

**WILMINGTON UNIVERSITY
COLLEGE OF BUSINESS
BASIC COURSE INFORMATION**

COURSE TITLE: Tax Accounting I
COURSE NUMBER: BAC 321
PRE-

Learning Objectives: The student will:

- B-1 Understand and apply the components of the Federal income tax formula.
- B-2 Apply the rules for the use of the standard deduction and itemized deductions in computing taxable income. Use the proper method for determining the tax liability.
- B-4 Identify and apply the kiddie tax.
- B-5 Recognize the filing requirements and the proper filing status.
- B-6 Possess an understanding of property transactions.
- B-7 Identify tax planning opportunities associated with the individual tax formula.

GOAL C:

The student will obtain the knowledge necessary to distinguish between income that should be included in gross income and income that should be excluded from gross income

Learning Objectives: The student will:

- C-1 Explain the concepts of gross income and realization, and distinguish between the economic, accounting, and tax concepts of gross income.
- C-2 Describe the cash and accrual methods of accounting and the related effects of the choice of tax year.
- C-3 Apply the Internal Revenue Code provisions on alimony, loans made at below-market interest rates, annuities, prizes and awards, group term life insurance, unemployment compensation, Social Security benefits, and other sources of income.
- C-4 Identify tax planning strategies for minimizing gross income.
- C-5 Understand the statutory authority that is required to exclude an item from gross income.
- C-6 Identify the circumstances under which various items are excludible from gross income.
- C-7 Determine the extent to which receipts can be excluded under the tax benefit rule and identify who should pay the tax on a particular item of income in various situations.
- C-8 Describe the circumstances under which income must be reported from the discharge of indebtedness.

- C-9 Identify tax planning strategies for obtaining the maximum benefit from allowable exclusions.

GOAL D:

The student will explain deductions and losses from taxable income.

Learning Objectives: The student will:

- D-1 Differentiate between deductions for and from adjusted gross income and understand the relevance of the differentiation.
- D-2 Describe the difference between cash and accrual methods of accounting on deductions.
- D-3 Apply the Internal Revenue Code deduction disallowance provisions associated with political activities, excessive executive compensation, investigation of business opportunities, hobby losses, vacation home expenditures, related-party transactions, and expenses related to tax-exempt income.
- D-4 Identify tax planning opportunities for maximizing deductions and minimizing the disallowance of deductions.

GOAL E:

The student will identify business expenses and losses

Learning Outcomes: The student will:

- E-1 Determine the amount, classification, and timing of bad debt expense.
- E-2 Describe the tax treatment of worthless securities including (sec) 1244 stock.
- E-3 Distinguish between deductible and nondeductible losses of individuals.
- E-4 Identify a casualty and determine the amount, classification, and timing of casualty and theft losses.
- E-5 Recognize and apply the alternative tax treatments for research and experimental expenditures.
- E-6 Explain the tax impact of a net operating loss and recognize the effect of the carryback and carryover provisions.
- E-7 Identify tax planning opportunities in deducting certain business expenses, business losses, and personal losses.
- E-8 Calculate the domestic production activities deduction.

GOAL F:

The student will understand depreciation including how to calculate depreciation using MACRS.

Learning Objectives: The student will:

- F-1 Discuss the rationale for the cost consumption concept and identify the relevant time periods for depreciation, ACRS, MACRS.
- F-2 Determine the amount of cost recovery under MACRS.
- F-3 Recognize when and how to make the (sec) 179 expensing election, calculate the amount of the deduction, and apply the effect of the election in making the MACRS calculation.
- F-4 Identify listed property and apply the deduction limitations on listed property and on luxury automobiles.
- F-5 Determine when and how to use the alternative depreciation system (ADS) and be aware of the major characteristics of ACRS.
- F-6 Identify intangible assets that are eligible for amortization and calculate the amount of the deduction.
- F-7 Determine the amount of depletion expense including being able to apply the alternative tax treatments for intangible drilling and development costs.

GOAL G:

The student will explain employee and self-employed deductions.

Learning Objectives: The student will:

- G-1 Distinguish between employee and self-employed status.
- G-2 Recognize deductible transportation expenses.
- G-3 Know how travel expenses are treated.
- G-4 Determine the moving expense deduction.
- G-5 Differentiate between deductible and nondeductible education expenses.
- G-6 Understand how entertainment expenses are treated.
- G-7 Identify other employee expenses.
- G-8 Become familiar with various deductions for contributions to retirement accounts.
- G-9 Appreciate the difference between accountable and nonaccountable employee plans.

G-10 Explain the limitations on miscellaneous itemized deductions.

G-11 Develop tax planning ideas related to employee business expenses.

GOAL H:

The student will explain how to account for various itemized deductions and losses.

