands to tell me how many clients do you have that actually think they are a real estate professional, but who are not?

And probably if you're like me and your practice is like me, there's more people that think they're a real estate professional than an actually a real estate professional. There's a tendency to have somebody feel like anytime they're involved in real estate or curious about real estate or, or want to get into it, that they would consider themselves automatically a real estate professional. But they have to meet the safe harbor rules of section four 69 in order to be a real estate professional.

So, you want to make sure you're talking to your clients about what that's going to look like. This would allow the ability to deduct losses that are going to offset other parts of the tax return. And that's why it attracts people who believe they are going to qualify.

And in order to be considered a real estate professional who's meeting those safe harbor rules, they have to be performing more than 50% of the work involved in that upkeep, that maintenance and meeting the 750 hours rule for activity, okay, to be considered that real estate professional.

They also have to be meeting one of the material participation tests and the IRS considers carefully seven tests for material participation. This is an area that can often be questioned. And so you want to be aware of going through this ahead of time if somebody wants to consider themselves a real estate professional. Not only do you have to guide them on what logs to keep and what those minimum hours are and looking at, know, do they have a full-time job? Do they not have a full-time job? And then how does that look from a smell test perspective? Are they going to pass that time sensitive test? And then also, are they going to meet some of those material participation tests, at least one?

So those are really important processes for us to go through.

For the qualified business income tax deduction related to real estate, that rental has to rise to the level of an actual trader business to be for this qualified business income tax deduction, or that rental has to meet the enterprise safe harbor rules, or the rental or licensing of that property is going to be commonly controlled.

So maybe it's grouped into a series of properties that are going to meet these rules. And this is a huge 20% deduction. So, it's a big deal. And I remember when this was potentially going to be expiring that I was traveling on the East Coast. I was going to be teaching a class and I was sitting down. you know, I had just gotten to my hotel the night before I was going to be teaching and I turned on the TV to just kind of chill out.

And I saw this commercial for a small business federation, an independent business federation, and it was to keep this 20% small business deduction and make it permanent. And so it's really important. know, people have really gotten used to taking this 20% deduction and it makes a big deal on the tax return. So, for us as the tax professional, having this a part of the conversation is really important for us to do.

We could, could teach a whole class on the qualified business income tax deduction, but just to share my perspective on it, you know, you look, you want to be looking at the thresholds and keeping in your mind where those thresholds are. And I look at breaking those, breaking those types of taxable income out so that I can figure out where that taxpayer is going to lie and how they may or may not qualify.

So, I look at it, you've got the people that are below the threshold, simple. Are they in the threshold? Are they potentially going to be limited? And are they above the threshold? And if we pay attention to this distinction, it can be really helpful in terms of the general calculations that we have to run through. And then again, you don't have to memorize it, go through.

At this point, we've been dealing with it for a while. Hopefully, you have the basics down. But you can go and check what those thresholds are before you meet with a client or before tax season comes or taking these courses, you're refreshing on what those thresholds are going to be for that tax year. I'd like to end us off with a quick chat about the 1031 exchanges. So, with 1031 exchanges, you're looking at real property that's going to be defined as land or improvements to land or unsevered natural products of that land and the water and airspace that's around that land. Okay?

And these rules are looking at the real property, not the personal property, because personal property is not going to be allowed to be exchanged under these rules. Okay? So it's important for us to understand what's included. And then for like kind exchanges, we're going to determine if those assets are considered real property for the exchanges.

What does the local law tell you about that property? Is it distinguishing it as real property? If it's not distinguished there, is it specifically described in regulations as an improvement to that land or a structural component of that land? And if it isn't specifically outlined in the law or in the regulations, is it treated that way?

So that you can argue that it would qualify to defer those gains down the line. If that property is sold, you can roll that basis into a new property and then go to sell it at some point. Well, that's taken us to the end of this course.

Again, these are very meaty topics and I hope that you look for future courses that I'll be teaching on these topics individually. But I hope you got a little reminder of these important topics so that you're ready to sit down with a client where to look up these issues and what to talk to them about and how to make sure to get them organized and talk to you about it so that ahead of tax time, you're ready to go, you're ready to put those on the tax return and you're not doing that research at a tax meeting, which we've all been there. It happens with many clients.

Well, thank you so much for your time and I hope to see you in a future course. Thank you so much.

GROUP STUDY MATERIALS

A. Discussion Questions

1. Why is the trade-or-business classification of a rental activity important, and what information should a practitioner obtain from a client?
2. What issues should a practitioner consider when a taxpayer rents part of a principal residence?
3. How can the services provided to short-term rental occupants affect the tax treatment of the activity?

B. Suggested Answers to Discussion Questions

1. Why is the trade-or-business classification of a rental activity important, and what information should a practitioner obtain from a client?

The classification matters because it may influence several areas of the taxpayer's return. A practitioner should not assume that every property producing rent is operated as a trade or business. Instead, the practitioner should examine the frequency, continuity, and nature of the taxpayer's activities. Relevant facts include how the property is advertised, who communicates with tenants, who collects rent, who purchases supplies, and who arranges or performs repairs and maintenance. The practitioner should also determine whether the taxpayer hires employees or contractors and how much time the taxpayer personally spends managing the property.

Contemporaneous records are especially important. Calendars, time logs, invoices, correspondence, rental listings, bank records, and management agreements can help demonstrate what the taxpayer actually did. These records may also be relevant when applying the material-participation tests.

The resulting classification can affect passive-loss limitations, the potential application of the net investment income tax, eligibility for the qualified business income deduction, and access to certain depreciation or expensing provisions. Because different tax provisions use related but not always identical standards, practitioners should evaluate each provision separately. The client should understand that describing an activity as a "business" is not enough; the treatment must be supported by the facts, the governing rules, and reliable documentation.

2. What issues should a practitioner consider when a taxpayer rents part of a principal residence?

The practitioner should begin by identifying the physical areas of the home and how each area is used. Some rooms may be used exclusively by the taxpayer, some may be rented exclusively to tenants, and others—such as kitchens, living rooms, hallways, bathrooms, pools, or garages—may be shared. Section 280A can limit deductions when a dwelling unit is used as a residence, so a clear distinction between personal, rental, and mixed-use areas is essential.

The practitioner should request written rental agreements describing the rooms and facilities available to each tenant. An agreement can help demonstrate that particular spaces were set aside for rental use, although the parties' actual conduct must also be consistent with the agreement. Charging fair market rent is another important consideration, particularly when tenants are friends or relatives.

Expenses should be separated and allocated using a reasonable method. Direct expenses relating solely to a rented room may be fully attributable to the rental activity. Indirect expenses, such as mortgage interest, property taxes, insurance, utilities, and general repairs, may need to be allocated using square footage or another reasonable method. Shared spaces require special attention. Maintaining a spreadsheet of total expenses, allocation percentages, supporting documents, and rental income can improve reporting accuracy and provide support if the return is examined.

3. How can the services provided to short-term rental occupants affect the tax treatment of the activity?

The nature and extent of services can affect whether income from a short-term rental is treated solely as rental income or is included in self-employment income. Services that merely maintain the property in a condition suitable for occupancy generally differ from substantial services provided primarily for a guest's convenience. For example, basic utilities, sewage access, or facilities necessary to make a space habitable ordinarily support occupancy. By contrast, frequent cleaning during a stay, meal service, concierge assistance, transportation, or other hotel-like services may indicate a service-oriented business.

The practitioner should ask the client to identify every service provided, who performs it, how frequently it is performed, and whether the service is included in the rental charge. The practitioner should also distinguish services performed between guest stays from services regularly provided to guests while they occupy the property. When a taxpayer operates multiple units and provides substantial services only in some units, the income and related expenses may need to be tracked separately.

Accurate records help the practitioner determine whether any net earnings are subject to self-employment tax and where the activity should be reported. These questions should be addressed before year-end whenever possible so the client can maintain separate records, price services appropriately, and avoid reconstructing the activity during tax-return preparation.

PART 2. AN ACCOUNTANT'S GUIDE TO IMPORTANT ESTATE AND TRUST TERMS

Estate and Trust Terms

Estate and trust matters require accountants to understand both tax concepts and the legal terminology used in wills, trusts, and probate proceedings. This program introduces frequently encountered terms, including testate and intestate estates, probate and taxable estates, living and testamentary trusts, fiduciary roles, beneficiary classifications, and methods of distributing property among descendants. It also explains how trust documents allocate receipts and expenses between income and corpus and why those allocations affect beneficiaries differently. Throughout the program, viewers are reminded that accountants should collaborate with attorneys while avoiding activities that could constitute the unauthorized practice of law. The discussion provides a practical foundation for professionals serving individuals, estates, and trusts.

Mr. Ian Redpath

Hi everybody, welcome to the program. I'm Ian Redpath. Today we're going to talk about the terms that you'll see quite often in estates and trusts. Now, accountants often and should almost always come across these terms.

You know, I always look at it that an estate plan is a team. It's a team of the accountant and the lawyer working together. You know, it's important that both parties work together to meet what the goals are.

And one of the things that I've found in practice is that, you know, and I'm sure you have also, is that when you get down to it, many times the client has some specific things that they want and you might come up with the greatest estate plan in the history of mankind, but if that's not what the client ultimately wants, then it's a worthless piece of paper, or papers.

So, it's something that you have to first find out, what are the non-tax things that they're looking for? And then you can come up with that estate plan. But in these documents, documents are full of a lot of legalese, very important to sometimes to come up with what that language is. You may be preparing returns. What's the language or what are you applying? What is income? What goes to corpus? What's the DNI? What are the various things? Who are the beneficiaries? Who are the parties that you should be talking to? These are all important concepts.

And we're going to talk about some of these really important things today. But one of the things that I want to make sure that I point out is do not prepare even the simplest wills, codicils, or trusts. That is considered practicing law without a license. Your malpractice insurance will most likely deny any coverage if anything goes wrong.

Now, even if something doesn't go wrong, if your client believes it went wrong, they can bring a suit and your malpractice carrier can deny coverage and or just deny a defense. So it is really important. If you're going to be preparing any types of documents like wills, codicils, and trusts, I would urge you to contact your malpractice carrier and say, would this be considered the practice of law?

I would also contact your state CPA society and the state bar association, ask them what they think before you do it. There are many cases out there, especially with the big four, where they have a lot of lawyers on staff, have been preparing documents. Well, what documents can be prepared by lawyers and what documents can be prepared by accountants?

And you know this became an issue when the government came out with the rules, remember, on reporting and the so-called BOI rules, beneficial ownership, and who prepares the documents, who prepared the filing. And it said, finally they came down and said, well, an accountant can do it if it's simple and does not require any particular analysis that could involve the law.

Well, who's making that decision? So basically, if it's just clear cut, said, that's, an accountant can do that. But, where that line was, that line was never really defined as to what is this independent judgment that has to be rendered? And what takes it over the, okay, this has to be filed versus, well, maybe I'm not sure.

Okay, well, that became law.

And so again, you just have to be really careful in this. And there's so many lawsuits out there. And again, this has come up many times. I've come across many documents, especially I've come across corporations that were established by accountants. I had one situation and pulled out in the filer. Filer listed themselves in their accounting firm as the filer of the corporation.

They also filed a dissolution of another corporation. Unfortunately, they filed the dissolution under the for-profit law, and the corporation was a not-for-profit. So, we know, many times, you can get forms. There's a lot of forms online. There's a lot of, online, get a will, get a trust, you know.

But, unfortunately, you know, want to be very careful. So, I can't emphasize enough this particular situation that you really need to be very careful about this.

Gift tax, estate tax, we know gifts that, you know, charitable contributions, gifts between spouses, they're not going to be taxed. You can give up to \$19,000 without it being subject to tax.

Two spouses could split, file a split gift and go up to \$38,000 for 2026. That would not be subject to gift tax. You have an estate tax. You can get up to \$15 million that's not going to be subject to tax. But once you are subject to tax, the rates can be pretty high, up to 40%. So it's something that you really need to look at and understand what the terms of various documents are that you are looking at.

Now, in a state, we can have intestate and testate. Now, testate simply means that you have a will. Intestate, you don't have a will. Well, from a practical standpoint, what does that mean?

It means if you don't have a will, the state is going to tell you how to divide your property. It goes under state law, which may not be what you want. If the will is valid, then the decedent has been able to decide how their property is going to go.

They have established a will, a testator, it's called, who they want to administer their estate, how they want it to go, who gets what, who doesn't get what, right? I don't want a particular person to inherit anything.

Now, generally, you can't, disinherit a spouse. A spouse has what's called a spousal election, so you may not provide for them in the document. That doesn't mean that they're not going to be able to get a share. Now, generally, the spousal election allows the spouse to take one third of the interest. States vary on what that is, but it commonly, one third, some states have gone up as high as a half on the spousal election, but one third seems to be pretty standard among the states.

But the spouse can elect that and say, you know, I'm not getting enough on the will. I want more. They may say, you can't, you wrote me out of the will. I want my share. And it applies even if you had the valid will before marriage. You wrote your will, you later got married, that spousal election still applies.

Now that spousal election, I think it's somewhat tricky as to what the one third is, but a spouse can waive it. They can say, I don't, I'm waiving my spousal election.

One of the best ways to waive the spousal election is through a prenuptial agreement, where you agree, going into the marriage, you agree by this prenuptial arrangement that you're not going to challenge it. know, prenuptial, that used to be something we thought was only for the wealthy. But, you know, with more and more divorces, more and more families that are his, hers, and ours, people get married, they want to protect their property for their long-term family, for their children

A and B get married, both have children. They want their children to inherit what they had. And so prenups have become more and more important in discussing with clients any time that there was a divorce situation and parties are getting married or just parties, one party has children, one party does not, they get married.

This becomes really important as something that you may not think about, but it becomes important to think about that, you know, that person can still come in and say, doesn't matter that you left me out of the will, I'm taking my spouse on an election. Think about, with your client, about a prenup in that situation.

Intestate, intestate means that again, there's no will. It's going to go through probate. There's no question about that. Wills go through probate. Wills will be probated. But the assets are going to go according to state law. And under state law, you know, it may not be where you were hoping that it would go. Maybe you wanted to provide more for one child or one grandchild.

