



## **Federal Tax Accounting II**

### **ACCT 4306 – 110 (CRN 10013)**

### **Spring 2019**

#### **INSTRUCTOR AND CONTACT INFORMATION**

**Instructor:** Richard Gavin, MBT, CPA

**Email:** For communication, please use the Canvas “Inbox” messages. Should you write me an email, please mention your name and course title in the Subject line.

#### **Office Hours:**

I am available before class and after class on Tuesday and Thursdays.

#### **Mode of instruction and course access:**

This course meets face-to-face on Tuesdays and Thursdays.

This course uses the A&M-Central Texas Canvas Learning Management System [<https://tamuct.instructure.com>].

#### **Student-instructor interaction:**

I am available before class and after class on Tuesday and Thursdays to provide. In addition, I will be checking Canvas “Inbox” and replying to student messages frequently.

#### **911 Cellular:**

Emergency Warning System for Texas A&M University – Central Texas  
911Cellular is an emergency notification service that gives Texas A&M University-Central Texas the ability to communicate health and safety emergency information quickly via email, text message, and social media. All students are automatically enrolled in 911 Cellular through their myCT email account.

Connect at [911Cellular](https://portal.publicsafetycloud.net/Texas-AM-Central/alert-management) [<https://portal.publicsafetycloud.net/Texas-AM-Central/alert-management>] to change where you receive your alerts or to opt out. By staying enrolled in 911Cellular, university officials can quickly pass on safety-related information, regardless of your location.

#### **COURSE INFORMATION**

##### **Course Overview and description:**

This course covers current income tax law and regulations with special emphasis on income tax legislation, treasury and court decisions, departmental rulings, and income tax problems and returns, for businesses.

**Course Objective:**

The purpose of this course is to prepare the student to interpret and apply the U.S. Internal Revenue Code provisions, acquire the basic knowledge necessary to prepare tax forms, and acquire the ability to research a tax question and use the information gained to answer client questions and tax plan. Additionally, the student completes the course with an appropriate level of knowledge to successfully pass related sections of the CPA Exam.

**Student Learning Outcomes:**

This course covers Chapters 15-26 with the learning objectives for each chapter as follows:

## Chapter 15 - Taxing Business Income

LO.1 Summarize the tax treatment of various forms of conducting a business.

LO.2 Explain the rationale for the deduction for qualified business income.

LO.3 Describe the types of taxpayers and activities that potentially generate a deduction for qualified business income.

LO.4 Determine a taxpayer's deduction for qualified business income.

LO.5 List and evaluate tax planning ideas for choice of entity and the deduction for qualified business income.

## Chapter 16 - Accounting Periods and Methods

LO.1 Explain the relevance of the accounting period concept, the different types of accounting periods, and the limitations on their use.

LO.2 Apply the cash method, accrual method, and hybrid method of accounting.

LO.3 Utilize the procedure for changing accounting methods.

LO.4 Determine when the installment method of accounting applies and its effect on taxable income.

LO.5 Review and illustrate the alternative methods of accounting for long-term contracts (the completed contract method and the percentage of completion method), including the limitations on the use of the completed contract method.

LO.6 Identify tax planning opportunities related to accounting periods and accounting methods.

## Chapter 17 - Corporations: Introduction and Operating Rules

LO.1 Compare the taxation of individuals and corporations.

LO.2 List and apply the tax rules unique to corporations.

LO.3 Compute the corporate income tax.

LO.4 Explain the operation of the accumulated earnings and personal holding company taxes.

LO.5 Describe the reporting process for corporations.

LO.6 Determine the impact of tax return positions on corporate financial statements.

LO.7 Evaluate corporations as an entity form for conducting a business.

## Chapter 18 - Corporations: Organization and Capital Structure

LO.1 Explain the tax consequences of incorporating a business.

LO.2 Describe the special rules that apply when liabilities are assumed by a corporation.

LO.3 Identify the basis issues relevant to the shareholder and the corporation.

LO.4 Explain the tax aspects of the capital structure of a corporation.

- LO.5 Characterize the tax differences between debt and equity investments.
- LO.6 Handle the tax treatment of shareholder debt and stock losses.
- LO.7 Identify tax planning opportunities associated with organizing and financing a corporation.

