

## **COURSE OUTLINE** **Income Tax Fundamentals**

### **Course Description**

BA 117. Income Tax Fundamentals. 3 hours credit. This course will enable the student to understand and prepare the individual income tax return in depth, as well as give the student will be introduced to the business tax return. The student will utilize tax preparation software.

### **Course Relevance**

Understanding tax return procedures enables the student to assume responsibility for preparing his/her own tax return. The course will also introduce tax returns for partnerships and corporations.

### **Required Materials**

Whittenburg & Altus-Buller. (2009). *Income tax fundamentals 2009*. Mason, OH: South-Western Cengage Learning.

Tax Cut software (often included with textbook)

### **Learning Outcomes**

The intention is for the student to be able to:

1. Complete an individual tax return.
2. Use tax preparation software.

### **Learning PACT Skills that will be DEVELOPED and documented in this course**

Through involvement in this course, the student will develop ability in the following PACT skill areas:

#### **Analytical Thinking Skills**

1. Problem solving
  - Through problem solving, the student will successfully complete tax returns for individuals.

### **Major Summative Assessment Task(s)**

The learning outcomes and the Learning PACT skill will be demonstrated by:

1. Completing a lengthy and complex tax return for an individual using tax preparation software.

### **Course Content**

- I. Skills/Competencies – Actions that are essential to achieve the course outcomes:
  - A. Writing
  - B. Reading

## C. Computer literacy

### **Learning Units**

- I. Individual income tax return
  - A. Gross income and exclusions
    1. Nature of gross income
    2. Interest and dividend income
    3. Alimony
    4. Prizes and awards
    5. Annuities
    6. Life insurance
    7. Gifts and inheritances
    8. Scholarships
    9. Accident and health insurance
    10. Meals and lodging
    11. Municipal bond interest
    12. Social security benefits
    13. Unemployment compensation
    14. Employee fringe benefits
  - B. Business expenses and retirement plans
    1. Rental income and expenses
    2. Passive loss limitations
    3. Bad debts
    4. Inventories
    5. Net operating losses
    6. Individual retirement accounts
    7. Keogh plans and simplified employee pensions
    8. Qualified retirement plans
    9. Rollovers
    10. Simple plans
  - C. Self-employment
    1. Travel expenses
    2. Transportation
    3. Home office
    4. Entertainment
    5. Educational expenses
    6. Dues, subscriptions and publications
    7. Special clothing and uniforms
    8. Business gifts
    9. Schedule C
  - D. Itemized deductions
    1. Medical expenses
    2. Taxes

3. Interest
  4. Charitable contributions
  5. Casualty and theft losses
  6. Miscellaneous deductions
  7. Phase-out of itemized deductions and exemptions
  8. Moving expenses
  9. Hobby losses
  10. Educational Incentives
- E. Credits and special taxes
1. Child tax credit
  2. Earned income credit
  3. Child and dependent care credit
  4. Education tax credits
  5. Foreign tax credit
  6. Adoption expenses
  7. Temporary energy credits
  8. Individual alternative minimum tax
  9. Unearned income of minor children
  10. Community property
- F. Accounting periods and depreciation
1. Accounting periods
  2. Accounting methods
  3. Depreciation
  4. Election to expense
  5. Listed property
  6. Limitations on luxury automobile depreciation
  7. Intangibles
  8. Related parties
- G. Capital gains and losses
1. Capital assets
  2. Holding period
  3. Gain or loss calculation
  4. Section 1231 gains and losses
  5. Depreciation recapture
  6. Installment sales
  7. Like-kind exchanges
  8. Involuntary conversions
  9. Personal residence sales
- H. Withholding, estimated payments, and payroll taxes
1. Withholding methods
  2. Estimated payments
  3. Federal Insurance Contribution Act tax

4. Federal tax deposit system
5. Employer reporting requirements
6. Self-employment tax
7. Federal Unemployment Tax ACT tax
8. Nanny tax

## II. Business taxation

### A. Partnerships

1. Partnership formation
2. Partnership income reporting
3. Current distributions and guaranteed payments
4. Tax years
5. Transactions between partner and partnership
6. At-risk rules
7. Limited liability companies

### B. Corporations

1. Corporate tax rates
2. Corporate capital gains and losses
3. Special deductions and limitations
4. Schedule K-1
5. Corporate formation
6. Corporate accumulated earnings
7. Corporate alternative minimum tax

## III. Tax administration

- A. Audit process
- B. Interest and penalties
- C. Statute of limitations
- D. Taxpayer bill of rights

### **Learning Activities**

Learning activities will be assigned to assist the student to achieve the intended learning outcome through instructor lectures, quizzes, exams, in-class activities, and other activities at the discretion of the instructor.

### **Grade Determination**

The student will be graded on assessment tasks, tests/exams, quizzes, homework, class participation and other activities as determined by the instructor.