

CTEC Curriculum Guidelines for – Approved 60-hour qualifying education tax courses (Annotated Guidelines)

Background: Section 22255 of the California Business & Professions Code requires CTEC to issue a "certificate of completion" to the tax preparer who has completed no less than 60-hours of instruction in basic personal income tax law, theory, and practice by an approved curriculum provider within the previous 18 months. To become an approved provider of any 60-hour qualifying course, the provider must meet CTEC established guidelines. **The course must include a minimum of 45 hours of Federal tax subjects, of which 2 hours is Ethics, and 15 hours of California State Instruction. Each course is evaluated to ensure that it adequately covers the following subjects. Providers must: (1) Indicate page(s) on which "required" and "awareness" topics are covered in the course materials; (2) Time devoted to each topic; and, (3) Identify final exam questions that test the "required" and "awareness" topics as required by CP13(m).**

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I. General Filing Issues				
A. Ethics				
1. General Ethics and compliance Subjects	R			
2. EITC, CTC, AOTC Due Diligence	R			
3. HOH – Due Diligence Extended to HOH – Sec 6695(g)(1) TCJA sec 11001(b) Due Diligence extended to HOH	R			
4. Preparer penalties				
a. Understatement (Negligence) – Sec 6694(a)	A			
b. Intentional disregard of rules – Sec 6694(b)	A			
B. Who must file a return? Modified by TCJA Sec 11041 suspension of exemptions	R			
C. Which form should be used?				
1. Various Taxes				
a. Income Taxes	A			
b. Gift and Estate	O			
c. Sales Taxes – Local	O			
d. Property Taxes				
1. Real estate – County assesses	A			
2. Personal property – such as DMV licenses	A			
e. Luxury (excise) tax	O			
f. Social Security on the self-employed	A			

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	g.	Employment taxes				
	1.	SUI	O			
	2.	SDI	R			
	3.	FICA – employee and employer	A			
	2.	Various Forms	R			
	D.	Special tax provisions and penalty taxes	A			
	1.	Alternative minimum taxes – Sec 55-59 TCJA modifications	A			
	2.	Early withdrawal from pension or IRA – Sec 71	R			
	3.	Penalty for improper investment or excess contribution to a pension plan or IRA	O			
	4.	Excess Accumulation Penalty (RMD) and waiver procedures	A			
	E.	When are returns due?	R			
	F.	Where are returns to be filed and payments made?	R			
	G.	Miscellaneous filing issues				
	1.	Accounting methods – general with TCJA Modifications	A			
	2.	Accounting periods – general	A			
	3.	Balance due returns versus refund returns	A			
	4.	Electronic filing	A			
	5.	Kiddie tax calculations TCJA provisions	A			
	H.	Return assembly and processing	A			
	I.	Correcting mistakes – amended returns and claims for refunds	R			

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J. Penalties				
1. Delinquency – 5% per month – Sec. 6651(a)(1)	A			
2. Failure to pay – ½% or ¼% (post 1999)	A			
3. Negligence or intentional disregard – Sec. 6651(a)(1)	A			
4. Substantial understatement – Sec. 6622(b)(2)	A			
K. Interest on overpayment and underpayment of taxes	A			
L. Filing Responsibilities				
1. Preparer Identification Number (PTIN)	A			
2. Retention of records of returns prepared	A			
M. Amended Returns – what form and when to file	A			
II. Filing Status				
A. Five Types	R			
B. Requirements of each	R			
C. Special situation				
1. Abandoned spouse	R			
2. Divorce & Separation	R			
3. Decedent issues	R			
4. Married to non –resident alien				
III. Exemptions Suspended 2018-2025 – TCJA Sec 11041				
A. Taxpayer related – husband and wife	A			

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B. Dependency related				
1. Requirements				
a. Qualifying Child or Qualifying Relative Tests	A			
b. Taxpayer Not a Dependent Test	A			
c. Joint Return Test	A			
d. Citizenship Test	A			
2. Special Cases				
a. Multiple support agreements	A			
b. Children of divorce parents	A			
3. Tie-breaker Rules	A			
C. Exemption AGI phase-out – Suspended with exemptions 2018-2025	A			
IV. Tax Payment Issues				
A. Tax withholding				
1. W-4's				
a. Preparation	R			
b. Exemption W-4E	R			
2. W-2 Issues	R			