Maybe you felt that you've provided more for one child during life, so you're not going to give them as much. Or maybe you're just not going to give them. You think, you know, I'm not going to provide you with anything. And so one of the things you have to make sure is that in a document that the will would say something to the extent of, hereby mention Johnny to show I've not forgotten him, however, I am not providing for him to show that this wasn't a mistake, because Johnny could come in and challenge the will and say, well, obviously it's a mistake, I was left out.

Now you also get into issues when you get afterborn. Does it name the children by name? Does it say children? If it says children, well then that would include afterborn. If it just said children and then named them, an argument could be made, well, it only means these children.

So often you want a provision that says, children now living or hereafter born, to cover that. So these are the types of things that you want to make sure that you know where things are going. Now in general, in an intestate, for example, the spouse gets half, and if there's children, the other half goes to the children.

If there are no children, everything goes to the spouse. If there's no spouse, everything goes to the children. If, however, there's no children, no grandchildren, no living heirs, but parents, then it would go to the parents.

So you have all of these interesting things that can happen. Children born out of wedlock, you know, who is going to be able to inherit in that type of situation is the child, the mother, you know, we know who the mother is, right? But we don't necessarily know who the father is. And so has paternity been established by the courts?

Has there been a paternity action? A paternity has been established, DNA. Did the husband, or excuse me, the father and the mother, did they marry? Did they subsequently marry? That's considered to legitimize, I'm using that as a legal term, that that is the father.

Now, we always start with the idea that if people are married that the husband is the father. Now that may not be true, but that's the presumption. Presumption is that the father is the husband. Now, that can be later proven otherwise through DNA testing, but that is the presumption.

You get into all sorts of things, interesting ones. I saw one where the birth certificate, however, had his father, another person. The parties all recognized that the other person was the father of the child.

Now, in many states, fathers can only inherit from their children born out of wedlock if they treated them openly as their children.

For example, if you didn't pay child support, didn't pay, in essence, pay any attention to them, then you're not going to be able to inherit from them. All of a sudden, your child becomes a rock star and passes away, and now all of a sudden, you want a share of the money.

Now, the issue with biological parents and adoptions is once a person is legally adopted, in essence, the biological parents are cut off. They're no longer part of the family. Now, if it can be established, and this becomes a strange one, but if it could be established that the biological parents kept contact, or parent, kept contact, that they participated in the life of the child, participated in growing up.

It's possible then that you're going to be able to say that, you know what, the courts could say, this person is still closely connected and so has the right to inherit from that biological parent. Now, that would be odd, it would be an unusual circumstance, but it certainly can happen.

Now, one of the things to know is, what we're talking about here is that they're going to go through probate. And probate, some states call it surrogate court, probate court. Probating is, even if they call it surrogate court, it's going through probating.

The court is going to go, they're going to look at the document and if it's a will and it's properly executed under state law, they're going to follow it. If it is not, if it's a defective, then they may hear cases. Somebody may come in and challenge the will. I was left off, that was an error.

My grandfather, my grandmother, they loved me and they certainly would want me to be provided for. They're going to hear cases like that. And if it's intestacy, then someone is going to have to and there's a whole list of priorities. So, if someone died and they left a spouse, their spouse would be the priority to be named as the administrator.

Now you administer an intestate estate. With a testator, people call it executor, executrix. Personal representative now is the more common term used by states, and that can be the personal representative of the estate. Administrator is still a common term used for intestate, although some even call that a personal administrator. Again, the terminology can vary by state.

But they're going to appoint the individual based upon their relationship. And so they start with, okay, a spouse, if not, the next of kin. Who is the next of kin? Do you have a child? Well, your child. Well, what if there's three children? Well, then there's an argument. The court has to decide who would be best to serve as the administrator of that estate.

One of the things not to confuse though is the probate estate. What the state courts are going to determine who gets the property, but only certain property. This is going to be property that is not property that by operation of law goes somewhere else. You can't confuse the probate estate with the taxable estate.

Many items are taxable but are not included in the probate because under state law these assets transfer outside of the court.

For example, a joint ownership. If you have joint ownership, the joint owner gets it by operation of law. Well, it still might be taxed in the estate. You have life insurance. It goes to the beneficiary. The court is not going to come in and go, well no, it goes somewhere else. No, it goes to the beneficiary. It doesn't go through probate. But it's taxable. It's part of the taxable estate. So people often confuse the taxable estate with the probate estate.

Now, a lot of things, as I said, joint property. Be careful though. Tenancy in common versus joint tenancy. Tenancy in common, each owner can pass on to their heirs their interest. It doesn't go to the other owners. And so therefore, that goes through probate.

And that goes to different owners because now it's going to go according to that person's will or by intestacy to their heirs. So, tenancy in common goes through probate. It doesn't go by operation of law.

There's pay on death. These types of accounts commonly with stocks, bonds, bank accounts, they automatically go to the designated person on the pay on death. So upon death of the owner, this other person who's named gets it automatically. It doesn't go through probate.

Retirement accounts, Roth, traditional IRAs, 401Ks, these go to the beneficiaries. They're generally not subject to probate, but they are in the taxable estate.

And so therefore we have all of these things that could be in the estate from tax purposes, but not for probate purposes. Now one of the ways to avoid probate is to have a living trust. It will avoid probate and now the property in the trust goes according and is administered according to the terms of the trust not, for example, the will.

Now, to have a living trust, and I'm confused here by a living versus testamentary. What does that mean? Here's what it means. It means that the trust to be inter vivos or living must be in existence at the time that the person dies.

A testamentary trust is similar, in fact, it could be identical, but it's not funded during life. Usually, you'll find it within the will. So, you might find in the will, you may find something that's simple, it just says, you know, that it goes to my grandchildren. Should any be under the age of, often 21, 18, 21, then I nominate, constitute an appoint, Billy as the trustee to hold such property until such time as the grandchild or child, reach the age of 21 during that time to make expenditures for the health, education, welfare of the grandchildren.

And then is a testamentary trust. Now, testamentary trust can also be quite lengthy. And you could have a trust agreement that was not funded and has what's called a pour-over provision, which says, at death, these assets are going into this trust.

The worst part about it is if you had a pour-over provision, that said these assets go into the trust, and the trust was a living trust, in other words, it was funded before the person died. Then, that's not subject to probate. It's not subject to ongoing continual supervision of the court. If it's a testamentary trust, it's annual reports to the court. It's under court supervision.

So, during the entire time, it becomes supervised by the court. So that's why if you're going to use a trust, have a funded inter vivos trust. You have to have had property transferred in. Now, generally what you can do is name the beneficiary, the trust, the beneficiary of a life insurance policy.

Being named the beneficiary of the life insurance policy, will generally qualify it as being a living trust. And so therefore, that is outside of probate, and it goes not according to the will. You don't look at the terms of the will for property that's in there. You look at the trust document. That becomes the important document for this purpose.

So, most, I won't say most, many states have adopted what's called the uniform probate code. You may have heard the term uniform code. It's an attempt to have uniform laws throughout the country. Doesn't mean a state has to adopt it, but you may have heard of the UCC, uniform commercial code. That's a uniform code.

Now, every state has adopted a, either has adopted the UCC directly or has terms similar to it. In other words, the important aspects they've adopted. But almost every state's adopted the UCC in total.

Now some states have very informal probate for smaller states, or informal process if it's just something like a car. Okay, you file an affidavit, you're the heir, it goes to you.

Now, there's informal probate where there's less supervision. You have to report, you have to provide annual reports, but there's significantly less supervision. So now the will, and the will generally has to be witnessed. You have to have testamentary capacity, which means you know what assets essentially that you have.

And who are the natural bounty? Naturally, who would get it? Well, my children, my grandchildren, my spouse. And so if you know that, then you have testamentary capacity. People always confuse the fact that, you know, well, that person, don't think that they're mentally sound.

Well, you can still be a little bit, we'll say strange but still have testamentary capacity. Do you understand? Just like you can have contractual capacity. If they're separate and distinct things, yes, you know what your assets are and you know who the natural boundaries are.

Now, there's a thing called a codicil. Codicil is a change. Now, one way you can change a will is just to draft a new one. Now, I've heard attorneys say, well, you want to keep all the wills. Well, you know, that makes great. You've got 15 versions of wills. So now you're, what's the date and who's got the latest one?

People are popping up with different versions of the will. Or you can have a consul, which is simply an amendment, where you simply amend a portion of the will. That leaves the rest of the will in force and effect.

But that has to be executed the same way, you know, for example, if you need two witnesses, has to be executed the exact same way as the will. But you don't necessarily want multiple wills out there. The will itself can incorporate a written memorandum. That generally doesn't require the signature of witnesses. It has to be written, and it can be written in the handwriting or signed by the testator, but it's only valid, the states that recognize that.

It's only for tangible personal property. For example, you want to leave a vase to a grandchild or a beloved Hummel to your granddaughter. That's the only thing that can use that written memorandum. know, one of the things that commonly is not to list every single item in the will. And so you might have a separate memorandum to that effect. Now with the payment of expenses, it becomes important, how is it written in the will?

Generally, if it's not provided for or the place it is, if it's not first, it comes in, for example, after the distributions, then it's considered that the expenses come out pro rata from the beneficiaries, so based upon what they inherit. The most common and the better way to do it is, and it's certainly preferred, is in right at the beginning, after you have the being of sound mind, you have something to the extent that I direct my personal representative, executive, to pay the funeral costs, the costs of last illness, debts and administrative costs.

Then, the next provision, all the rest, residue and remainder of my estate, real, personal, or mixed, I give bequeath and devise as follows. The result is that the payment of the administrative costs, et cetera, will come out first, and the remainder is divided. So therefore, the expenses are shared by the beneficiaries, not on a pro rata basis.

Now, a couple of terms that are important, stirpes, per capita, and by representation. Per stirpes means that the distribution of the assets is through the next branch of the entity, branch of the family. The per capita, that treats individuals equal based upon what you are, what relationship you are.

And then by representation, it again treats members of the classes equally, but it divides up equally the members of successive generations. So let me give you a quick example. Sally has three children. Peter has no children. Jane has one child. Magdalena has three, so Sally has three children, Peter, Jane, and Magdalena. Peter has no children. Jane has one, so that's one of Sally's grandchildren, and Magdalena has three.

If Sally died leaving a will dividing her estate among her children per stirpes, let's assume Magdalena, who has the three children, dies before Sally. Well then Peter would get a third, Jane would get a third, and Magdalena's three children would share equally in her one third share. That's per stirpes, or per stirpes, some people refer to it.

If Sally died leaving a will and divided her estate per capita, and again assume Magdalena predeceases, well then per capita, Peter would have one-fifth, Jane would have one-fifth, and Magdalena's three children would each get one-fifth. You wouldn't look at the relationship. You would just say, well, these are all inheriting, and so they would inherit one fifth each.

Now, if Sally died leaving the will dividing the estate among her children by right of representation and Magdalena predeceases, it would be exactly the same as it was per stirpes. It would be one third, one third, and then Magdalena's children would share one third each.

However, here's where a difference comes in. If both Jane and Magdalena are deceased, and Sally leaves a will by representation, then what is going to happen is you are going to the children, all grandchildren will be treated equally, and all great-grandchildren treated equally, regardless of how many children the parents had. So first, there are three children, so allocate one third to Peter then allocate the remaining two thirds to the four grandchildren.

So, Peter is still going to get the one third as he would as a child. There are no children, so the grandchildren will share equally in the other two thirds. So, the children are in essence instead of Jane's child getting one third going to be put together with the other grandchildren at that level and get a share equal with them. So, most states now have gone away from first stirpes and by representation it's becoming the more common if you don't provide anything in your will.

But again, you have the right to provide whatever you want in your will. Now, an estate, estates have three key parties, the decedent who establishes the will, the executor who is going to be appointed under the will, or the administrator if no one is appointed, and then the beneficiaries who will receive the assets.

And so therefore, you'll have an administration in accordance with that. In trust, you have three. You have the grantor, the donor or settler. That's the person establishing the trust and transferring the property into the trust. The trustee takes the title for the benefit of the beneficiaries. So the ownership is not in the grantor. The ownership is in the trust. The trustee represents that.

And the beneficiary, there can be two types. Income beneficiary and remainder, which is the corpus. They get whatever's left at the end. Now you can also have a reversionary interest, which means that it goes back after a period of time or an event, it goes back to the grantor or settler the whole trust goes back.

Now there's obviously a conflict that comes up between income and corpus. more the income beneficiaries get, the less it's available for the remainder men, the people at the end who get it. So the term corpus means the principle of the trust, the assets that will be transferred in addition.

The terms of the trust become extremely important in looking at the interest. Do I have an income interest? Do I get current income? Or do I just get something at the end, a remainder interest? There's different concepts here. The concept of how is the income and what does that term mean? Now a trust, in general, and this used to be a rule, standard rule everywhere in the United States, called the rule against perpetuities, which meant that a trust could only exist for a limited period of time.

It was a life and being plus 21 years. So, if you had a baby, that was named, that would be a beneficiary, their life, they lived to be 80 plus 21. So, the trust had to terminate in 101 years. Most states have, a lot of states have done away with it or they have limited or found or come up with ways of avoiding it. So it's become certainly less of an interest, of a problem than it used to be.

You know, some states absolutely allow dynasty trusts, which essentially, with proper wording, can go on perpetually. Now, a simple trust, simple trust simply means that the trustee is required to distribute the entire accounting income. Now, it doesn't mean they do, but it means that the document says they're to, and the beneficiary is not a charity.

You don't generally distribute out corpus. Now, any other trust is called a complex trust, so any other one. Now, another term that you're going to hear is grantor trust. If the grantor keeps too much of a right, for example, revocable, if they keep too much of an interest, then, or the right to change the beneficiaries, for example, then it's going to be taxed directly to them.

They're going to have to pick up all the income tax on all of the items from the trust. It's taxed directly to them. It's called a grant or trust. Now for income purposes, we have different types of income in estates and trusts. We have accounting income, taxable income, and distributable net income.

