



Course Description

TAX4001 | Federal Income Tax I | 3.00 credits

A survey of federal income tax with emphasis of taxation of individuals and the ethics of income tax accounting. Students will gain the basic theory, concepts, practice, and methods of determining taxable income and tax liabilities. Prerequisite: ACG3103.

Course Competencies:

Competency 1: The student will understand the Internal Revenue Code by:

1. Distinguish between the statutory, administrative, and judicial sources of the tax law and understand the purpose of each source.
2. Locate and work with the appropriate tax law sources.
3. Develop an awareness of tax research tools.
4. Describe the tax research process.
5. Communicate the results of the tax research process in a client letter and a tax file memorandum.
6. Apply tax research techniques and planning procedures.

Competency 2: The student will understand the role of the public accountant in the American Economy by:

1. Distinguish between the statutory, administrative, and judicial sources of the tax law and understand the purpose of each source.
2. Locate and work with the appropriate tax law sources.
3. Develop an awareness of tax research tools.
4. Describe the tax research process.
5. Communicate the results of the tax research process in a client letter and a tax file memorandum.
6. Apply tax research techniques and planning procedures.

Competency 3: The student will analyze the Computing Tax by:

1. Recognize and apply the components of the Federal income tax formula.
2. Explain the use of the standard deduction in computing taxable income.
3. Apply the rules for arriving at personal exemptions.
4. Apply the rules for determining dependency exemptions.
5. Choose the proper filing status and identify the related filing requirements.
6. Use the proper method for determining the tax liability.

Competency 4: The student will understand Gross Income Inclusions by:

1. Explain the concepts of gross income and realization and distinguish between the economic, accounting, and tax concepts of gross income.
2. Describe the choice of the taxable year and the cash, accrual, and hybrid methods of accounting.
3. Identify who should pay the tax on a particular item of income in various situations.
4. Apply the Internal Revenue Code provisions to alimony, loans made at below-market interest rates, annuities, prizes and awards, group term life insurance, unemployment compensation, and Social Security benefits.
5. Identify the circumstances under which various items are excluded from gross income.
6. Determine how much receipts can be excluded under the tax benefit rule.
7. Describe the circumstances under which income must be reported from the discharge of indebtedness.

Competency 5: The student will evaluate Gross Income Deductions by:

1. Differentiate between deductions for and from adjusted gross income and describe the relevance of the differentiation.

2. Apply the Internal Revenue Code deduction disallowance provisions associated with the following: public policy limitations, political activities, excessive executive compensation, investigation of business opportunities, hobby losses, vacation home rentals, payment of others' expenses, personal expenditures, capital expenditures, related-party transactions, and expenses related to tax-exempt income.
3. Determine the amount, classification, and timing of the bad debt deduction.
4. State and illustrate the tax treatment of worthless securities, including § 1244 stock.
5. Distinguish between deductible and nondeductible losses of individuals.
6. Identify a casualty and determine the amount, classification, and timing of casualty and theft losses.
7. Describe the tax impact of a net operating loss and review the effect of the carryback and carryover provisions on previous and subsequent years' taxable income.
8. Analyze itemized deductions.

Competency 6: The student will be able to analyze Depreciation by:

1. State the rationale for the cost consumption concept and identify the relevant periods for depreciation, ACRS, and MACRS.
2. Determine the amount of cost recovery under MACRS.
3. Recognize when and how to make the § 179 expensing election and use additional first-year depreciation, calculate the amount of the deductions, and apply the effect of the
4. elections in making the MACRS calculation.
5. Identify listed property and apply the deduction limitations on listed property and on luxury automobiles.
6. Determine when and how to use the alternative depreciation system (ADS).
7. Report cost recovery deductions appropriately.
8. Identify intangible assets that are eligible for amortization and calculate the amount of the deduction.
9. Determine the amount of depletion expense, including being able to apply the alternative tax treatments for intangible drilling and development costs.

Competency 7: The student will be able to demonstrate an understanding of Investor Losses by:

1. Explain the tax shelter problem and the reasons for at-risk and passive activity loss limitations.
2. Discuss the at-risk limitation.
3. Describe how the passive activity loss rules limit deductions for losses and identify the taxpayers subject to these restrictions.
4. Identify the tests for material participation.
5. Describe the nature of rental activities under the passive activity loss rules.
6. Determine the relationship between the at-risk and passive activity loss limitations.
7. Recognize the special treatment available to real estate activities.
8. Determine the proper tax treatment on the disposition of a passive activity.
9. Identify restrictions placed on the deductibility of other investor losses and deductions, including those that apply to investment interest.

Competency 8: The student will be able to demonstrate an understanding of Tax Credits and Payments by:

1. Explain how tax credits are used as a tool of Federal tax policy.
2. Distinguish between refundable and nonrefundable credits and understand the order in which taxpayers can use them.
3. Identify various business-related tax credits.
4. Determine various tax credits that are available primarily to individual taxpayers.
5. Execute the tax payment procedures used by self-employed persons.

Competency 9: The student will be able to apply Property Transactions by:

1. Distinguish between realized and recognized gain or loss.
2. Review and illustrate how the basis is determined for various asset acquisition methods.
3. Describe various loss disallowance provisions.
4. Apply the non-recognition provisions and basis determination rules for like-kind exchanges.
5. Explain the non-recognition provisions available on the involuntary conversion of property.

6. Describe the provision for the permanent exclusion of gain on the sale of a personal residence.
7. Explain the general scheme of taxation for capital gains and losses.
8. Distinguish capital assets from ordinary assets.
9. Describe the beneficial tax treatment for capital gains and the detrimental treatment for non-corporate taxpayers' capital losses.
10. Distinguish § 1231 assets from ordinary and capital assets and calculate the § 1231 gain or loss.
11. Determine when § 1245 recapture applies and how it is computed.
12. Determine when § 1250 recapture applies.

Competency 10: The student will be able to apply the Alternative Minimum Tax by:

1. Explain the rationale for the alternative minimum tax (AMT).
2. Enumerate the formula for computing the AMT for individuals.
3. Identify the adjustments made in calculating the AMT tax base.
4. Identify the tax preferences that are included in calculating the AMT.
5. Apply the formula for computing the AMT and complete Form 6251.
6. Illustrate the role of the AMT credit in the alternative minimum tax structure.

Learning Outcomes:

- Use quantitative analytical skills to evaluate and process numerical data.
- Use computer and emerging technologies effectively.
- Solve problems using critical and creative thinking and scientific reasoning.