ACCT C103: FEDERAL AND CALIFORNIA INDIVIDUAL INCOME TAX PREPARATION

Item	Value
Curriculum Committee Approval Date	11/19/2007
Top Code	050200 - Accounting
Units	4 Total Units
Hours	72 Total Hours (Lecture Hours 72)
Total Outside of Class Hours	0
Course Credit Status	Credit: Degree Applicable (D)
Material Fee	No
Basic Skills	Not Basic Skills (N)
Repeatable	No
Grading Policy	Standard Letter (S), • Pass/No Pass (B)

Course Description

Introduction to income taxation. Emphasis on individual taxation, the income tax formula, the expanded tax formula, introduction to Forms 1040/1040SR/540, gross income, inclusions and exclusions, adjustments for adjusted gross income, itemized deductions, self-employed business income, capital gains and losses, and other sales of property, rental property, royalties, and income from flow-through entities, tax credits, payroll taxes, retirement and other tax-deferred plans and annuities, special property transactions, at-risk/passive activity loss rules and the individual alternative minimum tax per Federal and California tax law. This course meets the accounting-related or business-related course requirements needed to sit for the CPA exam. ADVISORY: ACCT C100, C101, or C130. Transfer Credit: CSU.

Course Level Student Learning Outcome(s)

1. Identify and apply the individual taxation framework to make appropriate and ethical tax decisions.
2. Utilize commercial tax preparation software to prepare Federal and California income tax returns.

Course Objectives

- 1. Define basic income tax terms, such as gross income, adjusted gross income, taxable income, deductions, exemptions, and credits.
- 2. Discuss marginal tax rates for individuals.
- 3. Compute taxable income and the tax due for various individual taxpayers.
- 4. Analyze and evaluate whether an individual taxpayer should itemize or take the standard deduction.
- 5. Recognize the difference between taxable and nontaxable items of gross income.
- 6. Differentiate between deductions "for" and "from" AGI.
- 7. Evaluate legality of taking a deduction for a particular expenditure.
- 8. Apply principles learned to solving problems involving the components of the individual income tax formula.
- 9. Prepare simple and medium-difficulty individual income tax returns.
- 10. Perform basic tax planning to reduce an individuals income tax liability.
- 11. Identify the steps to become a CTEC Registered Tax Preparer in the State of California.

