

Glossary of Terms (2018)



Glossary

Term	Definition
<h2>Number</h2>	
150% Declining Balance Method	A method of depreciation where the cost is recovered one and a half times faster than using straight-line method.
200% Declining Balance Method	A method of depreciation where the cost is recovered two times faster than using straight-line method.
30-day letter	A notice sent to individuals explaining a computational error in their tax return, as well as the options for appeal.
401(k) plan	A defined contribution qualified plan where an employer and/or employee can make contributions from their paycheck.
750 hour test	A test for material participation whereby an individual performs more than 750 hours of service during the year.
<h2>A</h2>	
AAA	Accumulated Adjustments Amount
A-B trusts	An estate planning technique which uses a revocable trust to maximize the amount of property that can pass to a decedent's heirs tax free using a credit shelter trust and a marital deduction trust.
Abandonment	To voluntarily and permanently give up property with the intention of ending ownership but without transferring it to anyone else.
Abate	To reduce, lessen, end, eliminate, or void an amount.
Abatement	A reduction or waiver of a tax assessment.
Ability to pay	A concept of tax fairness that is a factor in determining Offers in Compromise.
Abusive trust	A trust that hides the true ownership of an asset or substance of a transaction for the purposes of avoiding tax.
ACA	Affordable Care Act
Accelerated Cost Recovery System (ACRS)	A depreciation method that assigns asset periods of cost recovery based on specific IRS criteria.
Accountable plan	A reimbursement arrangement adopted by a company requiring employees to substantiate their business expenses and to refund the company any excess advances.
Accounting method	A method by which income and expenses are reported for taxation purposes.

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Term	Definition
Accounting period	A tax year adopted for maintaining books and records and reporting income and expenses.
Accrual method	An accounting method that accounts for income when earned, and expenses when accrued.
Accumulated Adjustments Account (AAA)	An account that holds undistributed earnings of an S corporation that have been taxed to shareholders previously.
Accumulated earnings and profits (AE&P)	The cumulative total of all positive and negative earnings and profits from the time the corporation was a C corporation.
Accumulated earnings tax	A tax imposed by the federal government upon companies with excess retained earnings.
Accuracy penalty	A penalty imposed by the federal government in the event of a substantial underpayment of tax.
Achievement award	An item of tangible personal property given to an employee for length of service or safety achievement, as part of a meaningful presentation, or under circumstances that do not create a significant likelihood of disguised pay.
Acquiescence	A determination by the IRS that indicates neither approval nor disapproval of a court decision.
Acquisition date	A date upon which a taxpayer obtains an item.
Acquisition indebtedness	An amount of debt incurred in acquiring, constructing or substantially improving the taxpayer's principal residence.
ACRS	Accelerated Cost Recovery System
ACS	Automated Collection System
Active participation	A test for material participation which is less stringent than the regular material participation rules.
Actual deferral percentage (ADP)	A nondiscrimination test to determine whether a 401(k) is a qualified plan.
Adaptation	An improvement to property that leads to a new or different use.
Additional child tax credit	A refundable credit. The Additional Child Tax Credit is the refundable portion of the Child Tax Credit.
Additional Medicare tax	An additional tax of 0.9% assessed to employees with income over the applicable threshold for the taxpayer's filing status. It is generally withheld from the employee's wages.
Additional standard deduction	An increase to the standard deduction based on the taxpayer's age or blindness.

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Term	Definition
Adequate disclosure	A part of the exception to the penalty for an unreasonable position, achieved by properly completing Form 8275, Disclosure Statement or Form 8275-R, Regulation Disclosure Statement.
Adjusted base amount	An amount over which social security benefits are taxed at 85%.
Adjusted basis	The basis of an asset after taking into consideration various tax-related items, such as improvements, selling expenses, and certain deductions such as depreciation, amortization, and casualty losses.
Administrative waiver	The nonassertion or abatement of tax to facilitate tax administration.
Administrator	A person or entity appointed by a court to administer the assets and liabilities of a decedent.
Adoption taxpayer identification number (ATIN)	An IRS assigned identification number given to a child who is in the process of being adopted and is unable to obtain a Social Security Number.
ADS	Alternative Depreciation System
Advance consent request	A request made to the IRS for an accounting change. An advance consent request is only allowed if a change is not a Designated Automated Accounting Method Change (DCN)
Advance rent	Any rent received before the period it covers under a lease that does not put any restrictions on the use or enjoyment of the funds.
Advanced premium tax credit (APTC)	A federal subsidy that pays an individual a portion of their premium tax credit during the tax year.
Adverse interests	The opposing interests of parties in a transaction.
Adverse party	The opposing party in a transaction. Also, in trust law, a person having a substantial beneficial interest that would be unfavorably affected by the exercise or nonexercise of a power they possess with respect to that trust.
AE&P	Accumulated earnings and profits.
Affordable Care Act (ACA)	A law passed in 2010 requiring most taxpayers to have minimum essential health care coverage, a health coverage exemption, or make a shared responsibility payment when they file their tax return.
Affordable health coverage	The amount of coverage, the cost of which does not exceed 9.69% of the applicable individual's household income.
AFR	Applicable federal rate.
Agent	A person who acts legally on behalf of another.
Alimony	A payment to or for a spouse or former spouse under a divorce or separation instrument.

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Term	Definition
Allocated tip income	An amount an individual is deemed to have received but did not report while employed at a large food or beverage establishment.
Allowable depreciation	The amount of depreciation an individual is entitled to deduct.
Allowed depreciation	The amount of depreciation actually deducted when an individual files their tax return.
Alternate valuation date	An election by the executor of an estate by which the property included in the decedent's gross estate is valued as of a date six months after the date of death.
Alternative Depreciation System (ADS)	A system to calculate depreciation on depreciable assets.
Alternative minimum tax (AMT)	A minimum tax some taxpayers are required to pay when benefiting from special tax treatment afforded some types of income, special deductions, or credits. The excess of a taxpayer's tentative minimum tax over regular tax.
Alternative minimum taxable income (AMTI)	A individual's regular taxable income, adding or subtracting AMT adjustments, and adding AMT preferences.
Alternative Tax Net Operating Loss (ATNOL)	An excess of deductions allowed over the income recognized for alternative minimum tax purpose.
American opportunity tax credit (AOTC)	An education credit available to students for the first four years of post-secondary education.
Amortization	The process of allocating the cost of an intangible asset over a period of time.
Amount realized	An amount received in money, property, or services from the sale of an asset.
Amount recognized	An amount received in money, property, or services from the sale of an asset that is included in (or exempted from) gross income.
AMT	Alternative Minimum Tax
AMT adjustments	A change in items of income and deduction for AMT purposes that differ in timing only. They do not permanently change the amounts of income and deduction. Adjustments can increase or decrease alternative minimum taxable income.
AMT exemption	An amount an individual is allowed to deduct from alternative minimum taxable income before calculating the individual's AMT liability.
AMT preference	A permanent change in items of income and deduction for AMT purposes. Preferences increase alternative minimum taxable income.

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Term	Definition
AMTI	Alternative Minimum Tax Income
Ancillary representative	An individual appointed to administer property in a decedent's estate that is located in a state other than the state where the decedent's estate is being administered.
Annual exclusion	An amount of money transferred to another individual that is not considered to be a taxable gift.
Annuity	A series of payments under a contract made at regular intervals over a period of more than one full year.
AOTC	American Opportunity Tax Credit.
Appeal	To apply for a review of an IRS decision or proposed adjustment.
Applicable credit	A credit applied to both gift tax and estate tax that equals the tax on the applicable exclusion amount.
Applicable credit amount	An amount equal to the amount that equals the tax on the applicable exclusion amount.
Applicable credit amount trust	A credit shelter trust.
Applicable Federal Rate	The interest rate at which the IRS prescribes for federal tax purposes.
Applicable large employer	An employer with 50 or more full-time employees or 50 full-time equivalent employees in six consecutive calendar months of the prior tax year.
Applicable taxpayer	An individual whose household income is between 100% and 400% of the Federal Poverty Level, can claim their own exemption, and will not be filing a tax return using the married filing separately status.
APTC	Advanced Premium Tax Credit
Archer MSA	A medical savings account that is tax exempt if used for qualified medical expenses of the account holder, or the account holder's spouse or dependents.
ASED	Assessment statute expiration date.
Assessment statute expiration date (ASED)	The date beyond which the IRS cannot assess additional taxes for a tax year.
Asset class	Any one of nine property classifications of depreciable assets.
Assumption of debt	A special form of debt refinancing, involving three parties—the creditor, the original debtor, and a new debtor who assumes the debt obligation.
ATG	Audit Technique Guide
ATIN	Adoption taxpayer identification number
ATNOL	Alternative Tax Net Operating Loss

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Term	Definition
At-risk rules	A set of rules that limit the amount of deductible loss to the amount that the taxpayer could lose in the activity.
Attorney-client privilege	A legal privilege that works to keep communications between an attorney and their client secret.
Audit reconsideration	The process the IRS uses to reevaluate results of a prior audit where additional tax was assessed and remains unpaid, or a tax credit was reversed.
Audit technique guide (ATG)	A document providing insight into business practices, terminology, issues and, accounting methods unique to specific industries.
Authorized e-file provider	A business authorized by the IRS to participate in the IRS e-file Program.
Automated collection system (ACS)	A computerized inventory system that sends individuals notices, demanding payment, issues liens and levies, and answers telephone calls in an effort to resolve balance.
Automatic change request	A request to change an accounting method that does not require IRS approval.
<h2>B</h2>	
Backup withholding	An amount withheld from income when the taxpayer does not furnish a taxpayer identification number.
Bad debt	A debt deemed uncollectible under state law.
Balance sheet	A financial statement reporting the assets, liabilities, and capital of a business or other organization at a particular point in time.
Bank deposit method	A way to reconstruct income that assumes all deposits are income unless proven otherwise.
Bankruptcy	A process under federal law that provides a means to partially pay creditors, and discharge debtor's debts.
Bargain element	The difference between the exercise price and the fair market value on the date a stock option is exercised.
Bargain purchase	The purchase of an item for less than fair market value.
Bartering	An exchange of property or services for other property or services.
Base amount	An amount used in the calculations to determine the amount of social security benefits taxed at 50%.
Basis	The economic value of a taxpayer's investment in property.
Basis limitation	A limitation on the amount of losses and deductions a partner of a partnership or a shareholder of a S corporation can deduct.
Behavior controls	The control a business has over a worker's activities.

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Term	Definition
Below-market loan	A loan on which interest is charged at a rate below the applicable federal rate or no interest is charged.
Beneficiary	An individual for whose benefit a trust is established.
Bequest	A transfer of property through probate at the death of a taxpayer.
Best practices	A concept that prescribes ethical ways to operate a business.
Betterment	An improvement to property that corrects a defect or results in a material increase in capacity or output of the property.
Bona fide	A Latin term meaning “In good faith” used in tax terminology.
Bona fide debt	A debt arising from a debtor-creditor relationship based on a valid and enforceable obligation to pay a fixed or determinable sum of money.
Bona fide resident test	The criteria to determine if an individual is a resident of a foreign country or countries for an uninterrupted period that includes an entire year.
Bond	A financial instrument that loans money from an investor to an issuer.
Bonus depreciation	A special deduction of depreciable basis on qualified depreciable property that is considered first-use property.
Boot	Unlike property or cash transferred in a like-kind exchange.
Broker	An individual who buys and sells goods or assets for others.
Bronze level	A plan level in the ACA that covers 60% of health care benefits.
Brother-sister	Two or more corporations with sufficient common ownership to be considered related.
BSA e-filing system	An e-filing system supporting the electronic filing of Bank Secrecy Act forms.
Built-in gains tax	A tax assessed when an existing C corporation converts to an S corporation, and during the ten-year recognition period disposes of assets having a fair market value in excess of basis when the S election became effective. The tax imposed on this gain is the highest corporate tax rate.
Built-in loss	A loss recognized when an asset from an S corporation is disposed of during the recognition period.
Business deduction	A deduction connected to an individual’s trade or business.
Business expense	An expense incurred in the ordinary course of business.
Business income	Any income realized as a result of business activity.
Business miles	The total number of miles driven for business in a given year.
Bypass trust	A trust with a value equal to or less than the applicable exemption amount that passes to a decedent’s beneficiaries other than their spouse.

Term	Definition
C	
CAF	Centralized authorization file.
Cafeteria plan	A benefit plan allowing employees to contribute a certain amount of their gross income to a designated account or accounts before taxes are calculated.
Calendar year	A tax year for reporting income and expenses consisting of January 1 to December 31 in any given year.
Call option	An option to buy assets at an agreed price on or before a particular date.
Cancellation of debt	The forgiveness of a debt by a creditor without requiring consideration in return.
CAP	Collections appeals program.
Capital account	The agreed-upon value of the contributions of a partner or shareholder to a business entity.
Capital asset	An item of tangible or intangible property used for personal or investment uses.
Capital expense	An amount spent to acquire or improve a long-term asset such as equipment or buildings.
Capital gain	A profit from the sale of property or investment.
Capital gain distributions	A payment to shareholders prompted by a fund manager's liquidation of underlying stocks and securities in a mutual fund, or derived from dividend and interest earned by the fund's holdings minus the fund's operating expenses.
Capital interest	Any interest entitling the holder to receive a share of partnership assets upon a hypothetical winding up and liquidation of the partnership immediately following acquisition of the interest.
Capital loss	A loss incurred when a taxpayer sells a capital asset.
Capital loss carryover	A capital loss that was not deducted in a prior year.
Carryback year	A year to which an NOL is carried that is prior to the NOL year.
Carryforward year	A year to which an NOL is carried that is after to the NOL year.
Cash exercise	An event when the owner of the stock option purchases the stock at the option price using their own personal funds.
Cash method	A method of accounting in which income is recognized when received, and expenses are recognized when paid.

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Term	Definition
Cashless exercise	An event when a broker loans an individual funds to purchase stock at the exercise price. The stock is immediately sold at the market price and the loan is repaid.
Casualty	The damage, destruction or loss of property resulting from an identifiable event that is sudden, unexpected or unusual. Examples include earthquakes, fires, floods, hurricanes and tornadoes.
Catch-up contribution	A type of retirement savings contribution allowing individuals over age 50 to make additional contributions to their retirement or health savings accounts.
CDP	Collection due process.
Centralized authorization file (CAF)	A system to track powers of attorney and tax information authorizations.
Charitable contribution	A gift made by an individual or an organization to a nonprofit organization, charity, or private foundation under Section 501(c)(3) .
Charitable lead trust	An irrevocable trust that provides an annuity or unitrust amount to a charitable organization for a period of time, with the remainder passing to noncharitable beneficiaries.
Charitable organization	An organization exempt from tax under Section 501(c)(3).
Charitable remainder trust	An irrevocable trust that provides an annuity or unitrust amount to beneficiaries for a period of time, with the remainder passing to charitable beneficiaries.
Check signing authority	An officer or representative vested (explicitly, implicitly, or through conduct) with the powers to commit the authorizing organization to a binding agreement.
Child support	Any court-ordered payments, typically made by a noncustodial divorced parent, to support one's minor child or children.
Child tax credit	A fully or partially nonrefundable credit based on the number of children under a certain age. See Additional Child Tax Credit.
Chronically ill	An individual certified by a licensed health care practitioner within the previous 12 months as being unable to perform at least two activities of daily living without substantial assistance, or an individual who requires substantial supervision to be protected from threats to health and safety due to severe cognitive impairment.
Circular 230	A publication from the U.S. Treasury Department outlining the rules governing practice before the IRS.
Citizen or resident test	A test to determine whether an individual may be claimed as a dependent.
Civil issue	A matter involving a non-criminal case brought before the IRS.

