



# ILLINOIS VALLEY COMMUNITY COLLEGE

## COURSE OUTLINE

**DIVISION: Natural Sciences and Business**

**COURSE: ACT 2200 Tax Accounting**

Date: Fall 2022

Credit Hours: 3

*Complete all that apply or mark "None" where appropriate:*

Prerequisite(s): ACT 1210

Enrollment by assessment or other measure?  Yes  No

If yes, please describe:

Corequisite(s): None

Pre- or Corequisite(s): None

Consent of Instructor:  Yes  No

Delivery Method:  **Lecture**                    **3 Contact Hours** (1 contact = 1 credit hour)  
 **Seminar**                    **0 Contact Hours** (1 contact = 1 credit hour)  
 **Lab**                                **0 Contact Hours** (2-3 contact = 1 credit hour)  
 **Clinical**                    **0 Contact Hours** (3 contact = 1 credit hour)  
 **Online**  
 **Blended**  
 **Virtual Class Meeting (VCM)**

Offered:  **Fall**     **Spring**     **Summer**

### **CATALOG DESCRIPTION and IAI NUMBER (if applicable):**

This course is intended for students that seek to file individual tax returns, both personally and professionally in the United States. Topics covered include tax compliance, tax planning, dependents and filing status, gross income inclusions and exclusions, individual deductions, tax credits, business income deductions and cost recovery, property dispositions, investments, compensation, retirement, and tax consequences of home ownership.

## **ACCREDITATION STATEMENTS AND COURSE NOTES:**

None

## **COURSE TOPICS AND CONTENT REQUIREMENTS:**

1. An Introduction to Tax
2. Tax Compliance, the IRS, and Tax Authorities
3. Tax Planning Strategies and Related Limitations
4. Individual Income Tax Overview, Dependents, and Filing Status
5. Gross Income and Exclusions
6. Individual Deductions
7. Investments
8. Individual Income Tax Computation and Tax Credits
9. Business Income, Deductions, and Accounting Methods
10. Property Acquisition and Cost Recovery
11. Property Dispositions
12. Compensation
13. Retirement Savings and Deferred Compensation
14. Tax Consequences of Home Ownership

## **INSTRUCTIONAL METHODS:**

1. Class discussion
2. Exercises and problems
3. Quizzes
4. Exams
5. Comprehensive tax problems
6. Individual tax returns

## **EVALUATION OF STUDENT ACHIEVEMENT:**

1. Read and understand text
2. Class participation
3. Complete all homework assignments
4. Preparation of individual tax returns
5. Quizzes
6. Exams

## **INSTRUCTIONAL MATERIALS:**

### **Textbooks**

Taxation of Individuals, Spilker, Current edition

### **Resources**

Inclusive Access for McGraw-Hill Connect

## **LEARNING OUTCOMES AND GOALS:**

### **Institutional Learning Outcomes**

- 1) Communication – to communicate effectively;
- 2) Inquiry – to apply critical, logical, creative, aesthetic, or quantitative analytical reasoning to formulate a judgement or conclusion;
- 3) Social Consciousness – to understand what it means to be a socially conscious person, locally and globally;

- 4) Responsibility – to recognize how personal choices affect self and society.

## **Course Outcomes and Competencies**

### **1. An Introduction to Tax**

- 1.1 Demonstrate how taxes influence basic business, investment, personal, and political decisions
- 1.2 Discuss what constitutes a tax and the general objectives of taxes
- 1.3 Describe the different tax rate structures and calculate a tax
- 1.4 Identify the various federal, state, and local taxes
- 1.5 Apply appropriate criteria to evaluate alternative tax systems

### **2. Tax Compliance, the IRS, and Tax Authorities**

- 2.1 Identify the filing requirements for income tax returns and the statute of limitations for assessment
- 2.2 Outline the IRS audit process, how returns are selected, the different types of audits, and what happens after the audit
- 2.3 Evaluate the relative weights of the various tax law sources
- 2.4 Describe the legislative process as it pertains to taxation
- 2.5 Perform the basic steps in tax research
- 2.6 Describe tax professional responsibilities in providing tax advice
- 2.7 Identify taxpayer and tax return preparer penalties

### **3. Tax Planning Strategies and Related Limitations**

- 3.1 Identify the objectives of basic tax planning strategies
- 3.2 Apply the timing strategy
- 3.3 Apply the concept of present value to tax planning
- 3.4 Apply the income-shifting strategy
- 3.5 Apply the conversion strategy
- 3.6 Describe basic judicial doctrines that limit tax planning strategies
- 3.7 Contrast tax avoidance and tax evasion