#### Chapter 19 - Corporations: Distributions Not in Liquidation

- LO.1 Explain the role that earnings and profits play in determining the tax treatment of distributions.
- LO.2 Compute a corporation's earnings and profits (E & P).
- LO.3 Determine taxable dividends paid during the year by correctly allocating current and accumulated E & P to corporate distributions.
- LO.4 Describe the tax treatment of dividends for individual shareholders.
- LO.5 Evaluate the tax impact of property dividends by computing the shareholder's dividend income, basis in the property received, and the effect on the distributing corporation's E & P and taxable income.
- LO.6 Recognize situations when constructive dividends exist and compute the tax resulting from such dividends.
- LO.7 Determine the tax implications from receipt of stock dividends and stock rights and the shareholder's basis in the stock and stock rights received.
- LO.8 Identify various stock redemptions that qualify for sale or exchange treatment.
- LO.9 Determine the tax impact of stock redemptions on the distributing corporation.
- LO.10 Identify planning opportunities available to minimize the tax impacts of corporate distributions, constructive dividends, and stock redemptions.

#### Chapter 20 - Corporations: Distributions in Liquidation & Reorgs

- LO.1 Determine the tax consequences of complete liquidations for both the corporation and its shareholders.
- LO.2 Determine the tax consequences of subsidiary liquidations for both the parent and the subsidiary corporations.
- LO.3 Explain the general requirements and tax consequences of corporate reorganizations.
- LO.4 Identify tax planning opportunities available to minimize the tax impact in complete liquidations and corporate reorganizations.

#### Chapter 21 - Partnerships

- LO.1 Distinguish among the various types of entities treated as partnerships for tax purposes.
- LO.2 Describe the conceptual basis for partnership taxation and how partnership income is reported and taxed.
- LO.3 Determine the tax effects of forming a partnership with cash and property contributions.
- LO.4 Identify elections available to a partnership and specify the tax treatment of expenditures of a newly formed partnership.
- LO.5 Specify the accounting methods available to a partnership.
- LO.6 List and explain the methods of determining a partnership's tax year.
- LO.7 Calculate a partnership's taxable income and separately stated items and describe how the partnership's income is reported.
- LO.8 Outline and discuss the requirements for allocating income, gains, losses, deductions, and credits among the partners and describe how that income is reported.

- LO.9 Determine a partner's basis in the partnership interest.
- LO.10 Explain how liabilities affect a partner's basis.
- LO.11 Illustrate a partner's capital account rollforward and explain why the year-end balance might differ from the partner's year-end basis in the partnership interest.
- LO.12 List and review the limitations on deducting partnership losses.
- LO.13 Identify other issues related to partners and partnerships.
- LO.14 Define terms related to distributions from a partnership and determine the tax treatment of proportionate current distributions from a partnership to a partner and the tax treatment of proportionate distributions that liquidate a partnership.
- LO.15 Calculate the selling partner's amount and character of gain or loss on the sale or exchange of a partnership interest.
- LO.16 Describe the application of partnership provisions to limited liability companies (LLCs) and limited liability partnerships (LLPs).
- LO.17 Identify tax planning opportunities related to partnerships and their partners.

#### Chapter 22 - S Corporations

- LO.1 Explain the tax effects that S corporation status has on shareholders.
- LO.2 Identify corporations that qualify for the S election.
- LO.3 Explain how to make an S election.
- LO.4 Explain how an S election can be terminated.
- LO.5 Compute nonseparately stated income and identify separately stated items.
- LO.6 Allocate income, deductions, and credits to shareholders.
- LO.7 Determine how distributions to S corporation shareholders are taxed.
- LO.8 Calculate a shareholder's basis in S corporation stock.
- LO.9 Explain the tax effects that losses have on shareholders.
- LO.10 Compute the built-in gains and passive investment income penalty taxes.
- LO.11 Engage in tax planning for S corporations.

#### Chapter 23 - Exempt Entities

- LO.1 Identify the different types of exempt organizations.
- LO.2 Enumerate the requirements for exempt status.
- LO.3 Apply the tax consequences of exempt status, including the different consequences for public charities and private foundations.
- LO.4 Determine which exempt organizations are classified as private foundations.
- LO.5 Recognize the taxes imposed on private foundations and calculate the related initial tax and additional tax amounts.
- LO.6 Determine when an exempt organization is subject to the unrelated business income tax and calculate the amount of the tax.
- LO.7 List the reports that exempt organizations must file with the IRS and the related due dates.
- LO.8 Identify tax planning opportunities for exempt organizations.

#### Chapter 24 - Multistate Corporate Taxation

- LO.1 Illustrate the computation of a multistate corporation's state income tax liability.
- LO.2 Define nexus and explain its role in state income taxation.
- LO.3 Distinguish between allocation and apportionment of a multistate corporation's taxable income.
- LO.4 Describe the nature and treatment of business and nonbusiness income.

