



Department of Treasury
IRS Continuing Education Processing Center
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Letter	2017 Annual Filing Season Program Information
Letter Date	03/30/16
To contact us	1-855-296-3150 Hours 9 a.m.-6 p.m. ET

2017 Annual Filing Season Program (AFSP)

The purpose of this letter is to provide guidance to Continuing Education (CE) Providers regarding the 2017 Annual Filing Season Program. CE Providers may participate in one of two ways.

1. If you are a CE Provider interested in offering an Annual Federal Tax Refresher Course (AFTR) and associated comprehension test, the updated AFTR Course Outline and Test Parameters for 2017 are now available.
2. If you are not planning to offer an AFTR course and test, you can still participate by offering Federal Tax Law, Federal Tax Law Updates, and Ethics programs to help participants meet all the CE requirements necessary to receive an AFSP Record of Completion.

If you are participating as an AFTR course provider, this packet includes:

- AFTR Course Outline and link to reconciliation form
- AFTR Comprehension Test Parameters
- AFSP exempt/non-exempt CE chart
- Explanation of AFTR test reconciliation and examples of look-up test questions

Note: Please make sure you review our [Frequently Asked Questions](#) when developing your AFTR course material and test.

Changes for 2017 AFTR course and test

- In addition to the topics in the AFTR Course Outline, you must include an overview of Annual Filing Season Program requirements in your AFTR course material. This includes the Continuing Education requirements for exempt and nonexempt participants, as well as information on signing the Circular 230 consent to receive a Record of Completion when prompted ([see video here](#)). Once the student passes the AFTR test, the requirement to consent to Circular 230 to receive the Record of Completion reminder should be displayed along with the student's passing notification.
- As with last year, no true/false questions are allowed. Test questions must be all multiple choice with four possible choices and only one correct answer. Lookup test questions are limited to a maximum of 10. Examples of lookup test questions are included in this packet.
- If a third test attempt is allowed, a minimum of 50% of the test questions must be different than the questions in the prior test version.
- Evaluative feedback may be given to students who fail the AFTR test; however, it can only direct the student to the specific tax topic where the deficiency occurred. Feedback that includes test questions and/or specific test answers is prohibited.

- If your AFTR course and test are selected for review, you will be required to identify on your comprehension test the domain, tax topic number, and page number in the course material where the answer to the test question can be found. This will expedite the reviews conducted by our staff to ensure all tax topics on the course outline have been tested. An Explanation of the AFTR test reconciliation is included on page 9 of this packet.
- If your AFTR course and test are selected for review and we identify items that you need to correct or improve, only one revision of the AFTR course and associated comprehension test to correct identified areas will be allowed. Multiple revisions will not be permitted. If corrections are not made to issues identified, this may result in your AFTR course and comprehension test being disallowed.
- We strongly recommend that you obtain your AFTR course number, and have your course material and comprehension test fully developed by November 1. This will ensure if you are selected for review that there is adequate time to make any required changes or corrections.
- The Schedule C and Affordable Care Act topics on the AFTR Course Outline have been expanded. Developers should ensure that these added topics are covered within the AFTR course material and associated test. Additional emphasis should be placed on understanding reporting forms 1095-A, 1095-B, and 1095-C. For example, what does each form mean, how do they differ, and when should each form be filed.
- Individual Taxpayer Identification Numbers (ITINs) has been added as a topic to the AFTR Course Outline. In general, this topic should include the definition of an ITIN, who needs an ITIN, and the effect of ITINs on tax credits.

Important Reminders

- The CE system will allow CE Providers to get AFTR course numbers beginning May 1, 2016. Do not request a course number until the course material is developed.
- The AFTR course is a high level, **basic 1040 “refresher” course**. All topics included in the course outline are required to be discussed in the course material and tested. In order to stay within the allotted 6 hours, topics outside the course outline should not be included in your AFTR course material or test.
- The AFTR course material must be 6 hours in length, regardless of the delivery method. The IRS will strictly enforce the 6 hour time limit for the course presentation.
- The AFTR course material and test questions should focus on tax law pertinent to the preparation of tax year 2016 1040 tax returns.
- If your Table of Contents does not mirror the course outline, use the [AFTR Course Outline reconciliation form](#) to document the page number in the course material where the topics are located. This will also aid in expediting any IRS review of your AFTR course and test and ensure you cover all required topics.
- The test must be a three hour continuous timed test and allow participants to see their remaining time if the test is administered online.
- Paper tests are only allowed with monitored, in-person delivery.
- If review questions are used, test questions cannot be the same as any review questions covered in the AFTR course material.
- A pass/fail percentage by domain is permitted.
- [Use the word count formula](#) for guidance to ensure your self-study AFTR course meets the six credit hour requirement.

Additional Information

We look forward to everyone’s participation in the voluntary 2017 Annual Filing Season Program. You will be receiving an invitation in your CE Provider secure mailbox soon to join a call to learn more about the AFTR course/test and AFSP requirements.