### **4. Individual Income Tax Overview, Dependents, and Filing Status**

- 4.1 Describe the formula for calculating an individual taxpayer's taxes due or refund
- 4.2 Explain the requirements for determining who qualifies as a taxpayer's dependent
- 4.3 Determine a taxpayer's filing status

### **5. Gross Income and Exclusions**

- 5.1 Apply the concept of realization
- 5.2 Understand the distinctions between the various sources of income, including income from services and property
- 5.3 Apply basic income exclusion provisions to compute gross income

### **6. Individual Deductions**

- 6.1 Identify the common deductions necessary for calculating adjusted gross income (AGI)
- 6.2 Describe the different types of itemized deductions available to individuals
- 6.3 Determine the standard deduction available to individuals
- 6.4 Calculate the deduction for qualified business income

## **7. Investments**

- 7.1 Explain how interest income and dividend income are taxed
- 7.2 Compute the tax consequences associated with the disposition of capital assets, including the netting process for calculating gains and losses
- 7.3 Calculate the deduction for investment interest expense
- 7.4 Apply tax basis, at-risk amount, and passive activity loss limits to losses from passive investments

## **8. Individual Income Tax Computation and Tax Credits**

- 8.1 Determine a taxpayer's regular tax liability
- 8.2 Compute a taxpayer's alternative minimum tax liability
- 8.3 Calculate a taxpayer's net investment income tax, and employment and self-employment tax liability
- 8.4 Compute a taxpayer's allowable child tax credit, child and dependent care credit, American opportunity tax credit, lifetime learning credit, and earned income credit
- 8.5 Explain how to compute a taxpayer's underpayment, late filing, and late payment penalties.

## **9. Business Income, Deductions, and Accounting Methods**

- 9.1 Identify common business deductions
- 9.2 Determine the limits on deducting business expenses
- 9.3 Describe accounting periods available to businesses
- 9.4 Apply cash and accrual methods to determine business income and expense deductions

## **10. Property Acquisition and Cost Recovery**

- 10.1 Describe the cost recovery methods for recovering the cost of personal property, real property, intangible assets, and natural resources
- 10.2 Determine the applicable cost recovery (depreciation) life, method, and convention for tangible personal and real property and the deduction allowable under basic MACRS
- 10.3 Calculate the deduction allowable under the additional special cost recovery rules (section 179, bonus, and listed property)
- 10.4 Calculate the deduction for amortization
- 10.5 Explain cost recovery of natural resources and the allowable depletion methods

## **11. Property Dispositions**

- 11.1 Calculate the amount of gain or loss recognized on the disposition of assets used in a trade or business
- 11.2 Describe the general character types of gain or loss recognized on property dispositions
- 11.3 Calculate depreciation recapture
- 11.4 Describe the tax treatment of unrecaptured Section 1250 gains
- 11.5 Describe the tax treatment of Section 1231 gains or losses, including the Section 1231 netting process
- 11.6 Explain common deferral exceptions to the general rule that realized gains and losses are recognized currently

## **12. Compensation**

- 12.1 Determine the tax implications of compensation in the form of salary and wages from the perspectives of the employee and employer
- 12.2 Describe the tax implications of various forms of equity-based compensation from the perspectives of the employee and employer
- 12.3 Compare and contrast taxable and nontaxable fringe benefits and explain their tax consequences for the employee and employer

## **13. Retirement Savings and Deferred Compensation**

- 13.1 Describe the tax and nontax aspects of employer-provided defined benefit plans from both the employer's and employee's perspectives
- 13.2 Explain and determine the tax consequences associated with employer-provided defined contribution plans, including traditional 401(k) and Roth 401(k) plans
- 13.3 Describe the tax implications of deferred compensation from both the employer's and employee's perspective
- 13.4 Compare and determine the tax consequences of traditional and Roth Individual Retirement Accounts
- 13.5 Describe retirement savings options available to self-employed taxpayers and compute the limitations for deductible contributions to these accounts
- 13.6 Compute the saver's credit

## **14. Tax Consequences of Home Ownership**

- 14.1 Determine whether a home is considered a principal residence, a residence (not principal), or a nonresidence for tax purposes
- 14.2 Compute the taxable gain on the sale of a residence
- 14.3 Determine the amount of the home mortgage interest deduction
- 14.4 Discuss the deductibility of real property taxes
- 14.5 Explain the tax issues and consequences associated with rental use of the home
- 14.6 Compute the limitations on home office deductions