Lecture Content

The Individual Income Tax Return Explain the history and objectives of U.S. tax law. Describe the different entities subject to tax and reporting requirements. Apply the tax formula for individuals. Identify individuals who must file tax returns. Determine filing status and understand the calculations of tax according to filing status. Define qualifying dependents. Determine the tax impact of the economic impact payment and the recovery rebate credit. Calculate the correct standard or itemized deduction amount for taxpayers. Compute basic capital gains and losses. Access and use various Internet tax resources. Describe the basics of electronic filing (e-filing). Gross Income and Exclusions Apply the definition of gross income. Describe salaries and wages in income reporting and inclusion in gross income. Explain the general tax treatment of health insurance. Determine when meals and lodging may be excluded from taxable income. Identify the common employee fringe benefit income exclusions. Determine when prizes and awards are included in income. Calculate the taxable and nontaxable portions of annuity payments. Describe the tax treatment of life insurance proceeds. Identify the tax treatment of interest and dividend income.   Describe the tax treatment of municipal bond interest. Identify the general rules for the tax treatment of gifts and inheritances. Describe the elements of scholarship income that are excluded from tax. Describe the tax treatment of alimony and child support. Explain the implications of using educational savings vehicles. Describe the tax treatment of unemployment compensation. Apply the rules governing inclusion of Social Security benefits in gross income. Distinguish between the different rules for married taxpayers residing in community property states when filing separate returns. Describe the inclusion and exclusion of cancellation of debt income. Business Income and Expenses Complete a basic Schedule C (Profit or Loss from Business). Describe the tax treatment of inventories and cost of goods sold.   Identify the requirements for deducting transportation expenses. Identify the requirements for deducting travel expenses. Determine the requirements for deducting meals. Identify the requirements for claiming business education expenses. Identify the tax treatment of dues and subscriptions. Determine which clothing and uniforms may be treated as tax deductions. Explain the special limited for business gift deductions. Explain the tax treatment of bad debt deductions. Ascertain when a home office deduction may be claimed and how the deduction is computed. Apply the factors used to determine whether an activity is a hobby and understand the tax treatment of hobby losses. Additional Income and the Qualified Business Income Deduction Define the term "capital asset". Apply the holding period for long-term and short-term capital gains and losses. Calculate the gain or loss on the disposition of an asset. Compute the tax on capital gains. Describe the treatment of capital losses. Apply the exclusion of gain from personal residence sales. Apply the tax rules for rental property and vacation homes. Explain the treatment of passive income and losses. Describe the basic tax treatment of deductions for net operating losses. Compute the qualified business income (QBI) deduction. Deductions For and From Adjusted Gross Income (AGI) Explain how Health Savings Accounts (HSAs) can be used for tax-advantaged medical care. Describe the self-employed health insurance deduction. Explain the treatment of Individual Retirement Arrangements (IRAs), including Roth IRAs. Explain the general contribution rules for small business and self-employed retirement plans. Describe other adjustments for adjusted gross income. Calculate the itemized deductions for medical expenses. Calculate the itemized deduction for taxes. Apply the rules for an individual taxpayers interest deduction. Calculate casualty and theft losses. Determine the charitable contributions deduction. Describe other itemized deductions. Accounting Periods and Other Taxes Determine the different accounting periods allowed for tax purposes. Determine the different accounting methods allowed for tax purposes. Determine whether parties are considered related for tax purposes and classify the tax treatment of certain related-party transactions. Apply the rules for computing tax on the unearned income of minor children and certain students (the "kiddie tax"). Calculate a basic alternative minimum tax. Calculate and report the self-employment tax (both Social Security and Medicare portions) for self-employed taxpayers. Apply the special tax and reporting requirements for household employees (the "nanny tax"). Compute the special taxes for high-income taxpayers. Tax Credits Calculate the child tax credit. Determine the earned income credit (EIC). Compute the child and dependent care credit for an individual taxpayer. Calculate the premium tax credit available under the Affordable Care Act. Apply the special rules applicable to the American Opportunity tax credit and lifetime learning credit. Compute the foreign earned income exclusion and foreign tax credit. Determine the proper use and calculation of the adoption credit. Recognize the basic individual credits for energy efficiency. Calculate the low-income Retirement Plan Contribution Credit. Depreciation and Sale of Business Property Explain the concept of depreciation. Calculate depreciation expense using the MACRS tables. Identify when a Section 179 election to expense the cost of property may be used. Apply the limitations placed on depreciation of "listed property." Apply the limitations on depreciation of "luxury automobiles." Calculate the amortization of goodwill and certain other intangibles. Classify gains and losses from Section 1231 assets. Apply the depreciation recapture rules. Apply the general treatment of casualty gains and losses for business purposes. Compute the gain on installment sales. Calculate recognized and deferred gains on like-kind exchanges. Calculate recognized and deferred gains on involuntary conversions. Payroll, Estimated Taxes, and Retirement Plans Compute the income tax withholding from employee wages. Determine taxpayers quarterly estimated payments. Compute the FICA tax. Apply the federal deposit system to payroll withholding. Prepare employer payroll reporting Compute the amount of FUTA tax for an employer. Describe the general rules for qualified retirement plans. Explain the pension plan rollover rules. Partnership Taxation Define a partnership for tax purposes. Describe the basic tax rules for partnership formation and operation. Summarize the rules for partnership income reporting. Describe the tax treatment of partnership distributions. Determine partnership tax years. Describe the tax treatment of transactions between partners and their partnerships. Apply the qualified business income deduction to partners. Apply the at-risk rule to partnerships. Describe the tax treatment of limited liability companies (LLCs). The Corporate Income Tax Employ the corporate tax rates to calculate corporate tax liability. Compute basic gains and losses for corporations. Apply special corporate deductions to corporate taxable income. Identify the components of Schedules M-1 and how they are reported to the IRS. Describe the corporate tax return filing and estimated tax payment requirements. Explain how an S Corporation operates and is taxed. Describe the basic tax rules for the format of a corporation. Describe the rules for the accumulated earnings tax and the personal holding company tax. Describe tax issues associated with the repeal of the alternative minimum tax. Tax Administration and Tax Planning Identify the organizational structure of the Internal Revenue Service (IRS) and its Operating Divisions. Describe the IRS audit process. Define the common penalties for taxpayers and be able to apply them to specific situations. Apply the general rule for the statute of limitations on the tax returns and the important exceptions to the general rule. Describe the rules and penalties that apply to the tax practitioners. Describe how Circular 230 applies to tax practitioners. Describe the Taxpayer Bill of Rights. Explain the basic concepts of tax planning. Describe and apply current tax year tax law and administrative updates. The California Income Tax Calculate California AGI, taxable income, tax, and non-refundable and refundable tax credits. Identify California Non-Conformity topics. Identify the organizational structure and purpose of the California Franchise Tax Board. Identify the organizational structure and purpose of the California Employment Development Department. Identify the organizational structure and purpose of the California Tax Education Council. Identify the organizational structure and purpose of the California Department of Tax and Fee Administration. Understand and apply California Tax Law to prepare income tax returns. Identify the steps to become a CTEC Registered Tax Preparer in the State of California.

Method(s) of Instruction

- Lecture (02)
- DE Online Lecture (02X)

Instructional Techniques

A variety of instructional techniques will be used to cover different student learning styles. These may include, but are not limited to, lecture, discussion, recitation, and small group activities. Instruction will be supplemented, where appropriate, by PowerPoint presentations, electronic resources and technologies, guest speakers, and field trips. Demonstration may also be implemented where applicable and at facilitators sole discretion.

Reading Assignments

Students will read assigned textbooks, complete assigned homework/ projects and participate in class discussions and skills demonstrations.

Writing Assignments

Written assignments and/or projects related to course content.

Out-of-class Assignments

Students will be required to complete homework assignments, do research for projects, discussion posts, and for written assignments and may give individual or group presentations.

Demonstration of Critical Thinking

Quizzes, Midterm, and Final M/C evaluate students understanding of course concepts. Midterm and Final Exam essay questions that evaluate students ability to formulate solutions to accounting scenarios. A written analysis/project related to text material/concepts and/or skills demonstration.

Required Writing, Problem Solving, Skills Demonstration

Assignments include:1. Homework exercises and problems - Homework problems to be completed using tax preparation software.2. Multiple choice questions requiring theory applications and calculations.3. Critical thinking research paper / discussion posts.4. Multiple choice questions requiring theory application and calculation along with written problems requiring detailed calculation and presentation.

Eligible Disciplines

Accounting: Masters degree in accountancy or business administration with accounting concentration OR bachelors degree in business with accounting emphasis or business administration with accounting emphasis or economics with an accounting emphasis AND masters degree in business, business administration, business education, economics, taxation, or finance OR the equivalent. Masters degree required. (NOTE: A bachelors degree in accountancy or business administration with accounting concentration, with a CPA license is an alternative qualification for this discipline)

Textbooks Resources

1. Required Spilker, Brian C. Taxation of Individuals and Business Entities 2024 - Connect Access, 15th ed. McGraw Hill, 2024

Other Resources

1. Coastline Library