

Gleim EA Review
Updates to Part 2
 2025 Edition, 1st Printing
 February 2026

NOTE: Sections with changes are indicated by a vertical bar in the left margin. Text that should be deleted is displayed with a line through it. New text is shown with blue underlined font.

Study Unit 2 – Income and Farms

Pages 58 and 59, Questions 12 and 14: This update corrects the installment dates.

12. Dan, a calendar-year taxpayer, has the following amounts of gross income for 2024:

Wages	\$ 10,000
Interest	2,000
Farm income	200,000

Dan has tax, including self-employment tax, of \$20,000, and withholding of \$1,000. To avoid any filing or estimated tax penalties, Dan must

- A. File an estimated tax payment by January 15, 2025, and pay 60% of the tax due.
- B. File his tax return and pay all tax due by March 43, 2025.
- C. File an estimated tax payment by March 43, 2025, and pay 66 2/3% of the tax due.
- D. File his tax return and pay all tax due by April 15, 2025.

✓ **Answer (B) is correct.**

Discussion: Dan is a qualified farmer because at least two-thirds of his gross income for 2024 was from farming (Publication 225). A qualified farmer has two filing options. The first option is to make a required payment by January 15 and file Form 1040 by April 15. The second option is to file Form 1040 and pay all tax due by March 43.

14. Bobby Rice is an unincorporated grain farmer in Louisiana with a calendar year end. Bobby does not live or farm in a disaster area. Bobby computed an estimated tax liability of \$25,000 for 2024. To avoid the failure to pay estimated tax penalty, Bobby should

- A. Make his first 2024 estimated tax payment by March 43, 2025.
- B. Pay all his 2024 estimated taxes by February 15, 2025, and file his tax return by April 15, 2025.
- C. Include any alternative minimum tax he expects to owe in his calculation of 2024 estimated taxes.
- D. Pay all of his 2024 estimated taxes by the due date of his return.

✓ **Answer (C) is correct.**

Discussion: If a taxpayer qualifies as a farmer by receiving at least two-thirds of the total gross income from farming in the current year or the preceding tax year, the taxpayer shall pay all estimated taxes by January 15 and then file the 1040 return and pay any additional taxes by April 15, or the required annual payment is two-thirds of the current year's tax or 100% of the previous year's tax. Alternatively, the taxpayer shall file the 1040 return and pay all taxes due by March 43. In addition, the alternative minimum tax that the taxpayer expects to owe should be included in the calculation of the estimated tax owed.

Study Unit 3 – Rental Property and Loss Limitations

Page 72, Subunit 3.3: This update adds additional exclusions from MAGI.

- The \$25,000 limit is reduced by 50% of the person's [modified adjusted gross income \(MAGI\)](#) [i.e., ~~AGI without regard to PAs, Social Security benefits, and qualified retirement contributions (e.g., IRAs)~~] over \$100,000.
 - [MAGI for this limitation is equal to AGI without regard to the following:](#)
 - ▶ [Passive activity loss](#)
 - ▶ [Real estate professionals rental loss](#)
 - ▶ [Taxable Social Security benefits](#)
 - ▶ [IRA contribution deduction](#)
 - ▶ [Self-employment tax deduction](#)
 - ▶ [Student loan interest deduction](#)
 - ▶ [Foreign-derived intangible income and GILTI deduction](#)
 - ▶ [Interest from bonds used for education \(Series EE, I\) exclusion](#)
 - ▶ [Adoption assistance exclusion](#)

Study Unit 7 – Depreciation

Page 174, Subunit 7.1: This edit corrects the equation for the 200% declining balance method.

$$AB \times (150\% \div \text{Useful life})$$

Page 183, Subunit 7.3: This edit removes professional sports franchises from the list of examples excluded from intangible amortization.

- The following are excluded from intangible amortization treatment:
 - Interests in corporations, partnerships, trusts, and estates
 - Interests in land
 - Most financial instruments and contracts
 - Leases of intangible personal property
 - ~~Professional sports franchises~~

Study Unit 14 – Corporate Income, Losses, and Deductions

Page 345, Subunit 14.1, Example 14-2: This edit corrects a mathematical error.

