

# ILLINOIS VALLEY COMMUNITY COLLEGE



## COURSE OUTLINE

DIVISION: Natural Sciences Business

COURSE: ACT 2200 – Tax Accounting

Date: 09-16-13

Credit Hours: 3

Prerequisite(s): ACT 1010

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 contact = 1 credit hour)**  
 **Clinical**                                      **0 Contact Hours (3 contact = 1 credit hour)**  
 **Online**  
 **Blended**

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

IAI Equivalent –**Only for Transfer Courses**-go to <http://www.itransfer.org>.

### CATALOG DESCRIPTION:

This course is intended for students that seek to file tax returns, both personally and professionally. Topics covered include tax compliance, tax planning, gross income inclusions and exclusions, individual deductions, tax credits, business income deductions and cost recovery, property dispositions, investments, retirement, and tax consequences of home ownership. The student will also be required to prepare personal tax returns using a course software program.

## GENERAL EDUCATION GOALS ADDRESSED

*[See the last page of this form for more information.]*

### Upon completion of the course, the student will be able:

*[Choose those goals that apply to this course.]*

- To apply analytical and problem solving skills to personal, social and professional issues and situations.
- To communicate orally and in writing, socially and interpersonally.
- To develop an awareness of the contributions made to civilization by the diverse cultures of the world.
- To understand and use contemporary technology effectively and to understand its impact on the individual and society.
- To work and study effectively both individually and in collaboration with others.
- To understand what it means to act ethically and responsibly as an individual in one's career and as a member of society.
- To develop and maintain a healthy lifestyle physically, mentally, and spiritually.
- To appreciate the ongoing values of learning, self-improvement, and career planning.

### EXPECTED LEARNING OUTCOMES AND RELATED COMPETENCIES:

*[Outcomes related to course specific goals.]*

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

#### **1 Managerial Accounting and the Business Environment**

- 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 and evaluate various tax law sources when faced with ambiguous statutes.
- 2.6 Describe tax professional responsibilities in providing tax advice.
- 2.7 Identify taxpayer and tax professional penalties.

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

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

### **4 Individual Income Tax Overview**

- 4.1 Describe the formula for calculating an individual taxpayer's taxes payable or refund and generally explain each formula component.
- 4.2 Explain the requirements for determining a taxpayer's personal and dependency exemptions.
- 4.3 Determine a taxpayer's filing status.

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

- 5.1 Apply the concept of realization and explain when taxpayers recognize gross income.
- 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 and compute itemized deductions.
- 6.3 Explain the operation of the standard deduction, determine the deduction for personal and dependency exemptions, and compute taxable income.

## **7 Individual Income Tax Computation and Tax Credits**

- 7.1 Determine a taxpayer's regular tax liability and identify tax issues associated with the process.
- 7.2 Compute a taxpayer's alternative minimum tax liability and describe the tax characteristics of taxpayers most likely to owe the alternative minimum tax.
- 7.3 Calculate a taxpayer's employment and self-employment taxes payable and explain tax considerations relating to whether a taxpayer is considered to be an employee or a self-employed independent contractor.
- 7.4 Describe the different general types of tax credits, identify specific tax credits, and compute a taxpayer's allowable child tax credit, child and dependent care credit, American opportunity credit, lifetime learning credit, making work pay credit, and earned income credit.
- 7.5 Explain taxpayer filing and tax payment requirements and describe in general terms how to compute a taxpayer's underpayment, late filing, and late payment penalties.

## **8 Business Income, Deductions, and Accounting Methods**

- 8.1 Describe the general requirements for deducting business expenses and identify common business deductions.
- 8.2 Apply the limitations on business deductions to distinguish between deductible and nondeductible business expenses.
- 8.3 Identify and explain special business deductions specifically permitted under the tax laws.
- 8.4 Explain the concept of an accounting period and describe accounting periods available to businesses.
- 8.5 Identify and describe accounting methods available to businesses and apply cash and accrual methods to determine business income and expense deductions.

## **9 Property Acquisition and Cost Recovery**

- 9.1 Explain the concept of basis and adjusted basis and describe the cost recovery methods used under the tax law to recover the cost of personal property, real property, intangible assets, and natural resources.
- 9.2 Determine the applicable cost recovery (depreciation) life, method, and convention for tangible personal and real property and calculate the deduction allowable under MACRS.
- 9.3 Explain the rationale behind amortization, describe the four categories of amortizable intangible assets, and calculate amortization expense.
- 9.4 Explain cost recovery of natural resources and the allowable depletion methods.

## **10 Property Dispositions**

- 10.1 Calculate the amount of gain or loss recognized on the disposition of assets used in a trade or business.
- 10.2 Describe the general character types of gain or loss recognized on property dispositions.
- 10.3 Explain the rationale for and calculate depreciation recapture.
- 10.4 Describe the tax treatment of unrecaptured Section 1250 gains and determine the character of gains on property sold to related parties.
- 10.5 Describe the tax treatment of Section 1231 gains or losses, including the Section 1231 netting process.
- 10.6 Explain common exceptions to the general rule that realized gains and losses are recognized currently.

