

Las Positas College
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Course Outline for BUSN 65

FEDERAL INCOME TAX ACCOUNTING

Effective: Fall 2018

I. CATALOG DESCRIPTION:

BUSN 65 — FEDERAL INCOME TAX ACCOUNTING — 3.00 units

A study and analysis of the principles of federal income tax applied to employees, self-employed individuals and rental income. Includes an overview of taxes related to partnerships, informational returns and corporate tax returns. Analysis of the Internal Revenue Code with examination of court rulings and regulations. Review of new legislation that alters existing tax law. Introduction to tax preparation software is included.

3.00 Units Lecture

Grading Methods:

Letter or P/NP

Discipline:

- Business or
- Accounting

	<u>MIN</u>
Lecture Hours:	54.00
Total Hours:	54.00

II. NUMBER OF TIMES COURSE MAY BE TAKEN FOR CREDIT: 1

III. PREREQUISITE AND/OR ADVISORY SKILLS:

IV. MEASURABLE OBJECTIVES:

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

- A. Prepare a federal income tax return for an employee, a self-employed person or for rental property income;
- B. Prepare an individual federal income tax return using applicable software;
- C. State and explain the expanded income tax formula and its components, including W2 income, Investment income, deductions, credits and exemptions;
- D. Analyze income tax problems for individuals and offer solutions including identifying gross income, adjustments, deductions, exemptions, credits and correct filing status.
- E. Develop elementary tax savings and tax planning techniques, including; Retirement and educational savings plans;
- F. Use IRS publications to research tax questions and provide solutions for tax related issues;
- G. Identify the differences between an individual return and each of the following; a partnership, informational and corporate federal income tax return;

V. CONTENT:

- A. Introduction to Taxation
 1. History of federal income taxes and the progress tax system
 2. Simple income tax formula
 3. 1040 EZ
 4. Calculation of tax
 5. Using income tax preparation software
- B. Expanded Tax Formula
 1. 1040A and 1040
 2. Personal and dependency exemptions
 3. Standard deduction
 4. Interest and tax penalties
- C. Gross Income
 1. When and how to record income
 2. Cash method of accounting
 3. Inclusions and exclusions
 4. Tips for savings bond interest
- D. Adjustments for Adjusted Gross Income
 1. Student loan interest
 2. Health savings accounts (HSA)
 3. Moving expenses
 4. Half of self employment tax
 5. Self-employed health insurance
 6. Penalty on early withdrawal of savings

- 7. Alimony paid
- 8. Educator expense if applicable
- 9. Tuition and fees deduction
- E. Itemized Deductions
 - 1. Using Schedule A
 - 2. Medical expenses
 - 3. State and local taxes
 - 4. Interest
 - 5. Gifts to charities
 - 6. Casualty and theft losses
 - 7. Miscellaneous itemized deductions
 - 8. Limitation for higher income taxpayers
- F. Self-employed Business Income
 - 1. Using Schedule C for a trade or business
 - 2. Ordinary and necessary expenses
 - 3. Depreciation as an expense
 - 4. Business use of home
 - 5. Self-employment tax
- G. Capital Gains and Other Sales of Property
 - 1. Terms and tax forms
 - 2. Classification of assets
 - 3. Acquisition of property
 - 4. Cost recovery of property
 - 5. Sale of property
- H. Rental Property and Royalties
 - 1. Rental property including rental of a vacation home
 - 2. Royalty income
 - 3. Flow-through entities
- I. Tax Credits
 - 1. Non refundable credits
 - 2. Refundable credits
 - 3. Difference between federal and California law
- J. Retirement and Other Tax Deferred Plans and Annuities
 - 1. Employer sponsored plans
 - 2. Individual sponsored plans
 - 3. Distributions from plans
 - 4. Educational savings plans
- K. Special Property Transactions
 - 1. Like-kind exchanges
 - 2. Sale of personal residence
 - 3. Wash sales
- L. Additional Tax Items
 - 1. At-risk rules
 - 2. Passive activity losses
 - 3. Alternative minimum tax
- M. Partnership and Corporate Taxation
 - 1. Considerations for partnerships
 - 2. Considerations for corporations
 - 3. Considerations for informational returns
- N. Current year changes to exist tax law
- O. Research tax related issues and questions using IRS website and publications

VI. METHODS OF INSTRUCTION:

- A. **Directed Study** - Reading of text and instructor handouts
- B. **Lecture** - utilizing Power Point, Overhead transparencies, computer media, handouts, whiteboard and/or blackboard
- C. **Research** - Research tax questions using IRS publications and website
- D. **Audio-visual Activity** - Computer demonstrations using overhead display panel and tax software
- E. **Demonstration** - Using tax preparation software to demonstrate steps in completing various tax forms
- F. **Classroom Activity** - Small group and individual problem solving tasks
- G. **Discussion** - Small group discussions pertaining to current tax related issues and new rulings

VII. TYPICAL ASSIGNMENTS:

- A. Textbook reading and end of chapter problems and questions
 - 1. Read chapter 3 "Gross Income: Inclusions and Exclusions" for vocabulary development and application to tax problems.
 - 2. "Define Unemployment Income and explain whether it is taxable and why."
- B. Tax problem using appropriate tax software
 - 1. Using personal, employment, and investment data found in chapter exercise section; complete the tax return for the Jones family using the tax software
- C. Take-home questions provided by instructor
 - 1. "In which of the following situations must the taxpayer reduce itemized deductions due to the high income limit? Explain how and why."
- D. Research using Pub 17 and online resources
 - 1. "Research whether a taxpayer must pay taxes on income earned overseas."
 - 2. "Identify the 5 criteria for a Dependent Child and explain the Support Test."
- E. Discussion: For income tax purpose compare pros and cons for unincorporated and incorporated business entities

VIII. EVALUATION:

A. **Methods**

- 1. Exams/Tests
- 2. Quizzes
- 3. Papers
- 4. Oral Presentation
- 5. Projects
- 6. Group Projects
- 7. Class Participation
- 8. Class Work
- 9. Home Work

B. **Frequency**

1. Instructors will determine how often to evaluate students through written assignments, presentations, projects, papers, homework, quizzes, tests.
2. A minimum of two tests, and a final exam should be considered
3. In class group projects for practicing application of concepts
4. Research projects may be assigned to students to help analyze tax related issues
5. Home work will be assigned and reviewed in class
6. Quizzes will be given as needed to ensure students are building on concepts
7. In class participation is evaluated based on work completed individually or in group
8. Oral presentations will focus on current events or exercises from the book

IX. TYPICAL TEXTS:

1. Pope, Thomas, Timothy Rupert, and Kenneth Anderson. *Federal Taxation - Individual*. 31 ed., Pearson, 2018.
2. Spilker, Brian, and Benjamin Ayers. *Taxation of Individuals*. 8th ed., McGraw-Hill, 2017.
3. Hoffman, William, James Young, William Rabbe, David Maloney, and Annette Nellen. *Federal Taxation - Individual*. 40th ed., South-Western, 2017.

X. OTHER MATERIALS REQUIRED OF STUDENTS:

- A. IRS Publication 17
- B. Computer with Internet connectivity for tax software work and tax research
- C. Basic four function calculator