So unless modified, the code uses the term income for trusts and estates, it refers to accounting income. So that's an important concept. If it says one half of the income, it means the accounting income, not the taxable income, not the gross income, accounting income.

Now, the general rule is that the instrument, the trust, the will determines the allocation between of expenses and income between income and corpus.

The courts will look first to that document though, and they'll say, what does the document say? How is the document? So you need to sit down and understand with the client, what are you trying to do? And explain to the client what this means, what provision. If not, you follow state law.

Now, there is again, another uniform act, the Uniform Principal and Income Act, which essentially costs, it's, follows GAAP, but that also talks about how do you allocate. Now, every state has a statute.

Some follow this, some do not. Let me give you an example. Jones Trust is a simple trust. Mrs. Thompson, it's Sol's beneficiary. In the current year, the trust earns 40,000 in taxable interest and 25 in tax exempt interest. In addition, the trust recognizes an \$8,000 long-term capital gain. The trustee assesses a fee of \$10,000 for the year. If the trust agreement allocates fees and capital gains to Corpus, the trust income is \$65,000, which is what is distributed to the beneficiary, all of the income. The financial burden of the fiduciary fees is borne by the residual holders.

If the trust agreement allocates the fiduciary fees to income, the trust income is \$55,000, and that is the amount to be distributed. The beneficiary then of the income bears the entire burden of the fiduciary fees. Now, if the trust agreement allocates all capital gains and losses and half of the trustees commissions to income, then the trust accounting income is going to be 68.

However, think of this. If you allocated all capital gains to income and the trustee sold all of the assets that would all go to income, there'd be nothing left for the remainder person. This is why there's a conflict and trustees are in a fiduciary obligation to both the income beneficiary and the remainder people. Because how you allocate things makes a huge difference.

Now, generally, for example, fiduciary fees get allocated half and half. Generally, under the Uniform Act, the capital gains get allocated to corpus, why? Because you're selling the underlying assets. And the idea I just said, that if you sold everything and it went to income, there'd be nothing left for the remainder people. So that gets allocated over there. So, there's all these things that you have to look at in the allocation, and that's one of the most important things that you can look at.

So there's a number of terms that we've talked about that you're going to have to look at. One of the terms, of course, is the jurisdiction. Keep in mind that you might have something that requires what's called an ancillary proceeding. So for example, if a person died and they were domiciliary, now note I didn't say resident, I said domiciliary. For income tax, we look at residence.

But for a state tax, we look at domicile. Domicile is beyond residence. Residence is just where you reside. Domicile, where do you reside? Where are your main assets? Where do you go to church? Where are your cars registered? Where do you get your license? Where do you vote? Where do you keep your accounts? All of these types of things. Your club memberships and fraternal organizations and all of these types of things. Where are they?

Real estate, however, only a state can determine title to a real estate. So, if someone died and they were a domiciliary of one state, then they owned land in another state, you would have to go to the other state.

So, for example, someone who lives in Michigan, but owns property in Wisconsin, if they die, you're going to have to go to Wisconsin and probate that real estate because only Wisconsin can determine title to the real estate.

Now, stocks, bonds, intangible assets, tangible property, it goes by the domiciliary. So that would be fine. The Michigan court would be able to handle that. Now, another provision you might see is what's called a spendthrift provision. And that means a trust that you're restraining the ability to spend by the transfer of a beneficiary interest.

And what you're doing is you're doing that primarily because you believe the person cannot handle their money, that they're going to spend everything. And so you limit their ability to spend and you give great power to the trustee as to what they're going to spend on.

And that being said, there's what's called an ascertainable standard. And that means, know, get, what does a standard mean for the trustee as to what they should pay out? Commonly, the standard, and this is considered ascertainable, is the health, education, support, or maintenance.

Essentially, if it's within the meaning of the code, that's fine. You might say, to maintain their same lifestyle, something of that. Even if they're broad, they're considered ascertainable standards because it's health, education, support, maintenance.

All right, well I want to thank you very much for joining me. There's a lot of these things that we've looked at today and I certainly want to thank you for being here. And as always, please be safe.

GROUP STUDY MATERIALS

A. Discussion Questions

1. Why is it important for accountants to distinguish between the probate estate and the taxable estate?
2. How can the allocation of receipts and expenses between income and corpus create conflicts among trust beneficiaries?
3. What role should an accountant play when assisting clients with estate and trust matters?

B. Suggested Answers to Discussion Questions

1. Why is it important for accountants to distinguish between the probate estate and the taxable estate?

The probate estate and taxable estate are created for different purposes and may include different assets. The probate estate consists primarily of property that must be administered through a state court because it does not pass automatically by contract, beneficiary designation, title, or operation of law. Solely owned property without a valid beneficiary designation is a common example. The probate court determines whether a will is valid, appoints a personal representative, resolves claims, and oversees the transfer of probate assets.

The taxable estate, by contrast, is determined under federal and applicable state tax law. It may include property that never enters probate. Life insurance proceeds, retirement accounts, jointly owned property, and payable-on-death accounts may transfer directly to a beneficiary or surviving owner, yet some or all of their value may still be included in the gross estate for estate-tax purposes.

An accountant who confuses the two could omit taxable assets, misunderstand liquidity needs, or provide inaccurate information to beneficiaries and counsel. The distinction also affects return preparation and planning. An estate may have relatively few probate assets but a substantial taxable estate. Conversely, an estate may require extensive probate administration while remaining below applicable estate-tax thresholds. Accurate classification allows the accountant to coordinate effectively with the attorney, fiduciary, and beneficiaries.

2. How can the allocation of receipts and expenses between income and corpus create conflicts among trust beneficiaries?

A trust may have an income beneficiary who receives current trust income and a remainder beneficiary who receives the corpus when the trust terminates. These beneficiaries have competing economic interests. Allocating a receipt to income increases the amount currently distributable to the income beneficiary, while allocating it to corpus preserves the property for the remainder beneficiary. Similarly, charging an expense to income reduces the current beneficiary's distribution, while charging it to corpus reduces the value ultimately available to the remainder beneficiary.

Capital gains illustrate the conflict. If gains from selling trust assets were routinely treated as accounting income, the income beneficiary could receive amounts created by liquidating principal. If all trust property were sold and the gains distributed as income, little or nothing might remain for the remainder beneficiary. For that reason, capital gains are commonly allocated to corpus unless the governing instrument or applicable law provides otherwise.

Fiduciary fees create a similar issue. Charging all fees to income burdens the current beneficiary, while charging all fees to corpus burdens the remainder beneficiary. Many principal-and-income statutes provide for a divided allocation. Because trustees owe fiduciary duties to both classes of beneficiaries, they must act impartially, follow the governing document, apply state law, document their decisions, and avoid favoring one beneficiary group without authority.

3. What role should an accountant play when assisting clients with estate and trust matters?

An accountant can play an important role in estate and trust planning and administration, but the accountant must remain within professional and legal boundaries. The accountant may help identify tax consequences, estimate estate and gift-tax exposure, evaluate cash-flow needs, explain fiduciary income-tax concepts, gather financial information, prepare required tax returns, and help clients understand how particular economic outcomes may affect beneficiaries. The accountant can also alert legal counsel to issues involving asset ownership, beneficiary designations, business interests, retirement accounts, and the allocation of trust income and expenses.

The accountant should not draft wills, codicils, trusts, or other legal instruments unless properly licensed and authorized to practice law. Even a document that appears simple can require legal judgment about state law, beneficiary rights, execution formalities, fiduciary powers, or unintended tax consequences. Performing legal work without authorization may expose the accountant to professional discipline, lawsuits, and denial of malpractice coverage.

The most effective approach is collaborative. The attorney handles legal drafting and interpretation, while the accountant contributes financial and tax expertise. Both professionals should begin by understanding the client's non-tax goals, such as protecting a surviving spouse, providing for children from a prior marriage, supporting a beneficiary with limited financial skills, or preserving assets for later generations. Tax planning should then support, rather than override, those objectives.

PART 3. LOSS LIMITATIONS IN PASS-THROUGH ENTITIES

Loss Limitations in Pass-Through Entities

Pass-through entities can provide owners with valuable tax benefits, including the ability to report business losses on their individual returns. However, those losses are subject to several separate limitations that must be applied in the correct order. This program explains the basis, at-risk, passive activity loss, and excess business loss rules affecting partners and S corporation shareholders. It also compares partnership and S corporation basis calculations, including the treatment of entity debt, shareholder loans, distributions, and suspended losses. Through practical explanations, the program helps tax professionals recognize when reported losses are deductible, when they must be suspended, and when they become net operating losses.

Mr. Ian Redpath

Hi everybody, I'm Ian Redpath. Welcome to the program. You know, today we're going to talk about something that, you know, we see quite often, but you know, we don't really concern ourselves as much with it until there's an audit.

And when there's an audit, one of the major things, especially in a partnership, is when you're flowing through losses. Now, even in an S-corp, you know, many, many audits are, hey, you took all these losses on your return.

Did you have enough basis to take it? Now, the focus has often, especially in partnerships, bases, bases, bases, bases, you don't have enough bases. Now we're seeing more and more audits where they're bringing in other rules such as at risk.

You know, I had a situation where I told the, an accountant called me in to help with the audit, and I said, you know, if they ask the right questions, there's a huge at-risk recapture issue here, and there's a lot of tax that's going to have to be paid.

But they probably won't ask the right question, and the IRS focused, as we thought, on basis, basis, basis, basis. Well, that wasn't an issue. The issue really was an at-risk problem.

But now, as we're getting more sophisticated partnership audits, we're going to see more and more in them auditing all of the numerous hoops that apply.

In the S-corp, again, we see the same type of thing. Now, S-corps are the number one choice of entity still, and the primary reason is the self-employment FICA issue, the ability to pass more through, not subject to self-employment tax, than with a partnership. What we're seeing a lot is an LLC.

Today, when we talk about partnerships, we're talking about LLCs that may be taxed as a partnership. Remember, you set up an LLC legally under your state law. It's an LLC. All the rights that apply, obligations, duties in an LLC, a member to a member, members to third parties, they all apply as an LLC.

Well, what if you check the box and it says you want to be corporation. Well, you're not a corporation under state law. Under state law, you are still an LLC. What difference does it make? Well, more and more you're seeing, check the box, be a corporation, and elect S. Why? Well, a lot of attorneys will tell you that they believe that you get better protection as a LLC member than as a corporate shareholder.

For example, all a person can get is a charging order against your profits interest. They can't come in and actually participate in management. In a corporation, what could happen is a judge could say, it's a divorce. You get half the shares, spouse, or creditor, yeah, I'm going to seize these shares.

You don't have that same right. All you can get is the financial interest. Now, worst case scenario is if you try to execute against that financial interest and they decide not to make distributions, you're not going to get any distribution and you're going to get the K-1. That's a worst case scenario. So, there's all sorts of legal technical issues that come up.

But in general, you're seeing that a lot. That's one of the most common things now. Sign up, be an LLC, check the box to be a corporation, and elect S. Now, the partnership, you know, this is form 8832, that's the check the box. It does have an election on there, don't worry about that language.

If you're a multiple member and you want to be a partnership, be taxed as a partnership, then you can check the box. Even if it says elect, it's not an election. The only true election is electing to be a corporation. Why does that matter? Because you're kind of stuck with it for five years before you can change your election.

But if you just take the default, even though the form says elect, it's not considered an election. So a multiple member is a, by default, is a partnership. Single member, disregard it, what's the owner? Owner's an individual, schedule C. It is part of the owner. Division of a corporate owner, division of a partnership owner, division of an S corporation owner, it's just a division. It doesn't have any separate tax identity. Still has a separate legal identity.

All right, so, you know, these limitations, you we see this quite often and you hear it all the time about, you want to start a business in those startup years where you have losses, you want to be able to flow those losses through and take them against your other income. That's good, that's a time-honored tradition, right? Well, where that problem comes up is, do you have enough basis at risk?

Is it a passive activity? You know, the IRS, they're saying, well, wait a second, you started this business, you invested very little in it, and you want to take all of these losses and offset them against your other income? Or you don't really invest in this, you didn't really do much, you're not really working in it, you're not a material participant, and you still want to take all these losses? Or it's just rental?

So you get some rental property, it's not really generating much income, but you want to take all these losses against it, especially, you've done a cost segregation study on something and you're flowing through all of these losses by taking bonus depreciation on items. Well, the IRS looks at that and says, wait a second, how much skin do you have in the game?

We're not going to let you write off more than you essentially have skin in the game. And so the bottom line to what we're going to be talking about in today's program is just that. Your IRS is kind of limiting you and saying, you know, there's only so much we're going to let you write off and you better have some skin in this game or you're not just going to be able to take losses and write them off.

Why are these rules there? They're there because there were significant abuses. And so,

For example, the at-risk rules, the IRS, at one time they applied to a very narrow set of businesses. Very few businesses, were things like timber. They applied to movies, a very narrow set of things. Well now, they apply to basically everything. So that's the IRS just saying, okay, we've seen the abuses.

We're not going to continue to allow them. So, here's our hoops. The limitation on pass-throughs, the basis comes first, the rules under the LLC or partnership, or the rules under the S-Corp. The at-risk limitations at section 465.

The passive activity loss limitations, that's section 469. The excess business loss limitation, section 461. And that's had a change for 2026. And then you still might hit the return and have other limitations, for example, the ability to take NOLs. We know that NOLs are limited. You when you take an NOL carryover, it's going to be limited to 80%.

Now you can carry it over indefinitely but it's subject to an 80% limit. 179, if you pass through a 179, it can also be limited, not just at the entity level, but it could be limited at the owner level.

And so, you know, there's limitations that will then apply at both levels, and so we have to look at those in making that particular decision as to whether we can take the losses and pass them through. So, the first thing we're going to look at is a partnership.

So, the general rule is that neither the partner nor the partnership recognizes any gain or loss on the contribution of property. Now, this is different than a corporation, right? There's no 80 % control issues. Basically, everybody gets the tax-free treatment when they put in property.

And that is section 721. Section 722 essentially says you get a carryover basis. So, the carryover basis, you take the basis of the assets, that now becomes your basis in the entity. That's your outside basis or interest basis. Now one of the things with a partnership that gets very confusing is you really have three accounts.

