

# ACC203 Federal Income Taxation – Administration Outline

## Course Information

Organization	Mercer County Community College
Credits	3
Contact Hours	3

## Catalog Description:

A study of income taxation as it applies to small businesses and individual taxpayers. Topics covered include: gross income, exclusions, deductions, credits, exemptions, and capital gains. Computerized software is used to prepare tax returns.

## Prerequisite

ACC111 with a minimum C grade

**Revised: Spring 2019**

## Course Competencies/Goals:

- A. Analyze financial data and tax rules in order to prepare tax returns for individuals and small businesses.
- B. Obtain a working knowledge of tax preparation software.
- C. Research tax laws as they pertain to individuals and small businesses.

## General Education Knowledge Goals:

- Goal 1 Communication. Students will communicate effectively in both speech and writing.
- Goal 2 Mathematics. Students will use appropriate mathematical and statistical concepts and operations to interpret data and to solve problems.
- Goal 9 Ethical Reasoning and Action: Students will understand ethical issues and situations.

## MCCC Core Skills:

Goal A:	Written and Oral Communication in English. Students will communicate effectively in speech and writing, and demonstrate proficiency in reading.
Goal B:	Critical Thinking and Problem-solving. Students will use critical thinking and problem solving skills in analyzing information.
Goal C:	Ethical Decision-making. Students will recognize, analyze and assess ethical issues and situations.
Goal F:	Collaboration and Cooperation. Students will develop the interpersonal skills required for effective performance in group situations.

## Units of Study in Detail:

### Competencies

#### 1. Discuss taxation in the United States

##### Learning Objectives

- a. Discuss the history of taxation in the United States. (Course Competencies A; General Education Goal 1; MCCC Core A)

- b. Describe the various types of taxes. (Course Competencies A; General Education Goal 1; MCCC Core A)
  - c. Discuss what constitutes a good tax structure. (Course Competencies A; General Education Goal 1; MCCC Core A)
  - d. Describe the objectives of the federal income tax law. (Course Competencies A; General Education Goal 1; MCCC Core A)
2. **Explain the determination of tax**
- Learning Objectives**
- a. Use the tax formula to compute an individual's taxable income. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
  - b. Determine the amount allowable for the standard deduction. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
  - c. Calculate the amount of tax. (Course Competencies A, B; General Education Goal 1, 2; MCCC Core A, B)
  - d. Explain the basic concepts of property transactions. (Course Competencies B, General Education Goal 1, MCCC Core A)
3. **Categorize gross income inclusions**
- Learning Objectives**
- a. Explain the difference between the economic, accounting, and tax concepts of income. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
  - b. Explain the principles used to determine who is taxed on a particular item of income. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
  - c. Apply rules to determine whether items such as compensation, dividends, alimony, and pensions are taxable. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
4. **Categorize gross income exclusions**
- Learning Objectives**
- a. Explain the conditions that must exist for an item to be excluded from gross income. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
  - b. Determine whether an item is income. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
  - c. Decide whether specific exclusions are available. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
  - d. Understand employment-related fringe benefit exclusion items. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
5. **Discuss Capital Gains and Losses**
- Learning Objectives**
- a. Determine the realized gain or loss from the sale of other disposition of property. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
  - b. Determine the basis of property. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
  - c. Distinguish between capital assets and other assets. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)

- d. Understand how capital gains and losses affect taxable income. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
  - e. Recognize when a sale or exchange has occurred. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
6. **Explain deductions and losses**
- Learning Objectives**
- a. Distinguish between deductions for and from AGI. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
  - b. Explain the criteria for deducting business, investment expenses, travel, entertainment expenses. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
  - c. Explain the tax consequences of transactions between related parties. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
  - d. Discuss the criteria for determining whether an activity is a hobby or a trade or business. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
  - e. Determine the tax consequences of vacation homes. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
7. **Categorize itemized deductions**
- Learning Objectives**
- a. Discuss the tax treatment for itemized deductions: Medical expenses, Taxes, Interest, Charitable Contributions, Casualty & Theft Losses. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
8. **Explain losses and bad debts**
- Learning Objectives**
- a. Identify transactions that may result in losses. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
  - b. Determine the proper classification for losses. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
  - c. Calculate the suspended loss from passive activities. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
  - d. Determine when a taxpayer has materially participated in a passive activity. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
  - e. Identify and calculate the deduction for a casualty or theft loss. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
  - f. Compute the deduction for a bad debt. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
  - g. Compute a net operating loss deduction. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
9. **Discuss employee expenses and deferred compensation**
- Learning Objectives**
- a. Discuss employee expenses and deferred compensation: Travel, Transportation, Entertainment, Moving, Education. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
  - b. Determine whether the expenses of an office in home meets the requirements for deductibility and apply the gross income limitations. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)

10. **Explain depreciation, cost recovery, amortization**  
**Learning Objectives**
- a. Understand the general concepts of tax depreciation. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
  - b. Classify property and calculate depreciation under the MACRS rules. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
  - c. Calculate amortization for intangible assets and understand the difference between amortizable and non-amortizable assets. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
  - d. Apply cost and percentage depletion methods and understand the treatment for intangible drilling costs. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
11. **Categorize nontaxable property exchanges**  
**Learning Objectives**
- a. Understand the tax consequences arising from a like-kind exchange. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
  - b. Determine the basis of property received in a like-kind exchange. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
  - c. Determine whether gain from an involuntary conversion may be deferred. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
  - d. Determine the basis of replacement property in an involuntary conversion. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
  - e. Determine when a gain resulting from the sale of a principle residence is excluded. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
12. **Discuss special tax computation methods, Tax Credits**  
**Learning Objectives**
- a. Calculate the alternative minimum tax. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
  - b. Describe what constitutes self-employment income and compute the self-employment tax. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)
  - c. Describe the various business and personal tax credits. (Course Competencies A, B, C; General Education Goal 1, 2; MCCC Core A, B)

**Grading Information:  
Grading Scale**

Tests (Chapters 1 – 10, 12 & 14)	90%*
Projects/Class Work	10% (Course Competencies C; General Education Goal 9; MCCC Core C, F)

\*The instructor will announce during the first class meeting the number of tests and the chapters covered in each test.

### Reasonable Accommodations for Students with Documented Disabilities

Mercer County Community College is committed to supporting all students in their academic and co-curricular endeavors. Each semester, a significant number of students document disabilities, which may require learning, sight, hearing, manual, speech, or mobility accommodations to ensure access to academic and co-curricular activities. The college provides services and reasonable accommodations to all students who need and have a legal entitlement to such accommodations.

#### **Academic Integrity**

ACADEMIC INTEGRITY: Academic integrity refers to the total quality of the search for knowledge which a student undertakes. A student will be guilty of violating academic integrity if he/she:

- A. knowingly represents the work of others as his/her own.
- B. uses or obtains unauthorized assistance in the execution of an academic work
- C. gives fraudulent assistance to another student.

For any single violation of any of the College's policies on Academic Integrity in this course, the student will receive a zero for the assignment AND the final course grade will be lowered by one full letter grade (for example, a B would become a C). For a second violation, the student will fail the course. In all cases, the Chair of the Academic Integrity Committee will be notified of the violation and the penalty imposed. When two (or more) violations of academic integrity are reported on a student, the Academic Integrity Committee (AIC) may impose disciplinary penalties beyond those imposed in this course. The student shall have the right to a hearing before the AIC or a designated AIC subcommittee.