Learning Objectives: The student will:

H-1 Distinguish between deductible and nondeductible personal expenses.

H-2 Define medical expenses and compute the medical expense deduction.

H-3 Contrast deductible taxes and nondeductible fees, licenses, etc.

H-4 Explain the Federal income tax treatment of state and local income taxes.

H-5 Distinguish between deductible and nondeductible interest and apply the appropriate limitations to deductible interest.

H-6 Explain charitable contributions and their related measurement problems and percentage limitations.

H-7 List the business and personal expenditures that are deductible either as miscellaneous itemized deductions or as other itemized deductions.

H-8 Identify tax planning procedures that can maximize the benefit of itemized deductions.

GOAL I:

The student will explain the rules regarding passive activity losses.

- I-8 Discuss the special treatment available to real estate activities.
- I-9 Determine the proper tax treatment upon the disposition of a passive activity.
- I-10 Identify restrictions placed on the deductibility of other investor losses and deductions, including those that apply to investment interest.
- I-11 Identify tax planning strategies to minimize the effect of the passive loss limitations.

GOAL J:

The student will explain tax credits.

Learning Objectives: The student will:

- J-1 Explain how tax credits are used as a tool of Federal tax policy.
- J-2 Distinguish between refundable and nonrefundable credits and understand the order in which they can be used by taxpayers.
- J-3 Describe various business-related tax credits.
- J-4 Describe various tax credits that are available primarily to individual taxpayers.
- J-5 Understand the tax withholding and payment procedures used by employers.
- J-6 Describe the tax payment procedures used by self-employed persons.
- J-7 Identify tax planning opportunities related to tax credits.

GOAL K:

The student will gain an understanding of the effect of various property transactions, including involuntary conversions, sale of residence, capital gain or loss, and the disposal of business property.

Learning Objectives: The student will:

- K-1 Compute realized gain or loss on property dispositions.
- K-2 Distinguish between realized and recognized gain or loss.
- K-3 Apply the recovery of capital doctrine.
- K-4 Explain how basis is determined for various methods of asset acquisition.
- K-5 Describe various loss disallowance provisions.

- K-6 Critique the rationale for nonrecognition (postponement) of gain or loss in certain property transactions.
- K-7 Apply the nonrecognition provisions and basis determination rules for like-kind exchanges.
- K-8 Explain the nonrecognition provisions available on the involuntary conversion of property.
- K-9 Describe the provision for the permanent exclusion of gain on the sale of a personal residence.
- K-10 Identify other nonrecognition provisions contained in the Code.
- K-11 Identify tax planning opportunities related to selected property transactions.

GOAL L:

The student will explain capital gains and losses, Section 1231 assets, and recapture provisions.

Learning Objectives: The student will:

- L-1 Explain the rationale for separate reporting of capital gains and losses.
- L-2 Distinguish capital assets from ordinary assets.
- L-3 Explain the relevance of a sale or exchange to classification as a capital gain or loss and apply the special rules for the capital gain or loss treatment of the retirement of corporate obligations, options, patents, franchises, and lease cancellation payments.
- L-4 Determine whether the holding period for a capital asset is long term or short term.
- L-5 Describe the beneficial tax treatment for capital gains and the detrimental tax treatment for capital losses for noncorporate taxpayers.
- L-6 Describe the tax treatment for capital gains and the detrimental tax treatment for capital losses for corporate taxpayers.
- L-7 Explain the rationale for and the nature and treatment of gains and losses from the disposition of business assets.
- L-8 Distinguish Sec. 1231 assets from ordinary assets and capital assets and calculate the Sec. 1231 gain or loss.
- L-9 Determine when Sec. 1245 recapture applies and how it is computed.
- L-10 Determine when Sec. 1250 recapture applies and how it is computed.

- L-11 Identify considerations common to Sec. 1245 and 1250.
- L-12 Apply the special recapture provisions for related parties and the IDC and be aware of the special recapture provision for corporations.
- L-13 Describe and apply the reporting procedures for §§ 1231, 1245, and 1250.
- L-14 Identify tax planning opportunities arising from the sale or exchange of capital assets and avoid pitfalls associated with the recapture provisions.

GOAL M:

The student will explain the alternative minimum tax.

Learning Objectives: The student will:

- M-1 Explain the rationale for the alternative minimum tax (AMT).
- M-2 Explain the formula for computing the AMT for individuals.
- M-3 Identify the adjustments made in calculating the AMT.
- M-4 Identify the tax preferences that are included in calculating the AMT.
- M-5 Apply the formula for computing the AMT and illustrate Form 6251.
- M-6 Describe the role of the AMT credit in the alternative minimum tax structure.
- M-7 Explain the basic features of the corporate AMT.
- M-8 Identify tax planning opportunities to minimize the AMT.