- LO.5 Discuss the sales, payroll, and property apportionment factors.
- LO.6 Apply the unitary method of state income taxation.
- LO.7 Discuss the states' income tax treatment of S corporations, partnerships, and LLCs.
- LO.8 Describe other commonly encountered state and local taxes on businesses.
- LO.9 Recognize tax planning opportunities available to minimize a corporation's state and local tax liability.

#### Chapter 25 - Taxation of International Transactions

- LO.1 Explain the framework underlying the U.S. taxation of cross-border transactions.
- LO.2 Describe the interaction between Internal Revenue Code provisions and tax treaties.
- LO.3 Apply the rules for sourcing income and deductions into U.S. and foreign categories.
- LO.4 Apply foreign currency exchange rules as they affect the tax consequences of international transactions.
- LO.5 Work with the U.S. tax provisions affecting U.S. persons earning foreign-source income, including the rules relating to cross-border asset transfers, antideferral provisions, and the foreign tax credit.
- LO.6 Apply the U.S. tax provisions concerning nonresident alien individuals and foreign corporations.

#### Chapter 26 - Tax Practice and Ethics

- LO.1 Illustrate the organization and structure of the IRS.
- LO.2 Identify the various administrative pronouncements issued by the IRS and explain how they can be used in tax practice.
- LO.3 Describe the audit process, including how tax returns are selected for audit and the various types of audits.
- LO.4 Explain the taxpayer appeal process, including various settlement options available.
- LO.5 Determine the amount of interest on a deficiency or a refund and when it is due.
- LO.6 List and explain the various penalties that can be imposed on acts of noncompliance by taxpayers and return preparers.
- LO.7 Recognize and apply the rules governing the statute of limitations on assessments and on refunds.
- LO.8 Summarize the legal and ethical guidelines that apply to those engaged in tax practice.

#### **Required Reading and Textbook(s):**

South-Western Federal Taxation 2019: Comprehensive, 42<sup>nd</sup> Edition

Authors: David M. Maloney, William A. Raabe, William H. Hoffman, Jr., James C. Young

Copyright 2019. Publisher: Cengage

ISBN-13: 9781337703017

## **COURSE REQUIREMENTS**

This course is made up of a series of assignments and assessments to assist you in achieving the course and learning objectives/outcomes. Each week you will work on various combinations of assignments, activities, discussions, readings, research, etc.

**Homework (11) – 25 points each (275 total points):** Students will be assigned homework Questions and Problems from the end of most chapters. The homework must be done in either Excel or Word and uploaded to Canvas. Alternatively, some homework questions will be answered in Canvas. The details, including due date and time, will be listed in Canvas.

**Discussion Questions (10) – 15 points each (150 total points):** Tax professionals need to be able to write well in order to be effective. In order to hone this skill, discussion questions will be assigned for most chapters. The details, including due date and time, will be listed in Canvas.

**Quizzes (10) -- 20 points each (200 total points):** Quizzes will be given for most chapters. This will gauge how much you learned in a given chapter and also prepare for you for the exams. The details, including due date and time, will be listed in Canvas and discussed in class.

**Exams (3) – 100 points each (300 total points):** Three exams will be given during the semester. The details, including due date and time, will be listed in Canvas and discussed in class.

## Grading Criteria Rubric and Conversion

Course Element	Number Given	Points	Total Points	Percent of Course Grade
Exams	3	100	300	30.0%
Quizzes	10	20	200	20.0%
Homework	11	25	275	27.5%
Discussion Questions	10	15	150	15.0%
Class Participation		75	75	7.5%
<b>Total</b>		<b>235</b>	<b>1,000</b>	<b>100.0%</b>
<b>Grade Equivalents:</b>				
900 to 1,000 points = A				
800 to 899 points = B				
700 to 799 points = C				
600 to 699 points = D				
0 to 599 points = F				

### Posting of Grades

Upon receipt of the class assignments, quizzes, and exams, turn-around time for grades will be no more than two weeks. Grades to be posted on the Canvas Grade book where students can monitor their status.

