

# ACCT 110: INCOME TAX ACCOUNTING

## Citrus College Course Outline of Record

Heading	Value
Effective Term:	Fall 2021
Credits:	4
Total Contact Hours:	72
Lecture Hours :	72
Lab Hours:	0
Hours Arranged:	0
Outside of Class Hours:	144
Transferable to CSU:	Yes
Transferable to UC:	No
Grading Method:	Standard Letter, Pass/No Pass

## Catalog Course Description

A course designed to study the federal income tax process, federal income tax laws that apply to individuals, and the application of tax principles to specific problems. Topics include gross income and exclusions, business deductions and itemized deductions, losses, certain tax credits and property transactions. Study is also made of California income tax laws in those areas which differ from federal tax law. 72 lecture hours.

## Course Objectives

- Identify items included gross income and items excluded from gross income.
- Identify deductible expenditures and non-deductible expenditures.
- Apply the tax rules that limit or disallow certain business expenditures and losses.
- Apply the tax rules that limit or disallow certain personal expenditures and losses.
- Prepare Form 1040 to compute taxable income and taxes based on the tax information of an individual taxpayer.
- Apply the current tax credit rules to compute the amount of tax credit allowable based on a specific set of facts and circumstances.
- Identify the tax forms for reporting interest and dividends, capital gains and losses, business income and expenses, rental income and expenses and itemized deductions.
- Determine when to choose the standard deduction over itemize deductions.
- Apply the dependency exemption rules given information about a taxpayer's situation.
- Apply the requirements to determine the filing status given information about a taxpayer's situation.
- Describe the elements of the tax formula to compute taxable income.
- Calculate taxes based on a taxpayer's marginal tax bracket.
- Apply the appropriate tax rate to compute the tax on long-term capital gains and qualifying dividends.
- Compute rental profit or loss given a set of income items and expenses.

- Compute business profit or loss and self-employment taxes given a set of income items and expenses
- Illustrate how to compute the amount realized resulting from a disposition of property.
- Illustrate how to compute the adjusted basis of an asset
- Compute a realized gain or loss resulting from a disposition of property.
- Determine the recognized gain or loss given a set of facts and circumstances of a property disposition
- Differentiate the basis and holding period rules for property transferred by gift and by inheritance.
- Explain the common penalties for taxpayers and apply them to specific situations
- Apply MACRS to compute depreciation.
- Explain the general contribution and distribution rules and limitation related to retirement plans.
- Identify Federal and California differences in the tax treatment of certain income items and deductions

## Major Course Content

1. Overview of the Tax System and the Federal Income Tax Law
2. Introduction to the Individual Tax Return, the Tax Formula, the Elements of the Tax Formula and Filing Requirements
3. Gross Income
4. Exclusions from Gross Income
5. Deductions for Adjusted Gross Income (AGI)
6. Treatment of Income, Expenses and Losses related to Business Activities
7. Deduction for Qualified Business Income (QBI)
8. Treatment of Income, Expenses and Losses related to Production of Income Activities
9. Depreciation, Cost Recovery, Amortization, and Depletion
10. Deductions and Self-Employed-Related Expenses
11. Retirement plans: Contributions, Distributions and Rollovers
12. Deductions from Adjusted Gross Income (AGI): Itemized Deductions
13. Tax Credits
14. Tax Payments, Alternative Minimum Tax (AMT), Other Taxes and Reporting Requirements
15. Property Transactions: Determination of Gains or Losses
16. Property Transactions: Capital Gains and Losses, Section 1231, and Recapture Provisions
17. Accounting Periods and Methods
18. Tax Administration, Interest and Penalties, Professional Standards and Ethics
19. California Tax Differences

## Suggested Reading Other Than Required Textbook

The assigned textbook reading and various written handouts given out during the course of the semester. IRS Publication 17

## Examples of Required Writing Assignments

Prepare a written report discussing the following:

Daniel is a self-employed consultant. Up until this year, he was always an employee. He comes to discuss his new business with you. As his tax accountant, what recommendation to you have regarding:

1. Record-keeping for his new business
2. Substantiation requirements for meals
3. Self-employment tax and income tax on business earnings in order to help Daniel estimate what he might owe in taxes for the year
4. Substantiation requirements for deducting automobile expenses

## Examples of Outside Assignments

Compute taxable income for each of the following independent situations.

- a. Drew and Meg, ages 40 and 41 respectively, are married and file a joint return. In addition to four dependent children, they have AGI of \$65,000 and itemized deductions of \$15,000.
- b. Sybil, age 40, is single and supports her dependent parents, who live with her. Sybil also supports her grandfather, who lives in a nursing home. She has AGI of \$80,000 and itemized deductions of \$8,000.
- c. Scott, age 49, is a surviving spouse. His household includes two unmarried stepsons who qualify as his dependents. He has AGI of \$75,000 and itemized deductions of \$10,100.
- d. Amelia, age 33, is an abandoned spouse and maintains a household for her three dependent children. She has AGI of \$58,000 and itemized deductions of \$9,100.
- e. Dale, age 42, is divorced but maintains the home in which he and his daughter, Jill, live. Jill is single and qualifies as Dale's dependent. Dale has AGI of \$64,000 and itemized deductions of \$9,900.

## Instruction Type(s)

Lecture, Online Education Lecture