You have the capital account, and the capital account is not the same as your basis. Many people often talk about capital account and they really mean basis. There's a general comment that says, well, if you take your capital account, add in the liabilities, because liabilities are not in the capital account, that will equal your outside basis.

And that's generally true, especially for the initial partners. But for example, if there was a 754 election effect, a person bought, well, when I buy an interest from someone, I take their capital account. So if A and B, I buy B's interest in that AB partnership, I take their capital account. Well, taking the capital account and adding liabilities is not necessarily going to equal my basis, right?

Well, I paid five million. The capital account of B when I bought it was only \$100,000. Well, I just take over B's capital account. So, 754 adjustments, for example, don't go into the capital account. So, the calculation is somewhat different than the calculation of basis, and so therefore, that is not, that's not always accurate.

You see it all the time, but it's not always an accurate statement. And so, there is, and just mention it, there's a nominal gain that can be recognized. Well, the gain could be great, but it's a very seldom do you see it, and that's section 721B. It applies where someone tries to diversify their portfolio.

So A, B, and C, A is heavy in tech stock, B is heavy in oil and gas, C is heavy in real estate. And they decide to diversify their portfolio. Well, one way is to sell some of their stock and buy stock in other types of investments. Or another way is the three of them get together and they go, you know what? Let's each contribute X amount of dollars worth of our interests into a partnership.

Then we each take a one-third interest. So now, one-third, one-third, one-third. Well, I've just diversified more portfolio into the other two areas at no tax consequence. So, if you see that, which most of what's going in, especially if it's 80% or more that's going in, is portfolio investments, you got to look at whether or not potentially this is a diversification issue.

And if you look at the regs under 721B, it'll talk about what's diversification. The fact is, A and B could be subject to the diversification, which means they're going to recognize gain on the contribution. But C is already diversified under the regs, and so C does not have to. Well, now you're dead. You have different basis issues.

The holding period carries over. The holding period is going to carry over and if it's capital and 1231, otherwise the holding period starts anew. So let's look at an example here. Jane transfers a capital asset in exchange for a one-third interest in JBB LLC, taxed as a partnership. The asset has an adjusted basis to Jane of \$10,000 and a fair market value of \$30,000. Jane has a \$20,000 realized gain. But under 721, she has no recognize gain.

The basis for her interest is a substituted basis of \$10,000. Because it's a capital asset, the holding period tax on, and that's now the holding period for her interest. The LLC's basis is a carryover basis of \$10,000. Now, that ensures that that \$10,000, that that \$20,000 deferred gain would be recognized if the LLC sells the property.

Now, with that, we go on and say, all right, that's our initial basis. Now, remember, the initial basis could be other, something else. I inherited it. Well, my initial basis, step up or step down to the value at date of death. It was a gift. Carryover basis from the donor plus gift tax on the appreciation if it was after 1977. My basis may be different than just simply making a contribution.

But we look at that, normally it's going to be the contribution, right? But each year we have annual adjustments that we have to make. And the annual adjustments the partner's proportionate share of the income, including capital gain and tax exempt, the partner's proportionate share of any increase in the liabilities. Liabilities, one of the big differences here lies in liabilities. And then contributions of cash or property from the partner to the partnership during the year.

The partnership then decreases for distributions. Now no, distributions come first. The partner's proportionate share of partnership deductions, losses, and suspended business expense available for future years. And then the partner's proportionate share of non-deductible expenses.

Now one of the big differences between an S-corp and a partnership is partner is deemed to contribute a hypothetical amount into a, we'll call it a hypothetical escrow to cover their share of the liabilities. It's a deemed contribution of cash, and as a result of being a deemed contribution of cash, it is considered to be cash.

Well, what do you get when you contribute cash? You get a basis. And so, with a partnership, you know what, I don't have enough basis to take losses. I can go out and borrow more money. And that will give you a basis. The partnership, I shouldn't say you, the partnership, goes out and borrows more money.

You get an increase because you're deemed to contribute your share of the debt. You get a share whether it's recourse or non-recourse debt. It doesn't matter. You're still getting a share for basis. Now we'll talk in a few minutes about the fact that non-recourse debt gets you basis but it may not get you at risk.

And this is a very difficult thing to remember when you're talking about partnerships. By definition in an LLC, absent a personal guarantee, all debt of an LLC is not recourse. Now, you go to the bank or the financial institution, you say, hey, I've got this great idea, I'm starting a business. Would you loan me money? And they go, great, we want to support you, that's a great idea. Put your personal guarantee on this.

Okay, I mean that's common, right? Well, you better put that personal guarantee on there, but we trust you, but trust, but make sure we're protected. So that personal guarantee is so common, which converts it of course now to recourse because they can go after you.

The definition recourse means they come after the owners. Non-recourse means they can only take the assets of the LLC or that particular property. It used to be that you could get a lot of non-recourse on real estate. We'll just take our security in that building.

Well, you know, unfortunately, when the economy the mortgage crisis, the savings and loan crisis, a lot of that, the institutions got stuck because here they have non-recourse debt. So non-recourse debt is tough to get today because they want that, we want some signatures on there.

Nonetheless, absent personal guarantees, all of the debt is non-recourse. When you have, again, we'll talk about the debts in an S-corp, but you're not getting a basis in most of the debt in an S-corp.

So, if we look here, there's a different allocation if you're talking about recourse debt and non-recourse debt. You know, general rule, and you'll see this all the time, so our share is 50-30-20. And so the debts always get allocated 50-30-20. That may be correct, but it may not.

So how do you allocate recourse debt? You do the constructive liquidation scenario, which means that all partnership liabilities become due and payable. All of the assets, including cash, is considered worthless, zero, except for the property that is secured by the liability. All property is disposed of in a fully taxable transaction.

And of course, the property that has a debt, that's secured, that is going to be disposed of for the debt. All of the income gain and loss are allocated to the partners, the partnership liquidates.

Now you hit this to the capital account, those gains and losses. Now, the capital account, this is not the one that you're keeping for reporting purposes, that's being done on a tax basis. This is the 704B. If you have a loss, in other words, if you go negative, then your share of the debt, you get that much of the share of the debt to bring you back to zero.

If no one has a negative, then you just allocate the recourse debt based upon their loss ratio, what they can come after them for.

So, once you get allocated and go to zero, then you are allocated 50, 30, 20, know, according to your loss ratio. Non-recourse debt is allocated on a three-step process. So each partner's share of the minimum gain, then any pre-contribution gain, and then finally their share of the profit, the profits not the losses, recourse is on loss because they can come after you personally.

This is profit, they can only take your share if there's profit. So while non-recourse debt generates basis, it does not generally generate at risk unless it's what's called qualified non-recourse financing.

And so, there's a big difference between the different types of debts and how they are treated. We have to look at that very carefully when we're doing a what is the basis? And that's the first big limitation on losses. If you don't have enough basis, you have to suspend the losses and you can only take them in the future when you have enough positive net, positive adjustments to basis, the term is restore your basis.

So now let's look at basis in an S-corp. Now the basis in an S-corp is a little bit different because again, this is a corporation. And so section 351 applies. 351, contribution doesn't matter if it's an S-corp or a C-corp. Section 351 still applies.

The basis rules are the same for an S or a C-corp. So the general rule under 351, no gain or loss is recognized when property is exchanged solely for stock and the property givers are in control immediately after the transaction. Now control is defined in 368C.

Now that's a reorganization provision, but it establishes control. By reference, 351 refers to this. It's at least 80% of the total combined voting power and at least 80% of the total number of shares of all other classes. And that's an and there's no value in this test.

It's combined voting power and number. Now the number of shares is on a class by class basis. So, if you have a number of classes of non-voting, you have to get 80% or more of each class, not of the whole.

With voting, because it's combined, you can get 80% or more of simply the combined amount. So technically, you could have 100 shares. But one of those shares has 80% of the voting power. All you have to do is get the one share of voting. You just have to get 80% or more of the total combined voting.

But for non-voting shares, you need to get 80% or more of each class of non-voting shares. So, if it's not, get, this is taxable. If the property givers are not in control immediately thereafter, you have to watch out for things like when you incorporate, sometimes people will transfer and the intent is to give their children, and so they'll transfer the property in and take back 60% and give their children 40.

Well, that became a taxable transaction, right? Because they didn't get 80% or more control. So, what you have to do is you take back the control for 80% and then you can make a gift later, but immediately after you have to be in control.

Now, the IRS does use the step transaction, but we can also use it. So we could use the step transaction and say, wait a second, this is all part of the same transaction, and so therefore we should treat it as such. So when you test, it becomes important. And property, property's cash. Now, what is property is the same whether it is a partnership or an escort. Cash, it can be intangibles.

It could be contract rights. It could be a patent. So it's just any type of property, tangible, intangible, real property. They all can constitute property. You know how, customer lists. Know-how is always a problem.

You have to show that I had a case where the IRS came in and they challenged, they challenged, claiming it was a taxable transaction in the sense that they said what you put in was a service because it was know-how, it was some tech, and our argument was no, was in the technology. All we did was show otherwise qualified individuals how to use it, we didn't teach them.

And the IRS's position was, you taught them the technology, therefore that's a service, making it fully taxable. So, you know, that was quite an argument. We got lucky because—by the time this thing worked its way through, that technology that had been in its infancy form with the buyer, or I'm, the company that obtained it.

What they did was two companies, set up a separate LLC, more as a joint venture. And they took it down to a chip. So it was hard to say that we taught them anything. It was more that we showed them how to use it, not taught them. So it's a thin line. And more and more when technology's going in, you got to look at this, you know, what exactly is going in in that technology.

Now there's annual adjustments here, increased for income items and excess depletion, decreased for distributions, decreased for non-deductible non-capital expenses and depletion, and decreased for items of loss and deduction. Wait a second, three and four? We have to take our non-deductible items, not properly charged to the capital account before we take our decreases for losses?

And the answer is yes. That's not how most do it. However, and most software has a box there that you can check, but you should know if you take over a new client, has this election been made? Because it makes a difference, right? What am I suspending? Non-deductible or deductible items? What am I taking in the current year if I don't have enough basis. So that all becomes very important.

So, an S corporation shareholder can elect to allow their separately and non-separately stated loss and deduction to reduce their basis. In other words, give you take them on their return before nondeductible to elect that you should attach a statement to a timely filed original or amended return stating that you're changing the carryover rule.

Now once made, it applies until you get permission of the IRS to revoke it. So it's important to know if you get a new client whether or not this has been made. Now with an S-Corp, we also have a question of loan basis. So in an S-Corp, there are two different types of bases. There's basis in your equity or stock basis and there is a basis in the loans.

Now, that's two different bases, and in a partnership, you only have one basis, but in an S-corp, you have more than one basis. And so when you look at the basis in loans, it has to be a true debt, a bona fide debt, but generally, a guarantee's not going to get you anything.

Think of it as has the shareholder actually loaned this to the S-corp? Giving a guarantee does not get you basis. And then there's open account debt. And open account debt, that's just items you book in. And you have to keep separate open accounts.

Once an open account reaches \$25,000, then you treat it like a note except if you get, if your basis has been reduced because you've taken losses and you get paid on a note, it's capital gain. If you get paid on an open account, it's ordinary income.

Now, you know, don't fall into the trap of doing book in items of loans. I know often the client comes in, you go, what did you do? And well, I'm going to treat it as a loan from shareholder. That the IRS frowns on that. They want to see an actual note.

So, the basis, know, begin with the original loan granted to the corporation, increase the basis by loans made, including interest, decrease by payments made, and decrease by any losses. Now, when you restore loan basis, and again, if you have more than one loan, you allocate to the first loan to any loan that there was a repayment.

So, when you reduce your basis for these deductions, you reduce first your stock basis, then your loan basis. But when you restore basis, you restore first your loan basis, because you have net positives, just like we mentioned in the partnership. You restore first your loan basis and then your basis in the equity.

Now, the IRS has form 7203 and the instructions that the beneficial shareholders should complete and retain it.

You know, some S corporations, it shows up in a lot of the software and the S corporation. Well, if you're not preparing both the S Corp return and the shareholders return, then I strongly recommend that you review it and don't necessarily rely on it. And if you have any questions, make sure you get a hold of that preparer.

But remember, until 2021, there was no specific form. We just kept spreadsheets. Now we have a form. Again, always review it for accuracy if one comes in from the corporation itself.

That's the first and major hoop. But the next hoop that we often see is the at-risk hoop. And the at-risk basically, it's the money in adjusted basis of property you contribute, amounts you borrow for use in the activity if you're personally liable for the repayment, or you pledged property to the activity. And then you have increases for the cash in adjusted basis of property contributed.

Amounts borrowed for use, as I said, your share of the amounts borrowed for use in the activity that are qualified non-recourse, you don't get any at risk in a partnership for non-recourse debt unless it's qualified, which means it was borrowed in activity of real estate. The activity must be real estate.

No one's personally liable and it's not convertible. And then your share of the income annually, then just like, mean, just like basis, you're going to adjust it annually. Withdrawals from the activity, taxpayer share of the activities lost, the share of any reductions of debt for the recourse against the taxpayer.

So again, when the debts go up, that you're liable, you have skin in the game, you get an increase. Debt go down, you don't have skin in the game.

You know, this is generally a big issue in partnerships, much more than S-Corps is the at-risk limitation. And usually it's because of this non-recourse financing. And as you can see from our slide here, it's secured by real estate, it's borrowed and the activity of holding real estate is not convertible and is not guaranteed.

Now, one of the problems that can happen in this, you see quite often is people have enough basis in a partnership, it happens mostly in a partnership, people have enough basis so they make a distribution.

Well, unfortunately, they didn't have enough at risk because they had non-recourse debt. If the at risk goes below zero, then you took too many losses, you may have to recapture those losses to bring your at risk back to zero.

If the amount at risk in the activity at the end of the year is less than zero, you have to recapture, you're recapturing the loss you took by adding to your income from the activity the lesser of the negative at risk amount or the total amount of losses deducted in the previous tax years beginning after 1978 minus any amounts you previously added to your income.

