

# Common Course Outline

## ACCT 242

### Tax Accounting II

3 Credits

## The Community College of Baltimore County

### Description

**ACCT 242 – Tax Accounting II** is the continuing study of fundamental federal tax laws and how they are applied to corporations, flow-through entities, estates and trusts. The course examines the tax treatment of various business and financial transactions as they relate to the specific type of entity that will be affected. The course also focuses on the business concerns of corporations (executives, board of directors, shareholders, and stakeholders), partnerships (members of the partnership), and estate and trusts (managers, executors, and administrators), as well as the professional and ethical responsibilities of the accountant.

**3 credit hours**

**Prerequisite: ACCT 102**

### Overall Course Objectives

Upon completion of this course students will be able to:

1. conduct proper tax research using statutory and administrative sources of tax laws;
2. analyze tax planning and compliance issues of complex organizations and tax situations in order to make recommendations;
3. analyze and define the tax implications of the various entity classifications including corporations, flow-through entities, estates, and trusts;
4. explain tax considerations in forming a corporation, including Section 351 and choice of capital structure;
5. compute a corporation's taxable income and tax liability, given a set of financial data;
6. apply tax accounting procedures to non-liquidating property distributions such as stock dividends and stock rights;
7. explain tax considerations in forming a partnership;
8. compute a partnership's tax income and each partner's tax liability, given a set of financial data;
9. explain tax consequences in forming an S Corporation;
10. compute an S Corporation's taxable income and each shareholder's tax liability, given a set of financial data;
11. explain the concept of transfer taxes;
12. apply the gift tax formula and compute the gift tax liability, given a set of financial data;
13. explain the estate tax formula and the typical inclusions and deductions of a gross estate;
14. compute the tax liability of an estate, given a set of financial data;
15. explain the basic concepts and principles of fiduciary accounting;
16. compute a simple trust's taxable income and tax liability, given a set of financial data; and
17. apply ethical and professional standards to roles and responsibilities as a tax professional.

## Major Topics

- I. Business Income, Deductions, and Accounting Methods
  - A. Business Gross Income and Deductions
  - B. Specific Business Deductions and Limitations
  - C. Accounting Periods and Methods
  - D. Inventories
  - E. Accrual Deductions
  - F. Comparison of Accrual and Cash Methods
  - G. Adopting and Changing Accounting Methods
- II. Property Acquisition and Cost Recovery
  - A. Cost Recovery and Basis for Cost Recovery
  - B. Depreciation Methods, Periods, and Conventions for Real Property and Tangible Personal Property
  - C. Depreciation
  - D. Amortization
  - E. Depletion
- III. Property Dispositions
  - A. Realized and Recognized Gains/Losses on Disposition
  - B. Character of Gain or Loss, including Ordinary Assets, Capital Assets, and Section 1231 Assets
  - C. Depreciation Recapture
  - D. Non-recognition Transactions, including Like-Kind Exchanges
- IV. Entities Overview
  - A. Legal Classifications and Non-Tax Characteristics
  - B. Entity Tax Classifications and Characteristics
  - C. Converting to Other Entity Types
- V. Corporate Operations
  - A. Corporate Taxable Income Formula
  - B. Corporate-Specific Deductions and Associated Book-Tax Differences
  - C. Compliance
  - D. Corporate Alternative Minimum Tax
- VI. Accounting for Income Taxes
  - A. Income Tax Provision Process
  - B. Calculating the Current and Deferred Income Tax Expense or Benefit Components
  - C. Valuation Allowances
  - D. Accounting for Uncertainty in Income Tax Positions
  - E. Financial Statement Disclosure
- VII. Corporate Taxation: Non-liquidating Distributions
  - A. Shareholder Taxation of Corporate Dividends
  - B. Computing Earnings and Profits
  - C. Ordering of E&P Distributions
  - D. Distributions of Non-Cash Property to Shareholders
  - E. Constructive Dividends
  - F. Stock Dividends, Stock Redemptions, and Partial Liquidations
- VIII. Corporate Formation, Reorganization, and Liquidation
  - A. Tax-Deferred Transfers of Property to a Corporation

- B. Section 351 Transactions
- C. Taxable and Tax-Deferred Corporate Acquisitions
- D. Complete Liquidation of a Corporation
- IX. Forming and Operating Partnerships
  - A. Partnership Formations and Acquisitions of Partnership Interests
  - B. Partnership Accounting Periods, Methods, and Tax Elections
  - C. Reporting the Results of Partnership Operations
  - D. Partner's Adjusted Tax Basis in Partnership Interest
  - E. Loss Limitations
- X. Dispositions of Partnership Interests and Partnership Distributions
  - A. Sales of Partnerships
  - B. Operating and Liquidating Distributions
  - C. Disproportionate Distributions
  - D. Special Basis Adjustments
- XI. S Corporations
  - A. S Corporation Elections and Formations
  - B. S Corporation Terminations
  - C. Methods and Periods
  - D. Income and Loss Allocations
  - E. Self-Employment Income
  - F. Distributions
  - G. S Corporation Taxes and Filing Requirements
- XII. State and Local Taxes
  - A. State and Local Taxes
  - B. Sales and Use Taxes
  - C. Nexus and Liability
  - D. Dividing State Tax Base among States
- XIII. The U.S. Taxation of Multinational Transactions
  - A. U.S. Taxation of a Nonresident
  - B. U.S. Source Rules for Gross Income and Deductions
  - C. Treaties
  - D. Foreign Tax Credits
  - E. Planning for International Operations
  - F. U.S. Anti-Deferral Rules
- XIV. Transfer Taxes and Wealth Planning
  - A. Federal Estate Tax
  - B. Federal Gift Tax
  - C. Wealth Planning Concepts

### **Course Requirements**

Grading/exams: Grading procedures will be determined by the individual faculty member but will include the following:

- Weekly Participation
- Weekly Homework Problems
- Tax Research Assignment
- Court Case Briefs

- Entity Formation Memo
- Multi-State and International Tax Issue Assignment
- Comprehensive Tax Problem
- A minimum of 3 Tests
- Comprehensive Final Exam

Written Assignments: Students are required to utilize appropriate academic resources. Evaluation of student performance will include some formal and/or informal writing assignments that contribute to the mastery of writing within the discipline of accounting. The individual faculty member will determine the specific writing assignments that demonstrate one or more of the following abilities as appropriate to the course content: apply procedures, explain concepts, analyze financial data, or summarize current business events.

### **Other Course Information**

- This course is an elective in the Accounting A.A.S. degree program, the Accounting certificate program, and the CPA Exam Qualification certificate program.
- This course is recommended or required for the CPA exam in most states.
- The course uses computer technology and problem-solving techniques to supplement classroom work.