

Business Taxation

Course Description & Study Guide

Americans who want to be their own boss are not entirely on their own. They have a rich uncle - Uncle Sam - who is there to help, as well as to make demands. The nation's tax laws are intended to encourage people to start new businesses and are chock full of incentives and tax breaks, as well as sometimes onerous reporting requirements.

This course is a fast-paced and entertaining guide through tax issues affecting business entities and their owners. The focus of this class is on tax devices and techniques available to the small-business owner. Emphasis will be given to operational deductions, fringe benefits, compensation, family income splitting, retirement plans, and estate planning.

Completion Deadline & Exam: This course, including the examination, must be completed within one year of the date of purchase. In addition, unless otherwise indicated, no correct or incorrect feedback for any exam question will be provided.

Course Level: Overview. This program is appropriate for professionals at all organizational levels. (24 Credits)

Category: Taxation

Prerequisite: General understanding of federal income taxation.

Advanced Preparation: None

Learning Assignments & Objectives

As a result of studying each assignment, you should be able to meet the objectives listed below each assignment.

ASSIGNMENT	SUBJECT
Chapter 1	Structure, Reporting & Accounting

At the start of the chapter, participants should identify the following topics for study:

- * Sole proprietorships
- * Partnerships
- * Regular corporations
- * Record keeping
- * Kinds of records to keep
- * Business transactions
- * Bookkeeping systems
- * How long to keep records
- * Accounting periods & methods
- * Inventories

Learning Objectives

After reading the chapter, participants will be able to:

1. Compare and contrast sole proprietorships, partnerships, and corporations to advise clients in organizing a new business
2. Describe how choice of entity relates to the type of records to keep, noting issues related to substantiation and documentation.
3. Outline available accounting periods and methods and the methods for identifying and valuing inventory items.

After studying the materials in this chapter, answer the exam questions 1 to 11.

ASSIGNMENT

SUBJECT

Chapter 2

Business Income, Credits & Assets

At the start of the chapter, participants should identify the following topics for study:

- * Rental income
- * Interest
- * Discharge of debt income
- * Dividends
- * Recoveries
- * Recapture of depreciation
- * Partnership income
- * Business & investment credits
- * Asset types
- * Like-kind exchanges

Learning Objectives

After reading the chapter, participants will be able to:

1. Discuss the various types of income and their implications, including the hidden income tax dangers of cancellation of indebtedness income, tax recoveries, and recapture of depreciation
2. Describe the existing basic business and investment tax credits, including their tax requirements, and business asset types that affect the character of gain or loss, and explain the tax treatment of the disposition of business assets, such as the availability of like-kind exchange treatment in the transfer of business assets and the tax treatment of Section 1231 assets.

After studying the materials in this chapter, answer the exam questions 12 to 18.

ASSIGNMENT**SUBJECT****Chapter 3****Selected Business Expenses**

At the start of the chapter, participants should identify the following topics for study:

- * Section 162
- * Expenses of not-for-profit activities
- * Rent expenses
- * Interest expense
- * Deductible taxes
- * Other selected deductible costs
- * Amortization
- * Depletion -§613
- * Business bad debts
- * Depreciation

Learning Objectives

After reading the chapter, participants will be able to:

1. Demonstrate the central importance of §162 in deducting and substantiating business expenses and costs and discuss the implications of the deduction timing and limits noting the reporting of deductions for not-for-profit activities.
2. Contrast conditional sales contracts, leveraged leases, and true leases, and explain how to qualify for rent expense deductions including through leasehold improvements.

3. Identify the various forms of interest expense under §163(a) discussing related reporting and filing issues, and distinguishing between deductible and nondeductible interest.
4. Explain deductions for real estate, state, and local taxes and summarize deductions for home office use, research and experimentation costs, barrier removal, and mine development.
5. Compare and explain the various forms of tax treatment under the concepts of depreciation and amortization, including the effect on amortization of §197.
6. Differentiate between the concepts of cost depletion and percentage depletion as a means of accounting for the reduction of a product's reserves.
7. Cite the types of bad debt and their effect on accounting and the various methods for dealing with bad debt.
8. List MACRS classifications, explain the recapture provisions and exceptions, and describe the alternative depreciation system.

After studying the materials in this chapter, answer the exam questions 19 to 51.

ASSIGNMENT**SUBJECT****Chapter 4****Employee Compensation & Benefits**

At the start of the chapter, participants should identify the following topics for study:

- * Wages, salary & pay
- * Tests for deducting pay to employees
- * Selected types of compensation
- * Payroll taxes
- * Selected fringe benefits
- * Interest-free & below-market loans
- * Equity participation
- * Advantages of nonqualified deferred compensation
- * Funded company account plans
- * Segregated asset plans

Learning Objectives

After reading the chapter, participants will be able to:

1. Cite the common-law rules used by the IRS to determine whether a person is an employee for purposes of FICA, FUTA and federal income tax withholding.

2. Identify the tests for wages to be deductible and explain how excluded fringe benefits can result in more employer deductions and incentive based compensation to employees.

3. Discuss the use of deferred compensation agreements including the basic types of nonqualified deferred compensation, and the tax consequences related to these plans.

After studying the materials in this chapter, answer the exam questions 52 to 64.

