CPA REG: Taxation and Regulation

Official Body: AICPA & NASBA | Time: 4 Hours | 2026 Blueprint

Free REG Practice ->

Passing Standard: 75 on a 0-99 psychometrically scaled score (Not a percentage)

Section Format: 72 MCQs + 8 Task-Based Simulations (50% MCQ / 50% TBS) (Prometric)

1. OFFICIAL 2026 REG BLUEPRINT DOMAINS & WEIGHTINGS

REG-I: Ethics, Professional Responsibilities & Federal Tax Procedures	**Weight: 10-20%**
REG-II: Business Law (Contracts, UCC, Agency, Debtor-Creditor)	**Weight: 10-20%**
REG-III: Federal Taxation of Property Transactions (Basis, Realization)	**Weight: 12-22%**
REG-IV: Federal Taxation of Individuals (Income, Deductions, Credits)	**Weight: 22-32%**
REG-V: Federal Taxation of Entities (C-Corps, S-Corps, Partnerships)	**Weight: 28-38%**

2. HIGH-YIELD REG FORMULAS, ORDERING RULES & MNEMONICS

* **Partnership vs S-Corp Basis Ordering**
  Adjust basis in strict order BEFORE testing loss deductibility: 1) + Income/gains, 2) - Distributions, 3) - Nondeductible expenses, 4) - Losses. Partnerships include share of entity debt (Sec. 752); S-Corps require direct shareholder loan.

* **C-Corp Distributions (Sec. 301 / 316 Tiers)**
  1) Taxable dividend to extent of Current + Accumulated E&P; 2) Tax-free return of capital reducing stock basis to $0; 3) Capital gain for excess above stock basis.

* **Property Basis & Dispositions (Sec. 1015 / 1031 / 1091)**
  Gift basis = carryover (dual basis if FMV < donor basis at gift). Sec. 1031 like-kind applies ONLY to business/investment real property. Wash sale disallows loss within 30 days before/after (61-day window).

* **Circular 230, IRS Appeals & Contracts**
  30-day letter -> IRS Independent Office of Appeals; 90-day statutory notice -> US Tax Court without paying first. Common law requires mirror-image acceptance; UCC Art. 2 governs sale of goods.

EXAM TRAP TO AVOID: On contributed mortgaged property to a partnership (Sec. 722/752), subtract ONLY net debt relief (liabilities assumed by other partners), not 100% of the mortgage.

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