Example 14-2 -- Continued

Income Statement for Current Year	Book Income	(T)emporary or (P)ermanent Differences	Book-to-Tax Differences		Taxable Income
			(DR)	CR	
Sales revenue	\$500,000,000				\$500,000,000
Cost of goods sold	(410,000,000)				(410,000,000)
Gross profit	<u>\$ 90,000,000</u>				<u>\$ 90,000,000</u>
Other income:					
Interest income	\$ 40,000	P	[2]\$ (24,000)		\$ 16,000
Dividend income	48,000				48,000
Rent income	0	T		[3]\$200,000	200,000
Capital gains (losses)	(23,000)	T		[4] 23,000	0
Gross income	<u>\$ 90,065,000</u>				<u>\$ 90,264,000</u>
Expenses:					
Salaries and wages	\$ (21,000,000)				\$ (21,000,000)
Insurance	(900,000)				(900,000)
Licenses and permits	(250,000)				(250,000)
Credit loss expense	(170,000)	T		[5] 60,000	(110,000)
Communications	(1,400,000)				(1,400,000)
Information systems expenses	(1,600,000)				(1,600,000)
Depreciation	(10,000,000)	T	[6](10,000,000)		(20,000,000)
Advertising	(2,500,000)				(2,500,000)
Building security expenses	(850,000)				(850,000)
Meals	(200,500)	P		[7] 100,250	(100,250)
Life insurance premiums	(89,000)	P		[8] 19,000	(70,000)
Other expenses	(98,000)				(98,000)
Total expenses before NOL and DRD	<u>\$ (39,057,500)</u>				<u>\$ (48,878,250)</u>
Income before NOL and DRD	<u>\$ 51,007,500</u>				<u>*\$ 41,385,750</u>
NOL carry forward from prior year	0	T	[9](12,040,000)		** (12,040,000)
Dividends-received deduction	0	P	[10] (24,000)		*** (24,000)
Book/taxable income	[11] <u>\$ 51,007,500</u>		<u>\$ (22,064,000)</u>	<u>\$402,250</u>	<u>\$ 29,321,750</u>
			<u>22,088,000</u>		
Tax rate					× 21%
					Current income tax payable ****\$ <u>6,157,568</u>

*Sch. M-1 line 10; Form 1120 p.1, line 28

**Form 1120 p.1, line 29a

***Form 1120 p.1, line 29b

****Form 1120 p.1, line 30

Page 351, Subunit 14.2: This edit corrects the table for amounts deductible by percentage.

% Ownership Deductible	% of Dividends of Recipient Deductible	Limit: % of TI of Recipient
< 20%	50%	50%
≥ 20%, < 80%	65%	65%
≥ 80% & affiliated	100%	N/A

Study Unit 19 – Retirement Plans for Small Businesses

Page 492, Subunit 19.4: This update adds missing information.

8. An officer, director (or an individual having powers or responsibilities similar to those of officers or directors), a 10% or more shareholder, or highly compensated employee (earning 10% or more of the yearly wages of an employer) of a person described in 3., 4., 5., or 7.

Study Unit 20 – Exempt Organizations

Page 508, Subunit 20.1: These edits update amounts related to the failure to file penalty for exempt organizations.

Generally, an exempt organization that fails to file a required return must pay a penalty of ~~\$40~~25 a day for each day the failure continues. The same penalty will apply if the organization does not give all the information required on the return or does not give the correct information.

- The maximum penalty for any one return is the smaller of ~~\$6,000~~12,500 or 5% of the organization's gross receipts for the year.
- For an organization that has gross receipts of over ~~\$318,500~~1,274,000 for the year, the penalty is \$125 a day (for 2024 tax returns filed in 2025), up to a maximum of \$63,500.

EA 2 – Bookmark

This update changes the Adoption Phaseout amount from \$262,150 to \$292,150.