## COURSE OUTLINE AND CALENDAR

<b>Week</b>	<b>Week of</b>	<b>Topic</b>
Week 1	January 13, 2019	Course Introduction
Week 2	January 20, 2019	Chapter 15 - Taxing Business Income
Week 3	January 27, 2019	Chapter 16 - Accounting Periods and Methods
Week 4	February 3, 2019	Chapter 17 - Corporations: Introduction and Operating Rules
Week 5	February 10, 2019	Exam #1
Week 6	February 17, 2019	Chapter 18 - Corporations: Organization and Capital Structure
Week 7	February 24, 2019	Chapter 19 - Corporations: Distributions Not in Liquidation
Week 8	March 3, 2019	Chapter 20 - Corporations: Distributions in Liquidation & Reorgs
Week 9	March 10, 2019	Spring Break - No Class
Week 10	March 17, 2019	Chapter 21 - Partnerships
Week 11	March 24, 2019	Exam #2
Week 12	March 31, 2019	Chapter 22 - S Corporations
Week 13	April 7, 2019	Chapter 23 - Exempt Entities
Week 14	April 14, 2019	Chapter 24 - Multistate Corporate Taxation
Week 15	April 21, 2019	Chapter 25 - Taxation of International Transactions
Week 16	April 28, 2019	Chapter 26 - Tax Practice and Ethics
Week 17	May 5, 2019	Exam #3



## **TECHNOLOGY REQUIREMENTS AND SUPPORT**

### **Technology Requirements.**

This course will use the A&M-Central Texas Instructure Canvas learning management system.

Logon to A&M-Central Texas Canvas [<https://tamuct.instructure.com>].

Username: Your MyCT username (xx123 or everything before the "@" in your MyCT e-mail address)

Password: Your MyCT password

### **Technology Support.**

For log-in problems, students should contact Help Desk Central. 24 hours a day, 7 days a week:

Email: [helpdesk@tamu.edu](mailto:helpdesk@tamu.edu) Phone: (254) 519-5466

[Web Chat](http://hdc.tamu.edu): [<http://hdc.tamu.edu>]

*Please let the support technician know you are an A&M-Central Texas student.*

For issues with **Canvas**, select "chat with Canvas support," submit a support request to Canvas Tier 1, or call the Canvas support line: 1-844-757-0953, links to all are found inside of Canvas using the "Help" link.

For issues related to course content and requirements, contact your instructor.

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## **UNIVERSITY RESOURCES, PROCEDURES, AND GUIDELINES**

### **Drop Policy.**

If you discover that you need to drop this class, you must complete a [Drop Request Form](https://www.tamuct.edu/registrar/docs/Drop_Request_Form.pdf) [[https://www.tamuct.edu/registrar/docs/Drop\\_Request\\_Form.pdf](https://www.tamuct.edu/registrar/docs/Drop_Request_Form.pdf)].

Professors cannot drop students; this is always the responsibility of the student. The Registrar's Office will provide a deadline on the University Calendar for which the form must be completed, signed and returned. Once you return the signed form to the Registrar's Office, you must go into Warrior Web and confirm that you are no longer enrolled. If you still show as enrolled, FOLLOW-UP with the Registrar's Office immediately. You are to attend class until the procedure is complete to avoid penalty for absence. Should you miss the drop deadline or fail to follow the procedure, you will receive an F in the course, which may affect your financial aid and/or VA educational benefits.

### **Academic Integrity.**

Texas A&M University-Central Texas values the integrity of the academic enterprise and strives for the highest standards of academic conduct. A&M-Central Texas expects its students, faculty, and staff to support the adherence to high standards of personal and scholarly conduct to preserve the honor and integrity of the creative community.

Academic integrity is defined as a commitment to honesty, trust, fairness, respect, and responsibility. Any deviation by students from this expectation may result in a failing grade for the assignment and potentially a failing grade for the course. Academic misconduct is any act that improperly affects a true and honest evaluation of a student's academic performance and includes, but is not limited to, cheating on an examination or other academic work, plagiarism and improper citation of sources, using another student's work, collusion, and the abuse of resource materials. All academic misconduct concerns will be

reported to the university's Office of Student Conduct. Ignorance of the university's standards and expectations is never an excuse to act with a lack of integrity. When in doubt on collaboration, citation, or any issue, please contact your instructor before taking a course of action.

### **Academic Accommodations.**

At Texas A&M University-Central Texas, we value an inclusive learning environment where every student has an equal chance to succeed and has the right to a barrier free education. The Department of Access and Inclusion is responsible for ensuring that students with a disability receive equal access to the University's programs, services and activities. If you believe you have a disability requiring reasonable accommodations please contact the Department of Access and Inclusion at (254) 501-5831. Any information you provide is private and confidential and will be treated as such.

For more information please visit our [Access & Inclusion](https://www.tamuct.edu/departments/access-inclusion) webpage [https://www.tamuct.edu/departments/access-inclusion].