Glossary

Term	Definition
Claim of right	A principle of taxation allowing a credit or deduction for repayment of an item previously included in income.
Class life	The useful life of property for depreciation purposes.
Clergy	A duly ordained, commissioned, or licensed minister of a church engaged in carrying on a trade or business with respect to services performed in the exercise of the ministry.
Closed-end mutual fund	A fund with a fixed number of shares traded among investors on an exchange.
Closely-held business	A business in which a majority of interest is owned directly or indirectly by five or fewer individuals.
CNC	Currently not collectible.
COGS	Cost of Goods Sold
Collateral	An asset pledged as security for a loan, to be sold or conveyed in the event of default.
Collectibles	Any work of art, rug or antique, metal or gem, stamp or coin, alcoholic beverage, or any other tangible personal property specified by the IRS.
Collectibles gain	The gain on the sale or exchange of a collectible held for more than one year.
Collection appeals program	A process for appealing IRS attempts to collect a tax liability. In this program, the taxpayer may not challenge the existence or amount of tax liability. See Collection due process.
Collection due process	A process for appealing IRS attempts to collect a tax liability. In this program, the taxpayer may challenge the existence or amount of tax liability. See Collection appeals program.
Collection statute expiration date	The date beyond which the IRS cannot collect an assessed tax.
Combat zone	Any area the President designates by executive order as an area U.S. Armed Forces are engaged in combat.
Combat zone extension	An automatic extension for filing tax returns, paying taxes, filing claims for refund, and taking other actions when a taxpayer serves in the Armed Forces in a combat zone or has qualifying service outside of a combat zone.
Commodity futures contract	An agreement to buy or sell a predetermined amount of a commodity at a specific price on a specific date in the future.
Common law employee	An employee who performs services for a business when the business controls what is done and how it is done.
Community property	Any property married individuals purchase or acquire while subject to community property laws.

Glossary

Term	Definition
Community property laws	The laws requiring a husband and wife to allocate income and expenses equally between both spouses.
Commuting expenses	Any expenses incurred while using a mode of transportation between work and home (taking a bus, trolley, subway, taxi, or driving a car).
Compensation	The amount of wages paid to an employee for services rendered or capital furnished to the corporation.
Complete disposition	Disposition of an entire interest in an activity in a fully taxable transaction to an unrelated party.
Complex trust	A trust that does not meet the requirements for a simple trust, as they may accumulate income, distribute amounts other than current income and, make deductible payments for charitable purposes under section 642(c) of the Code.
Compliance assurance program	A method of identifying and resolving tax issues through open, cooperative, and transparent interaction between the IRS and Large Business and International taxpayers prior to the filing of a return.
Condemnation	The legal taking, without the owner's consent, of private property for public use by a federal, state, or local government or political subdivision for a reasonable amount of money or property.
Condemnation award	Money paid or the value of other property received for a condemned property. This includes the amount paid for the sale of property under threat or imminence of condemnation.
Conflict of interest	A concept whereby the representation of one client will either be directly adverse to another client, or that the representation of one or more clients is materially limited by their responsibilities to another client, a former client, a third party, or the practitioner themselves.
Consent	An approval or agreement after thoughtful consideration.
Conservation reserve program	A U.S. Department of Agriculture program that provides payment to owners or operators of highly erodible or other specified cropland for agreeing to convert the land to less intensive use.
Considered unmarried	A status that allows an individual who is legally married to file as head of household as if they were not married.
Constructive distribution	A transaction that is recharacterized as a distribution.
Constructive dividend	A concept in which various distributions to shareholders are not labeled as dividends but are still considered dividends by the IRS and taxed as such.
Constructive receipt	A treatment of an amount as received whether or not it is actually in the possession of the taxpayer.
Contemporaneous documentation	Documentation prepared in advance or at the time of a transaction, which verifies reasonable efforts were made to establish prices.

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Term	Definition
Contingent fee	A fee based on if an individual's lawyer in a court case wins.
Continuing professional education	A type of education conducted for participants in various professional fields consisting of updated knowledge and other pertinent information. For an EA, a course of learning must be designed to enhance professional knowledge in federal taxation or federal tax-related matters.
Contract	An agreement between two or more people to do something. This agreement may be formal or informal, written or oral.
Contract farming	Agricultural production carried out according to an agreement between a buyer and farmers, which establishes conditions for the production and marketing of a farm product or products.
Contract price	The price equal to the selling price plus any mortgages, debts, or other liabilities the buyer assumes that are in excess of the installment sale adjusted basis
Contractor	An individual or company that signs a contract to provide materials or labor to perform a service or do a job.
Control	The authority or power to make decisions or tell someone else what to do and/or how to do it.
Control of a corporation	A concept in corporate taxation whereby a taxpayer or group of taxpayers owns at least 80% of the combined voting power and outstanding shares.
Controlled group	A group of two or more corporations connected through stock ownership.
Convention	A concept in depreciation of assets which determines the number of months for which a taxpayer must claim depreciation of an asset.
Conversion	A withdrawal of assets from a traditional IRA to contribute to a Roth IRA.
Converted residence	A house turned from personal use to rental use.
Cooperative	An association jointly owned, usually farmers or consumers, that produces and distributes goods and services and is run for the benefit of its owners.
Corporation	A legal business entity formed by or under the authority of the laws of a state. This includes associations and unincorporated organizations having associates. They are separate entities organized to carry on a business and divide profits.
Corpus	The Latin word for "body." Used to refer to the assets held by a trust or estate. See Principal (Trust).
Correspondence audit	A type of IRS audit done strictly through the mail (no face-to-face contact).
Cost basis	The original value of an asset for tax purposes, usually the purchase price.

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Term	Definition
Cost depletion	A method of determining the value of mineral units sold or consumed during a tax year. See, Percentage depletion.
Cost method	A method of valuing inventory at the actual price paid for a particular good and all associated costs required to be capitalized.
Cost of goods sold	The direct costs attributable to the production of the goods sold by a company.
Covenant not to compete	An agreement between a buyer and a seller to prevent the seller from creating or operating a business or accepting employment which directly competes with the buyer's purchased business. This can also apply to an employer and a former employee.
Coverdell education savings account	An education savings account used to exclude income for amounts used to pay for qualified educational expenses of the designated beneficiary.
Covered opinion	Written advice (including electronic communications) by a practitioner concerning one or more federal tax issues arising from a tax avoidance transaction, and identified by published guidance as a listed transaction, or evasion of any tax imposed by the Code.
Covered security	A security for which the broker must maintain basis information and must report that basis on Form 1099-B upon disposition.
Credit	A direct reduction of an individual's tax liability. See, Nonrefundable Credit and Refundable Credit.
Credit shelter trust	A trust with a value equal to or less than the applicable exemption amount that passes to a decedent's beneficiaries other than their spouse. See, A-B Trust and Bypass Trust.
Crop method	A method of accounting available for farmers who do not harvest and sell their crops in the same year that they planted and grew them.
CRP	Conservation reserve program.
Crummey trust	An irrevocable trust that contains a provision for beneficiaries to have limited withdrawal rights in order that contributions to the trust be considered present interests.
Current distribution	A distribution that is not a liquidating distribution.
Currently not collectible	A temporary status of a taxpayer's account that stops IRS collection efforts while in this status.
Custodial parent	The parent of a qualifying child whom lived the majority of nights during the tax year.
Cy pres doctrine	A French term meaning "so near." If a charitable beneficiary no longer exists, the court will amend the trust to pass the interest to a similar charity.

Term	Definition
D	
Daycare center	A facility caring for more than six individuals and receives a fee for providing such services.
DCN	Designated Change Number. See, Designated Automated Accounting Method Change
De Minimis fringe benefit	Any property or service that has so small a value that accounting for it would be unreasonable or administratively impractical.
Death benefit	An amount paid to a beneficiary upon the death of an insured person.
Debt assumption	A special form of debt refinancing, involving three parties—the creditor, the original debtor, and a new debtor who assumes the debt obligation.
Deceased spouse's unused exclusion	The unused portion of the predeceased spouse's applicable exclusion amount that can be added to, and used by, the surviving spouse for lifetime gifts or transfers at death.
Decedent	An individual taxpayer who has died.
Decision	A court's statement of opinion on a legal point not raised by the facts of the case.
Declining balance method	A depreciation method of that involves applying the depreciation rate against the non-depreciated balance.
Deductible contributions	An amount paid into an IRA that is a deduction from income for tax purposes.
Deductions in respect of a decedent	An item for which the decedent was liable but which was not properly allowable as a deduction on the decedent's final income tax return.
Deed in lieu of Default	A deed instrument in which a borrower conveys all interest in a real property to a lender to satisfy a loan that is in default and avoid foreclosure proceedings.
Deemed filing rule	A provision under the social security laws that if one spouse applies for spousal benefits while under full retirement age, it is deemed that the other spouse also files for their own respective benefits.
Default	The failure to meet a financial obligation.
Defense of Marriage Act	A federal law stating marriage as the union of one man and one woman, and allowed states to refuse to recognize same-sex marriages granted under the laws of other states. Later determined by the Supreme Court the act violates the equal protection clause of the Fifth Amendment of the U.S. Constitution.
Deferral item	An AMT adjustment or preference that does not cause a permanent difference in taxable income over time.

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Term	Definition
Deferred exchange	A like-kind exchange that does not happen simultaneously.
Defined benefit plan	A company pension plan in which an employee's pension payments are calculated according to length of service and the salary they earned at the time of retirement.
Defined contribution	A company retirement plan in which the employer, employee, or both make contributions.
Delayed retirement credit	An increase in social security benefits for every month the recipient delays applying for social security benefits after achieving full retirement age.
Dependent	A qualifying child or qualifying relative, other than the taxpayer or spouse, who entitles the taxpayer to claim a dependency exemption.
Dependent care benefits	An amount provided to, or on behalf of, employees for use in caring for dependents such as newborns or disabled individuals.
Dependent taxpayer test	A dependency test requiring that the individual cannot claim anyone else as a dependent for the taxable year.
Depletion	The reduction of natural resources by mining, quarrying, drilling or felling.
Depreciable asset	An asset owned by the taxpayer used in business or income producing activities, that has a determinable useful life expected to be more than one year. See Depreciable property.
Depreciable basis	The adjusted basis of a depreciable asset when it is placed into service.
Depreciable property	An asset owned by the taxpayer used in business or income producing activities, that has a determinable useful life expected to be more than one year. See Depreciable asset.
Depreciation	An annual deduction allowing individuals to recover the cost or other basis of certain property.
Depreciation method	A specified calculation to determine annual depreciation.
Designated Automated Accounting Method Change	An accounting method change that does not require approval of the IRS.
Determination letter	A formal document issued by the IRS that decrees whether or not the retirement plan of the addressee is within Employee Retirement Income Security Act guidelines.
Differential wage payment	A payment made by an employer for any period during which an individual is on active military duty for more than 30 days, and represents all or a portion of the wages the individual would have received from the employer if the individual were performing service for the employer.
Direct lobbying	An attempt to influence legislative body through communication with a member or employee of a legislative body or government official.

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Term	Definition
Direct seller	An individual who sells products or services.
Disability trust	See, Qualified Disability Trust.
Disaster loss	A loss that occurred in an area determined by the President to warrant federal disaster assistance.
Disclaimer	A formal notice given to decline a gift or interest in an estate or trust.
Disclaimer trust	A trust which allows a surviving spouse to put specific assets under the trust by virtue of a disclaimer.
Disclosure	Providing information known to any person in any manner.
Disclosure consent	A written document allowing a tax preparer to reveal specific information.
Discount	The difference between the fair market value of a stock and an individual's purchase price.
Discriminate income function	A process used by the IRS to assist in the selection of tax returns for examination.
Disqualified property	Property acquired by a liquidating corporation in a Section 351 transfer or as a contribution to capital during the five-year period ending on the distribution date.
Disqualifying disposition	A disposition of stock acquired through the exercise of an incentive stock option (ISO) that does not meet the holding period requirements.
Disregard	Any careless, reckless, or intentional inattention to rules or regulations.
Disregarded entity	A business that treated as not separate from its single owner.
Distance test	A test required to deduct moving expenses.
Distributable net income	Trust income available for distribution. This income is the maximum amount received by a unitholder or a beneficiary that is taxable; any amount above this figure will be tax-free.
Distribution	The money paid plus the fair market value of any property transferred to a shareholder or partner.
Distributive share	An allocation of income, loss, deduction, or credit from a business to a partner in a partnership or an S Corporation owner.
Dividend	A distribution of an amount paid out from earnings and profits from a C corporation.
Dividends received deduction	A deduction applicable to certain corporations that receive dividends from related entities with the purpose to alleviate the potential consequences of triple taxation.
DNI	Distributable net income
Domestic production gross receipts	A taxpayer's receipts from property manufactured, grown, or extracted in whole or in significant part within the United States.

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Term	Definition
Domestic productions activity deduction	A deduction allowed to taxpayers who pay wages to workers for the manufacture, growth, or extraction of property in whole or in significant part within the United States.
Domestic trust	A type of trust allowing non-U.S. citizens to claim the marital deduction for estate tax purposes.
Donee	The receiver of the gift.
Donor	The giver of the gift.
Double taxation	A principle referring to income taxes paid twice on the same source of earned income, occurring when income is taxed at both the corporate level and personal level.
Doubt as to collectability	A concept whereby the Internal Revenue Service determines that a taxpayer's assets and income are less than the full amount of the liability.
Doubt as to liability	A dispute as to the existence or amount of the correct tax liability under the law.
DPAD	Domestic Productions Activity Deduction
DPGR	Domestic production gross receipts
DRD	Deductions in respect of a decedent
Dual status minister	An individual in the ministry who is treated as a common-law employee for income reporting, fringe benefits and deducting expenses, but treated as self-employed for social security reporting.
Dual-status citizen	An individual that has met the criteria to be both a resident and nonresident alien in a single tax year.
Dual-use property	A property used for both rental and personal use.
Due date	The date by which a tax return or other filing must be completed.
Due diligence (Form 8867)	A set of requirements that the tax professional must meet to ensure that a taxpayer claiming the Earned Income Credit (EIC), the Child Tax Credit (CTC), or the American Opportunity Credit (AOC), or who files as head of household meets the requirements for those credits or filing status.
Due diligence (General)	The care that a competent tax preparer would use under the same circumstances.
Dynasty trust	A generation-skipping trust that continues for an extended period of time, often for multiple generations.