That's a long thing. What is it really? It's really just add in the excess losses to bring your recapture back to zero. So again, you're picking up income to offset those losses that you tab. And again, don't use the recapture income to reduce any net loss from the activity for the year.

But you still get it back. You treat the recaptured amount as a deduction for the activity in the next year. In other words, you're treating it like it's a suspended loss. So you're going to take it, treat it as a suspended loss.

So now you've gotten through the basis hoop, you've gotten through the at-risk hoop, the at-risk went to zero. And again, where you normally see that is in a partnership where you had enough basis, so you took a distribution. But when you take the distribution, you didn't have enough at risk, so it puts your at risk to zero or below zero.

So, you're going to have to pick up, take it back to zero. But that's the more common where you see it. And so you pick up that income, but you do treat it as a suspended loss. So now we get to our next hoop.

And our next hoop is the passive activity loss hoop. And so, with the passive activities, and again, this could be a five-hour program in itself, but you have three categories, active, portfolio, and passive, and the rules then limit your ability to take losses. The only thing that allows you to take a loss in a passive activity is passive income.

So, what are passive activities? And we're not going to get into all the exceptions, but any trade or business essentially where the taxpayer does not materially participate or generally rental activities are. Now all of these have exceptions to them, multiple exceptions, and of course we can't get into all of those multiple levels of exceptions.

But generally, if it is a passive activity, now you still had to go through the basis hoop, the at risk hoop, now you're in the passive activity. Only income in that basket. So, what you're going to do is you're going to net the income and deductions from an activity. Then you net together all of the activities in that passive activity basket.

If the net result is a loss, you can't take it, it's suspended. If the net result is income, it just flows over into your return. So what frees up? Well, more income will free up suspended losses, more income in that bracket, or when you dispose of your entire interest, as our last bullet point, when you dispose of your entire interest. Now, we're talking about deductions here, but these rules also apply to credits.

You have to suspend credits under these rules. So, the rules apply to both deductions and credits. The bigger difference is you're not going to be able to free up all the credits to take against other income, whereas if you dispose of the activity, you can free up any suspended deductions. What's important then is each year you are keeping track of your suspended losses so that you can offset them when you dispose of the activity, you free them up.

So, you allocate each year any suspended loss to the activities that created the loss. Now if an activity had income, it doesn't get allocated any of that loss because it had income for the year. None of that loss was allocated to it. So now we got through that loop.

Now we're done, right? Nope, we're not. Excess business losses. Now this is 461, which is the same as the section. It's this form and the section are the same. The instructions are very helpful in deciding what is considered an excess business loss. For example, wages and salaries can be used to offset business losses, creating taxpayers' ability to take more.

Now, this is a little different. In our bases, our at-risk, and our passive activity hoops, we suspended excess losses. Here, what we're going to do is we're going to take it, but we're gonna treat it as an NOL on the return. So, it just becomes an NOL.

What is an excess business loss? It's the excess of your aggregate deductions for the year attributable to trades or businesses determined without regard to whether the deductions are disallowed under 461 from year and the sum of your income plus 256 or 512 for joint returns in 2026. Wait a second, wasn't that more than that?

Yes, it was. But when this was extended, because it was to expire, when it was extended by OBBBA, by the Big, Beautiful Bill, it went back to 256 and 512. So, for 2026, that, is the numbers that we're using. So for 2026, that is the number.

So, we have a whole series of hoops to get through. When we started, yeah, people start businesses in the startup years ago, you know, you can write off and offset all your other income, great, pass through entity.

Well, the reality is you may not have that luxury of just simply writing off other income by flowing through losses because the IRS has established these hoops. As we said, basis, at risk, passive activity loss, excess business loss.

Now, basis, excess losses, suspend them. At risk, excess losses, suspend under those rules until you have basis or until you have more at risk. Passive activity loss, only income from that basket can allow you to offset deductions and to free up or dispose of the entire activity that will free up the losses in that basket. And then we have the excess business loss. That doesn't suspend them, it just says they're NOLs. They go over on your return, they're going to be NOLs going forward. So going forward, you'll treat those as an NOL.

A lot of things to think about.

A lot of calculations here. Just be wary. When you look at the tax situation, be wary that there are different rules that apply to all of these different groups. So, I want to thank you very much for joining me today. And as always, please be safe.

GROUP STUDY MATERIALS

A. Discussion Questions

1. Why must tax professionals distinguish partnership capital accounts from a partner's outside tax basis?
2. How do partnership and S corporation debt rules create different loss-deduction outcomes?
3. Why is it important to apply each pass-through loss limitation separately and in the proper sequence?

B. Suggested Answers to Discussion Questions

1. Why must tax professionals distinguish partnership capital accounts from a partner's outside tax basis?

A partnership capital account and outside tax basis measure different things and are maintained for different purposes. A capital account generally reflects the partner's economic or tax-book interest in the partnership, depending on the accounting method used. Outside basis measures the partner's adjusted tax basis in the partnership interest and determines such matters as loss deductibility, gain recognition on distributions, and gain or loss when the interest is sold.

The two amounts may be similar when a partnership is newly formed, but they can diverge significantly. A partner's outside basis generally includes the partner's share of partnership liabilities, while liabilities are not ordinarily included in the capital account. Basis may also differ because of the price paid to purchase a partnership interest, prior distributions, suspended losses, or adjustments associated with a Section 754 election. For example, a purchaser may pay substantially more than the selling partner's capital account balance and inherit that capital account while receiving an outside basis equal to the purchase price.

Assuming that capital plus liabilities always equals basis can therefore produce an incorrect limitation calculation. Tax professionals should maintain a separate basis schedule for each partner, reconcile annual increases and decreases, and investigate transfers or special basis adjustments. Accurate records are especially important because deductible partnership losses cannot exceed the partner's adjusted outside basis.

2. How do partnership and S corporation debt rules create different loss-deduction outcomes?

Partnership and S corporation owners are treated differently when entity debt is used to finance operations. In a partnership, a partner's allocable share of partnership liabilities generally increases outside basis. This treatment applies to both recourse and nonrecourse liabilities, although the allocation methods differ. Consequently, a partnership may borrow money and create additional outside basis that allows partners to pass the first limitation on loss deductions.

However, nonrecourse partnership debt may not increase the partner's amount at risk. A partner may therefore have sufficient basis but still be unable to deduct the loss under Section 465. Qualified nonrecourse financing used in qualifying real-estate activities is an important exception.

An S corporation shareholder generally does not receive basis merely because the corporation borrows money. The shareholder receives debt basis only when there is bona fide indebtedness directly from the S corporation to that shareholder. A guarantee of bank debt ordinarily does not create basis unless the shareholder actually pays the obligation or otherwise makes an economic outlay. The shareholder must also distinguish stock basis from debt basis because losses reduce stock basis first and then debt basis.

These distinctions can produce dramatically different results for economically similar businesses. Accordingly, professionals should identify the legal borrower, review guarantees and loan documents, confirm whether debt is bona fide, and track stock and debt basis separately.

3. Why is it important to apply each pass-through loss limitation separately and in the proper sequence?

Each pass-through loss limitation addresses a different policy concern. The basis rules prevent taxpayers from deducting losses beyond their adjusted investment in the entity. The at-risk rules further restrict deductions to amounts for which the taxpayer bears genuine economic exposure. The passive activity rules prevent taxpayers from using losses from activities in which they do not materially participate, or from most rental activities, to offset active or portfolio income. Finally, the excess business loss rules impose an overall individual-level limitation on business deductions exceeding business income and the applicable statutory threshold.

Passing one test does not mean the loss is deductible. A partner may have sufficient basis because of nonrecourse debt but may lack a corresponding amount at risk. A taxpayer may satisfy both basis and at-risk limitations but still have a passive loss that may offset only passive income. Even after those limitations are satisfied, the excess business loss rules may convert part of the otherwise allowable loss into a net operating loss carryforward.

The consequences also differ. Basis, at-risk, and passive losses are generally suspended under their respective provisions. A negative at-risk amount may trigger recapture of previously deducted losses. An excess business loss is generally treated as a net operating loss rather than remaining suspended within the original activity. Proper sequencing, separate schedules, and annual carryforward records are therefore essential.

GLOSSARY

Ascertainable Standard—An objective standard that guides trustee distributions, commonly based on a beneficiary's health, education, maintenance, or support.

At-risk Amount—The amount a taxpayer has economically exposed to loss in an activity, generally including invested funds and qualifying debt for which the taxpayer bears repayment risk.

Corpus—The principal or underlying property of a trust, as distinguished from income generated by that property.

Excess Business Loss—The amount by which an individual taxpayer's aggregate business deductions exceed aggregate business income and the applicable statutory threshold, generally becoming part of a net operating loss carryforward.

Grantor Trust—A trust whose income, deductions, and credits are attributed to the grantor because the grantor retained specified powers or interests.

Intestate—The status of a person who dies without a valid will, causing probate property to pass according to state succession law.

Like-kind Exchange—A transaction under Section 1031 in which qualifying real property held for business or investment is exchanged for other qualifying real property, potentially deferring recognition of gain.

Material Participation—A level of regular, continuous, and substantial involvement in an activity that satisfies one of the applicable participation tests under Section 469.

Net Investment Income Tax—An additional 3.8% tax that may apply to certain investment income of taxpayers whose income exceeds applicable thresholds.

Outside Basis—A partner's adjusted tax basis in a partnership interest, including qualifying contributions, income allocations, liability shares, distributions, losses, and other adjustments.

Passive Activity Loss—A loss from a trade or business in which the taxpayer does not materially participate, or generally from a rental activity, that is subject to Section 469 limitations.

Per Stirpes—A method of distribution under which the descendants of a deceased beneficiary divide the share their ancestor would have received.

Qualified Improvement Property—Certain qualifying improvements made by the taxpayer to the interior of a nonresidential building after the building is placed in service, excluding items such as enlargements, elevators, escalators, and internal structural framework.

Qualified Nonrecourse Financing—Certain nonrecourse financing secured by real property that may be treated as an amount at risk when statutory requirements are met.

Real Estate Professional—A taxpayer who satisfies the statutory personal-services and 750-hour requirements for real property trades or businesses and materially participates in the relevant activity.

Choose the best response and record your answer in the space provided on the answer sheet.

1. Which improvement would generally be excluded from the definition of qualified improvement property discussed in the course?
 - A. A qualifying interior improvement made after the taxpayer acquires the building
 - B. A qualifying interior security-system improvement
 - C. An enlargement of the building
 - D. A qualifying interior improvement to nonresidential property
2. Under the Section 469 rule discussed in the course, an activity with an average customer rental period of seven days or less is generally:
 - A. Automatically treated as a traditional rental activity
 - B. Excluded from the definition of a rental activity for passive-activity purposes
 - C. Automatically exempt from all federal income tax
 - D. Treated as a principal residence
3. A taxpayer rents three bedrooms in a four-bedroom home to unrelated tenants at fair market value. Which practice best supports the allocation of expenses?
 - A. Deducting every household expense in full
 - B. Ignoring shared areas of the home
 - C. Using a reasonable allocation method and maintaining records of total expenses and rental-use areas
 - D. Reporting only the cash remaining after personal expenses
4. When may rental income be subject to self-employment tax under the principles presented in the course?
 - A. Whenever the property has a mortgage
 - B. When the taxpayer is a real estate dealer or provides substantial services primarily for occupants' convenience
 - C. Whenever rent is received electronically
 - D. Only when the property is vacant for part of the year
5. Which requirement is part of the real estate professional status test discussed in the course?
 - A. Owning at least ten rental properties
 - B. Earning all household income from real estate
 - C. Performing more than half of the taxpayer's personal services in real property trades or businesses and completing more than 750 hours of qualifying services
 - D. Holding a state real estate broker's license

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6. What distinguishes a living trust from a testamentary trust?
- A. A living trust must distribute all income annually.
 - B. A testamentary trust is always revocable.
 - C. A living trust exists during the grantor's lifetime, while a testamentary trust becomes effective at death.
 - D. A testamentary trust is never subject to court supervision.
7. Under a per stirpes distribution, what happens when a deceased child of the decedent leaves surviving descendants?
- A. The deceased child's share is redistributed equally among all living beneficiaries.
 - B. The deceased child's descendants generally divide the share that their parent would have received.
 - C. The deceased child's share passes to the state.
 - D. The deceased child's descendants receive nothing unless they are specifically named.
8. Which person holds and administers trust property for the benefit of the beneficiaries?
- A. Grantor
 - B. Trustee
 - C. Testator
 - D. Personal representative
9. Which description most accurately characterizes a simple trust for federal income-tax purposes?
- A. It must distribute all accounting income currently and generally may not make charitable distributions.
 - B. It must distribute all corpus each year.
 - C. It must be revocable by the grantor.
 - D. It must have only one beneficiary.
10. Why are capital gains commonly allocated to corpus rather than income?
- A. Capital gains are never taxable.
 - B. Capital gains always belong to the income beneficiary under federal law.
 - C. Capital gains generally result from disposing of underlying trust assets, and allocating them to corpus helps preserve the remainder interest.
 - D. Trustees are prohibited from allocating any receipts to income.

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11. How does a partner's share of partnership liabilities generally affect outside basis?
- A. It has no effect on outside basis.
 - B. It generally increases outside basis.
 - C. It decreases basis only when the liability is recourse.
 - D. It increases basis only if the partner directly lends money to the partnership.
12. Which statement best describes the treatment of a shareholder guarantee of S corporation debt?
- A. The guarantee automatically creates stock basis.
 - B. The guarantee automatically creates debt basis.
 - C. The guarantee generally does not create basis unless the shareholder makes an actual economic outlay.
 - D. The guarantee creates basis only when the corporation reports a loss.
13. Which type of partnership debt may create outside basis without ordinarily increasing the partner's amount at risk?
- A. Recourse debt for which the partner is personally liable
 - B. Nonrecourse debt that is not qualified nonrecourse financing
 - C. A direct cash contribution by the partner
 - D. Qualified nonrecourse financing secured by real property
14. When may suspended passive activity losses generally become deductible?
- A. When the taxpayer receives portfolio income
 - B. When the taxpayer contributes additional capital to any business
 - C. When the activity generates passive income or the taxpayer disposes of the entire interest in a qualifying transaction
 - D. Whenever the taxpayer has sufficient adjusted gross income
15. What generally happens to a loss disallowed under the excess business loss limitation?
- A. It is permanently disallowed.
 - B. It is converted into a net operating loss carryforward.
 - C. It becomes a passive activity loss.
 - D. It increases the taxpayer's basis in the pass-through entity.