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3. Miscellaneous withholding issues				
a. Tips	A			
b. Pension and annuity withholding	O			
c. Gambling withholding	O			
d. “Backup withholding”	O			
e. Various forms 1099	A			
f. Dependent care benefits	A			
B. Estimate Tax				
1. Requirements to pay	R			
2. Penalty for underpayment	R			
3. Exceptions to penalty – reasonable cause and safe harbor	R			
C. Payment by Credit	R			
V. Income				
A. Wages, salaries, tips, bonuses, fringe benefits, frees, unemployment benefits and other compensation	R			
1. Taxable types of – see list in A above	R			
2. Non-taxable sources of compensation				
a. Pension and annuity exclusion rule	A			
b. Amounts received for the services of a child are taxable to the child	O			
c. Group term life insurance provided by employer	A			
d. Qualifying moving expenses reimbursement from employer – Suspended 2018-2025	A			
e. Qualified stock options	O			

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f. Compensation for sickness or injury				
1. Sick pay and medical expense reimbursement	R			
2. Medical insurance premiums paid by employer	R			
3. Disability insurance premiums paid by employer	R			
4. Worker compensation	R			
g. Special rule for clergy	A			
h. Certain meals and lodging provided by employer	A			
i. Cafeteria employee benefit plans (briefly what type of coverage they are)	A			
j. Educational assistance program provided by an employer	A			
k. Dependent (child) care assistance from employer, nursery, or baby-sitting	A			
l. Certain employee fringe benefits				
1. Working condition fringe such as company car	A			
2. Employee purchase discounts	A			
3. No additional cost fringe such as free travel for airline employees	A			
4. Transportation fringes such as free parking, van pool and bus pass	A			
5. De minimis fringes such as company party or free coffee	A			
3. Community Property issues (MFS)	R			
B. Interest Income				
1. Taxable types such as savings accounts, Treasury bonds, interest from loans made to others, etc.	R			
2. Nontaxable types – Municipal bonds	R			

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	3. When to report interest				
	a. Cash method & constructive receipt Cash method expanded under TCJA for inventory businesses	A			
	b. Bonds issued at a discount	A			
	4. How to report interest on the return – Form 1040, 1040A, 1040EZ Interest over \$1,500 FBAR & Trust Boxes	R			
	C. Dividends				
	1. Fully taxable ordinary income distributions	R			
	2. Capital gain distributions	R			
	3. Nontaxable distributions	R			
	4. Other distributions such as for a mutual fund	R			
	5. How to report dividends on the return	R			
	D. 1099 Income and Social Security benefits	R			
	E. Rental income and expenses	A			
	1. Income				
	a. Advance rent	A			
	b. Deposits	A			
	c. Payment of expenses by tenant	A			

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2. Expenses				
a. Repairs and maintenance	A			
b. Travel and transportation and record keeping requirements	A			
c. Depreciation	A			
3. Vacation rental rules	A			
F. Schedule C – Self-employment trade or business				
1. Gross receipts	R			
2. Cost of goods sold calculation and inventory considerations	R			
3. Business expenses				
a. Requirements to be met for the common expenses	R			
b. Special requirements for:				
1. Use of home as an office or for storage, etc.	R			
2. Record keeping for business auto use, home computers, cellular telephones, etc.	R			
3. Travel	R			
4. Entertainment – TCJA restrictions	R			
5. Health insurance premiums	R			
c. Section 199A Deduction - TCJA	R			
d. Cost recovery – TCJA – Sec 168(k), 179, 280F	R			
4. Self-employment tax issues				
a. When to pay	R			
b. How to calculate	R			

