

ACC 131
FEDERAL INCOME TAXES

COURSE DESCRIPTION:

Prerequisites: ENG 090 and RED 090 or DRE 098; MAT070 or DMA 010, 020, 030, 040; or satisfactory score on placement test

Corequisites: None

This course provides an overview of federal income taxes for individuals, partnerships, and corporations. Topics include tax law, electronic research and methodologies and the use of technology for the preparation of individual and business tax returns. Upon completion, students should be able to analyze basic tax scenarios, research applicable tax laws, and complete federal tax returns for individuals, partnerships, and corporations. Course Hours Per Week: Class, 2. Lab, 2. Semester Hours Credit, 3

LEARNING OUTCOMES:

Upon completion of this course, the student will be able to:

- A Research tax issues using available means
- B Prepare individual federal tax returns.
 - 1) Understand the processes involved in determining the amount of tax to be paid
 - 2) Determine items to be included in or excluded from gross income
 - 3) Identify relevant deductions and credits
 - 4) Understand the ramifications of property transaction
- C Prepare federal tax returns for the various business entities.
 - 1) Understand components of corporate taxation
 - 2) Understand components of partnership taxation
 - 3) Recognize S corporation requirements and resulting tax advantages
 - 4) Apply the Unified Transfer Tax System rules related to gifts and inheritances
 - 5) Understand the income taxation of trusts and estates
- D Understand professional responsibility as it relates to tax engagements

OUTLINE OF INSTRUCTION:

- I. The individual income tax return
 - A History and objectives of the tax system
 - B Reporting and taxable entities
 - C The tax formula for individuals
 - D Who must file and where to file
 - E Filing status and tax computation
 - F Personal and dependency exemptions
 - G The standard deduction
 - H Limitation on total itemized deductions
 - I Gains and losses
 - J Tax and the Internet
- II. Gross income and exclusions
 - A The nature of gross income
 - B Interest and dividend income
 - C Alimony
 - D Prizes and awards

- E Annuities
- F Life insurance
- G Gifts and inheritances
- H Scholarships
- I Accident and health insurance
- J Meals and lodging
- K Municipal bond interest
- L Social Security benefits
- M Unemployment compensation
- N Employee fringe benefits

III. Business expenses and retirement plans

- A Rental income and expenses (Schedule E)
- B Passive loss limitations
- C Bad debts
- D Inventories
- E Net operating losses
- F Individual retirement accounts
- G Keogh (H.R. 10) plans
- H Qualified retirement plans including section 401 (k) plans
- I Rollovers
- J SIMPLE plans

IV. Self-employed and employee expenses

- A Classification of deductions
- B Travel expenses
- C Transportation
- D Office in the home
- E Entertainment
- F Educational expenses
- G Dues, subscriptions, and publications
- H Special clothing and uniforms
- I Business gifts
- J Schedule C

V. Itemized and certain other deductions

- A Medical expenses
- B Taxes
- C Interest
- D Contributions
- E Casualty and theft losses
- F Miscellaneous deductions
- G Moving expenses
- H Hobby losses

VI. Credits and special taxes

- A Tax credit of the elderly and disabled
- B Child tax credit
- C Earned income credit
- D Child and dependent care credit
- E Education tax credits
- F Foreign tax credits

- G Work credits
- H Disabled access credit
- I Adoption expenses
- J The individual alternative minimum tax
- K Unearned income of minor children
- L Community Property

VII. Accounting periods, methods, and depreciation

- A Tax year
- B Accounting methods
 - 1) Cash
 - 2) Hybrid
 - 3) Accrual
- C Depreciation
 - 1) Personal property
 - 2) Real property
 - 3) Section 179
 - 4) Listed property
 - 5) Luxury auto limits
- D Intangible assets
- E Related party transactions

VIII. Capital gains and losses

- A Capital asset
- B Holding period
- C Property disposition
 - 1) Gain or loss realized
 - 2) Adjusted basis
 - 3) Netting procedure
 - 4) Tax treatment
- D Qualified small business stock
- E Section 1231 assets
- F Depreciation recapture
- G Casualty gains and losses
- H Installment sales (Form 6252)
- I 1031 Like-kind exchanges
- J Involuntary conversions
- K Sale of personal residence

IX. Withholding, estimated payments, and payroll taxes

- A. Form W-4—Employee's Withholding Allowance Certificate
- B. Withholding methods
- C. Withholding on tips
- D. Estimated payments
- E. FICA—Federal Insurance Contributions Act
- F. Federal tax deposit system
- G. Reporting requirements
- H. FUTA—Federal Unemployment Tax Act
- I. Self-employment tax (Schedule SE)
- J. The nanny tax

X. Partnership taxation

A. Partnerships

- 1) Definition
- 2) Formation
- 3) Basis in partnership interest

B. Partnership income reporting

- 1) Form 1065
- 2) K-1

C. Guaranteed payments

D. Tax years

E. Transactions between partners and partnerships

F. At risk limitations

G. Limited liability companies (LLCs)

XI. Corporate income tax

A. Corporate formation

B. Corporate tax rate

C. Personal service companies

D. Corporate capital gains and losses

E. Dividend received deduction

F. Amortization of organizational expenditures

G. Corporate charitable contributions deduction

H. Reconciliation of tax to accounting income (Schedule M-1)

I. Filing requirements—Form 1120

J. S-corporations

- 1) Income and loss reporting
- 2) Pass through items
- 3) Special taxes

K. Special corporate taxes

- 1) Accumulated earnings tax
- 2) Personal holding company tax
- 3) Corporate AMT

XII. Tax administration and tax planning

A. Organization of IRS

B. IRS restructuring act of 1998

C. IRS audits

D. Penalties for taxpayers and preparers

E. Statute of limitations

F. E-filing

G. Taxpayer bill of rights

H. Tax planning

XIII. Gift tax

A. Gift tax formula

B. Transfers subject to gift tax

C. Exclusions

D. Gift tax deductions

E. Computation of gift tax liability

XIV. Estate tax

- A. Estate tax formula
- B. Gross estate
- C. Computation of tax liability
- D. Generation-skipping transfer tax

XV. Income taxation of estates and trusts

- A. Basic concepts
- B. Principles of fiduciary accounting
- C. Formula for taxable income and tax liability
- D. Distributable net income
- E. Determining a simple trust's taxable income
- F. Income in respect of a decedent

REQUIRED TEXTBOOKS AND MATERIALS:

To be determined by the instructor.