

Essential Terms:

Tax Preparation & Representation

Adjusted Gross Income (AGI):	Income after certain deductions but before itemized or standard deductions.
Tax Credit:	A tax benefit that directly reduces the amount of tax you owe, dollar-for-dollar. A \$100 credit reduces your final tax bill by \$100.
Schedule C:	The IRS form used by sole proprietors or self-employed individuals to report business income and expenses.
Schedule E:	The IRS form used to report income or loss from rental real estate or from pass-through entities (like partnerships and S corporations).
Dependents:	Qualifying individuals (usually children or close relatives) you can claim on your return to receive specific tax benefits like credits.
Capital Gain / Capital Loss:	The profit or loss from selling a capital asset, such as investments (stocks) or real estate.
Notice of Deficiency:	A formal IRS letter (the "90-Day Letter") stating the IRS believes you owe more tax than reported and gives you 90 days to appeal or file a Tax Court petition.
Taxable Income:	Income on which your tax is calculated, after all deductions and exemptions have been applied.
Basis / Adjusted Basis:	Original value of property used to determine gain or loss on sale.
Earned Income:	Income received from working, including wages, salaries, tips, and net earnings from self-employment.
Tax Deduction:	An amount that reduces your taxable income—the final amount of money used to calculate the taxes you owe.
Unearned Income:	Income received from investments or passive sources like interest income, dividends, and rental income.
Offer in Compromise:	A formal agreement with the IRS that allows a taxpayer to settle a tax debt for less than the full amount owed, based on specific financial criteria.

Essential Terms: Tax Preparation & Representation

Tax Levy:	The legal seizure of your assets (like bank funds or wages) by the IRS to satisfy an unpaid tax debt.
1099 Income:	Income received as an independent contractor or self-employed person, reported to you by a business on Form 1099.
Tax Basis:	The official dollar amount the IRS recognizes as the original value of your investment or property for tax purposes.

© 2026 Bishop Legacy Law. Informational Only. Not Legal Advice.