Texas A&M University-Central Texas supports students who are pregnant and/or parenting. In accordance with requirements of Title IX and guidance from US Department of Education's Office of Civil Rights, the Dean of Student Affairs' Office can assist students who are pregnant and/or parenting in seeking accommodations related to pregnancy and/or parenting. For more information, please visit <https://www.tamuct.departments/index.php>. Students may also contact the institution's Title IX Coordinator. If you would like to read more about these [requirements and guidelines online](http://www2.ed.gov/about/offices/list/ocr/docs/pregnancy.pdf), please visit the website [http://www2.ed.gov/about/offices/list/ocr/docs/pregnancy.pdf].

### **Tutoring.**

Tutoring is available to all A&M-Central Texas students, both on-campus and online. On-campus subjects tutored include Accounting, Advanced Math, Biology, Finance, Statistics, Mathematics, and Study Skills. Tutors are available at the Tutoring Center in Warrior Hall, Suite 111.

If you have a question regarding tutor schedules, need to schedule a tutoring session, are interested in becoming a tutor, or any other question, contact Academic Support Programs at 254-519-5796, or by emailing Larry Davis at [lldavis@tamuct.edu](mailto:lldavis@tamuct.edu).

Chat live with a tutor 24/7 for almost any subject on your computer! Tutor.com is an online tutoring platform that enables A&M-Central Texas students to log-in and receive FREE online tutoring and writing support. This tool provides tutoring in over forty subject areas. Access Tutor.com through Canvas.

### **The University Writing Center.**

Located in 416 Warrior Hall, the University Writing Center (UWC) at Texas A&M University-Central Texas is a free workspace open to all TAMUCT students from 10am-5pm Monday-Thursday with satellite hours in the University Library on Mondays from 6:00-9:00pm. Students may arrange a one-on-one session with a trained and experienced writing tutor by visiting the UWC during normal operating hours (both half-hour and hour sessions are available) or by making an appointment via [WCOOnline](#)

[<https://tamuct.mywconline.com/>]. In addition, you can email Dr. Bruce Bowles Jr. at [bruce.bowles@tamuct.edu](mailto:bruce.bowles@tamuct.edu) to schedule an online tutoring session. Tutors are prepared to help writers of all levels and abilities at any stage of the writing process.

While tutors will not write, edit, or grade papers, they will assist students in developing more effective composing practices. By providing a practice audience for students' ideas and writing, our tutors highlight the ways in which they read and interpret students' texts, offering guidance and support throughout the various stages of the writing process. In addition, students may work independently in the UWC by checking out a laptop that runs the Microsoft Office suite and connects to WIFI, or by consulting our resources on writing, including all of the relevant style guides. Whether you need help brainstorming ideas, organizing an essay, proofreading, understanding proper citation practices, or just want a quiet place to work, the University Writing Center is here to help!

If you have any questions about the University Writing Center, please do not hesitate to contact Dr. Bruce Bowles Jr. at [bruce.bowles@tamuct.edu](mailto:bruce.bowles@tamuct.edu).

### **University Library.**

The University Library provides many services in support of research across campus and at a distance. We offer over 200 electronic databases containing approximately 250,000 eBooks and 82,000 journals, in addition to the 72,000 items in our print collection, which can be mailed to students who live more than 50 miles from campus. Research guides for each subject taught at A&M-Central Texas are available through our website to help students navigate these resources. On-campus, the library offers technology including cameras, laptops, microphones, webcams, and digital sound recorders.

Research assistance from a librarian is also available twenty-four hours a day through our online chat service, and at the reference desk when the library is open. Research sessions can be scheduled for more comprehensive assistance, and may take place on Skype or in-person at the library. Assistance may cover many topics, including how to find articles in peer-reviewed journals, how to cite resources, and how to piece together research for written assignments.

Our 27,000-square-foot facility on the A&M-Central Texas main campus includes student lounges, private study rooms, group work spaces, computer labs, family areas suitable for all ages, and many other features. Services such as interlibrary loan, TexShare, binding, and laminating are available. The library frequently offers workshops, tours, readings, and other events. For more information, please visit our [Library website](https://tamuct.libguides.com/) [<https://tamuct.libguides.com/>].

## **INSTRUCTOR POLICIES**

**Quality of Work:** All work submitted for grading shall be of graduate level quality. Depth of analysis, grammatical structure, etc.

**Identifying Submissions:** Submissions must clearly identify the student and the title of the assignment.

**Late Submissions:** Late submissions will be penalized starting at 10% of the grade and up to no more than half credit unless otherwise stipulated.

**Copyright Notice:** Students should assume that all course material is copyrighted by the respective author(s). Reproduction of course material is prohibited without consent by the author and/or course instructor. Violation of copyright is against the law and Texas A&M University-Central Texas' Code of Academic Honesty. All alleged violations will be reported to the Office of Student Conduct.