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G. Farm income – Schedule F – basics	O			
H. Hobby Rules	A			
I. Passive activity rules	R			
J. Miscellaneous income sources and issues				
1. Royalties	O			
2. Bartering	A			
3. Paying back items previously taxes	O			
4. Recoveries of items previous deducted such as state tax refunds	R			
5. Income from partnerships, trust, estates, and, S corps, K-1 issues	O			
6. Independent contractor versus employee issues				
a. Nature of the issue (criteria to determine)	A			
b. What forms to use if employee gets a Form 1099 instead of a Form W-2	A			
VI. Exclusions – other than work related (see V. a. ii above)				
A. Sale of residence exclusion (see VII.C.1 below)	R			
B. Scholarships and fellowships	A			
C. Certain debt discharges such as bankruptcy – TCJA student loan discharge expansion	A			
D. Gifts and inheritance	A			
E. Miscellaneous nontaxable items such as veterans benefits and child support payment sand welfare benefits	R			
VII. Divorce and Property Settlement Issues				
A. Alimony paid to spouses or former spouse – TCJA repeal – Pre & Post TCJA	A			

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B. Property settlement	A			
C. Child support payments	A			
VIII. Gains and Losses – sale or other dispositions of property				
A. Calculating the sale price	A			
B. Determining the adjusted basis	A			
1. Original basis such as cost	A			
2. Gifts and inheritance	A			
3. Adjustments to basis for such things as depreciation and additions and carryover basis issues	A			
C. Non-taxable transactions				
1. Sale of residence exclusion (see VI. A. above)	R			
2. Like-kind exchanges TCJA – no personal property – Real Property only	O			
3. Casualties and other involuntary conversions	O			
4. Corporate stock for stock transactions (Basic rules)	O			
D. Installment sales rules	A			
E. Capital gains and losses				
1. Capital asset defined TCJA – self produces property list expanded – not a capital asset	R			
2. Holding period requirements				
a. General – 12 months	R			
3. Recapture of depreciation taxed at 25%	O			
4. Sale of collectibles	O			

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	5. Schedule D – computation rules reviewed	R			
	a. Capital gain distribution only				
IX. Adjustments to Income					
	A. Individual Retirement Accounts (IRA's)				
	1. Regular IRA	R			
	2. Roth IRA (qualification conversion and theory) TCJA Re-characterization rules limited	R			
	3. Coverdale Account	O			
	4. Spousal IRA	R			
	5. Simple IRA	A			
	B. Contributions to self-employment plan, such as SEP	O			
	C. Alimony paid to spouse or former spouse – TCJA repeal – Pre & Post TCJA Decrees	A			
	D. Reimbursed employee business expenses – TCJA suspension of Misc itemized deductions	A			
	E. Moving expenses – TCJA suspension	A			
	F. Interest on student loans	R			
	G. Miscellaneous				
	1. Penalty for premature withdrawal from savings account	O			
	2. Jury pay turned over the employer	O			
	3. Repayments of amounts previously taxes	O			

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X. Itemized Deductions				
A. Standard Deduction				
1. General Rule – TCJA modifications	R			
2. Taxpayer claimed as a dependent by another	R			
3. Special rule for those married filing separately	R			
B. Itemized Deductions TCJA modifies & / Or suspends – coverage critical				
1. Medical expenses	R			
2. Taxes	R			
3. Investment interest expense to the extent of net investment income	R			
4. Home mortgage interest	R			
5. Charitable contributions	R			
6. Casualty losses	R			
7. Miscellaneous itemized – Tier 1 – no 2% limit				
a. Deduction for estate tax re IRD Sec 691(c)	R			
b. Other deductions in respect of a decedent	R			
c. Amortization of Bond Premium	R			
d. Gambling losses	R			
e. Claim of right – Sec 1341 more than \$3,000	R			
f. Impairment – related work expenses	R			
g. Unrecovered investment in annuity or pension	R			

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	h. Unrecovered investment in annuity or pension	R			
XI. Credits					
	A. Child tax credit for children under 17 TCJA special rules & added family members	R			
	B. Child care and disabled dependent care credit	R			
	C. Credit for the elderly and disable	O			
	D. Foreign tax credit	O			
	E. Earned income credit (non-earned income & compliance) JCTA modifications – EIN, Due Diligence, some income illuminated	R			
	F. Off road use of fuels credits	O			
	G. Overpayment of FICA credit	R			
	H. Education credits				
	1. American Opportunity Credit	R			
	2. Lifetime learning credit	R			
	3. Recapture of education credits	A			
	I. Adoption credit	A			
	J. Mortgage interest credit	A			

