



### **Course Description**

#### **TAX4011 | Federal Income Tax 2 | 3.00 credits**

A survey of federal income tax with emphasis of taxation of business entities and the ethics of income tax accounting, student of the basic theory, concepts, practice and methods of determining the taxable income and tax liabilities. Prerequisite: TAX4001.

### **Course Competencies:**

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

1. Summarize the tax treatment of various forms of conducting a business.
2. List and apply the tax rules unique to corporations.
3. Compute the corporate income tax.
4. Describe the reporting process for corporations.
5. Determine the impact of tax return positions on corporate financial statements.
6. Evaluate corporations as an entity form for conducting a business

**Competency 2:** The student will understand the Tax issues associated with corporations (Form 1120) by:

1. Summarize the tax treatment of various forms of conducting a business.
2. List and apply the tax rules unique to corporations.
3. Compute the corporate income tax.
4. Describe the reporting process for corporations.
5. Determine the impact of tax return positions on corporate financial statements.
6. Evaluate corporations as an entity form for conducting a business

**Competency 3:** The student will analyze Additional Tax issues associated with corporations (Form 1120) by:

1. Describe the special rules that apply when liabilities are assumed by a corporation.
2. Identify the basis issues relevant to the shareholder and the corporation.
3. Explain the tax aspects of the capital structure of a corporation.
4. Characterize the tax differences between debt and equity investments.
5. Handle the tax treatment of shareholder debt and stock losses.
6. Describe the special rules that apply when liabilities are assumed by a corporation.

**Competency 4:** The student will understand Partnerships (Form 1065) by:

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

**Competency 5:** The student will evaluate Partnerships (Form 1065) Basis by:

1. Determine a partner's basis in the partnership interest.
2. Explain how liabilities affect a partner's basis.

3. Illustrate a partner's capital account roll forward and explain why the year-end balance might differ from the partner's year-end basis in the partnership interest.
4. List and review the limitations on deducting partnership losses.
5. Identify other issues related to partners and partnerships.
6. 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.
7. Calculate the selling partner's amount and character of gain or loss on the sale or exchange of a partnership interest.
8. Describe the application of partnership provisions to limited liability companies (LLCs) and limited liability partnerships (LLPs).

**Competency 6:** The student will be able to analyze Subchapter S Corporations by:

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

**Competency 7:** The student will be able to demonstrate an understanding of Tax Practices and Ethics by:

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

**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.