SUBSCRIBER SURVEY

Evaluation Form

Please take a few minutes to complete this survey related to the **CeriFi CPE Network Tax Report** and return with your quizzer or group attendance sheet to CeriFi, LLC. All responses will be kept confidential. Comments in addition to the answers to these questions are also welcome. Please send comments to grading-cpedge@cerifi.com.

How would you rate the topics covered in the August 2026 issue of **CeriFi CPE Network Tax Report**? Rate each topic on a scale of 1–5 (5=highest):

	Topic Relevance	Topic Content/ Coverage	Topic Timeliness	Video Quality	Audio Quality	Written Material
Segment 1						
Segment 2						
Segment 3						

Which segment of this issue of **CeriFi CPE Network Tax Report** did you like the most, and why?

Which segment of this issue of **CeriFi CPE Network Tax Report** did you like the least, and why?

What would you like to see included or changed in future issues of **CeriFi CPE Network Tax Report**?

Are there any other ways in which we can improve **CeriFi CPE Network Tax Report**?

How would you rate the effectiveness of the speakers in this issue of **CeriFi CPE Network Tax Report**? Rate each speaker on a scale of 1–5 (5 highest):

	Overall	Knowledge of Topic	Presentation Skills
Ms. Jennifer Croshal			
Mr. Ian Redpath			

Are you using **CeriFi CPE Network Tax Report** for: CPE Credit ☐ Information ☐ Both ☐

Were the stated learning objectives met? Yes ☐ No ☐ _____

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Were program materials accurate? Yes ☐ No ☐ _____

Were program materials relevant and contribute to the achievement of the learning objectives? Yes ☐ No ☐ _____

Were the time allocations for the program appropriate? Yes ☐ No ☐ _____

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Once Again, Thank You...
Your Input Can Have a Direct Influence on Future Issues!

CPE Group Attendance Sheet

Firm/Company Name: _____
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<u>Name</u>	<u>Email</u>	<u>Total Hrs</u>	<u>IRS PTIN ID (if applicable Tax only)</u>	<u>Sign In</u>	<u>Sign Out</u>
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I certify that the above individuals viewed and were participants in the group discussion with this issue/segment of the CeriFi CPE Network newsletter, and earned the number of hours shown.

Instructor Name: _____ Date: _____
E-mail address: _____
License State and Number: _____

CPE Session Requirements

- Must be 3 CPE credits (min. 2.5 hours); see User Guide.
- Record actual time attended if participant arrives late or leaves early.

Within 30 days, submit all of the following to grading-cpedge@cerifi.com

- Advertising/Promotional Page
- CPE Group Attendance Sheet
- Subscriber Survey Evaluation Form

Course Title	
Course Date:	
Start Time:	
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Moderator Name, Credentials, and Signature Attestation of Attendance:	
Delivery Method:	Group Internet Based
Total CPE Credit:	3.0
Instructions:	During the webinar, the moderator must verify student presence a minimum of <u>3 times per CPE hour</u> . This is achieved via polling questions. Sponsors must have a report which documents the responses from each student. The timing of the polling questions should be random and not made known to students prior to delivery of the course. Record the polling question responses below. Refer to the CeriFi CPE Network User Guide for more instructions. Partial credit will not be issued for students who do not respond to at least 3 polling questions per CPE hour.
Brief Description of Method of Polling	Example: Zoom: During this webinar, moderator asked students to raise their hands 3 times per CPE hour. The instructor then noted the hands that were raised in the columns below.

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CERIFI CPE NETWORK USER GUIDE

REVISED August 2025

Welcome to CeriFi CPE Network!

CeriFi CPE Network programs enable you to deliver training programs to those in your firm in a manageable way. You can choose how you want to deliver the training in a way that suits your firm's needs: in the classroom, virtual, or self-study. You must review and understand the requirements of each of these delivery methods before conducting your training to ensure you meet (and document) all the requirements.

This User Guide has the following sections:

- **“Group Live” Format:** The instructor and all the participants are gathered into a common area, such as a conference room or training room at a location of your choice.
- **“Group Internet Based” Format:** Deliver your training over the internet via Zoom, Teams, Webex, or other application that allows the instructor to present materials that all the participants can view at the same time.
- **“Self-Study” Format:** Each participant can take the self-study version of the CeriFi CPE Network program on their own computers at a time and place of their convenience. No instructor is required for self-study.
- **What Does It Mean to Be a CPE Sponsor?:** Should you decide to vary from any of the requirements in the 3 methods noted above (for example, provide less than 3 full CPE credits, alter subject areas, offer hybrid or variations to the methods described above), CeriFi CPE Network will not be the sponsor and will not issue certificates. In this scenario, your firm will become the sponsor and must issue its own certificates of completion. This section outlines the sponsor's responsibilities that you must adhere to if you choose not to follow the requirements for the delivery methods.
- **Getting Help:** Refer to this section to get your questions answered.

IMPORTANT: This User Guide outlines in detail what is required for the formats above. Additionally, because you will be delivering the training within your firm, you should review the Sponsor Responsibilities section as well. To get certificates of completion for your participants following your training, you must submit all the required documentation. (This is noted at the end of each section.) CeriFi CPE Network will review your training documentation for completeness and adherence to all requirements. If all your materials are received and complete, certificates of completion will be issued for the participants attending your training. Failure to submit the required completed documentation will result in delays and/or denial of certificates.

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If you have any questions on this documentation or requirements, refer to the “Getting Help” section at the end of this User Guide **BEFORE** you conduct your training.

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“Group Live” Format

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50 minutes per CPE credit TIMES 3 credits = 150 minutes = 2.5 clock hours

If you wish to have a break during your training session, you should increase the length of the training beyond 2.5 hours as necessary. For example, you may wish to schedule your training from 9 AM to 12 PM and provide a ½ hour break from 10:15 to 10:45.

***Effective November 1, 2018:** CeriFi CPE Network products ‘group live’ sessions must be delivered as 3 CPE credits and accredited to the field(s) of study as designated by CeriFi CPE Network. CeriFi CPE Network will not issue certificates for “group live” deliveries of less than 3 CPE credits (unless the course was delivered as 3 credits and there are partial credit exceptions (such as late arrivals and early departures). Therefore, if you decide to deliver the “group live” session with less than 3 CPE credits, your firm will be the sponsor as CeriFi CPE Network will not issue certificates to your participants.

Advertising / Promotional Page

Create a promotion page (use the template after the executive summary of the transcript). You should circulate (e.g., email) to potential participants prior to training day. You will need to submit a copy of this page when you request certificates.

Monitoring Attendance

You must monitor individual participant attendance at “group live” programs to assign the correct number of CPE credits. A participant’s self-certification of attendance alone is not sufficient.

Use the **attendance sheet**. This lists the instructor(s) name and credentials, as well as the first and last name of each participant attending the seminar. The participant is expected to initial the sheet for their morning attendance and provide their signature for their afternoon attendance. If a participant arrives late, leaves early, or is a “no show,” the actual hours they attended should be documented on the sign-in sheet and will be reflected on the participant’s CPE certificate.

Real Time Instructor During Program Presentation

“Group live” programs must have a **qualified, real time instructor while the program is being presented**. Program participants must be able to interact with the instructor while the course is in progress (including the opportunity to ask questions and receive answers during the presentation).

Elements of Engagement

A “group live” program must include at least one element of engagement related to course content during each credit of CPE (for example, group discussion, polling questions, instructor-posed question with time for participant reflection, or use of a case study with different engagement elements throughout the program).

Make-Up Sessions

Individuals who are unable to attend the group study session may use the program materials for self-study online.

- If the emailed materials are used, the user should read the materials, watch the video, and answer the quizzer questions on the CPE Answer Sheet. Send the answer sheet and course evaluation to the email address listed on the answer sheet and the CPE certificate will be mailed or emailed to the user. Detailed instructions are provided on Network Program Self-Study Options.
- If the online materials are used, the user should log on to her/his individual CeriFi account to read the materials, watch the interviews, and answer the quizzer questions. The user will be able to print her/his/their CPE certificate upon completion of the quizzer. (If you need help setting up individual user accounts, please contact your firm administrator or customer service.)

Awarding CPE Certificates

The CPE certificate is the participant’s record of attendance and is awarded by CeriFi CPE Network after the “group live” documentation is received (and providing the course is delivered as 3 CPE credits). The certificate of completion will reflect the credit hours earned by the individual, with special calculation of credits for those who arrived late or left early.

Subscriber Survey Evaluation Forms

Use the evaluation form. You must include a means for evaluating quality. At the conclusion of the “group live” session, evaluations should be distributed and any that are completed are collected from participants. Those evaluations that are completed by participants should be returned to CeriFi CPE Network along with the other course materials. While it is required that you circulate the evaluation form to all participants, it is NOT required that the participants fill it out. A preprinted evaluation form is included in the transcript each month for your convenience.

Retention of Records

Regardless of whether CeriFi CPE Network is the sponsor for the “group live” session, it is required that the firm hosting the “group live” session retain the following information for a period of five years from the date the program is completed unless state law dictates otherwise:

- Record of participation (Group Study Attendance sheets; indicating any late arrivals and/or early departures)
- Copy of the program materials
- Timed agenda with topics covered and elements of engagement used
- Date and location of course presentation
- Number of CPE credits and field of study breakdown earned by participants
- Instructor name and credentials
- Results of program evaluations.

Finding the Transcript

The entire transcript is available as a pdf via the link in the email sent to administrators.

Requesting Participant CPE Certificates

When delivered as 3 CPE credits, documentation of your “group live” session should be sent to CeriFi CPE Network by the following means:

Email: grading-cpedge@cerifi.com

When sending your package to CeriFi, you must include ALL of the following items:

Form Name	Included?	Notes
Advertising / Promotional Page		Complete this form and circulate to your audience before the training event.
Attendance Sheet		Use this form to track attendance during your training session.
Subscriber Survey Evaluation Form		Circulate the evaluation form at the end of your training session so that participants can review and comment on the training. Return to CeriFi any evaluations that were completed. You do not have to return an evaluation for every participant.

Incomplete submissions will be returned to you.

“Group Internet Based” Format

CPE Credit

All CeriFi CPE Network products are developed and intended to be delivered as 3 CPE credits. You should allocate sufficient time in your delivery so that there is no less than 2.5 clock hours:

50 minutes per CPE credit TIMES 3 credits = 150 minutes = 2.5 clock hours

If you wish to have a break during your training session, you should increase the length of the training beyond 2.5 hours as necessary. For example, you may wish to schedule your training from 9 AM to 12 PM and provide a ½ hour break from 10:15 to 10:45.

***Effective November 1, 2018:** CeriFi CPE Network products ‘group live’ sessions must be delivered as 3 CPE credits and accredited to the field(s) of study as designated by CeriFi CPE Network. CeriFi CPE Network will not issue certificates for “group live” deliveries of less than 3 CPE credits (unless the course was delivered as 3 credits and there are partial credit exceptions (such as late arrivals and early departures. Therefore, if you decide to deliver the “group live” session with less than 3 CPE credits, your firm will be the sponsor as CeriFi CPE Network will not issue certificates to your participants.

Advertising / Promotional Page

Create a promotion page (use the template following the executive summary in the transcript. You should circulate (e.g., email to potential participants prior to training day. You will need to submit a copy of this page when you request certificates.

Monitoring Attendance in a Webinar

You must monitor individual participant attendance at “group internet based” programs to assign the correct number of CPE credits. A participant’s self-certification of attendance alone is not sufficient.

Use the **Webinar Delivery Tracking Report**. This form lists the moderator(s) name and credentials, as well as the first and last name of each participant attending the seminar. During a webinar you must set up a monitoring mechanism (or polling mechanism to periodically check the participants’ engagement throughout the delivery of the program. Participants’ two-way video should remain on during the entire presentation.

In order for CPE credit to be granted, you must confirm the presence of each participant **3 times per CPE hour and the participant must reply to the polling question**. Participants that respond to less than 3 polling questions in a CPE hour will not be granted CPE credit. For example, if a participant only replies to 2 of the 3 polling questions in the first CPE hour, credit for the first CPE hour will not be granted. (Refer to the Webinar Delivery Tracking Report for examples.)

Examples of polling questions:

1. You are using **Zoom** for your webinar. The moderator pauses approximately every 15 minutes and asks that participants confirm their attendance by using the “raise hands” feature. Once the participants raise their hands, the moderator records the participants who have their hands up in the **webinar delivery tracking report** by putting a YES in the webinar delivery tracking report. After documenting in the spreadsheet, the instructor (or moderator) drops everyone’s hands and continues the training.
2. You are using **Teams** for your webinar. The moderator will pause approximately every 15 minutes and ask that participants confirm their attendance by typing “Present” into the Teams chat box. The moderator records the participants who have entered “Present” into the chat box into the **webinar delivery tracking report**. After documenting in the spreadsheet, the instructor (or moderator) continues the training.
3. If you are using an application that has a way to automatically send out polling questions to the participants, you can use that application/mechanism. However, following the event, you should create a **webinar delivery tracking report** from your app’s report.

Additional Notes on Monitoring Mechanisms:

1. The monitoring mechanism does not have to be “content specific.” Rather, the intention is to ensure that the remote participants are present and paying attention to the training.
2. You should only give a minute or so for each participant to reply to the prompt. If, after a minute, a participant does not reply to the prompt, you should put a NO in the webinar delivery tracking report.
3. While this process may seem unwieldy at first, it is a required element that sponsors must adhere to. And after some practice, it should not cause any significant disruption to the training session.
4. **You must include the Webinar Delivery Tracking report with your course submission if you are requesting certificates of completion for a “group internet based” delivery format.**

Real Time Moderator During Program Presentation

“Group internet based” programs must have a **qualified, real time moderator while the program is being presented**. Program participants must be able to interact with the moderator while the course is in progress (including the opportunity to ask questions and receive answers during the presentation). This can be achieved via the webinar chat box, and/or by unmuting participants and allowing them to speak directly to the moderator.