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XII.State of California Concerns (can be integrated into the material covering each topic) – See https://www.ftb.ca.gov/law/legis/Federal-Tax-changes/CAPreliminaryReport3Provisions-Revise.pdf .				
A. Residency requirements				
1. 9 month & 6 month rule	R			
2. Out of state under employment contract	R			
3. Factors for determining residency	R			
B. Filing Requirements				
1. Gross Income & CA AGI				
a. Gross profit & Gross receipts (business, rental & Stock sales)	R			
2. Business Licenses	A			
3. Moves out of state	R			
C. Community Property				
1. When the law of community property begins & ends	R			
2. Income subject to the law of community property	R			
3. Commingled property	R			
4. Effectiveness of pre-nuptial agreement	R			
5. Application to Registered Domestic Partners	R			
D. Filing Status Differences Between State and Federal				
1. Registered Domestic Partners	R			
2. Military Spouse Issues	A			

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3. Nonresident spouse with no California source income	A			
4. Common law marriages	A			
E. Standard Deduction	R			
F. Personal exemption credit	R			
G. Dependents				
1. Filing Requirements	R			
2. Kiddie Tax non-conformity	A			
3. FTB Form 3800 & filing requirements	A			
H. California adjustments – Conformity issues				
1. Unemployment benefits	R			
2. California lottery winnings	R			
3. Interest on US Govt Securities	R			
4. California municipal bond earnings	R			
5. California state income tax refund	R			
6. Social security income	R			
7. Railroad retirement tiers I & II	A			
8. Mortgage interest credit – CA does not have	A			
I. Itemized deductions				
1. Itemizing on federal, not California	R			
2. Investment interest adjustments	O			
3. State withholding taxes	R			

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	4. Prior year state balance due	R			
	5. Miscellaneous itemized – Tier 2 – 2% limit				
	a. Employee business expenses	R			
	b. Tax Preparation fees	R			
	c. Claim of right – Sec 1341 \$3,000 or less	R			
	d. Legal fees – Sec 212(1), (2), & (3)	R			
	e. Investment expenses	R			
	6. Itemized deduction phase-out – limit and itemized deductions – TCJA suspension	R			
	J. Other conformity issues				
	1. Health Savings Accounts	A			
	2. AMT				
	a. Tax Rates	A			
	b. Exemption for small business	A			
	3. California qualified stock options	O			
	4. Employer provided transportation benefits – CA differences	A			
	5. Expenses				
	a. Entertainment expenses (club dues)	R			
	b. Expense disallowance for substandard housing	A			
	c. Family support payments	R			
	6. Losses				
	a. Net operating losses	O			

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	b. Casualty & theft losses	A			
	c. Family support payments	R			
	K. IRA differences				
	1. Differences in basis	R			
	2. Difference in phase out (starting in 2007)	R			
	L. Sales and exchanges				
	1. Capital gains tax rate	R			
	2. Withholding on sales of real property	R			
	3. Carryover of unused losses	R			
	M. Credits				
	1. Joint custody Head of Household	R			
	2. Credit for employer child & dependent care expenses	A			
	3. Child & Dependent Care Expenses credit	R			
	4. Qualified senior head of household	O			
	5. Land conservatism credit	O			
	6. Excess state disability insurance	R			
	7. Adoption credit	A			
	8. Credit for taxes paid to other states	A			
	9. Renters credit	R			
	10. Other miscellaneous credits	O			
	N. Estimated taxes				

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	1. Percentage of current year & prior year as base for estimated payment	A			
	O. Penalties				
	1. Demand penalty	A			
	2. Late filing & payment penalties	R			
	P. Statute of Limitations				
	1. Automatic	O			
	2. Statue on assessment of refunds	A			
	3. Statue on final federal determinations	O			
	Q. Non-resident issues				
	1. Sourcing payments for:				
	a. Covenant not to compete	O			
	b. Stock options	O			
	c. Pensions (moving into and out of state)	R			
	d. Installment sales	O			
	e. Like kind exchanges	O			
	f. Income from a trade or business	R			
	2. Sourcing deductions for nonresidents				
	a. Alimony deduction	O			
	b. Net operating losses	O			
	c. Passive activity losses	O			
	d. Part year resident	R			