Glossary

Term	Definition
E	
EA	Enrolled Agent
Early distribution	A distribution from an IRA before the owner reaches age 59 1/2.
Earned income	Any income from active participation in an active trade or business, including wages, salaries, tips, includible in gross income, and net earnings from self-employment earnings.
Earned income credit	A refundable credit for certain low-income taxpayers.
Earning and profits	A measure of a corporation's economic ability to pay dividends to its shareholders.
Easement	A right of way on an individual's land, and generally treated as a sale of an interest in the property.
ECN	Exemption certificate number
E-commerce	Commercial transactions conducted electronically on the Internet.
Economic hardship	The difficulty caused by having too little money or too few resources to pay for reasonable basic living expenses.
Economic outlay	A requirement to establish loan basis in an S corporation. Before a deduction is allowed, some transaction must occur which left the individual poorer in a material sense.
Economic substance	The concept that a transaction changes the taxpayer's economic position in a meaningful way, apart from the tax effects.
Educational trust	An irrevocable trust that is designed to hold funds for the education of a minor.
Effectively connected income	All income of a foreign individual from sources within the United States connected with the conduct of that trade or business.
EFI	Elected farm income
EFIN	Electronic filing identification number
EIN	Employee Identification Number
Elected farm income	An amount of income from a farming business elects to have taxed at base year rates. This income can be any portion of farm income is less than or equal to that year's taxable income.
Electing small business trust	A trust that meets the definition of a permissible S corporation shareholder.
Elective deferral	Any amounts an individual asks their employer to deduct from the individual's pay and contribute on their behalf to an employer-sponsored retirement plan or other employee benefit.

Glossary

Term	Definition
Electronic filing identification number	An IRS-assigned number to preparers that are accepted into the fed/state e-file program.
Electronic return originator	The Authorized IRS e-file Provider that originates the electronic submission of an income tax return to the IRS.
Electronic signature (preparer)	A signature by the person engaged to prepare a tax return on behalf of a taxpayer - it includes a personal identification number.
Electronic signature (taxpayer)	A signature by a taxpayer - it includes a personal identification number.
Eligible education expenses	Any amounts paid for tuition, fees and other related expenses for an eligible student required for enrollment or attendance at an eligible educational institution.
Eligible educational institution	An accredited post-secondary institution offering credit towards a degree or other recognized credential and eligible to participate in the Department of Education's student aid program.
Eligible educator	A taxpayer who is a teacher, instructor, counselor, principal, or aide in any elementary or secondary school who works at least 900 hours during the school year.
Eligible loss	Any part of a net operating loss that is from a casualty or theft, or is attributable to a federally declared disaster for a qualified small business or certain qualified farming businesses.
Eligible rollover distribution	The taxable part of any distribution of all or a part of the balance to an individual's credit in a qualified retirement plan with exceptions.
Eligible small employer	An employer with fewer than 25 full-time equivalent employees (FTE).
Eligible student	An individual 18 years of age or older who is enrolled in one or more courses at a post-secondary eligible educational institution. The student must be enrolled at least half-time in a program leading to a degree or other recognized educational credential for at least one academic period beginning during the tax year.
Employee	An individual who works for an employer. Employers can control when, where, and how the employee performs the work.
Employee compensation	Any payment received from an employer for services by an employee.
Employee discount	A price reduction for employees on certain property or services offered to customers in the ordinary course of the line of business in which the employees perform services.

Glossary

Term	Definition
Employee stock purchase plan	A tax-efficient plan for employees of a corporation which can purchase the corporation's stock, often at a discount.
Employer identification number	A nine-digit number assigned by the IRS to identify the tax accounts of employers and certain others who have no employees.
Employer mandate	A requirement for employers to offer health insurance affordably and provides minimum value to 95% of their full-time employees and their children up to age 26, or be subject to penalties.
Employer retirement plan	A plan an employer sets up for the benefit of the employees.
Employer shared responsibility	The requirement of large employers to provide affordable healthcare coverage that provides minimum essential coverage to their full-time employees.
Engagement letter	A document defining the relationship between a professional firm and its client(s).
Enrolled actuary	A designation for an individual who has satisfied the standards and qualifications set forth in the Joint Board for the Enrollment of Actuaries and who has been approved by the Joint Board to preform actuarial services required under the Employee Retirement Income Security Act of 1974 (ERISA).
Enrolled agent	An individual who demonstrates competence in tax matters by passing a written examination and has not engaged in any conduct that would justify the censure, suspension, or disbarment of any practitioner under these provisions may be granted enrollment.
Enrolled retirement plan agent	An IRS designation for an individual who demonstrates special competence in qualified retirement plan matters.
Enrollment cycle	The three-year cycle for renewal of a designation as an enrolled agent.
Enrollment year	A year in the enrollment cycle.
Entertainment	Any activity providing amusement or recreation, such as night clubs, cocktail lounges, theaters, country clubs, athletic clubs and sporting events.
Equitable owner	An individual who assumes all the benefits and burdens of ownership of the property.
Equity financing	The process of raising capital through the sale of shares of ownership in the business.
ERO	Electronic Return Originator
ESBT	Electing Small Business Trust
ESE	Eligible small employer

Glossary

Term	Definition
Estate	A legal entity consisting of the assets owned by a decedent on the date of death.
Estate tax	An excise tax levied on the transfer of property to heirs.
Estimated tax	A method of pre-paying taxes on income that is not subject to withholding.
Ethics	The discipline of dealing with what is good and bad, and with moral duty and obligation. This also includes a set of principals or moral values as well as rules and standards governing the conduct of a person or the members of a profession.
Examination	An audit.
Excepted benefits	The benefits that are not required to be included in a group health care plan under the Affordable Care Act.
Excess accumulation	An amount in an IRA that should have been distributed to the owner, but was not.
Excess basis	The amount by which the taxpayer's basis exceeds the exchange basis in a like-kind exchange.
Excess contribution	A contribution to an HSA that is greater than the contribution limit.
Excess deductions	An amount by which an estate's or trust's deductions exceed its income in a given tax year.
Excess depreciation	The amount of depreciation in excess of what is allowed as a deduction for the year.
Excess farm loss	An amount of farming loss that is disallowed in the current tax year, but that can be carried forward to the next tax year.
Excess net passive income	An amount held in an S corporation that used to be a C corporation that exceeds a threshold amount.
Excess net passive income tax	The tax assessed on Excess net passive income.
Exchange	A transfer of property for other property or services.
Exchange basis	The taxpayer's depreciable basis in replacement property in a like-kind exchange.
Exclusion item	An AMT adjustment or preference that causes a permanent difference in taxable income.
Executor	An individual or institution appointed in a will by a decedent to carry out the terms of their will.
Exempt purpose	A purpose that aligns with the IRC code section under which the organization is filing.
Exemption	An amount that an individual may deduct from adjusted gross income for tax years before 2018.

Glossary

Term	Definition
Exemption certificate number	A number issued by the Marketplace when an individual qualifies for a health insurance exemption.
Exercise date	The date on which an employee purchases the stock through a stock option.
Exercise price	The price an employee pays for the stock when the stock option is exercised.
Expired provision	A provision in the Internal Revenue Code that is no longer available.
Extender	A credit, deduction, or treatment of an item that is available for a limited amount of time.
Extension	An additional time to file an income tax return or complete an act.
F	
FAI	Fiduciary Accounting Income
Failed conversion	An attempted transaction to convert an amount from a traditional IRA to a Roth IRA that is not allowed.
Failure to deposit	A penalty for failing to deposit payroll taxes.
Failure to file penalty	A penalty assessed if a taxpayer does not file a return.
Failure to pay penalty	A penalty assessed if a taxpayer does not pay their taxes.
Fair market value	The price at which a piece of property would change hands between a willing buyer and a willing seller when both have reasonable knowledge of all the facts and neither is required to buy or sell.
Family coverage	Health insurance covering more than one individual.
Farm	A business that can include livestock, dairy, poultry, fish, fruit and truck farms. Also included in this is operating a nursery, orchard, plantation, ranch or range.
Farm optional method	A method to determine net earnings from self-employment for a farming business.
Farming	A trade or business that includes: (1) Cultivating land. (2) Raising or harvesting any agricultural or horticultural commodity. (3) Raising, shearing, feeding, caring for, training and managing animals. (4) Operating a nursery or sod farm. (5) Raising or harvesting of trees bearing fruits, nuts or other crops. (6) Raising certain ornamental trees. (7) Certain arrangements involving leasing land to a tenant engage in farming. (8) Sale of crops shares if the taxpayer materially participates in producing the crop.

Glossary

Term	Definition
Farming eligible loss	An eligible loss related to a qualified farming business.
Farming loss	A loss from the farming business which creates an NOL.
Farm-price method	A valuation method that values raised or purchased farm inventory at its market price less the direct cost of disposition.
FATCA	Foreign Account Tax Compliance Act
FBAR	Foreign Bank Account Reporting
Federal income tax withholding	Income tax withheld from employees' wages and paid directly to the government by the employer.
Federal per diem rate	An amount for lodging, meals, and incidental expenses while traveling away from home.
Federal Poverty Level	An amount, determined by the Department of Health and Human Services used to determine eligibility for certain governmental programs.
Federally authorized practitioner	An individual authorized under Circular 230 to practice before the IRS.
Federally declared disaster	An event occurring in an area declared by the President to be eligible for federal assistance under the Robert T. Stafford Disaster Relief and Emergency Assistance Act.
Fee simple	An absolute title to land, free of any other claims against the title, which an individual can sell or pass to another by will or inheritance.
FFI	Foreign Financial Institute
Fiduciary accounting income	The income of a trust or estate as determined by the terms of the governing instrument or local law.
Field audit	A systematic IRS investigation by the IRS conducted at an individual's place of business or at the office of the individual who prepared the return.
FIFO	First-In First-Out
Filing status	Determines the rate at which income is taxed. The five filing statuses are: single, married filing a joint return, married filing a separate return, head of household, and qualifying widow(er) with dependent child.
Financial control	A factor in determining whether a worker is an independent contractor or employee.
Financial Crimes Enforcement Network	An enforcement agency that has jurisdiction over the FBAR regulations.
Financial disclosure	The process of disclosing financial information to the IRS for the purposes of collection.
FinCEN	Financial Crimes Enforcement Network

Glossary

Term	Definition
First-in, first-out	A method of inventory in which an item is purchased or produced by an individual is the first item sold or consumed.
First-time abatement	An administrative waiver that rewards past compliance.
First-time homebuyer (DC)	An individual (and spouse if married) who did not own any other main home in the District of Columbia during the one-year period ending on the date of purchase.
Fiscal year	A period a company uses to prepare financials or prepare a tax return. This may or may not be a calendar year.
Fish farm	An area where fish and other marine animals are grown or raised and artificially fed, protected, etc. This does not include an area where they are merely caught or harvested.
Fixed amortization method	A method to calculate substantially equal periodic payments (see Fixed annuitization method).
Fixed annuitization method	A method to calculate substantially equal periodic payments (see Fixed amortization method).
FMV	Fair Market Value
FOIA	Freedom of Information Act.
Foreclosure	An action of taking possession of a mortgaged property when the mortgagor fails to keep up their mortgage payments.
Foreign Account Tax Compliance Act	A federal law requiring all foreign financial institutions to search their records for customers with 'U.S.-person' status and report the assets and identities of such individuals to the U.S. Department of the Treasury.
Foreign country	Any territory under the sovereignty of a government other than the United States, including territorial waters of the foreign country.
Foreign earned income	Any earned income from sources within a foreign country, such as wages, professional fees, and other amounts received as compensation, including certain noncash items.
Foreign earned income exclusion	An amount of income earned from a foreign source that is excludable from domestic taxation.
Foreign financial account	A depository or custodial account maintained by a foreign financial institute as well as any equity or debt interest in a FFI other than interest that are regularly traded on established securities markets.
Foreign financial institution	A financial institution that is not a U.S. entity and accepts deposits, holds financial assets, or is engaged primarily in the business of investing, reinvesting, or trading in securities, partnership interests, commodities or any interest in such securities.

Glossary

Term	Definition
Foreign housing deduction	An amount of foreign living expenses a self-employed individual excludes from income if they meet the bona fide resident or physical presence test. Available only to self-employed taxpayers.
Foreign housing exclusion	An amount of foreign living expenses a non-self-employed individual excludes from income if they meet the bona fide resident or physical presence test.
Foreign partnership	A partnership not created or organized in the U.S. or under the law of the U.S. or of any state, including the District of Columbia.
Foreign tax credit	A non-refundable tax credit for income taxes paid to a foreign government as a result of foreign income tax withholdings.
Foreign trust	A trust formed under and subject to the rules of a foreign country.
Form 1045	A tax form used to request a refund resulting from either a carryback of a net operating loss (NOL).
Form 1099-MISC	An information return used to report payments to independent contractors.
Form 8867	A tax form known as the Paid Preparer's Earned Income Credit Checklist. The form must be attached to every tax return claiming the earned income credit, child tax credit, or American opportunity credit, or who files as Head of Household.
Former passive activity	An activity that was passive in a prior tax year but is nonpassive in the current tax year due to changes in the taxpayer's level of participation.
FPL	Federal Poverty Level
Free transferability	A one-to-one act of selling ownership interest without having to acquire permission from other parties.
Freedom of Information Act	A law allowing for the full or partial disclosure of previously unreleased information and documents controlled by the United States government.
Fresh start assistance	An IRS initiative meant to assist financially distressed taxpayers.
Fringe benefit	A non-wage compensation provided to employees in addition to their normal wages or salaries.
Frivolous tax return	A tax return that does not contain information upon which substantial correctness can be assessed.
FTA	First Time Abatement
FTF	Failure to file penalty
FTP	Failure to pay penalty
Full retirement age	The age at which recipient is eligible to receive unreduced social security benefits.
Full-time employee	An individual that works a sufficient number of hours in a year to be considered as full time.

Glossary

Term	Definition
Full-time equivalent employee	The number of full-time employees calculated by dividing the total hours worked by all employees during the year by 2,080 hours. Seasonal workers working 120 days or less are not included in this calculation. One full-time employee working 40 hours a week equals one FTE.
Fully taxable transaction	A transaction where all gain or loss is realized and recognized.
Funeral trust	A trust established to distribute assets solely for the purposes of paying for a decedent's funeral.
Future interests	A legal right to property that does not include the right to present possession or enjoyment of the property.
<h2>G</h2>	
Gain	The excess of the amount realized over the adjusted basis of the property.
Gambling income	Any income earned from the result of games of chance or wagers on events with uncertain outcomes.
Garnishment	A court order directing money or property of a third party (usually wages paid by an employer) be seized to satisfy a debt owed by a debtor to a plaintiff creditor.
GDS	General Depreciation System.
General business credit	One of a number of nonrefundable credit available to business taxpayers.
General Depreciation System	The most commonly used modified accelerated cost recovery system for calculating depreciation.
General partner	A individual who is personally liable for partnership debts.
General partnership	A partnership composed only of general partners.
General power of appointment	The right given to an individual to determine to whom a distribution may be made, including the holder of the appointment, the holder's creditors, the holder's estate, and the creditors of the holder's estate.
Generation Skipping Transfer Tax	A tax imposed on both outright gifts and transfers in a trust to or for the benefit of unrelated individuals who are more than 37.5 years younger than the donor, or to related individuals more than one generation younger than the donor, such as grandchildren.
Generation-skipping trust	A trust that either skips over an entire generation or provides for members of more than one generation.