Where individual participants log into a group live program they are required to enable two-way video to participate in a virtual face-to-face setting (with cameras on), elements of engagement are required (such as group discussion, polling questions, instructor posed questions with time for reflection, or a case study with engagement throughout the presentation) in order to award CPE credits to the participants. Participation in the two-way video conference must be monitored and documented by the instructor or attendance monitor in order to authenticate attendance for program duration. The participant-to-attendance monitor ratio must not exceed 25:1, unless there is a dedicated attendance monitor in which case the participant-to-attendance monitor ratio must not exceed 100:1.

Make-Up Sessions

Individuals who are unable to attend the “group internet based” session may use the program materials for self-study either in print or online.

- If emailed materials are used, the user should read the materials, watch the video, and answer the quizzer questions on the CPE Answer Sheet. Send the answer sheet and course evaluation to the email address listed on the answer sheet and the CPE certificate will be mailed or emailed to the user. Detailed instructions are provided on Network Program Self-Study Options.
- If the online materials are used, the user should log on to her/his individual CeriFi CPE account to read the materials, watch the interviews, and answer the quizzer questions. The user will be able to print her/his CPE certificate upon completion of the quizzer. (If you need help setting up individual user accounts, please contact your firm administrator or customer service.)

Awarding CPE Certificates

The CPE certificate is the participant’s record of attendance and is awarded by CeriFi CPE Network after the “group internet based” documentation is received (and providing the course is delivered as 3 CPE credits). The certificate of completion will reflect the credit hours earned by the individual, with special calculation of credits for those who may not have answered the required amount of polling questions.

Subscriber Survey Evaluation Forms

Use the evaluation form. You must include a means for evaluating quality. At the conclusion of the “group live” session, evaluations should be distributed and any that are completed are collected from participants. Those evaluations that are completed by participants should be returned to CeriFi CPE Network along with the other course materials. While it is required that you circulate the evaluation form to all participants, it is NOT required that the participants fill it out. A preprinted evaluation form is included in the transcript each month for your convenience.

Retention of Records

Regardless of whether CeriFi CPE Network is the sponsor for the “group internet based” session, it is required that the firm hosting the session retain the following information for a period of five years from the date the program is completed unless state law dictates otherwise:

- Record of participation (Webinar Delivery Tracking Report)
- Copy of the program materials
- Timed agenda with topics covered
- Date and location (which would be “virtual”) of course presentation
- Number of CPE credits and field of study breakdown earned by participants
- Instructor name and credentials
- Results of program evaluations

Finding the Transcript

The email sent to administrators each month has a link to the pdf for the newsletter. The email may be forwarded to participants who may download the materials or print them as needed.

Requesting Participant CPE Certificates

When delivered as 3 CPE credits, documentation of your “group internet based” session should be sent to CeriFi CPE Network by the following means:

Email: grading-cpedge@cerifi.com

When sending your package to CeriFi, you must include ALL the following items:

Advertising /		Complete this form and circulate to your audience
Webinar Delivery		Use this form to track the attendance (i.e., polling
Evaluation Form		Circulate the evaluation form at the end of your training session so that participants can review and comment on the training. Return to CeriFi any evaluations that were completed. You do not have to

Incomplete submissions will be returned to you.

“Self-Study” Format

If you are unable to attend the live group study session, we offer two options for you to complete your Network Report program.

Self-Study—Email

Follow these simple steps to use the printed transcript and video:

- Watch the video.
- Review the supplemental materials.
- Read the discussion problems and the suggested answers.
- Complete the quizzer by filling out the bubble sheet enclosed with the transcript package.
- Complete the survey. We welcome your feedback and suggestions for topics of interest to you.
- E-mail your completed quizzer and survey to:

grading-cpedge@cerifi.com

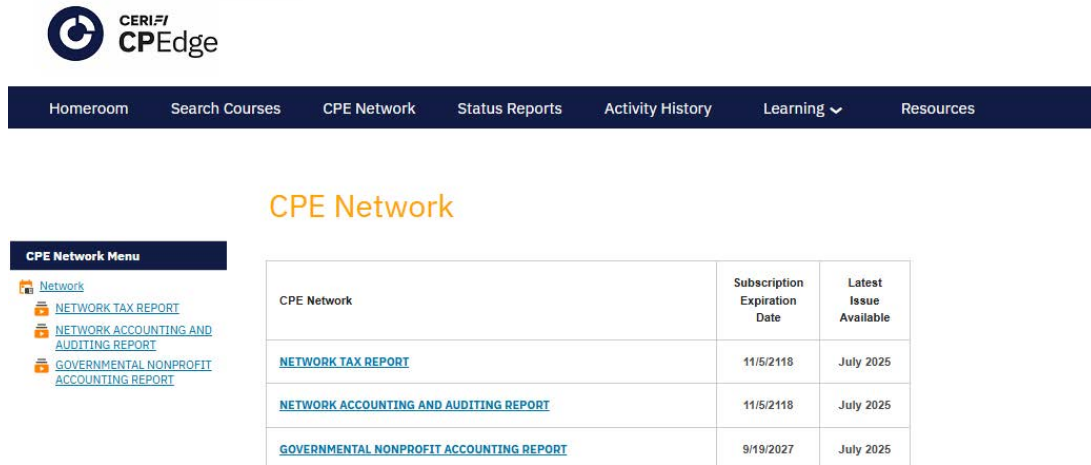
Self-Study—Online

Follow these simple steps to use the online program:

- Go to <https://cerificpedge.com/>.
- Log in using your username and password assigned by your firm’s administrator in the upper right-hand margin (“Login or Register”).

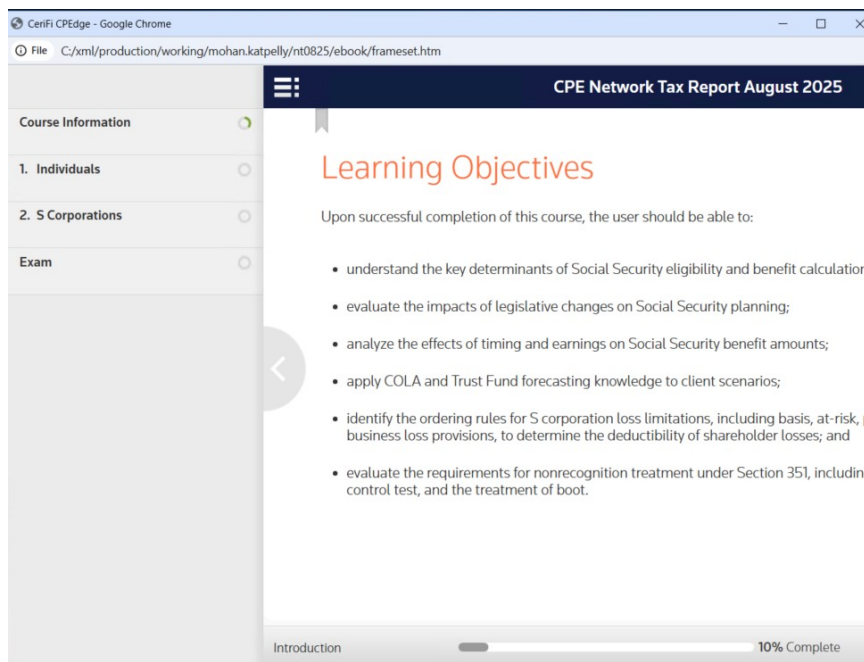
The screenshot shows the CeriFi CPEdge website. At the top, there is a navigation bar with the text "CHECKPOINT LEARNING IS NOW" and the CeriFi CPEdge logo. To the right of the logo are links for "Contact Us", a shopping cart icon, and a "Login" button. Below the navigation bar is a search bar with the placeholder text "Search courses". A blue banner below the search bar reads "Checkpoint Learning is now CeriFi CPEdge!". The main content area features the heading "CeriFi CPEdge CPE for CPAs" and a subheading "The highest quality continuing professional education for CPAs and EAs looking to grow their knowledge in tax, accounting, finance, and more." Below this, there are three columns of content: "Achieve your goals, your way." with links to "Stay up to date", "Grow your expertise", "Learn the way you like", and "Upskill your organization"; "Formats for every learning style and schedule." with links to "Live events" (Webinars and Virtual Conferences, Seminars, Conferences) and "On-demand courses" (Self Study and Online Grading, Nano Courses, Video Learning, On-Demand Webinars). A woman wearing glasses and a headset is visible in the background on the right side of the page.

- In the **CeriFi CPE Network** tab, select the desired Network Report and then the appropriate edition.



CPE Network	Subscription Expiration Date	Latest Issue Available
NETWORK TAX REPORT	11/5/2118	July 2025
NETWORK ACCOUNTING AND AUDITING REPORT	11/5/2118	July 2025
GOVERNMENTAL NONPROFIT ACCOUNTING REPORT	9/19/2027	July 2025

The Chapter Menu is in the gray bar at the left of your screen:



CPE Network Tax Report August 2025

Learning Objectives

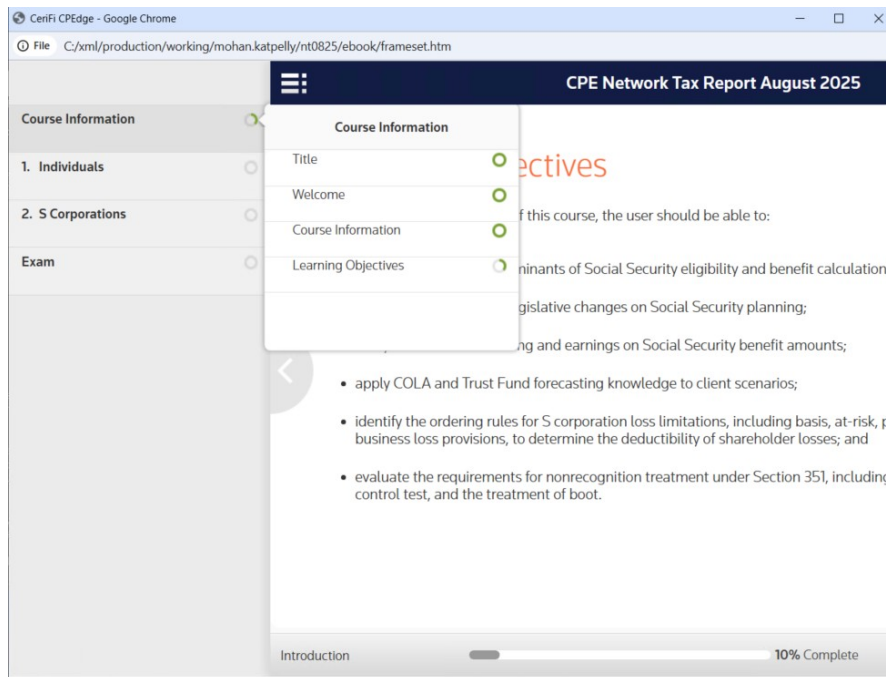
Upon successful completion of this course, the user should be able to:

- understand the key determinants of Social Security eligibility and benefit calculation;
- evaluate the impacts of legislative changes on Social Security planning;
- analyze the effects of timing and earnings on Social Security benefit amounts;
- apply COLA and Trust Fund forecasting knowledge to client scenarios;
- identify the ordering rules for S corporation loss limitations, including basis, at-risk, pe business loss provisions, to determine the deductibility of shareholder losses; and
- evaluate the requirements for nonrecognition treatment under Section 351, including control test, and the treatment of boot.

Introduction 10% Complete

Click down to access the dropdown menu and move between the program Chapters.

- **Course Information** is the course Overview, including information about the authors and the program learning objectives



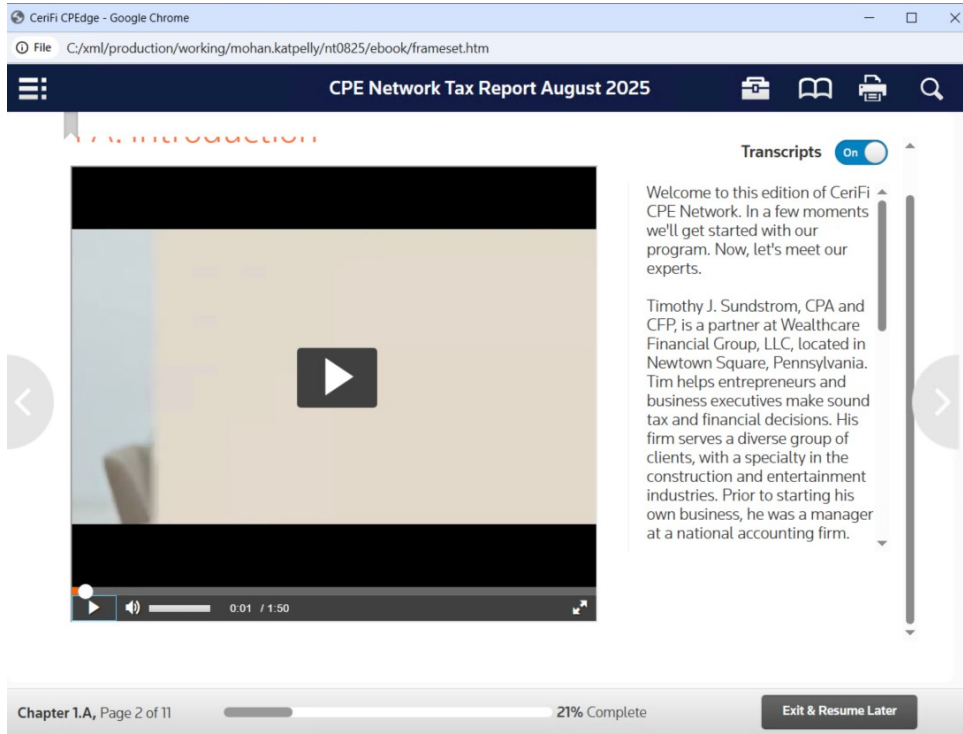
- **Each Chapter is self-contained.** Each chapter contains the executive summary and learning objectives for that segment, followed by the interview, the related supplemental materials, and then the self-study questions. This streamlined approach allows administrators and users to more easily access the related materials.