We hope you find this packet helpful, but should you have any questions regarding the requirements, please send them to the CE mailbox at rpo.ce@irs.gov.

For more information about this voluntary program, visit <https://www.irs.gov/Tax-Professionals/Annual-Filing-Season-Program>.

Annual Federal Tax Refresher (AFTR) Course Outline (For Preparation of 2016 Individual 1040 Tax Returns)

Domain 1 – New Tax Law/Recent Updates*

- 1.1 Annual inflation adjustments (new filing requirement thresholds amounts; new personal exemption amounts; new standard deduction amounts)
- 1.2 Increase in repair regulation safe harbor amount (Notice 2015-82)
- 1.3 Summary of PATH Act of 2015 for individuals (permanent vs. temporary tax extenders)
- 1.4 Review of tax return due dates (April 17, 2017), including extensions

Domain 2 – General Review

- 2.1 Tax related identity theft (Publication 5199)
- 2.2 ITINs
- 2.3 Determination of all five filing statuses
- 2.4 Claiming a dependent
- 2.5 Taxability of wages, salaries, tips, and other earnings
- 2.6 Interest and dividend income (taxable and non-taxable)
- 2.7 Schedule B, Part III Foreign Accounts and Trusts
- 2.8 Taxable refunds, credits, or offsets of state and local taxes
- 2.9 Unemployment compensation
- 2.10 Schedule C Self-employment, including but not limited to:
 - Income
 - Business versus hobby
 - Gross receipts
 - Expenses
 - Car and truck expenses
 - Business use of home
 - Recordkeeping requirements
- 2.11 Reporting and taxability of Social Security benefits
- 2.12 Overview of capital gains and losses (Schedule D and Form 8949)
- 2.13 Pensions, annuities and Individual Retirement Accounts (IRAs), including the one IRA rollover per year limit and penalties for early withdrawal
- 2.14 Adjustments to income
- 2.15 Standard deduction vs. Itemized deductions (Schedule A)
- 2.16 Overview of Schedule A deductions
- 2.17 Child and Dependent Care Credit
- 2.18 Education credits
- 2.19 Retirement Savings Contribution Credit
- 2.20 Child Tax Credit and Additional Child Tax Credit
- 2.21 Affordable Care Act (ACA) provisions
 - Reconciliation of the advanced Premium Tax Credit
 - Individual Shared Responsibility Payment
 - Understanding Reporting for Forms 1095A, 1095B, 1095C
- 2.22 Earned Income Tax Credit (EITC) , including eligibility rules
- 2.23 Tax withholding and estimated tax payments
- 2.24 Payment and refund options, including maximum of 3 deposits in one account

Domain 3 –Practices, Procedures and Professional Responsibility

- 3.1 Requirement to furnish taxpayer with a copy of a return and related penalty for not doing so
- 3.2 Requirement for signing the return as a return preparer and related penalty for not doing so
- 3.3 Requirement to furnish identifying number as return preparer and related penalty for not doing so

- 3.4 Requirement to retain copy of return or list and related penalty for not doing so
- 3.5 Prohibition on negotiation of client refund checks
- 3.6 Due diligence in preparing returns (e.g., appropriate use of Form 8867, Paid Preparer's Earned Income Credit Checklist, PATH Act expansion 6695(g))
- 3.7 Compliance with e-file procedures (e.g., timing of taxpayer signature, timing of filing, recordkeeping, prohibited filing with pay stub, proper handling of rejects)
- 3.8 Penalties to be assessed by the IRS against a preparer for negligent or intentional disregard of rules and regulations, and for a willful understatement of liability, including PATH Act changes to 6694(b)
- 3.9 Annual Filing Season Program requirements (Pub. 5227)
 - Adherence and consent to duties and restrictions found in subpart B and section 10.51 of Circular 230 **
 - Limited representation rights

**Any new tax law enacted after publication of this outline may be voluntarily incorporated into the course. However, there is no requirement that this new material must also be included in the test.*

***Please remind course participants to go into their PTIN account and sign the Circular 230 Consent statement in order to participate in the Annual Filing Season Program. For steps on how to complete the consent, see the instructional video in the upper right corner of the Annual Filing Season Program web page on IRS.gov at: <https://www.irs.gov/Tax-Professionals/Annual-Filing-Season-Program>*

**Annual Filing Season Program
Annual Federal Tax Refresher (AFTR) Course**

For Courses Offered in 2016

Comprehension Test Parameters

1. Integrity	The comprehension test must be handled with the utmost integrity by the return preparer and continuing education provider, which prohibits unauthorized distribution of test questions and answers.
2. Test Delivery	AFTR course and comprehension test must be successfully completed by December 31st (midnight local time of the student) to receive continuing education credit.
3. Questions	Each AFTR test will include 100 questions that assess a return preparer's comprehension of each of the three domains on the AFTR course outline. Each AFTR test will consist of only multiple choice questions with four potential answers and only one correct answer.
4. Length	A maximum of three continuous hours will be allowed to complete the 100 question test.
5. Content	All topics in each of the three domains highlighted in 'Annual Federal Tax Refresher Course Outline' document must be tested.
6. Passing Score	Return preparers must answer a minimum of 70% of the test questions correctly to pass an AFTR course comprehension test.
7. Attempts	Return preparers are permitted to attempt the test an unlimited number of times; however, a return preparer may only attempt a specific version of the test twice (i.e., a different version of the test will be given at least every 3rd test attempt by a return preparer). If a third test attempt is taken, a minimum of 50% of the test questions must be different than the questions in the prior test version.