Glossary

Term	Definition
Gift splitting	A rule allowing a married couple to split a gift's total value as if each contributed half of the amount.
Gift tax	A federal tax imposed on the gratuitous transfer of property.
Going concern value	The value of a company under the assumption it will continue to operate for the foreseeable future.
Gold level	A plan level that covers 80% of health care benefits.
Good faith	Sincere, honest intention or belief regardless of the outcome.
Goodwill	The value of a trade or business attributable to the expectancy of continued customer support.
Governing instrument	The contract that governs the terms of a transaction.
Grant date	The first day a company may grant an employee the option to purchase stock.
Grantor	An individual who establishes a trust.
Grantor trust	A trust over which the grantor has retained certain interests or control.
Grassroots lobbying	An approach to influence legislation by affecting the public opinion regarding legislation.
Green card	A permit allowing a foreign national to live and work permanently in the U.S.
Green card test	A test determining if an individual if he or she is a lawful permanent resident of the U.S. at any time during the tax year.
Gross estate	The value of all property owned by a decedent at the moment of their death.
Gross income	Money, goods, services, and property a person receives that must be reported on a tax return. Includes unemployment compensation and certain scholarships. It does not include welfare benefits and nontaxable Social Security benefits.
Gross income limit	A rule requiring that
Gross income test	A test to determine whether an individual can be a qualifying relative.
Gross profit	The amount a company makes after deducting the costs associated with making and selling its products, or the costs associated with providing its services.
Gross profit percentage	A calculation that determines how much gain is included each year in an installment sale.
Group health plan	An employer plan to provide health insurance to employees.
Grouping election	An election to combine like activities for the purposes of meeting material participation tests.
GST	Generation Skipping Trust
GSTT	Generation Skipping Transfer Tax

Glossary

Term	Definition
Guaranteed payments	The payments made by a partnership to a partner that are determined without regard to the partnership's income.
Guarantor	An individual who promises to pay the debt of another, if the other obligor fails to do so according to the terms of the debt instrument.
Guardian ad litem	A special advocate appointed by a court to represent minors, mentally incompetent, or unborn beneficiaries in a court proceeding.
H	
Half-year convention	A convention for depreciation that treats all assets placed into service during the year as being placed in service at the mid-point of the tax year.
Hardship exemption	An approved excuse from paying a penalty fee for not having health insurance due to an individual suffering a hardship while attempting to obtain coverage under a qualified health plan.
Hazards of litigation	The standard the IRS appeals office uses to determine if a case should be settled or litigated based on the credibility, testimony and underlying facts that can be presented in court.
HDHP	High Deductible Health Plan
Head of household	A filing status for unmarried or considered unmarried taxpayers who keep up a home for a Qualifying Person.
Health Insurance exchange	A governmental agency or non-profit entity that makes qualified health plans available to qualified individuals and qualified employers. See Health Insurance Marketplace.
Health flexible spending arrangement	An account funded through voluntary salary reduction to pay for medical expenses.
Health Insurance Marketplace	A governmental agency or non-profit entity that makes qualified health plans available to qualified individuals and qualified employers. See Health Insurance Exchange.
Health reimbursement arrangement	An employer-established benefit plan reimburses employees for medical expenses.
Health savings account	A tax-exempt trust or custodial account established with a qualified HSA trustee exclusively for the purpose of paying qualified medical expenses of the account beneficiary who, for the months for which contributions are made, is covered under a high-deductible health plan.
HH	Head of Household
High deductible health plan	Health insurance coverage in which the plan has an annual deductible of at least a certain amount adjusted each year for inflation.

Glossary

Term	Definition
High-low method	A method of attempting to separate out fixed and variable costs given a limited amount of data.
Highly compensated employee	An employee who owns a certain percentage of the business or receives over a certain amount of salary, used in determining nondiscrimination for qualified plans.
Hobby	An activity engaged in for pleasure or recreation, rather than for profit. This activity may be a profitable, without profit being the main reason for participation.
Holding period	The period an individual holds property that generally begins on the day after the date of acquisition and ends on the date of disposition.
Home acquisition debt	A mortgage taken out after October 13, 1987, to buy, build, or substantially improve a qualified residence. The home must secure that debt.
Home equity loan	Debt other than acquisition debt secured by a qualified residence.
Home mortgage interest	Any interest paid on a loan secured by an individual's main home or second home.
Hot asset	An asset owned by a partnership, the sale of which would result in ordinary income.
Household income	A measure of the combined incomes of all individuals sharing a particular household or place of residence.
Household work	Any work done in or around the taxpayer's home by babysitters, nannies, health aides, private nurses, maids, caretakers, yard workers, and similar domestic workers.
Household worker	An individual who works in someone's home performing household duties such as caring for children, cleaning, or cooking. This individual becomes an employee if the taxpayer can control not only what work is done, but also how it is done.
Housing allowance	An amount officially designated by a governing body provided to a duly ordained, commissioned or licensed minister to provide a home for the minister and their family. This is also known as a parsonage allowance or rental allowance.
HRA	Health Reimbursement Account
HSA	Health Savings Account
Hybrid method	Any combination of cash, accrual or special method of accounting clearly reflecting income and is consistently used.

Glossary

Term	Definition
Identifiable event	An event that precipitates a cancellation of debt, reported on Form 1099-C.
Identification number	A number assigned to an individual. Most taxpayers use a Social Security number. For those without a SSN, use an individual taxpayer identification number (ITIN) or an adoption taxpayer identification number (ATIN).
Identity protection PIN	An IRS assigned six digit number assigned to eligible taxpayers to help prevent the misuse of their SSN on a fraudulent tax return.
Identity theft	A fraud committed or attempted using an individual's identifying information without authority.
Idle property	A property placed for service in a trade or business but was not used in the business in the current year.
IDR	Information Document Request
ILIT	Irrevocable Life Insurance Trust
Improper disclosure or use penalty	A penalty for knowingly or recklessly disclosing or using tax return information for a purpose other than preparing a tax return.
Improvement	An action that ameliorates a defect in a property, results in a material addition to the property, or results in a material increase in the productivity of property.
In the money	A term for when the fair market value of a stock option is higher than exercise, grant, or stock price.
In whole or significant part	An activity that is considered to be completed in the United States for the purposes of the Domestic Production Activities Deduction.
Incentive stock option	A type of employee stock option with a tax benefit, when you exercise, of not having to pay ordinary income tax.
Incidental expense	Any fees and tips given to porters, baggage carriers, hotel staff, and staff on ships.
Incidental personal use	The personal use of a rental property that does not exceed the greater of 14 days or 10% of rental days.
Income averaging	A method of reporting income allowed to farmers.
Income distribution deduction	A deduction allowed to an estate or trust for the distribution of income.
Income in respect of a decedent	All income that the decedent had to a right to receive at the time of their death that is not included on the final individual income tax return.

Glossary

Term	Definition
Income method	A method for valuing bulk inventory that recognizes that finished goods must generally be valued in a profit motive business.
Income statement	A financial statement reporting the operating results for a specified period of time.
Income-producing property	A property, including commercial real estate, vehicles and equipment, held for the production of income.
Indefinite assignment	An assignment or job in a single location expected to last for more than one year, whether or not it actually lasts for more than one year.
Independent contractor	An individual who is not considered an employee.
Individual mandate	A requirement by law for certain individuals to purchase or otherwise obtain a minimum essential coverage.
Individual retirement arrangement	A trust or custodial account set up to hold funds for retirement.
Individual shared responsibility	The responsibility for each individual of a family to have minimum essential health care coverage for each month, qualify for an exemption, or make a payment when filing their federal income tax return.
Individual shared responsibility penalty	A penalty if each individual of a family does not have minimal essential health care coverage for each month and does not qualify for an exemption.
Individual taxpayer identification number	An IRS-issued identification number for a nonresident or resident alien not eligible for an Social Security number.
Information document request	A form (generally Form 4564) the IRS uses during a tax audit to request information from an individual.
Information return	A return required to be filed with the IRS and taxpayers to report certain payments.
Injured spouse	A taxpayer who files married filing jointly, but whose spouse has a past obligation that will be paid from any overpayment.
Innocent spouse	A taxpayer who may be relieved of tax, interest, and penalties on a joint return through innocent spouse relief, relief by separation of liability, or equitable relief.
Innocent spouse relief	A means by which a spouse or former spouse may be relieved of liability for tax, interest, and penalties if their spouse improperly reported items or omitted items on a joint return without their knowledge.
Inside basis	The adjusted basis of assets held by the partnership.
Insolvent	When a taxpayer has liabilities in excess of assets.

Glossary

Term	Definition
Installment agreement	A payment option allowing individuals to pay tax debt in monthly payments.
Installment method	A method of a sale of property that provides for at least one payment in more than one tax year.
Installment sale adjusted basis	The adjusted basis plus the selling expenses and any ordinary income recapture required to be reported.
Intangible asset	An asset without physical form such as goodwill, patents, copyrights, trademarks, trade names, and franchises.
Intangible property	Any personal property with value but cannot be seen or touched, such as brand identity or knowledge/intellectual property. See, Intangible Asset.
Integrity	The authenticity or unimpaired condition of information.
Intentionally defective grantor trust	A trust in which the income is included in the grantor's income, but that is excluded from the grantor's estate upon death.
Interest income	The income a person receives from certain bank accounts or from lending money to someone else.
International waters	Waters not under the control of any nation in which no single country has control.
Interpretive regulation	A regulation issued under the Treasury Secretary's general authority of Section 7805(a) to issue rules and regulations interpreting the Code.
Intervening year	Years which the NOL was carried to, other than the year the taxpayer is using the NOL.
Inter-Vivos trust	A trust created during a grantor's lifetime.
Intestate	when an individual dies without a will, so state law governs the administration of the estate.
Inventory	The raw materials, work-in-process goods, and completely finished goods considered to be the portion of a business's assets that are ready or will be ready for sale.
Investment income	Income including interest, dividends, capital gains, rental and royalty income.
Investment interest	Any amount of interest paid on loan proceeds used to purchase investments or securities.
Involuntary conversion	A process where an individual is involuntarily forced to dispose of property that has been stolen, condemned, destroyed or repossessed, and another piece of property or cash is received in lieu of the property.
IRA	Individual Retirement Arrangement
IRA conversion	The withdrawal of all or part of the assets in a traditional IRA and reinvested in a Roth IRA.

Glossary

Term	Definition
IRD	Income in respect of a decedent.
Irrevocable election	An election that cannot be undone.
Irrevocable life insurance trust (ILIT)	A trust designed to hold insurance on the life or lives of individuals that is designed to not be included in the estate of the grantor.
Irrevocable trust	A trust that may not be amended or revoked by the grantor.
Itemized deduction	An eligible expense an individual can claim on federal income tax returns and which decrease their taxable income, and claimable in place of a standard deduction.
ISO	Incentive Stock Option
ITIN	Individual Tax Identification Number
IWSP	In Whole or Significant Part
J	
Joint and several liability	A concept that if two or more individuals or entities owe a debt, that the debt can be recovered in full from any of the individuals or entities.
Joint life expectancy table	A table used for determining the life expectancy for more than one individual using the oldest named beneficiary.
Joint return test	A test to determine whether an individual can be a qualifying child or relative.
Joint tenants with right of survivorship	A type of ownership whereby each owner's interest passes to the other owners at the moment of death.
K	
Keogh plan	A tax-deferred pension plan available to self-employed individuals or unincorporated businesses for retirement purposes.
Kiddie tax	A concept in which any investment income of a child taxed at the parent's tax rate.
Kovel letter	An engagement letter structured to create a contract between a tax professional and an attorney where the attorney is the client of the tax professional. This letter is generally used in criminal investigation issues.

Glossary

Term	Definition
L	
Last-in, first-out	A method of inventory in which the last item is purchased or produced by an individual is the first item sold or consumed.
Last-in, first-out recapture tax	A tax assessed when a C corporation elects S status and used the LIFO inventory pricing method or when a C corporation transfers LIFO inventory to an S corporation in a tax-free transfer.
Last-month rule	A rule where if an eligible individual on the first day of the last month of the tax year (December 1 for most taxpayers) has health insurance, that individual is considered an eligible individual for the entire year.
Late filing penalty	A penalty assessed if a taxpayer does not file a required return when due.
Late payment penalty	A penalty assessed if a taxpayer does not pay a tax payment on time.
Lease inclusion	An additional amount of income reportable as a result of leasing a vehicle or other property for business purposes.
Legislative regulations	Regulations that result when the IRS is specifically mandated in a particular Code section to provide the details of the meaning and rules for that particular Code section.
Levy	A legal seizure of property to satisfy a tax liability.
Lien	A right to keep possession of property belonging to another individual until a debt owed by that individual is discharged.
Life estate	Any real property interest ending at death.
Life interest	A claim or interest in real or personal property, not amounting to ownership, and limited by a term of life, either of the individual in whom the right is vested or of another.
Life tenancy	An estate in real property in which the tenant has a right of possession for their life or for the life of another individual.
Life tenant	An individual who holds an estate in lands for the period of their own life or of another certain individual.
Lifetime learning credit	An nonrefundable education credit available for all years of post-secondary education and for courses to acquire and improve job skills.
Like-kind exchange	A transaction or series of transactions allowing for the disposal of an asset and the acquisition of another replacement asset without generating a current tax liability from the sale of the first asset.
Limit order	A direction given to a broker to buy or sell a security or commodity at a specified price or better.
Limited liability	An individual's financial liability is limited to a fixed sum, most commonly the value of a individual's investment in a company or partnership.

Glossary

Term	Definition
Limited liability company	A business structure whereby the members of an organization cannot be held personally liable for the organization's debts or liabilities.
Limited liability partnership	A partnership formed where a partner in the relationship is not personally liable for the debts of the LLP or any other partner, nor is a partner liable for the acts or omissions of any other partner.
Limited partner	An individual in a company or venture who receives limited profits from the business and whose liability toward its debts is legally limited to the extent of their investment.
Limited partnership	A partnership of two or more partners united to jointly conduct a business in which one or more of the partners is liable only to the extent of the amount of money that partner has invested.
Liquidating distribution	A distribution received in a partial or complete liquidation of a corporation or a partnership.
Liquidation	The process of ending a business and distributing assets after paying all outstanding liabilities of the company.
Listed property	A special classification for assets that lend themselves to both personal and business use. This includes any passenger automobile, any other property used as a means of transportation, any property of a type generally used for purposes of entertainment, recreation, or amusement and any computer or peripheral equipment.
Listed property recapture	A repayment of excess depreciation required when the business use of listed property falls to 50% or less.
Listed transaction	A transaction that is the same as or substantially similar to one of the types of transactions the IRS has determined to be a tax avoidance transaction and identified by notice, regulation, or other form of published guidance as a listed transaction.
Living trust	A trust created during a grantor's lifetime.
LLC	Limited Liability Company
LLP	Limited Liability Partnership
LP	Limited Partnership
Load charge	A sales or similar charge incurred by an individual acquiring stock of a regulated investment company.
Loan basis	Basis in an entity that results from a direct loan from the owner to the entity.
Loan guarantee	A promise by one party (the guarantor) to assume the debt obligation of a borrower if the borrower defaults.
Lobbying	An activity of attempting to influence legislation.
Long-term	An asset held more than one year.