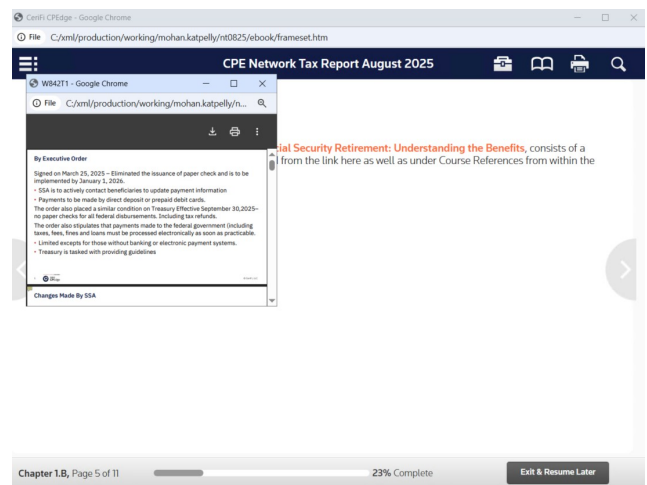
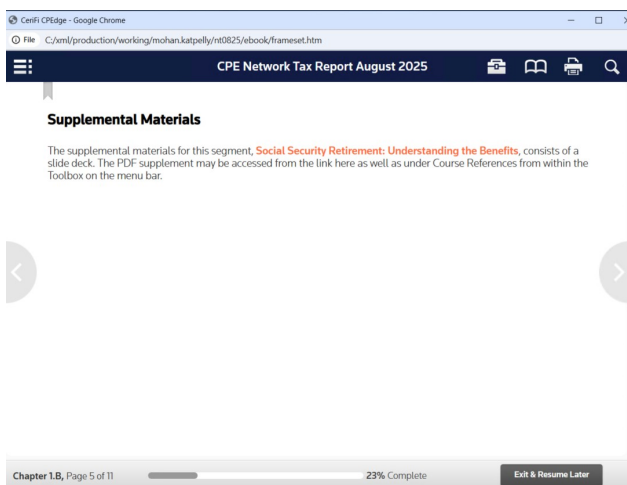
Video segments may be downloaded from the player by clicking on the download button. *Tip: you may need to scroll down to see the download button.*

Transcripts for the interview segments can be viewed at the right side of the screen via a toggle button at the top labeled **Transcripts**

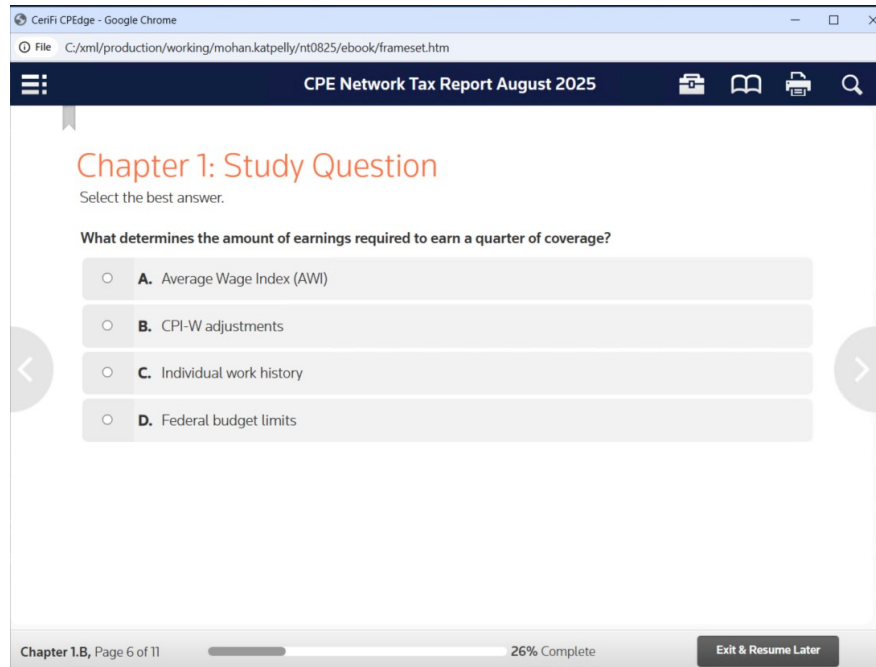
Click the arrow at the bottom of the video to play it, or click the arrow to the right side of the screen to advance to the supplemental material.



The supplemental materials are available via the toolbox and the link will pop up the pdf version in a separate window.

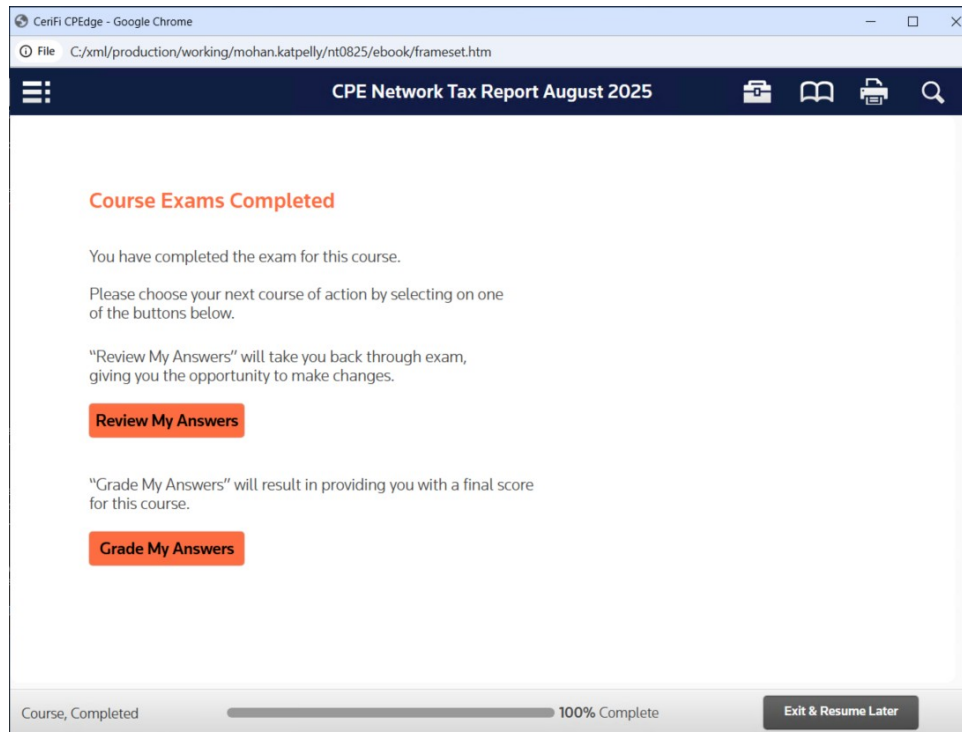


Continuing to click the arrow to the right side of the screen will bring the user to the self-study questions related to the segment.



The **Exam** is accessed by clicking the last gray bar on the menu at the left of the screen or clicking through to it. Click the orange button to begin.

When you have completed the quizzer, click the button labeled **Grade or the Review button**.



- Click the button labeled **Certificate** to print your CPE certificate.
- The quizzer grade is displayed and you may view the graded answers by clicking the button labeled **view graded answer**.

Additional Features Search

CeriFi CPE offers powerful search options. Click the **magnifying glass** at the upper right of the screen to begin your search. Enter your choice in the **Search For:** box.

Search Results are displayed with the number of hits.

Print

To display the print menu, click the printer icon in the upper bar of your screen. You can print the entire course, the transcript, the glossary, all resources, or selected portions of the course. Click your choice and click the orange **Print**.

What Does It Mean to Be a CPE Sponsor?

If your organization chooses to vary from the instructions outlined in this User Guide, your firm will become the CPE Sponsor for this monthly series. The sponsor rules and requirements noted below are only highlights and reflect those of NASBA, the national body that sets guidance for development, presentation, and documentation for CPE programs. **For any specific questions about state sponsor requirements, please contact your state board. They are the final authority regarding CPE Sponsor requirements.** Generally, the following responsibilities are required of the sponsor:

- Arrange for a location for the presentation
- Advertise the course to your anticipated participants and disclose significant features of the program in advance
- Set the start time
- Establish participant sign-in procedures
- Coordinate audio-visual requirements with the facilitator
- Arrange appropriate breaks
- Have a real-time instructor during program presentation
- Ensure that the instructor delivers and documents elements of engagement
- Monitor participant attendance (make notations of late arrivals, early departures, and “no shows”)
- Solicit course evaluations from participants
- Award CPE credit and issue certificates of completion
- Retain records for five years

The following information includes instructions and generic forms to assist you in fulfilling your responsibilities as program sponsor.

CPE Sponsor Requirements

Determining CPE Credit Increments

Sponsored seminars are measured by program length, with one 50-minute period equal to one CPE credit. One-half CPE credit increments (equal to 25 minutes) are permitted after the first credit has been earned. Sponsors must monitor the program length and the participants' attendance in order to award the appropriate number of CPE credits.

Program Presentation

CPE program sponsors must provide descriptive materials that enable CPAs to assess the appropriateness of learning activities. CPE program sponsors must make the following information available in advance:

- Learning objectives.
- Instructional delivery methods.
- Recommended CPE credit and recommended field of study.
- Prerequisites.
- Program level.
- Advance preparation.
- Program description.
- Course registration and, where applicable, attendance requirements.
- Refund policy for courses sold for a fee/cancellation policy.
- Complaint resolution policy.
- Official NASBA sponsor statement, if an approved NASBA sponsor (explaining final authority of acceptance of CPE credits).

Disclose Significant Features of Program in Advance

For potential participants to effectively plan their CPE, the program sponsor must disclose the significant features of the program in advance (e.g., through the use of brochures, website, electronic notices, invitations, direct mail, or other announcements). When CPE programs are offered in conjunction with non-educational activities, or when several CPE programs are offered concurrently, participants must receive an appropriate schedule of events indicating those components that are recommended for CPE credit. The CPE program sponsor's registration and attendance policies and procedures must be formalized, published, and made available to participants and include refund/cancellation policies as well as complaint resolution policies.

Monitor Attendance

While it is the participant's responsibility to report the appropriate number of credits earned, CPE program sponsors must maintain a process to monitor individual attendance at group programs to assign the correct number of CPE credits. A participant's self-certification of attendance alone is not sufficient. The sign-in sheet should list the names of each instructor and her/his credentials, as well as the name of each participant attending the seminar. The participant is expected to initial the sheet for their morning attendance and provide their signature for their afternoon attendance. If a participant leaves early, the hours they attended should be documented on the sign-in sheet and on the participant's CPE certificate.

Real Time Instructor During Program Presentation

“Group live” programs must have a qualified, real-time instructor while the program is being presented. Program participants must be able to interact with the real time instructor while the course is in progress (including the opportunity to ask questions and receive answers during the presentation).

Elements of Engagement

A “group live” program must include at least one element of engagement related to course content during each credit of CPE (for example, group discussion, polling questions, instructor-posed question with time for participant reflection, or use of a case study with different engagement elements throughout the program).

Awarding CPE Certificates

The CPE certificate is the participant’s record of attendance and is awarded at the conclusion of the seminar. It should reflect the credit hours earned by the individual, with special calculation of credits for those who arrived late or left early.

CFP credit is available if the firm registers with the CFP board as a sponsor and meets the CFP board requirements. IRS credit is available only if the firm registers with the IRS as a sponsor and satisfies their requirements.

Seminar Quality Evaluations for Firm Sponsor

NASBA requires the seminar to include a means for evaluating quality. At the seminar conclusion, evaluations should be solicited from participants and retained by the sponsor for five years. The following statements are required on the evaluation and are used to determine whether:

1. Stated learning objectives were met.
2. Prerequisite requirements were appropriate (if any).
3. Program materials were accurate.
4. Program materials were relevant and contributed to the achievement of the learning objectives.
5. Time allotted to the learning activity was appropriate.
6. Individual instructors were effective.
7. Facilities and/or technological equipment were appropriate.
8. Handout or advance preparation materials were satisfactory.
9. Audio and video materials were effective.

You may use the enclosed preprinted evaluation forms for your convenience.

Retention of Records

The seminar sponsor is required to retain the following information for a period of five years from the date the program is completed unless state law dictates otherwise:

- Record of participation (the original sign-in sheets, now in an editable, electronic signable format)
- Copy of the program materials
- Timed agenda with topics covered and elements of engagement used
- Date and location of course presentation
- Number of CPE credits and field of study breakdown earned by participants
- Instructor name(s) and credentials
- Results of program evaluations

Appendix: Forms

Here are the forms noted above and how to get access to them.

Delivery Method	Form Name	Location	Notes
"Group Live" / "Group Internet Based"	Advertising / Promotional Page	Transcript	Complete this form and circulate to your audience before the training event.
"Group Live"	Attendance Sheet	Transcript	Use this form to track attendance during your training session.
"Group Internet Based"	Webinar Delivery Tracking Report	Transcript	Use this form to track the 'polling questions' which are required to monitor attendance during your webinar.
"Group Live" / "Group Internet Based"	Evaluation Form	Transcript	Circulate the evaluation form at the end of your training session so that participants can review and comment on the training.
Self Study	CPE Answer Sheet	Transcript	Use this form to record your answers to the quizzer.

Getting Help

Should you need support or assistance with your account, please see below:

Support Group	Phone Number	Email Address	Typical Issues/Questions
Technical Support	844.245.5970	cpedgesupport@cerifi.com	• Browser-based • Certificate discrepancies • Accessing courses • Migration questions • Feed issues
Product Support	844.245.5970	cpedgesupport@cerifi.com	• Functionality (how to use, where to find) • Content questions • Login Assistance
Customer Support	844.245.5970	cpedgesupport@cerifi.com	• Billing • Existing orders • Cancellations • Webinars • Certificates