ASSIGNMENT**SUBJECT****Chapter 5****Automobiles**

At the start of the chapter, participants should identify the following topics for study:

- * Apportionment of personal & business use
- * Deduction limitations using actual cost method
- * Expensing - §179
- * Predominate business use rule
- * Auto leasing
- * Standard mileage method
- * Auto trade-in vs. sale
- * Employer-provided automobile
- * Nonpersonal use vehicle
- * Reporting of employer-provided automobile

Learning Objectives

After reading the chapter, participants will be able to:

1. Explain the apportionment of business and personal use of an automobile, including deduction limitations, and how to implement the various depreciation methods such as MACRS and §179 expensing.
2. Discuss personal auto leasing, its advantages and disadvantages, and the various kinds of leasing arrangements that can be used, such as closed-end or open-end leases.
3. Explain the standard mileage method and its limitations and identify the various working condition fringe benefits and discuss their impact on the gross income of employees
4. Differentiate the valuation methods use in determining the actual value of an employee's personal use of an automobile pointing out the reporting options available to the employer.

After studying the materials in this chapter, answer the exam questions 65 to 78.

ASSIGNMENT**SUBJECT****Chapter 6****Business Travel & Entertainment**

At the start of the chapter, participants should identify the following topics for study:

- * Transportation & travel distinguished
- * Definition of “tax home”
- * Temporary & indefinite assignments
- * Business purpose requirement for business travel
- * Convention & meetings
- * Statutory exceptions of ordinary & necessary requirement
- * Entertainment facilities
- * Employee expense reimbursement & reporting
- * Self-employed persons
- * Employers

Learning Objectives

After reading the chapter, participants will be able to:

1. Identify deductible business travel expenses by:
 - a. Distinguishing transportation from travel in order to benefit from the appropriate business tax deduction;
 - b. Reviewing IRS definitions of a taxpayer's tax home for travel and transportation purposes;
 - c. Explaining how time acts as a critical factor in distinguishing a temporary from an indefinite job assignment; and
 - d. Distinguishing between business and nonbusiness days
2. List the factors associated with the business purpose requirement and how they determine deductible expenses for meals and entertainment
3. Calculate the federal per diem rate by using any one of three methods and point out the different reporting and income inclusion treatment given to self-employed persons or reimbursed employees

After studying the materials in this chapter, answer the exam questions 79 to 89.

ASSIGNMENT**SUBJECT****Chapter 7****Retirement Plans**

At the start of the chapter, participants should identify the following topics for study:

- * Qualified deferred compensation
- * Basic requirements of a qualified pension plan

- * Basic types of corporate plans
- * Types of defined contribution plans
- * Self-employed plans – Keogh
- * Distribution & settlement options of IRAs
- * Tax-free rollovers for IRAs
- * Roth IRAs
- * Simplified employee pension plans (SEPs)
- * SIMPLE Plans

Learning Objectives

After reading the chapter, participants will be able to:

1. Compare and contrast the requirements and characteristics of qualified retirement plans by:
 - a. Specifying the limitations imposed by ERISA and TEFRA;
 - b. Listing trust requirements and explaining the tests associated with these requirements, such as the ratio test; and
 - c. Identifying three classes of vesting and explaining how the vesting standards affect retirement plans.
2. Distinguish defined contribution plans from defined benefit plans listing the different types of defined contribution plans and their effect on retirement benefits.
3. Differentiate between Keogh Plans, traditional and Roth IRAs, and SIMPLE 401(k) plans by listing their characteristics and explaining how and when they may and may not be appropriate.

After studying the materials in this chapter, answer the exam questions 90 to 104.

ASSIGNMENT

Chapter 8

SUBJECT

Insurance

At the start of the chapter, participants should identify the following topics for study:

- * Company paid insurance
- * Group term life insurance
- * Retired lives reserve
- * Split dollar life insurance
- * Medical & dental insurance
- * Disability income insurance
- * Interest limitation on policy loans
- * Self-employed health insurance deduction

- * Capitalized insurance
- * Health savings account

Learning Objectives

After reading the chapter, participants will be able to:

1. Analyze the benefits of company-provided insurance policies by identifying how to qualify for group term life insurance and discussing the requirements of retired lives reserve funds and split-life insurance policies.
2. List the requirements that determine insurance premium deductions, explain the interest disallowance rule, and describe the uniform capitalization rules and their relation to production or resale activity costs.

After studying the materials in this chapter, answer the exam questions 105 to 109.

ASSIGNMENT**SUBJECT****Chapter 9****Estate Planning**

At the start of the chapter, participants should identify the following topics for study:

- * Unlimited marital deduction
- * Simple will
- * Types of trusts
- * Charitable trusts
- * Family documents
- * Private annuities
- * Business valuation
- * Redemptions
- * Lifetime dispositions
- * Installment payment of federal estate taxes

Learning Objectives

After reading the chapter, participants will be able to:

1. Name the elements of general estate planning such as the unlimited marital deduction, including the qualified terminable interest property trust, stepped-up basis, and modified carryover basis rules.
2. Identify the primary dispositive plans, such as simple wills, the various types of trusts and annuities, and point out the key issues related to family documents such as conservatorships and the former use of private annuities.

3. Point out the various special business issues related to estate planning, such as the various methods of business valuation, the implications of two revenue rulings, the various uses of estate planning tools, such as buy-sell agreements and deferred compensation agreements, and how these impact estate planning.

After studying the materials in this chapter, answer the exam questions 110 to 120.

Notice

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