Glossary

Term	Definition
Long-term care benefit	Payments providing nursing home, home health, personal, or adult day care for individuals above the age of 65 or with a chronic or disabling condition that needs constant supervision.
Long-term unused minimum tax credit	The amount of minimum tax credit (MTC) shown as carryforward on the third preceding tax return, reduced by any NTCs allowed in the prior two years.
Lookback provision	An agreement that employee stock purchase plans are allowed to determine the price at which the employee may purchase the stock.
Loss	The excess of the adjusted basis over the amount realized.
Loss year	A specific tax year generating a net operating loss. This is determined separately for each tax year and computed without considering any net operating losses carried forward or backward to the loss year.
Lost income payments	Payments received from insurance or other sources for reducing or stopping activities in a trade or business. Lost income payments are included in self-employment earnings.
Lower of cost or market	A method of valuing inventory that is the lesser of the price being paid between a willing buyer and seller or actual price paid for the particular good.
Lump sum benefits	Any Social Security benefits paid out in a single payment of money.
Lump sum distribution	A payment within a single tax year of a plan participant's entire balance from all of the employer's qualified plans of one kind.
Luxury automobile	A passenger vehicle costing more than a certain amount.
M	
MACRS	Modified accelerated cost recovery system
Major component	A part or combination of parts that perform a discrete and critical function.
Majority interest tax year	A concept whereby if one or more partners having the same tax year own an interest in partnership profits and capital of more than 50%, the partnership will use that tax year.
Managerial act	An administrative act during the processing of a case involving the loss of records or the exercise of judgment or discretion concerning the management of personnel.
Manufactured, produced, grown or extracted	Examples of qualifying activities for domestic production activity deduction.
Marital deduction	A deduction allowing an individual to give assets to their spouse with reduced or no tax imposed upon the transfer.

Glossary

Term	Definition
Marital deduction trust	A trust that meets the requirements to qualify for the marital deduction.
Mark to market	A system valuing assets according to their current market price.
Marriage	A legal union between two individuals recognized as married under State law.
Married filing jointly	A filing status where a married couple are taxed as a single entity.
Married filing separately	A filing status where each partner in a marriage files their own tax return.
Material participation	The action of an individual when their involvement in the trade or business is regular, continuous and substantial.
Materials and supplies	Tangible property used or consumed in the individual's operations that is not inventory and is a component acquired to maintain, repair or improve a unit of tangible property.
Medicaid trust	A living trust for the benefit of the grantor or the grantor's spouse whose purpose is to protect assets from creditors and to permit eligibility for Medicaid benefits.
Medical care	Any amounts paid for the diagnosis, cure, mitigation, treatment, or prevention of disease, and for treatments affecting any part or function of the body. The expenses must be primarily to alleviate or prevent a physical or mental defect or illness.
Medical deduction threshold	The
Medical savings account	An account, usually associated with self-employed individuals, in which tax-deferred deposits can be made for medical expenses.
MFJ	Married filing jointly.
MFS	Married filing separately.
Mid-month convention	A convention for depreciation that treats assets placed into service during the month as being placed in service at the mid-point of the month.
Mid-quarter convention	A convention for depreciation that treats assets placed into service during the quarter as being placed in service at the mid-point of the quarter.
Mid-quarter test	A test to determine what depreciation convention must be used.
Minimum essential coverage	A concept that a health insurance plan must cover at least 60% of health care expenses.
Minimum tax credit	A nonrefundable credit that reclaims some of the AMT that was paid in a prior year.

Glossary

Term	Definition
Ministerial act	A procedure or mechanical act, not involving the exercise of judgment or discretion, during the processing of a case after all prerequisites have taken place.
Modified accelerated cost recovery system	A system in which the capitalized cost (basis) of tangible property is recovered over a specified life by annual deductions for depreciation.
Modified AGI	A concept used in various deductions and credits, whereby a taxpayer's AGI is increased or decreased by various items.
Modified taxable income	Taxable income determined after modifications in an intervening year.
Money market mutual fund	An open-ended mutual fund that invests in short-term debt securities such as US Treasury bills and commercial paper.
Money purchase pension plan	A type of plan similar to a profit-sharing plan except the contribution amounts are fixed rather than variable.
Monthly disposable income	An analysis of gross income less necessary living expenses used in determining amount to be garnished.
More likely than not	The probability of greater than 50% likelihood.
Municipal bond	A bond used to finance local government operations.
N	
Natural business year	The period of 12 consecutive months (or 52-53 consecutive weeks) ending at a low point of an organization's activities.
Naturalized citizen	An individual born in another country who has become a naturalized citizen in accordance with the Immigration and Naturalization Act.
Necessary expense	An expense that is helpful and appropriate for the trade or business.
Negligence	The failure to make a reasonable attempt to comply with IRS rules and regulations. This includes failure to keep adequate books and records.
Net earnings from self-employment	Gross income from a self-employed individuals trade or business minus allowable business deductions including contributions to a qualified retirement plans and the deduction for the deductible part of self-employment tax.
Net investment income	The amount of income realized from investment income.
Net investment income tax	An additional Medicare tax of 3.8% imposed on the lesser of net investment income or a modified adjusted gross income.

Glossary

Term	Definition
Net lease	A lease requiring the tenant to pay, in addition to rent, some or all of the property expenses that normally would be paid by the property owner.
Net operating loss	A loss taken in a period where a company's allowable tax deductions are greater than its taxable income.
Net operating loss deduction	A deduction from income equal to the Net Operating Loss. It cannot be more than taxable income.
Net realizable equity	The quick sale value less amount owed to secured lien holders with priority over any federal tax lien.
Net realizable equity in assets	The calculation of the fair market value of a property multiplied by the quick sale discount factor, or 80%, subtracted by the balance of any loans secured by the property.
Net recognized built-in gain	The amount of built-in gain that is recognized.
Net worth method	A method used to reconstruct income in which the increase in the taxpayer's net worth each year is a reflection of the business's income.
NIIT	Net Investment Income Tax
NOL	Net Operating Loss
Nominee income	Income that is initially reported to someone who is not the actual owner of the income, and that is subsequently reported to the correct individual.
Nonaccountable plan	A reimbursement arrangement that does not satisfy the requirements of an accountable plan.
Nonacquiescence	When the IRS doesn't agree with a court's holding and generally won't follow it in disposing of cases involving other taxpayers.
Nonadverse party	A party who does not have an interest adverse to the other party.
Nonbusiness bad debts	Uncollectable debts not obtained in the course of operating a trade or business.
Nonbusiness deductions	Deductions that are not related to the taxpayer's trade or business.
Nonbusiness income	Income that is not related to the taxpayer's trade or business.
Noncash distribution	A distribution of in-kind property from a business entity to an owner.
Noncovered securities	Any security that is not a covered security.
Noncustodial parent	The parent with whom a qualifying child lived with for less than half of the tax year.
Nondeductible contributions	Contributions to a traditional IRA that are not deductible on Form 1040.

Glossary

Term	Definition
Nondepreciable asset	Property for which depreciation deductions cannot be taken.
Nondividend distribution	A distribution from a business entity that is either a nontaxable return of capital or capital gain from the deemed sale of stock.
Nondomestic production gross receipts	Receipts excluded from the DPAD.
Nonfarm optional method	An optional method for determining net earnings from nonfarm self-employment.
Nonliquidating distribution	A distribution not made according to a plan of liquidation and not in a stock redemption.
Nonpassive income	Income from a trade or business activity in which the taxpayer materially participates.
Nonperiodic payment	An amount not received as an annuity and includes all payments other than periodic payments and corrective distributions.
Nonqualified annuity	An annuity that does not meet the qualifications to allow pre-tax contributions.
Nonqualified distribution	A distribution from a retirement plan that is subject to the Section 72(t)(1) penalties.
Nonqualified use	A use of a personal residence by the taxpayer or spouse for any purpose other than as their main home for the purposes of §121.
Nonrecaptured net Section 1231 loss	A net loss deducted on Form 4797 from the disposition of Section 1231 property within the last five years.
Nonrecourse debt	A debt for which the taxpayer is not personally liable.
Nonrefundable credit	A credit that cannot reduce tax liability below zero.
Nonresident alien	A non-U.S. citizen who doesn't pass the green card test or the substantial presence test.
Nonsocial security equivalent benefit	The tier 1 railroad retirement benefit and the tier 2 benefit are treated the same as amount received from a qualified employee retirement plan.
Nonstatutory stock option	A stock option that does not meet the requirements of a qualified stock option.
Nontaxable exchange	An exchange of property with a corporation where gain or loss is not recognized under §351.
Nontaxable fringe benefit	An employee benefit that is not included in the employee's compensation.
Nontax-basis financial statement	A balance sheet or income statement prepared on a basis other than tax.

Glossary

Term	Definition
Notary public	An individual, as a public official, whose main powers include administering oaths and attesting to signatures, both important and effective ways to minimize fraud in legal documents.
Notice of deficiency	An IRS letter advising an individual about delinquent taxes owed plus any penalties and interest. This is also called a 90-day letter because the individual has 90 days to dispute the tax assessment.
Notice of federal tax lien	An published notice to creditors that the IRS has a claim on certain property.
O	
Offer in compromise	A program offered by the IRS to resolve an individual's outstanding tax liability. This offer is to have individuals pay a lesser amount than what is owed.
Offering period	A period of time when an employee has money withheld from their wages to purchase company stock.
Office audit	A type of audit where the IRS interviews an individual and their tax records at an IRS office.
Office of Professional Responsibility	The office responsible for matters related to practitioner conduct and discipline including disciplinary proceedings and sanctions.
Office-in-home	An office located inside an individual's home and serves as the individual's principal place of business.
Open account debt	A situation in which multiple loans are historically made from a shareholder to a corporation throughout the year.
OID	Original Issue Discount
Open-end mutual fund	A fund with shares that are bought and sold on demand at their net asset value is based on the value of the fund's underlying securities and is generally calculated at the close of every trading day. Investors buy shares directly from the fund.
OPR	Office of Professional Responsibility
Option agreement	An agreement between two parties detailing the terms of a stock option.
Option holder	An individual who has the right, but not the obligation, to buy or sell stock.
Option writer	An individual who sells an option contract and is obligated to meet the terms of delivery if the option owner exercises their right.
Ordinary dividends	A share of a company's profits passed on to the shareholders and taxed as ordinary income.
Ordinary expense	A common and accepted expense in a trade or business.

Glossary

Term	Definition
Organizational costs	Any expenses directly related to the creation of a business and not currently deductible.
Original issue discount	A type of interest includable in income when it accrues, whether or not the payments are received.
Other Adjustments Account	A special account is used to track undistributed earnings of an S corporation taxed to shareholders previously. Distributions from this account are tax-free.
Out of the money	An event when a call option has an exercise price greater than the fair market value.
Out-of-pocket expenses	Any expenses a health care plan does not cover that are paid for by a covered individual.
Outside basis	The adjusted basis of each individual partner's interest in the partnership.
<h1>P</h1>	
PAC	Political Action Committee
Parent-subsidiary	A relationship between corporations whereby the parent corporation owns sufficient stock to control management of the subsidiary corporation.
Parsonage allowance	An amount officially designated by a governing body provided to a duly ordained, commissioned or licensed minister to provide a home for the minister and their family. This is also known as a housing allowance or rental allowance.
Partial disposition	A sale or exchange of some, but not all, of an activity.
Partial-pay installment agreement	A payment arrangement that will not fully pay the balance owed by a taxpayer before the collection statute expires.
Partner's interest in partnership (PIP)	A standard used by partnerships to determine allocated partnership income and expenses.
Partnership	An entity of two or more individuals joining together to carry on a trade or business with each individual contributing money, property, labor or skill, and each expecting to share in the profit or loss.
Partnership agreement	A document outlining the rights and responsibilities of each partner, including the original agreement plus any modifications.
Partnership division	An event when a partnership is divided into two or more partnerships.
Partnership liquidation	An event when no part of any business, financial operations or venture of the partnership continues to be carried on by any partner.

Glossary

Term	Definition
Partnership merger	An event when two or more partnerships consolidate under Section 708.
Passenger automobile	Any four-wheeled vehicle made primarily for use on public roadways that has 6,000 pounds or less of unloaded gross vehicle weight (for trucks and vans, use the loaded weight).
Passive activity	A trade or business activities in which an individual does not materially participate.
Passive activity deductions	All deductions from activities that are passive activities for the tax year and all deductions from passive activities that were disallowed under the passive loss rules in prior years and carried forward to the tax year.
Passive activity income	All income from passive activities. Generally includes gain from the disposition of an interest in a passive activity or property used in a passive activity.
Passive category	A designation of the type of passive income.
Passive income	Any earnings derived from a rental property, limited partnership or other enterprise in which a person is not actively involved.
Passive investment income	Any gross receipts from royalties, rents, dividends, interest, annuities, and sale or exchanges of stock or securities.
Passive loss limitation	The limitation on the amount of passive losses a taxpayer can deduct.
Pass-through entity	A legal business entity that passes income on to the owners and/or investors on a Schedule K-1.
Patient Protection and Affordable Healthcare Act	The act signed into law on March 23, 2010, that in part guarantees all Americans will have access to quality, affordable health coverage.
Patronage dividend	Any income received from a cooperative that is similar to a refund or rebate typically based amount of purchases from the cooperative.
Payable-on-death	An arrangement between a bank or credit union and a client designating beneficiaries to receive all the client's assets, with the transfer of assets occurring when the client dies.
Pease limitations	A limitation on itemized deductions for taxpayers with income over a certain amount. This is eliminated by the Tax Cuts and Jobs Act for 2018.
Pecuniary bequest	A gift of a fixed sum of money or property in an individual's will.
Pecuniary formula bequest	A gift of a fixed amount expressed in terms of a formula under the terms of the will.
Penalty	A punishment established by law or authority for an offense or crime. This is often an amount of money to be forfeited for the offense.
Pension	A series of definitely determinable payments made after a taxpayer retires from work.

Glossary

Term	Definition
PEP	Personal exemption phase-out. This is repealed as of 2018.
Per diem allowance	A fixed amount of daily reimbursement for lodging, meals and incidental expenses when away from home on business.
Percentage depletion	A deduction that is computed by taking a portion of gross income from the activity.
Periodic payments	A series of payments from made over a certain term of years.
Permanent difference	A business transaction reported differently for financial and tax reporting purposes, and which the difference will never be eliminated.
Personal exemption	A fixed dollar amount taken as a deduction in arriving at taxable income allowed for an individual, an individual's spouse and an individual's dependents. This is eliminated for 2018 and beyond by the Tax Cuts and Jobs Act.
Personal exemption phase-out	A reduction in the personal exemption for high income tax payers. This is eliminated for 2018 and beyond by the Tax Cuts and Jobs Act.
Personal identification number (PIN)	A five-digit, self-selected number that allows taxpayers to "sign" their tax returns electronically.
Personal property	All property that is not real property.
Personal representative	An individual who administers the estate of a deceased person as executor, Court-appointed administrator, or because they are the individual in possession of the decedent's property.
Personal service corporations	A corporation created for the purpose of providing personal services to individuals or groups.
Personal use property	A type of property an individual does not use for business purposes or hold as an investment.
Per-unit retain allocation	An amount paid to patrons for products sold for them that is fixed without regard to the net earnings from the cooperative.
Per-unit retain certificates	Any written notice showing the stated dollar amount of a per-unit allocation made to an individual by a cooperative.
Physical presence test	A test stating that an individual resides in a foreign country or countries 330 full days during a period of 12 consecutive months.
PIN	Personal identification number
Placed in service	A point in time when an asset that can be depreciated is first placed in use.
Plan administrator	An individual identified in a plan document as having responsibility for running the plan. This could be the employer, a committee of employees, a company executive, or someone hired for that purpose.
Plan document	A formal, written, legal statement listing the provisions of an insurance plan.