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	3. Service members				
	a. Non-California domicile stationed in California	R			
	b. California domiciled stationed outside state	R			
	R. Signature requirements				
	1. Power of attorney procedures	A			
XIII. Special Topics					
	A. Sales and use tax collection – internet transactions taxable to California	R			
	B. Independent contractor issues				
	1. EDD common law test	O			
	2. No section 530 relief like federal	O			
	3. Unique statutory employees and no-employees	O			
	4. Independent Contractor Reporting Requirements	O			
	C. Voluntary contributions to various funds	R			
	D. SDI & VPDI issues – what it is, over withholding etc.	R			
	E. California depreciation rules				
	1. When a form 3885A is and is not required	A			
	2. Changing depreciation methods	O			
	3. MACRS differences	A			
	4. ACRS sometimes shows up on state but not on federal	A			
	F. ACA and CAP & Repair				
	1. All applicable Forms	R			

**CP23A SUPPLEMENT
TAX CUT & JOBS ACT
TOPICS TO BE INCLUDED IN QE COURSES
HR – 1, PL 115-466
(12/22/2017)**

<https://docs.house.gov/billsthisweek/20171218/CRPT-115HRPT-466.pdf>

A. Individual Provisions

R 1. Tax Rates & Schedules (IRC sec.1001 House bill, IRC sec.11001 Senate amendment & IRC sec.1(f),(h),(i),&(j))

R 2. Increase in standard deduction (IRC sec.1002 House bill, IRC sec.11021 - 2018-25 (Senate amendment, & IRC sec.63(c)(4) & (7))

R 3. Personal exemptions suspended - 2018-25 (IRC sec.1003 House bill, IRC sec(s) 11041 Senate amendment, & IRC sec.151(d)(4) & (5))

B. Business

R 4. Pass-through qualified business income deduction – 2018-25 (IRC sec.1004 House bill, IRC sec.11011 Senate amendment, & Code IRC sec.199A)

C. Family & Individual Credits

R 5. Child tax credit enhanced & **new expanded family credit** – 2018-25 (IRC sec.1101 House bill, IRC sec.11022 Senate amendment, & IRC sec. 24(h))

O 7. Education savings rule modifications (IRC sec.1202 House bill, sec. 11025, 11032 Senate amendment, & IRC secs. 529(c)(3)(C)(i) & (e)(3)(A)

A 8. Student loan discharge reforms (sec.1203 House bill, sec. 11031 Senate amendment, & IRC sec.108(f)(5))

O 9. Rollovers from sec 529 to ABLE programs (sec(s) 1205 House bill, sec.11025 Senate amendment & IRC 529A(b)(2)(B) & (b)(7))

R 11. Itemized deductions overall limitation suspended -2018-25 (sec.1301 House bill, sec(s) 11046 Senate amendment, & IRC sec.68(b) & (f))

D. Deductions & Exclusions

R 12. Home mortgage interest Modification – 2018-2025 (sec.1302 House bill, sec 11043 Senate amendment, & IRC sec. 163(h)(3)(F))

R 13. SALT deduction limit (taxes) – 2018-25 (sec. 1303 House bill, sec.11042 Senate amendment, & IRC sec.164(b)(6))

R 14. Casualty & theft losses repeal – 2018-25 (sec.1304 House bill, sec.11044 Senate amendment, & IRC sec.165(h)(5))

R 15. Gambling gains and losses-2018-25 (sec.1305 House bill, sec.11051 Senate amendment, & IRC sec.165(d))

R 16. Charitable contributions-Misc (sec.1306 House bill, secs. 11023, 13703, & 13704 Senate amendment, & IRC sec.170(b)(1)(G))

