

ACC203 Federal Income Taxation – Administration Outline

Course Information

Organization	Mercer County Community College
Credits	3
Contact Hours	3

Catalog Description:

A study of income taxation as it applies to small businesses and individual taxpayers. Topics covered include: gross income, exclusions, deductions, credits, exemptions, and capital gains. Computerized software is used to prepare tax returns.

Course Competencies/Goals:

- A. Analyze financial data and tax rules in order to prepare tax returns for individuals and small businesses.
- B. Obtain a working knowledge of tax preparation software.
- C. Research tax laws as they pertain to individuals and small businesses.

General Education Knowledge Goals:

- Goal 1 Communication. Students will communicate effectively in both speech and writing.
- Goal 2 Mathematics. Students will use appropriate mathematical and statistical concepts and operations to interpret data and to solve problems.
- Goal 9 Ethical Reasoning and Action: Students will understand ethical issues and situations.

MCCC Core Skills:

Goal A:	Written and Oral Communication in English. Students will communicate effectively in speech and writing, and demonstrate proficiency in reading.
Goal B:	Critical Thinking and Problem-solving. Students will use critical thinking and problem solving skills in analyzing information.
Goal C:	Ethical Decision-making. Students will recognize, analyze and assess ethical issues and situations.
Goal F:	Collaboration and Cooperation. Students will develop the interpersonal skills required for effective performance in group situations.

Units of Study in Detail:

Competencies

1. Discuss taxation in the United States

Learning Objectives

- a. Discuss the history of taxation in the United States. (Course Competencies A; General Education Goal 1; MCCC Core A)
- b. Describe the various types of taxes. (Course Competencies A; General Education Goal 1; MCCC Core A)
- c. Discuss what constitutes a good tax structure. (Course Competencies A; General Education Goal 1; MCCC Core A)

- d. Describe the objectives of the federal income tax law. (Course Competencies A; General Education Goal 1; MCCC Core A)
2. **Explain the determination of tax**
Learning Objectives
- Use the tax formula to compute an individual's taxable income. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
 - Determine the amount allowable for the standard deduction. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
 - Calculate the amount of tax. (Course Competencies A, B; General Education Goal 1, 2; MCCC Core A, B)
 - Explain the basic concepts of property transactions. (Course Competencies B, General Education Goal 1, MCCC Core A)
3. **Categorize gross income inclusions**
Learning Objectives
- Explain the difference between the economic, accounting, and tax concepts of income. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
 - Explain the principles used to determine who is taxed on a particular item of income. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
 - Apply rules to determine whether items such as compensation, dividends, alimony, and pensions are taxable. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
4. **Categorize gross income exclusions**
Learning Objectives
- Explain the conditions that must exist for an item to be excluded from gross income. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
 - Determine whether an item is income. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
 - Decide whether specific exclusions are available. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
 - Understand employment-related fringe benefit exclusion items. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
5. **Discuss Capital Gains and Losses**
Learning Objectives
- Determine the realized gain or loss from the sale or other disposition of property. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
 - Determine the basis of property. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
 - Distinguish between capital assets and other assets. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
 - Understand how capital gains and losses affect taxable income. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
 - Recognize when a sale or exchange has occurred. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)

6. **Explain deductions and losses**

Learning Objectives

- a. Distinguish between deductions for and from AGI. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
- b. Explain the criteria for deducting business, investment expenses, travel, entertainment expenses. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
- c. Explain the tax consequences of transactions between related parties. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
- d. Discuss the criteria for determining whether an activity is a hobby or a trade or business. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
- e. Determine the tax consequences of vacation homes. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)

7. **Categorize itemized deductions**

Learning Objectives

- a. Discuss the tax treatment for itemized deductions: Medical expenses, Taxes, Interest, Charitable Contributions, Casualty & Theft Losses. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)

8. **Explain losses and bad debts**

Learning Objectives

- a. Identify transactions that may result in losses. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
- b. Determine the proper classification for losses. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
- c. Calculate the suspended loss from passive activities. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
- d. Determine when a taxpayer has materially participated in a passive activity. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
- e. Identify and calculate the deduction for a casualty or theft loss. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
- f. Compute the deduction for a bad debt. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
- g. Compute a net operating loss deduction. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)

9. **Discuss employee expenses and deferred compensation**

Learning Objectives

- a. Discuss employee expenses and deferred compensation: Travel, Transportation, Entertainment, Moving, Education. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
- b. Determine whether the expenses of an office in home meets the requirements for deductibility and apply the gross income limitations. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)

10. **Explain depreciation, cost recovery, amortization**
Learning Objectives
- Understand the general concepts of tax depreciation. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
 - Classify property and calculate depreciation under the MACRS rules. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
 - Calculate amortization for intangible assets and understand the difference between amortizable and non-amortizable assets. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
 - Apply cost and percentage depletion methods and understand the treatment for intangible drilling costs. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
11. **Categorize nontaxable property exchanges**
Learning Objectives
- Understand the tax consequences arising from a like-kind exchange. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
 - Determine the basis of property received in a like-kind exchange. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
 - Determine whether gain from an involuntary conversion may be deferred. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
 - Determine the basis of replacement property in an involuntary conversion. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
 - Determine when a gain resulting from the sale of a principle residence is excluded. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
12. **Discuss special tax computation methods, Tax Credits**
Learning Objectives
- Calculate the alternative minimum tax. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
 - Describe what constitutes self-employment income and compute the self-employment tax. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
 - Describe the various business and personal tax credits. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)

**Grading Information:
Grading Scale**

Tests (Chapters 1 – 10, 12 & 14)	90%*
Projects/Class Work	10% (Course Competencies C; General Education Goal 9; MCCC Core C, F)

*The instructor will announce during the first class meeting the number of tests and the chapters covered in each test.