Glossary

Term	Definition
Plan participant	An eligible employee who is covered by a retirement plan.
Plan year	A 12-month period designated by a retirement plan for calculating vesting and eligibility, among other things.
Platinum level	A health insurance plan that covers 90% health care benefits.
POA	Power of Attorney
POD	Payable on Death
Points	An amount paid by a borrower to obtain a mortgage.
Political action committee	An organization exempt from tax for certain activities regarding political campaigning as defined under Section 527.
Political campaigning	Any activities that endorse candidates, contribute money or efforts to political activities, and favor or oppose certain candidates.
Ponzi scheme	A scheme in which an individual holds himself or herself out as an investment advisor, receives cash or property from investors, purports to earn income for the investors and reports income amounts to the investors that are wholly or partially fictitious.
Portability	An ability or power to shift benefits or rights to another individual or plan.
Portfolio income	Any income not derived in the ordinary course of a trade or business such as interest, dividends, annuities, royalties and gain (or loss) from the sale of property that produces these types of income or is held for investment.
Post-secondary education	A level of education beyond high school.
Poverty line	A federally determined income level based on location and family size based on the poverty guidelines issued annually by the U.S. Department of Health and Human Services (HHS).
Power of appointment	A power to decide the disposal of property, in exercise of a right conferred by the owner.
Power of appointment trust	A trust over which the grantor or some other person has the right to determine who will receive assets from the trust.
Power of attorney	A written document giving an individual the authority to act for another individual in specified or all legal or financial matters.
PPACA	Patient Protection and Affordable Healthcare Act. Also known as the Affordable Care Act.
Practice before the IRS	Activities that allow a tax practitioner to communicate on behalf of, or represent, a taxpayer in front of the IRS.
Precedence (Law)	The order in which authority is followed.
Precedence (Debts)	The order in which creditors are paid.

Glossary

Term	Definition
Precedent	A legal decision serving as an example, reason, or justification for a later decision.
Precontribution gain	A contribution to a partnership when the FMV of the contributed property exceeds its adjusted basis in the hands of the partner.
Premium reimbursement arrangement	An agreement where an employer reimburses employees for their health insurance premium costs.
Premium tax credit	A refundable credit designed to help eligible individuals and families with low or moderate income afford health insurance purchased through the Health Insurance Marketplace.
Preparer tax identification number	An identification number all paid tax return preparers must use on U.S. federal tax returns or claims for refund submitted to the IRS.
Present interest	The ownership of property that allows the owner to access the property at any time.
Presumption of profit motive	Generally, an activity that produces a net profit in three of the last five tax years is assumed to be a for-profit activity.
Previously Taxed Income	Income that has already had taxes imposed upon it.
Principal residence	A structure that is used by the taxpayer as their main home.
Private letter rulings	An interpretation of statute or administrative rules and their application to a particular set of facts or circumstances.
Privileged communications	Communications between a taxpayer and their tax professional or attorney that cannot be disclosed.
Probate	A legal process wherein the estate of a decedent is administered.
Probate estate	All of the assets owned individually by a decedent at the moment of their death.
Profit	Gross income from an activity is more than the deductions from the activity.
Profits interest	The ownership of a partnership interest that gives the owner a right to the profits of the partnership.
Profit-sharing plan	A plan providing discretionary employer contributions in which the contribution each year are not fixed.
Prohibited transaction	An improper use of a retirement plan by an individual.
Promote effective tax administration	A concept whereby the IRS accepts less than the total balance due but does not due to special circumstances.

Glossary

Term	Definition
Prudent man rule	A guideline whereby a fiduciary is allowed to invest the assets under management in the same manner as a conservative person would with their own assets given the need to preserve the property and generate income.
PTC	Premium Tax Credit
PTI	Previously Taxed Income
PTIN	Preparer tax identification number
PTP	Publicly traded partnership
Publicly traded partnership	A limited partnership managed by two or more general partners that can be individuals, corporations or other partnerships, and that is capitalized by limited partners who provide capital, but have no management role in the partnership.
Pure trust	A irrevocable trust involving a creator/settlor, a trustee, and a beneficiary.
Put option	An option to sell assets at an agreed price on or before a particular date.
Q	
QDOT	Qualified domestic trust
QDRO	Qualified domestic relations order.
QDT	Qualified Disability Trust.
QPAI	Qualified Production activity income
QPP	Qualified production property
QPRT	Qualified personal residence trust
QRT	Qualified revocable trust
QSub	Qualified Subchapter S Subsidiary
QSST	Qualified Subchapter S Trust
QTIP	Qualified Terminable Interest Property
QTP	Qualified Tuition Program
Qualified acquisition debt	Debt incurred or assumed to acquire, construct, reconstruct or substantially improve real property.
Qualified charitable distribution	A nontaxable distribution made directly by the trustee of an IRA (other than a SEP or SIMPLE IRA) to an organization eligible to receive tax-deductible contributions.
Qualified disability trust	A trust that meets the requirements of 42 U.S.C. §1396p, and is established solely for the benefit of a disabled beneficiary under the age of 65.
Qualified disaster relief payments	Amounts paid by federal, state and local governments for reasonable and necessary personal and family living expenses, expenses for repair or rehabilitation of a personal residence and expenses for repair or replacement of personal property.

Glossary

Term	Definition
Qualified disclaimer	A refusal to accept property meeting provisions allowing for a property or interest in property to be treated as an entity that has never been received.
Qualified distributions	A distribution from a retirement plan not subject to the Section 72(t)(1) penalties.
Qualified dividends	Ordinary dividends meeting specific criteria to be taxed at the lower long-term capital gains tax rate rather than at higher tax rate for an individual's ordinary income.
Qualified domestic relations order	A judgment, decree, or order relating to payment of child support, alimony, or marital property rights to a spouse, former spouse, child, or other dependent of a participant in a retirement plan.
Qualified domestic trust	A trust formed to qualify for the marital deduction for property transferred to a surviving spouse who is not a U.S. citizen.
Qualified education expenses	Any amount including tuition and fees required for enrollment or attendance at a qualified educational institution. Other expenses can be included depending on the purpose for which education expenses are being defined.
Qualified farm debt	Debt that was incurred directly in connection with the operation of the trade or business of farming, and 50% or more of the aggregate gross receipts for the three taxable years preceding the year the discharge occurs is attributable to the trade or business of farming.
Qualified fuel cell vehicle	A vehicle propelled by power derived from one or more cells that convert chemical energy directly into electricity by combining oxygen with hydrogen fuel and meets certain additional requirements.
Qualified health plan	A plan recognized by a healthcare exchange, provides essential health benefits, limits cost-sharing for coverage, provides bronze/silver/gold/platinum coverage, and is by a qualified issuer.
Qualified HSA funding distribution	A once per lifetime transfer from a traditional or Roth IRA to an HSA account via a trustee-to-trustee transfer.
Qualified intermediary	An individual, involved in a like-kind exchange, who acquires a relinquished property from a taxpayer, transfers the relinquished property, acquires a replacement property, and transfers the replacement property to the taxpayer.
Qualified investor	U.S. person that qualifies to deduct theft losses under Section 165 and Reg. Section 1.165-8; did not have actual knowledge of the fraudulent nature of the investment arrangement prior to it becoming known to the general public; with respect to the specified fraudulent arrangement is not a tax shelter; and transferred cash or property to a specified fraudulent arrangement.

Glossary

Term	Definition
Qualified joint venture	An unincorporated business jointly owned by a husband and wife that conducts a trade or business where (1) the only members of the are a married couple who file a joint return, (2) both spouses materially participate in the trade or business, and (3) both spouses elect not to be treated as a partnership.
Qualified long-term care services	Any necessary diagnostic, preventive, therapeutic, curing, treating, mitigating, rehabilitative services and maintenance and personal care required by a chronically ill individual.
Qualified mortgage insurance	Mortgage insurance provided by the Veterans Administration (VA), the Federal Housing Administration (FHA), the Rural Housing Administration (RHA) and private mortgage insurance.
Qualified nonpersonal use vehicle	A vehicle not likely to be used more than a minimal amount for personal purposes by reason of their design, such as tractors.
Qualified nonrecourse financing	Financing for which no one is personally liable for repayment borrowed for use in an activity of holding real property and is loaned or guaranteed by a federal, state or local government or is borrowed from a “qualified” individual.
Qualified personal residence trust	A grantor retained annuity trust which owns the grantor’s residence or vacation home and stating the grantor may reside in the residence (or in another purchased with the proceeds of the sale of the residence) for a specified number of years, after which the property passes to other individuals.
Qualified plan	A retirement plan established by an employer (i.e. sole proprietorship, partnership, or corporation), and must be for the exclusive benefit of employees or their beneficiaries.
Qualified plug-in electric drive motor vehicle	A vehicle propelled to a significant extent by an electric motor drawing electricity from a battery that has a capacity of not less than four kilowatt hours, and is capable of being recharged from an external source of electricity.
Qualified principal residence debt	Any debt incurred in acquiring, constructing, or substantially improving a principal residence and secured by the principal residence.
Qualified production activity income	The difference between a manufacturer’s domestic gross receipts and aggregate cost of goods and services related to producing the domestic goods.
Qualified production property	Tangible personal property, computer software and sound recordings manufactured, produced, grown or extracted by the taxpayer in whole or in significant part (see Reg 1.199-3(g)) in the U.S.
Qualified real property	Qualified real property includes qualified leasehold improvement property, qualified restaurant property and qualified retail improvement property.

Glossary

Term	Definition
Qualified revocable trust	A trust that is eligible to make an election to be treated as part of the estate during the administration of the estate.
Qualified Roth distribution	A distribution from a Roth IRA made after the five-year period since starting; and made after 59½, made because of disability, made to a beneficiary or estate after death, or meets the requirements for a first-time home buyer.
Qualified small business stock	Any stock in a qualified small business C corporation issued to an individual after August 10, 1993 in exchange for money or other property (not including stock), or as compensation for services.
Qualified stock purchase	Any transaction or series of transactions in which stock of 1 corporation is acquired by another corporation by purchase during the 12-month acquisition period.
Qualified Subchapter S Subsidiaries	A domestic corporation that is a 100% owned subsidiary of an S corporation.
Qualified subchapter S trust	A trust that meets the statutory requirements to be an eligible S corporation shareholder.
Qualified terminable interest property trust	A trust in which a spouse gives a life estate in property to their spouse without incurring the federal gift tax, but not given a general power of appointment.
Qualified transportation fringe benefit	An amount provided to an individual for qualified parking, transit pass and commuter high vehicle usage, or bicycle commuting reimbursement.
Qualified tuition program	A program allowing a contributor either to prepay a beneficiary's qualified higher education expenses at an eligible educational institution or to contribute to an account for paying those expenses.
Qualifying child	An individual who meets the following eight tests for dependency: (1) relationship, (2) age, (3) residence, (4) support, (5) citizenship or residency, (6) joint return, (7) qualifying child of more than one person, and (8) dependent taxpayer.
Qualifying disposition	A sale, transfer, or exchange of stock an investor acquires from an incentive stock option or employee stock purchase plan and is taxed at the capital gains rate.
Qualifying relative	An individual who meets the following seven tests for dependency: (1) not a qualifying child, (2) member of household or relationship, (3) citizenship or residency, (4) gross income, (5) support, (6) joint return, and (7) dependent taxpayer.

Glossary

Term	Definition
Qualifying small business	An S corporation whose three-year average annual gross receipts do not exceed \$10 million and principal business activity is not mining, manufacturing, wholesale trade, retail trade or information industries qualifies to use the cash method of accounting.
Qualifying widow(er) with dependent child	A filing status available to a surviving spouse for two tax years after the tax year of the decedent spouse's death. In the year of death, the spouses can still file a married filing jointly tax return.
Quid pro quo contribution	A payment a donor makes to a charity partly as a contribution and partly for goods or services.
QW	Qualifying widow(er) with dependent child
<h1>R</h1>	
Real estate investment trust	A corporation or an organization taxable as a corporation which invests principally in real estate and mortgages.
Real estate mortgage investment conduit	An entity holding a fixed pool of mortgages for the benefit of investors who hold interests in the entity.
Real estate professional	An individual who materially participates in a real estate activity and performs qualifying services in a real property trade or business.
Real estate tax	Any state, local, or foreign taxes on real property levied for the general public welfare, based on assessed value and charged uniformly against all property.
Real property	Any fixed property, principally land and buildings, including fixtures.
Real property trade or business	Any property development, redevelopment, construction, reconstruction, acquisition, conversion, rental, operation, management, leasing, or brokerage trade or business.
Realized gain or loss	An amount received less the adjusted basis of a property.
Reasonable basis	A test to determine whether ordinary business care and prudence were exercised.
Reasonable compensation	The amount of remuneration that is reasonable for an employee's position in a company.
Recapture	The recharacterization of gain from capital or ordinary for the portion of gain equal to depreciation taken in prior years.
Recharacterization	The treatment of a contribution as being made to another type of IRA instead of the IRA to which the contribution was initially made.

Glossary

Term	Definition
Recidivism	The act of an individual repeating an undesirable behavior after they has either experienced negative consequences of that behavior, or has been treated or trained to extinguish that behavior.
Reckless disclosure	The action of carelessly disclosing information without regard of the consequences.
Recognition period	A period of time when the disposition by an S corporation of an asset held while the entity was a C corporation results in built-in gain.
Recognized gain or loss	The gain or loss included in determining gross income.
Record reconstruction	A way to recreate to the best of the taxpayers ability, lost or damaged items.
Recordkeeping	The activity of organizing and storing all the documents, files, invoices, etc. relating to a company's activities.
Recourse debt	A debt backed by collateral from the borrower, where the creditor can collect the remainder of the debt if the collateral is insufficient to satisfy the debt.
Recoverable units	An amount of resources identified in a reserve that is technologically or economically feasible to extract.
Recovery period	The number of years over which a property's cost or other basis is recovered through depreciation or amortization.
Red flag	A warning signal or something demanding attention.
Reforestation expenses	Any expenditures to replant trees.
Refund statute expiration date	The date beyond which a tax refund will not be issued for a tax year.
Refundable credit	When the amount of a credit is greater than the tax owed, taxpayers can receive a "refund" for some of the unused credit.
REIT	Real Estate Investment Trust
REMIC	Real estate mortgage investment conduit
Related party rental	The action of renting below fair market value to family member (i.e., brother, sister, spouse, ancestor, or lineal descendent).
Relationship of parties	An agreement between two parties, how they each perceive the relationship, and how they represent the relationship to others.
Relationship or member of household test	A test to determine whether an individual is a qualifying relative.
Remainder interest	A right to receive property when a trust or estate terminates.