R 17. Miscellaneous Itemized Deductions Repeal -(secs.1307 & 1312 House bill, sec.11045 Senate amendment, & IRC secs. 62, 67 & 212)

R 18. Medical expense - 7.5%- 2018-25 (sec.1308 House bill, sec.11028 of the Senate amendment & IRC sec. 213(f))

R 19. Alimony – no deduction, no income – repealed post 2018-(sec.1309 House bill & IRC secs. 61(a)(8), 71 (stricken), & 215 (stricken))

R 20. Moving expense suspended - 2018-25 (sec.1310 House bill, sec.11050 of the Senate amendment, &IRC sec. 217)

R 22. Moving expense reimbursement exclusion suspended-2018-25 (sec.1405 House bill, sec. 11049 Senate amendment, & IRC sec.132(g))

O 21. Bicycle commuting fringe suspended – 2018-25 (sec.11048 Senate amendment & IRC secs. 132(f)(8))

A 23. IRA Recharacterization rule, (sec.1501 House bill, sec.13611 Senate amendment, & IRC sec.408A(d)(6)(B)(iii))

A 24. Alternative Minimum Tax exemption & phase-out threshold increased (sec.2001 House bill, sec.12001 Senate amendment, & IRC secs. 53 & 55(b)(1) & 55(d)(4, 56(b)(1)(B), & 59(a)(1)(C))

R 25. ACA Mandate repealed (sec.11081 Senate amendment & IRC sec.5000A(c)(2)(B)(iii))

E. Cost Recovery

R 26. 100% expensing (sec.3101 House bill, secs. 13201 & 13311 Senate amendment, & IRC sec.168(k)(1)(6))

R 27. Luxury automobiles limit increased (sec.13202 Senate amendment & IRC sec.280F(a)(2)(A)(i)-(iv))

R 28. Computers no longer listed property (sec.13202 Senate amendment & IRC sec. 280F(d)(4)(A)(iv))

R 29. Section 179 expensing limit increased (sec.3201 House bill, sec.13101 Senate amendment, & IRC sec.179(b))

F. Miscellaneous

A 30. Net operating loss modifications (sec. 3302 House bill, sec. 13302 Senate amendment & IRC sec.172(a) & (b))

A 31. Like-kind exchanges limited to real property (sec. 3303 House bill, & sec.13303 Senate amendment, & IRC sec.1031(a)(1) & (2))

A 32. Entertainment expenses (sec. 3307 House bill, sec.13304 Senate Amendment, & IRC sec. 274(a), (d), (n), & (o).

O 33. Self-created property Rules - not treated as a capital asset list expanded to include patents, inventions, (sec. 3311 House bill & IRC sec. 1221(a)(3))

Provisions extended one year by Bipartisan Budget Act (P.L. 115-123)
(The following were to expire 12/31/17)

1. Above-The-Line Tuition Deduction
2. Mortgage Insurance Premiums
3. Principal Residence Acquisition Debt Forgiveness Exclusion
4. Credit For Nonbusiness Energy Property
5. Credit for 2-wheeled Plug-in Electric Vehicles
6. Credit for Energy-efficient New Homes
7. Extension and Phase-out of Energy Credit

State of California update:

The TCJA will have considerable impact on California's tax system. The FTB is required, by RT&C section 19522, to submit to the California Legislature, and make available to the public, a report on all changes to the Internal Revenue Code (IRC) enacted into law in the prior year. FTB Report is due April 20, (120 days, from the enactment of the changes to the IRC).

The FTB issued an original and a revised "Preliminary Report On Specific Provisions Of The Federal Tax Cuts And Jobs Act" The original report was dated Feb 12, 2018 and the revised report was dated March 20, 2018.

For copy of the March 26 report see: <https://www.ftb.ca.gov/law/legis/Federal-Tax-changes/CAPreliminaryReport3Provisions-Revise.pdf>.

The April 20 report (not out as of April 28) will cover Non-Conformity issues such as the limitation on the deduction for State and Local Taxes per certain IRC Sections and the repatriation of some foreign earned income per certain IRC Sections.

The April 20th report will be made available on their FTB website, www.ftb.ca.gov.