## **11 Investments**

- 11.1 Explain how interest income and dividend income are taxed.
- 11.2 Compute the tax consequences associated with the disposition of capital assets, including the netting process for calculating gains and losses.
- 11.3 Describe common sources of tax-exempt investment income and explain the rationale for exempting some investments from taxation.
- 11.4 Calculate the deduction for portfolio investment-related expenses, including investment expenses and investment interest expense.
- 11.5 Understand the distinction between portfolio investments and passive investments and apply tax basis, at-risk, and passive activity loss limits to losses from passive investments.

## **12 Compensation**

- 12.1 Discuss and explain the tax implications of compensation in the form of salary and wages from the employee's and employer's perspectives.
- 12.2 Describe and distinguish the tax implications of various forms of equity-based compensation from the employer's and employee's perspectives.
- 12.3 Compare and contrast taxable and nontaxable fringe benefits and explain the employee and employer tax consequences associated with fringe benefits.

## **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 perspective.
- 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 Determine the tax consequences of traditional and Roth Individual Retirement Accounts and explain the differences between them.
- 13.5 Describe retirement savings options available to self-employed taxpayers and compute the limitations for deductible contributions to retirement accounts for self-employed taxpayers.
- 13.6 Compute the saver's credit.

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

- 14.1 Compute the taxable gain on the sale of a residence and explain the requirements for excluding gain on the sale.
- 14.2 Determine the amount of allowable interest expense deductions on loans secured by a residence.
- 14.3 Discuss the deductibility of real property taxes and describe the first-time home buyer credit.
- 14.4 Explain the tax issues and consequences associated with rental use of the home, including determining the deductibility of residential rental real estate losses.
- 14.5 Describe the requirements necessary to qualify for home office deductions and compute the deduction limitations on home office deductions.

### **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
5. Gross Income and Exclusions
6. Individual Deductions
7. Individual Income Tax Computation and Tax Credits
8. Business Income, Deductions, and Accounting Methods
9. Property Acquisition and Cost Recovery
10. Property Dispositions
11. Investments
12. Compensation
13. Retirement Savings and Deferred Compensation
14. Tax Consequences of Home Ownership

### **INSTRUCTIONAL METHODS:**

1. Discussion questions and problems
2. Quizzes
3. Exams
4. Computerized tax preparation
5. Manual tax preparation

### **INSTRUCTIONAL MATERIALS:**

*Taxation of Individuals*, Spilker, Ayers, Robinson, Outslay, Worsham, Barrick, Weaver, Current Tax Year Edition  
*Connect Accounting* to accompany *Taxation of Individuals*

## **STUDENT REQUIREMENTS AND METHODS OF EVALUATION:**

1. Read and understand text
2. Class participation
3. Complete all homework assignments
4. Prepare tax returns using computerized tax program
5. Prepare tax returns manually
6. Quizzes
7. Exams

## **OTHER REFERENCES**

# Course Competency/Assessment Methods Matrix

ACT 2200 Tax Accounting		Assessment Options																																
For each competency/outcome place an "X" below the method of assessment to be used.	Assessment of Student Learning	Article Review	Case Studies	Group Projects	Lab Work	Oral Presentations	Pre-Post Tests	Quizzes	Written Exams	Artifact Self Reflection of Growth	Capstone Projects	Comprehensive Written Exit Exam	Course Embedded Questions	Multi-Media Projects	Observation	Writing Samples	Portfolio Evaluation	Real World Projects	Reflective Journals	Applied Application (skills) Test	Oral Exit Interviews	Accreditation Reviews/Reports	Advisory Council Feedback	Employer Surveys	Graduate Surveys	Internship/Practicum /Site Supervisor Evaluation	Licensing Exam	In Class Feedback	Simulation	Interview	Written Report	dAssignment		
	Direct/ Indirect	D	D	D	D	D	D	D	D	D	D	D	D	D	D	D	D	D	D	D	I	I	I	I	D	D					D			D
Identify various types of taxes								X	X			X								X													X	
Understand the tax law system and tax research processes								X	X			X								X												X		X
Understand income-shifting strategies								X	X			X								X												X		X
Understand timing strategies for tax planning purposes								X	X			X								X												X		X
Understand basics of income tax calculation								X	X			X								X												X		X
Apply rules for personal and dependency exemptions								X	X			X								X												X		X
Apply rules for filing status								X	X			X								X												X		X
Identify gross income inclusions and exclusions								X	X			X								X												X		X
Be able to calculate itemized deductions								X	X			X								X												X		X
Understand the basics of the Alternative Minimum Tax								X	X			X								X												X		X
Understand and apply self-employment taxes								X	X			X								X												X		X
Be able to identify and calculate various tax credits								X	X			X								X												X		X
Understand the rules for business income and deductions								X	X			X								X												X		X
Be able to calculate depreciation for tax purposes								X	X			X								X												X		X
Understand how to treat property dispositions								X	X			X								X												X		X
Be able to calculate gains and losses								X	X			X								X												X		X