Glossary

Term	Definition
Remainder Beneficiary	An individual entitled to the remainder of an estate or trust after it terminates.
Rent	Any amount paid for the use of property an individual does not own.
Rental activity	Any activity that involving an owner or original lessor leasing out the exclusive right to use a property.
Rental allowance	An amount officially designated by a governing body provided to a duly ordained, commissioned or licensed minister to provide a home for the minister and their family. This is also known as a housing allowance or parsonage allowance.
Rental improvement	An improvement adding to the value of the property, prolonging its useful life, or adapting the property to new uses.
Rental income	Any payment received for the use or occupancy of property.
Repair	An expenditure keeping the property in good operating condition and does not materially add to the value of the property or substantially prolong its life.
Replacement cost method	A method for valuing bulk inventory that provides a good indication of the fair market value if inventory is readily replaceable in a wholesale or retail business.
Reportable transaction	Any transaction that is required to be reported to the IRS.
Repossession	The action of a creditor taking back possession of an item if the buyer defaults on an installment agreement.
Representative	An individual who represents a taxpayer before the IRS. These are generally attorneys, CPAs, and enrolled agents.
Required minimum distribution	The minimum amount required to be withdrawn from a retirement account annually, starting the year the individual turns age 70½.
Res	Latin term meaning “thing”
Resident alien	A foreign national living on an official basis in a country of which they are not a citizen.
Residential energy efficient property	A new qualified energy property installed on or in connection with an individual’s main home located in the U.S. owned and used as the individual’s principal residence. Items in this property include electric heat pump water heaters; electric heat pumps; central air conditioners; natural gas, propane, or oil water boilers or furnaces; and stoves that use biomass fuels.
Residual allocation method	A method of determining how the price paid for a business asset is accounted for.
Re-sourced income	Income that is otherwise U.S. source income sourced in a foreign country.

Glossary

Term	Definition
Responsible person	A individual or group of individuals who have a duty to perform and the power to direct the collecting, accounting, and paying of trust fund taxes.
Restoration	An improvement to a unit of property replacing a component that has been deducted, returns a property to its ordinarily efficient operating condition, or results in rebuilding a property to like-new condition.
Restricted property	A share of stock that has certain restrictions that affect its value.
Restricted stock award	A stock that is not fully transferable until certain conditions have been met.
Restricted stock units (RSU)	A right to receive stock after an employee has satisfied any vesting requirements. Holders of RSUs are not considered owners and do not have voting rights or receive dividends.
Retained Earnings	Business income that is not distributed to owners, partners, or members.
Retained interest	A partial ownership of property kept while transferring the rest of the ownership to another individual or entity.
Retirement age	The age at which an individual can receive full Social Security benefits with unlimited earnings.
Retirement benefits	Any benefits paid upon reaching retirement age.
Retirement plan	A plan that meets requirements of the Internal Revenue Code, eligible to receive certain tax benefits, and for the exclusive benefit of employees or their beneficiaries.
Retroactive	An event happening now that affects the past.
Return of capital	Any payments to shareholders, partners, or members of a business that up to their basis in the entity.
Return Preparer Office	A department of the IRS that is responsible for applications for enrollment, administrating commence testing and continuing education.
Returning client records	A ethical requirement under Circular 230, Section 10.28, stating that a practitioner must, at the request of a client, promptly return any and all records of the client necessary for the client to comply with their federal tax obligations.
Revenue procedure	Official statements of procedures that either affect the rights or duties of taxpayers or other individuals of the public, or should be a matter of public knowledge.
Revenue ruling	Revenue rulings are the published conclusions of the IRS concerning the application of tax law to a specific set of facts.
Reverse mortgage	A financial agreement in which a homeowner relinquishes equity in their home in exchange for regular payments, typically to supplement retirement income.

Glossary

Term	Definition
Reversionary interest	An interest that reverts back to the grantor of a trust once a beneficiary's interest has come to an end.
Revocable trust	An trust created by a written agreement or declaration during the life of an individual that can be changed or ended at any time during the individual's life.
RMD	Required Minimum Distribution
RPO	Return Preparer Office
Rollover	A transfer of funds from one account to another that is tax-free as long as the transfer occurs by the 60th day after the day of the distribution.
Rollover limit	An individual can make one tax-free rollover within each one-year period. The limit applies to the aggregate basis of all of the individual's IRAs, including SEP and SIMPLE IRAs as well as traditional and Roth IRAs.
Rotable spare parts	Materials and supplies acquired for installation on a unit of property, removable from that unit of property, generally repaired or improved, and either reinstalled on the same or other property or stored for later installation.
Roth 401(k)	A defined contribution plan where an employee can make contributions from their wages after-tax.
Roth IRA	An IRA that permits nondeductible contributions and normally results in nontaxable distributions.
Royalty	Any amounts paid for the right to use a creator's work over a specified period of time.
Royalty (oil and gas)	Any amounts paid to a landowner for the extraction of minerals.
Royalty interest	A landowner's income interest in the minerals extracted from their land.
RSU	Restricted Stock Unit
Rule Against Perpetuities	A legal concept designed to ensure that a trust or estate does not continue indefinitely.
<h1>S</h1>	
S corporation	A corporation making an S election under Subchapter S of Chapter 1.
S election	An elect to be taxed as an S corporation.
Safe harbor 401(k)	A 401(k) plan similar to a traditional plan, but the employer is required to make contributions for each employee. This plan eases administrative burdens on employers by eliminating some of the complex tax rules ordinarily applied to traditional 401(k) plans.

Glossary

Term	Definition
Safe harbor de Minimis method	A concept for the DPAD whereby if less than 5% of the taxpayers gross receipts are nondomestic production gross receipts, then all of the taxpayer's gross receipts may be treated as DPGR.
Sale	A transfer of property for money, property, or a mortgage, note, or other promise to pay money.
Sanction	A punishment by the IRS including, censure, suspension, or disbarment.
Saver's credit	A retirement savings contribution credit available to eligible individuals who make contributions to a qualified retirement plan or individual retirement arrangement.
Savings incentive match plan for employees	A retirement plan allowing employees of a small business to make elective contributions to retirement accounts. In addition, the employer can contribute matching or nonelective contributions.
Scholarship	An award of financial assistance for a student to further their education.
SE tax exemption	The ability of ministers to request that they be excused from SE tax because they are conscientiously opposed to public insurance, because of their religious beliefs, and has notified their church or order that they oppose public insurance.
Seasonal worker	A worker employed at certain seasons or periods of the year which are not continuous throughout the year.
Section 105 Plan	A plan allowing for reimbursement of medical expenses under an employer-sponsored health plan.
Section 1202 exclusion	An exclusion (sometimes in whole and sometimes in part) for gain in certain small business stock sales by taxpayers other than corporations.
Section 121 exclusion	An exclusion of gain from sale of principal residence.
Section 1231 property	Real or depreciable business property held for over a year.
Section 1244 stock	Stock that allows losses from the sale of shares of small, domestic corporations to be deducted as ordinary losses instead of as capital losses up to a maximum of \$50,000 for individual tax returns or \$100,000 for joint returns.
Section 1245 property	Tangible personal property, such as furniture and equipment, that is subject to depreciation, or intangible personal property, such as a patent or license, that is subject to amortization.
Section 1250 property	Depreciable real property, including leaseholds if they are subject to depreciation.
Section 1252 property	Farmland held less than 10 years, on which soil, water, or land-clearing expenses were deducted.

Glossary

Term	Definition
Section 1255 property	Certain cost sharing payments.
Section 1256 contracts	A regulated futures contract, foreign currency contract, non-equity option, dealer equity option or dealer securities futures contract.
Section 179 expense deduction	A deduction allowing businesses to deduct the full purchase price of qualifying equipment and/or software purchased or financed during the tax year.
Section 179 property	Allows a taxpayer to elect to deduct the cost of certain types of property on their income taxes as an expense, rather than requiring the cost of the property to be capitalized and depreciated.
Section 197 property	Intangible assets such as goodwill, going concern and intangibles acquired with the purchase of a business.
Section 280A	The section of the code that disallows taxpayers from taking a deduction for the expenses associated with a business that trades in controlled substances.
Section 351 transfer	Provides that no gain or loss shall be recognized if property is transferred to a corporation by one or more persons solely in exchange for stock in such corporation and immediately after the exchange such person or persons are in control of the corporation.
Section 481(a) adjustment	The adjustment generated when the taxpayer changes from an impermissible method of accounting to a permissible method of accounting.
Section 501(c)(3) organization	An organization exempt from federal income tax that is organized and operated exclusively for one or more of the following purposes: charitable, religious, educational, scientific, literary, testing for public safety, fostering sports competition, and prevention of cruelty to children or animals.
Section 530 Relief	A safe harbor provision preventing the IRS from retroactively reclassifying “independent contractors” as employees and subjecting the principal to federal employment taxes, penalties, and interest for such misclassification.
Section 663 election	An election to treat a distribution from a trust made during the first 65 days to be treated as being made on the last day of the previous year.
Section 72(t)(1) penalty	A penalty imposed on early distributions from a retirement account.
Section 754 election	An election by a partnership to adjust the basis of partnership property when property is distributed or when a partnership interest is transferred.
Section 83(b) election	An election to report income of a restricted stock award based on its value on the grant date.
Secured debt	A debt collateralized by property in which a lender repossess for full or partial satisfaction of the underlying loan.
Seizure	A process by which the IRS takes property to satisfy a tax debt.

Glossary

Term	Definition
Self-charged interest	Interest income the taxpayer receives from a business the taxpayer has an interest in.
Self-employed	An individual who carries on a trade or business as a sole proprietor, an independent contractor, a member of a partnership, or does not operate their own business through a corporation.
Self-employment income	Any net income from a trade or business plus the distributive share (whether or not distributed) of income or loss (to the extent a loss is not limited by the passive activity or at-risk rules) from any trade or business carried on by a partnership.
Self-employment tax	Similar to Social Security and Medicare taxes, this tax rate is 15.3 percent of self-employment profit. This tax is calculated on Schedule SE—Self-Employment Tax.
Self-insured health plan	An insurance plan where the employer assumes the direct risk for payment of the claims.
Self-only coverage	A HDHP covering only one individual.
Self-rental	The rental of property to a partnership or corporation of which the property owner is a partner or shareholder.
Sell-to-cover	An employer issuing the full amount of a vested restricted stock and the employee authorizes the employer to sell just enough shares to cover the withholding.
SEP	Simplified Employee Plan
Separate property	Any assets, in community property states, acquired before marriage or inherited or received as gifts during the marriage by only one spouse are considered owned only by the acquiring spouse .
Separately stated item	The beneficiary, partner, or shareholder’s distributive share of income and deductions from an estate, trust, partnership, or S corporation reported on a Schedule K.
Separation agreement	A contract stating the terms by which a business or marriage is dissolved.
Separation of liability relief	A type of relief for innocent spouses that involves calculating each spouse’s tax liability individually, and the taxpayer is only responsible for their own tax liability.
SEPP	Substantially Equal Periodic Payments
Service providers	An individual who do work for hire. These may be employees, statutory employees, statutory nonemployees, or independent contractors. The work may be in the form of a product made or a service performed.
Settlor	An individual who establishes a trust.
Severance damages	Any payment resulting from part of the property being condemned and the value of the part retained decreasing because of the condemnation.

Glossary

Term	Definition
Share farmer	An individual producing crops or raising livestock on land belonging to another individual who is paid from the crops, livestock, or proceeds from the sale of either.
Employer Shared responsibility payment	A penalty imposed on employers that do not provide affordable health coverage.
SHOP	Small business health options program
Short sale	The event of an individual selling borrowed property to another party.
Short sale (real estate)	Creditor allows a debtor to sell the property for a sales price that is less than the outstanding mortgage debt and accepts the sales proceeds in satisfaction of the debt.
Short tax year	A tax year less than 12 months. This can occur when an entity is not in existence for the entire tax year or when an entity changes its accounting period or form of organization.
Short-term Capital Gain or Loss	A gain or loss on sale of an asset held one year or less.
Short-year depreciation	Any depreciation for a tax year less than 12 months.
Signature authority	The ability a taxpayer has to control the disposition of the assets in the account by direct communication with the financial institution maintaining the account.
Significant participation activity	A trade or business activity in which an individual participated for more than 100 hours during the tax year but did not materially participate.
Silver level	A health insurance plan that covers 70% health care benefits.
SIMPLE	Savings incentive match plan for employees
Simple trust	A trust that must distribute all its income currently. This trust cannot accumulate income or pay money for charitable purposes, and does not distribute principal.
Simplified deduction method	A method of calculating DPAD by apportioning the deductions, other than COGS and the domestic production activities deduction, ratably between domestic production gross receipts and non-domestic production gross receipts based on relative gross receipts.
Simplified employee pension	A retirement plan allowing an employer to make contributions toward their own and their employees' retirement into individual IRAs.
Simplified home office deduction	A method of calculating an individual's business use of home. The deduction allows for \$5.00 per square foot with a maximum of 300 square feet.

Glossary

Term	Definition
Simplified method	The prescribed method for determining the tax-free part of each retirement payment determined by dividing the cost in the contract by the total number of anticipated payments.
Single	A tax filing status allowed if, on the last day of the year, the taxpayer is unmarried or legally separated from their spouse under a divorce or separate maintenance decree and does not qualify for another filing status.
Single life expectancy table	A table used by all account owners regardless of marital status or selected beneficiary.
Single purpose agricultural structure	Any building or enclosure specifically designed, constructed, and used to house, raise, and feed a particular type of livestock and its produce, or to house the equipment needed to house, raise, or feed the livestock.
Single purpose horticultural structure	A greenhouse specifically designed, constructed, and used for the commercial production of plants; or a structure specifically designed, constructed, and used for the commercial production of mushrooms.
Single-member LLC	An LLC with only one member generally not treated as a separate entity for federal income tax purposes.
Small business corporation	A domestic corporation having no more than 75 shareholders, only one class of stock, shareholders only consisting of individuals (not including nonresident aliens), estates, certain trusts and certain exempt organizations.
Small business health options program	A state program providing health insurance options for a small businesses.
Small business simplified overall method	A method of calculating DPAD by apportioning total costs, COGS and deductions, for the current year between domestic production gross receipts and nondomestic production gross receipts based on relative gross receipts.
Small employer health insurance tax credit	A tax credit available to eligible small employers for payments for health insurance.
Social security benefits	Any payments by the U.S. to supplement retirement income.
Social security credit	Credits for determining eligibility for Social Security benefits. Generally, 40 credits are needed to qualify for Social Security benefits.
Social security equivalent benefits	An equivalent of tier 1 railroad retirement benefits that are part of tier benefits a railroad employee or beneficiary would have been entitled to under the Social Security system.
Software developer	An individual who develops software for the purpose of formatting electronic return information and transmitting electronic tax information directly to the IRS.

Glossary

Term	Definition
Sole proprietorship	The simplest form of doing business. An unincorporated business owned by one individual. This business does not exist apart from the owner and the liabilities are the personal liabilities of the owner and the ownership interest ends with the proprietor's death.
Sourcing	The process of determining the country for allocating an item of income or deduction.
Special needs child	An individual under age 18, a U.S. citizen or resident, for whom the state determines the child cannot or should not be returned to their parent's home and probably will not be adopted unless assistance is provided.
Special power of appointment	A right only exercisable to a group of individuals defined in the trust instrument (for example, to the group comprised of the Trustor's issue) or in favor of someone other than the holder, the holder's estate, the holder's creditors, or the creditors of the holder's estate. The property subject to this appointment is not included in the holder's estate.
Special use valuation	An election to value property in an estate at its actual use value instead of its highest and best use value.
Specific accounting election	An election that can be made when a shareholder terminates their interest in an S corporation to treat the tax year as two separate tax years.
Specific bequest	A gift by will or trust of specific personal property or a specific amount of cash.
Specific charge-off method	A method in which an individual deducts specific business bad debts that become either partly or totally worthless during a tax year.
Specific identification method	A method used to identify the cost of each inventoried item by matching the item with its cost of acquisition. This includes all allocable costs such as labor and transportation.
Specified foreign financial asset	A foreign financial account maintained by a foreign financial institution (FFI) and foreign non-account assets held for investment such as foreign stock, securities, financial instruments, contracts with non-U.S. persons, and interests in foreign entities.
Specified health insurance policy	Any accident or health insurance policy issued with respect to individuals residing in the U.S.
Spendthrift clause	A provision in a trust limiting the ability of a beneficiary to transfer their beneficial interest.
Spousal benefits	Any Social Security benefits a spouse can apply for based off the other spouse's respective earnings.
Standard deduction	An amount subtracted from AGI to arrive at taxable income.

