

ACCT 111: TAXATION OF BUSINESS ENTITIES

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
Prerequisite:	ACCT 110.
Transferable to CSU:	Yes
Transferable to UC:	No
Grading Method:	Standard Letter

Catalog Course Description

This advanced course introduces income tax theory, concepts, and regulations relating to business entities. Topics include federal taxation relating to proprietorships, corporations, partnerships and other forms of business such as LLCs. An overview of trust and estates may be included. The course covered many topics included in part 2 of the IRS Special Enrollment Examination. This course may be offered via distance learning. 72 lecture hours.

Course Objectives

- Compute taxable income and taxes for differ types of business entities.
- Calculate realized and recognized gains and losses for property transactions.
- Determine the adjusted basis of property and tax consequence of different types of property transactions.
- Apply the available non-recognition provisions to given property transactions.
- Determine the tax consequences from the disposition of ordinary assets, capital assets and Section 1231 assets.
- Discuss the available accounting periods and accounting methods available for businesses.
- Identify the tax considerations and nontax considerations for each entity classification.
- Discuss the filing requirements and reporting requirements for corporations and noncorporate entities.
- Identify the similarities in the taxation of individuals and other business entities.
- Compute the taxable income and tax liability for a corporation by applying current tax rules.
- Reconcile book income to taxable income.\n
- Apply current tax rules to specific types of business expenditures to compute the amount allowed as a business deduction.
- Determine the tax impact of transfers and distributions between shareholders and corporations.
- Apply the unique partnership tax rules for computing taxable income.

- Determine the tax impact of transfers and distributions between partners and partnerships.
- Demonstrate how to calculate a partnership's non-separately stated income (loss) and identify separately statement income and deductions, inside basis and outside basis, and the balance of the capital account.
- Apply the unique Subchapter S corporate tax rules for computing taxable income.
- Determine the tax impact of transfers and distributions between shareholders and an S Corporation.
- Demonstrate how to calculate S- Corporation non-separately stated income (loss) and identify separately stated income and deductions.
- Explain the general tax provisions and filing requirements for estate tax purposes.
- Explain the general tax provisions and filing requirements for gift tax purposes.\n
- Compute the Deduction for Qualified Business Income

Major Course Content

1. General business income, deductions and losses.
2. Property Transactions: Determining Gains & Losses, and Considerations and Nontaxable Exchanges
3. Property Transactions: Capital Gains and Losses, Section 1231 Depreciation Recapture Provisions
4. Deduction for Qualified Business Income
5. Accounting Periods and Methods
6. Corporations: Introductions and Operating Rules
7. Corporations: Organization and Capital Structure
8. Corporations: Distributions Not in Complete Liquidation
9. Corporations: Distributions in Complete Liquidation
10. Taxation of Partnerships
11. Taxation of S-Corporations
12. Federal Gift and Estate Taxes

Suggested Reading Other Than Required Textbook

IRS Publication 541, Partnerships IRS Publication 542, Corporations Instructions for Form 1120-S Instructions for Form 1041 and Schedules A, B, G, J, and K-1

Examples of Required Writing Assignments

Example 1: Write a client tax letter.

A client has asked you for guidance on selecting the best type of entity for her new business. Using the internet as your sole research source, prepare an outline detailing the advantages and disadvantages of the entity forms available to a sole owner. Include both tax and nontax issues in your analysis.

Example 2: Write a client tax letter.

Adrian is the president and sole shareholder of Pigeon Corporation. He also lends money and rents a building to the corporation. Discuss how these business relationships between Adrian and Pigeon Corporation can help avoid double taxation. What limitations are there on the use of such relationships?

The following elements should be part of the communication: 1) A clear statement of the issue. In more complex situations, a short review

of the facts that raised the issue. 2) A review of the relevant tax law sources (e.g., Code, Regulations, Revenue Rulings, and judicial authority). 3) Any assumptions made in arriving at the solution. 4) The solution recommended and the logic or reasoning supporting it. 5) The references consulted in the research process.

Examples of Outside Assignments

Example 1:

Heron Corporation, a calendar year, accrual basis taxpayer, provides the following information for this year. Prepare a Schedule M-1 to reconcile the net income per books to taxable income.

Net income per books (after-tax): \$239,700 Taxable income: 195,000
Federal income tax liability: 59,300 Interest income from tax-exempt bonds: 5,000 Interest paid on loan incurred to purchase tax-exempt bonds: 2,000 Life insurance proceeds received as a result of death of Heron's president: 100,000 Premiums paid on policy on life of Heron's president: 4,500 Excess of capital losses over capital gains: 2,000 Retained earnings at beginning of year: 375,000 Cash dividends paid: 90,000 Tax depreciation in excess of book depreciation: 7,500

Example 2:

Based on the following information, prepare a one-page memorandum recommending whether Gray should make the gift of the land to charity in the current year or following year? Provide support for your answer.

In the current year, Gray Corporation, a calendar year C corporation, has a \$75,000 charitable contribution carryover from a gift made five years ago. Gray is contemplating a gift of land to a qualified charity either in the current year or following year? Gray purchased the land as an investment five years ago for \$100,000 (current fair market value is \$250,000). Before considering any charitable deduction, Gray projects taxable income of \$1 million for the current year and \$1.2 million for next year.

Instruction Type(s)

Lecture, Online Education Lecture