3/22/2016

Annual Filing Season Continuing Education Requirements

Return Preparer Categories	Description of preparer category	Annual Federal Tax Refresher (AFTR) Course & Test	Tax Law Update CE Credits	Federal Tax Law CE Credits	Ethics CE Credits	Total CE Credits
1. AFTR Course Exempt Preparers						
- State based return preparer program participants						
Oregon Board of Tax Practitioners	Return preparers who are currently registered with Oregon	N/A (Exempt)	3	10	2	15
California Tax Education Council (CTEC)	Return preparers who are currently registered with CTEC					
Maryland State Board of Individual Tax Preparers	Return preparers who have passed the Maryland examination and/or are currently registered with Maryland					
- Organization based return preparer program participants						
Former IRS Registered Tax Return Preparers	Return preparers who passed the RTRP test	N/A (Exempt)	3	10	2	15
IRS Special Enrollment Exam (SEE) Part 1	Tax preparers who have passed the Special Enrollment Exam Part I within the past two calendar years. i.e. for Filing Season 2017, return preparers must have passed within calendar years 2015 or 2016					
IRS Volunteer Income Tax Assistance (VITA) volunteer	VITA quality reviewers, instructors and preparers who pass the basic and/or advanced VITA examination with active PTINs					
Accreditation Council for Accountancy and Taxation (ACAT)	Return preparers who hold either an Accredited Tax Preparer (ATP) or the Accredited Business Accountant/Advisor					

Annual Filing Season Continuing Education Requirements

	(ABA) credential					
2. Non-exempt preparers – AFTR Course REQUIRED						
Non-exempt or non-credentialed preparer	All other non-credentialed return preparers who do not meet one of the exempt categories listed above	6 hour AFTR course and test is required annually	N/A	10	2	18
3. Credentialed preparers - AFTR Course Exempt						
Certified Public Accountant (CPA)	Exempt as long as preparer holds current credential	N/A (Exempt)	3	10	2	15
Attorney						
Enrolled Retirement Plan Agent (ERPA)						
Enrolled Agent (EA)		N/A (Exempt)	3	10	2	15
		Note: If an Enrolled Agent opts to take an AFTR course, they will not receive credit toward their Enrolled Agent CE requirements				

AFTR Test Reconciliation

If you are selected by the IRS for a review of your AFTR course and test, you will be required to reconcile each test question to ensure that you have tested every topic on the AFTR Course Outline. We recommend that this be completed during the development phase of your AFTR test.

If selected for an AFTR review you will need to provide:

- 1) The test, answer key, and test reconciliation in Word or PDF format (even if utilizing an online exam).
- 2) Reconciliation of each test question using the example shown below.

Example

1. Which of the following is **not** a requirement for a qualifying child for purposes of the Child Tax Credit?

- A. The child is claimed as your dependent
- B. The child was under age 19 at the end of 2016 or under age 24 at the end of 2016 and was a full-time student
- C. Is your son, daughter, stepchild, foster child, brother, sister, stepbrother, stepsister, half-brother, half-sister, or a descendant of any of them (for example, your grandchild, niece, or nephew)
- D. The child is a citizen, national, or resident of the United States

Correct answer: B (or you may highlight the correct answer or mark it with an *)

Identifier #: 2.20.65

This identifier means Domain 2.Topic 20.Page 65 (or PowerPoint slide 65)

Lookup Questions

A good test question will consist of one direct question with one correct answer and at least three plausible alternative answers. Multiple choice questions should deal with tax theory, law or practice and/or include tax calculations, which are more meaningful to the student than asking which form number to use.

Lookup questions are questions that ask for a form number or statutory amount and add little educational value. Lookup questions require the student to do nothing more than lookup the answer and can generally be answered without having to read or understand the course material.

We realize there are times where a lookup question is necessary to test a basic concept. You are **limited to a maximum of 10 lookup questions**. Lookup questions are best suited for testing annual inflation adjustments (such as new filing requirement threshold amounts, new personal exemption amounts, and standard deduction amounts).

The following questions are examples of lookup questions that should be used sparingly:

- Q. Employee business expenses should be reported on?
 - A. Form 2106
 - B. Form 2119
 - C. Form 2441
 - D. Form 2848

- Q. The exemption amount for a dependent for 2016 is?
 - A. \$3,750

- B. \$3,950
- C. \$4,000
- D. \$4,050