Glossary

Term	Definition
Standard meal allowance	An alternative to the actual cost method allowing the use of a set amount for daily meals and incidental expenses (M&IE) instead of keeping actual records.
Standard mileage rate	A rate used to determine the expense for business use of a vehicle based on the number of business miles driven.
Start-up costs	Any non-recurring costs associated with setting up a business, such as accountant's fees, legal fees, registration charges, as well as advertising, promotional activities, and employee training.
Statute of frauds	A law stating no lawsuit or action can be maintained on certain types of contracts or arrangements unless there is something in writing signed by a party (or a representative) being charged. This applies to contracts over a certain dollar amount, to transfers or agreements regarding real estate or contracts that may not be completed within a year.
Statute of limitations	A statute setting a period of restriction for examining a return or claiming a refund or credit.
Statutory employees	A class of employee permitted to deduct work-related expenses on Schedule C instead of Schedule A. These employees are usually salespeople or other employees who work on commission.
Statutory nonemployees	A class of employee treated as self-employed for all federal tax purposes, including income and employment taxes.
Statutory stock option	An option to acquire stock through the exercise of an incentive stock option or an option granted under an employee stock purchase plan.
Step-transaction doctrine	A doctrine stating a transaction involving a series of pre-arranged and inter-related steps, undertaken for tax purposes and lack economic substance, may be analyzed as a whole. The focus is on the end result and the intermediate steps within the transaction are ignored.
Stock basis	The
Stock dividend	A distribution of corporation stock as a dividend paid by the corporation.
Stock option	A benefit by a company to give an employee the option to buy stock in the company at a discount or at a stated fixed price.
Stock redemption	An action of a corporation which obtains its own outstanding stock back from a shareholder in exchange for cash or property.
Stock rights	A right to acquire a corporation's stock.
Straight debt	A category of investment interests including bonds. Investors loan money to the entity issuing the debt and the notes received may not be exchanged for any other type of asset.
Straight-line method	A method of depreciation where a depreciable basis is recovered evenly over the class life of an asset.

Glossary

Term	Definition
Strike price	A price fixed by the seller of a security after receiving bids in a tender offer, typically for a sale of bonds or a new stock market issue.
Student loan	A loan an individual took out solely to pay qualified higher education expenses.
Subcontractor	A business or individual that carries out work for a company as part of a larger project.
Subpoena	A writ ordering an individual to attend a court hearing.
Substantial authority	A standard for determining whether a position taken by a taxpayer is reasonable.
Substantial economic effect	A standard created to define the allocated income and expenses of a partnership.
Substantial presence test	The criteria for a foreign individual who is present in the U.S. for 183 days or more during a three year period including at least 31 days in the current year.
Substantial risk of forfeiture	A standard applied by the IRS to determine whether deferred compensation and transfers of property should be taxed currently to an individual.
Substantial understatement	An amount that determines the penalties for failure to pay a tax.
Substantially equal periodic payments	A plan allowing individuals who have invested in an IRA or another qualified retirement plan to withdraw funds prior to the age of 59½ and avoid income tax and early-withdrawal penalties.
Substitute for return	A tax filing created by the IRS for an individual in order to preliminarily calculate the tax due if a taxpayer fails to file a return.
Summons	A written document that legally compels an individual or a third party to meet with the IRS and provide information, documents, or testimony.
Supplemental needs trust	A trust formed for the benefit of a disabled individual, usually providing the available assets used for the benefit of the disabled individual, but the trustees are not to use trust assets to the extent the individual would otherwise receive governmental benefits such as Medicaid.
Supplemental wages	Any payments not considered regular wages, including but not limited to, bonuses, commissions, overtime pay, accumulated sick leave, severance pay, awards, prizes, back pay, retroactive pay increases for current employees, and payments for nondeductible moving expenses.
Support	For dependency test purposes, support includes food, clothing, shelter, education, medical and dental care, recreation, and transportation. It also includes welfare, food stamps, and housing provided by the state. Support includes all income, taxable and nontaxable.
Support test	A requirement to be treated as a qualified child or qualified relative.

Glossary

Term	Definition
Suspended loss	A capital loss that cannot be realized in a given tax year due to passive activity limitations.
T	
Tangible personal property	Any type of property that can generally be moved, touched, or felt. This includes furniture, clothing, jewelry, art, writings, or household goods.
Target corporation	A corporation whose stock is purchased by another corporation.
Tax attributes	Any tax characteristics of an individual such as the basis of assets, loss carryovers, and credits.
Tax avoidance	An action taken to lessen tax liability and maximize after-tax income.
Tax evasion	A willful attempt to evade or defeat a tax or its payment. Conviction under the felony tax evasion provision requires the commission of an affirmative act to evade tax, such as filing a false return. Tax evasion is a crime, tax avoidance is not.
Tax gap	A measurement of the amount of revenue the government loses due to noncompliance.
Tax home	The location an individual uses as a regular place of business or post of duty regardless of where they maintain a family home.
Tax liability	The amount of tax that must be paid. Taxpayers meet (or pay) their federal income tax liability through withholding, estimated tax payments, and payments made with the tax forms they file with the government.
Tax related identity theft	An event when an individual uses a stolen Social Security Number to file a tax return claiming a fraudulent refund, or using a stolen employer identification number to create false Forms W-2 to support fraud.
Tax return preparer	Any individual who prepares for compensation, or employs one or more individuals to prepare for compensation, all or a substantial portion of any tax return or claim for refund.
Tax shelter	A financial arrangement made to avoid or minimize taxes.
Tax treaty	An agreement entered in with the U.S. and another country to mitigate double taxation on the same income by two different countries.
Tax withholding	Any income tax withheld from employees' wages and paid directly to the government by the employer.
Tax year	An annual accounting period used for keeping records and reporting income and expenses. Most individuals use a calendar year, January 1 through December 31.
Taxable estate	The total value of a deceased individual's assets subject to taxation minus liabilities and minus the prescribed tax-deductible portion of assets left behind by the deceased.

Glossary

Term	Definition
Tax-exempt entity	An organization recognized by the IRS as meeting requirements for tax-exempt status.
Taxpayer Advocate Service	An organization who helps individuals that are unable to resolve their tax problems with another IRS department.
Taxpayer identification number	An identifying number used for tax purposes in the U.S.
Technical termination	A situation when 50% or more of the total interest in partnership capital and profits is sold or exchanged. Repealed after 2017.
Temporary assignment	A job position realistically expected to last one year or less.
Temporary difference	The difference between the carrying amount of an asset or liability in the balance sheet and its tax base.
Temporary spare parts	Materials and supplies acquired for temporarily until a new or repaired part can be installed and then removed and stored for later (emergency or temporary) installation.
Tenancy by the entirety	A type of ownership similar to joint tenants except ownership is restricted to married couples and each spouse is deemed to own 100%, rather than equal undivided interests.
Tenancy-in-common	A form of ownership where each tenant holds an undivided interest in property.
Tentative minimum tax	The total tax due under the alternative tax system.
Term interest	A life interest in property or an interest in property for a term of years.
Terminable interest	An interest in property ending upon the death of the holder or upon the occurrence of a specific event.
Territorial waters	Any waters under control by a sovereign nation within a certain distance from the shoreline.
Testamentary trust	A trust established in a will that becomes effective after an individual's death.
Testate	An individual dying with a will.
Testing period	A period of time ending on the last day of the next tax year, during which a taxpayer who used the last-day rule to calculate their contribution limit must be covered by an HDHP.
TFRP	Trust fund recovery penalty
Theft	The criminal appropriation of another's property with the intent to deprive the owner of it.

Glossary

Term	Definition
Third party correspondence	With certain exceptions, an IRS employee may not contact a third party (someone other than the taxpayer) for purposes of making a determination or for collecting a taxpayer's tax liability without prior notice to the taxpayer.
Tier 1 railroad retirement benefit	The Social Security equivalent benefit an individual would have receive under the railroad retirement provisions.
Tier 2 railroad retirement benefit	The qualified retirement plan equivalent benefit an individual would have receive under the railroad retirement provisions.
Time test	A requirement that a taxpayer deducting moving expenses must work for a certain amount of time after the move. This has been repealed for tax years after 2017 for most taxpayer.
TOD	Transfer on death.
Tolling	The temporary suspension of the statute of limitations.
Top-heavy plan	A plan where on the annual determination date, the total accounts of all key employees exceeds 60 percent of the total accounts of all employees.
Totalization agreement	An agreement entered into with certain countries to prevent individuals from paying Social Security taxes to multiple countries.
Trade or business	An activity carried on for a livelihood or in good faith to make a profit.
Traditional IRA	A retirement account for which contributions can be deducted if all of the requirements are satisfied. Generally the earnings are taxable when distributed.
Transaction cost	An amount paid to facilitate the acquisition of real or personal property if the amount is paid in the process of investigating or otherwise pursuing the acquisition.
Transfer on death	The designation letting beneficiaries receive assets at the time of an individual's death without going through probate.
Transferred basis property	Property acquired in a transaction, such as a merger, like-kind exchange under Section 1031 or involuntary conversion under Section 1033, where the basis of the acquired property transfers in tax-free.
Transportation expense	Any ordinary and necessary costs of an individual getting from one workplace to another when traveling within individual's city or general area that is individual's tax home; visiting clients or customers; going to a business meeting away from regular workplace; and getting from home to a temporary workplace when an individual has one or more regular places of work.
Transportation worker	An individual subject to the Department of Transportation's "hours of service" limits.
Travel expenses	Any ordinary and necessary expenses an individual incurs while traveling away from home for one's business, profession, or job.

Glossary

Term	Definition
Treasury regulations	The regulations that provide explanations, definitions, examples, and rules which explain the language of the IRS Code. The three classes of regulations are temporary, proposed, and final with all regulations written by the Office of the Chief Counsel, IRS, and are approved by the Secretary of the Treasury.
Truncated TIN	An identification number displaying only the last four digits of the individual's identifying number.
Trust	An arrangement whereby a fiduciary holds property for another person.
Trust fund recovery penalty	A penalty imposed by the IRS on businesses that fail to pay employment taxes as required by law.
Trust fund taxes	U.S. income and payroll taxes collected through deductions from the employee's wages.
Trustee	An individual or member of a board given control or powers of administration of property in trust with a legal obligation to administer it solely for the purposes specified.
Trustee-to-trustee transfer	A direct transfer of retirement plan assets by the trustee on one plan to the trustee of another plan.
Trustor	An individual who establishes a trust or life estate.
U	
U.S. citizen	An individual born in the U.S.; an individual born outside the U.S. or in certain U.S. possessions if at least one parent is a U.S. citizen at the time of birth; or an individual born in another country who has become a naturalized citizen in accordance with the Immigration and Naturalization Act.
U.S. possessions	A country under control of the United States government to which the United States has territorial rights.
Unconscionable fee	An unjust or extremely unfair legal fee.
Underreporter	An individual reporting less than the amount of income reported to the IRS.
Understatement	Less than expected or less than should have been.
Undistributed Earnings	Profit from a business that have not been distributed to the owners.
Unearned income	Any investment-type income including interest, dividends and capital gains. This income also includes unemployment compensation, taxable Social Security benefits, pensions, annuities, and distributions of unearned income from a trust.
Unemployment compensation	Any amount of payment from the government to an unemployed individual. This amount is taxable as unearned income.

Glossary

Term	Definition
Unenrolled tax return preparer	An individual preparing taxes without an EA, CPA, or attorney credential. These individuals have limited practice rights and may only represent taxpayers whose returns they prepared and signed and only at the initial audit level.
Unforeseen circumstances	The occurrence of an event an individual could not reasonably have anticipated before buying and occupying a main home.
Unified credit trust	A type of trust fund allowing married couples to reduce estate taxes by taking full advantage of state and federal estate tax exemptions.
Unified rate schedule	The schedule that is used to determine the amount of tax on taxable gifts.
Uniform lifetime table	A table used to calculate the required minimum distribution amounts of an individual.
Unincorporated	A business not possessing a separate legal identity from its owner(s).
Unit of property	A building and its structural components.
Unit-livestock-price method	A criteria for valuing livestock using a standard price for each animal within a group or class. The group or class is based on the type and age of the animal.
Unmarried	An individual who, at the end of the tax year, is not married or is legally separated from their spouse under a divorce or separate maintenance decree.
Unrealized receivable	Any accounts receivables that have not been included in income, however a right to this asset exists.
Unrecaptured Section 1250	A type of income that is realized on the sale of depreciable real estate. A gain is taxed at a maximum rate of 25%.
Unreimbursed employee expense	Any expenses incurred by an individual in the course of being an employee. After 2017, these are no longer deductible.
Unreimbursed partnership expense	An expense incurred by an individual that the partnership agreement states are the responsibility of the individual and are not reimbursed for by the partnership.
Unrelated business income	Any income from a trade or business, regularly carried on, is not substantially related to the charitable purposes, educational purposes, or to the purpose constituting the basis for the organization's exemption.
Unreported income	Any income not reported on a tax return.
Unsecured debt	Any debt not collateralized and always recourse.
UPE	Unreimbursed Partnership Expense.
Use consent	A consent by an individual allowing the tax return preparer to use their tax information.
Utilities	Gas, water, sewer, electric, and heat.

Glossary

Term	Definition
V	
Vacation home	A property other than the owner's primary residence used more than 14 days or 10% of the total days rented at fair rental value.
Vest	To give an immediate, fixed right of present or future enjoyment to an asset that cannot be taken away by any third party, even though one may not yet possess the asset.
Visa	An endorsement on a passport indicating the holder is allowed to enter, leave, or stay for a specified period of time in a country.
Voluntary Correction Program	An action to help health insurance plan sponsor to voluntarily correct operational failures as they occur with no IRS involvement and compliance fees.
W	
Wash sale	A transaction where an investor sells a losing security to claim a capital loss, only to repurchase it again for a bargain.
Worker	An individual doing an action for hire. These may be employees, statutory employees, statutory nonemployees, or independent contractors. The work may be in the form of a product made or a service performed.
Working capital	The capital of a business used in its day-to-day trading operations, calculated as the current assets minus the current liabilities.
Working condition fringe benefit	A benefit allowed for a taxpayer that is the value of property or services that an employee could deduct as a trade or business, or depreciation expense if paid for by that employee.
Working interest (oil and gas)	An interest in operations to extract minerals which bears the burden and risk of developing and operating the property.
Work-related expenses	Any expenses incurred to enable an individual to be gainfully employed, and are paid for household services or for the care of one or more qualifying individuals.
Worldwide income	Any income from all sources inside and outside the U.S. regardless if a tax reporting form is received.
Worthlessness	A debt that no longer has any chance the amount owed will be paid.
Wrongful disclosure or use	The action, without an individual's consent, of disclosing any information furnished by the individual or use of such information for any purpose other than to prepare or assist in preparing an individual's return.
Wrongful levy	A taking of property by the IRS which is ultimately found to not be correct.