ACTG 68A: ADVANCED TAX ACCOUNTING I

Foothill College Course Outline of Record

Heading	Value
Effective Term:	Summer 2025
Units:	5
Hours:	5 lecture per week (60 total per quarter)
Prerequisite:	ACTG 67.
Advisory:	Elementary Algebra or equivalent; demonstrated proficiency in English by placement via multiple measures OR through an equivalent placement process OR completion of ESLL 125 & ESLL 249.
Degree & Credit Status:	Degree-Applicable Credit Course
Foothill GE:	Non-GE
Transferable:	CSU
Grade Type:	Letter Grade (Request for Pass/No Pass)
Repeatability:	Not Repeatable

Student Learning Outcomes

- Demonstrate practical knowledge of income tax form preparation and tax compliance process as these relate to sole proprietorships and partnerships.
- Identify basics of Federal income tax law as it relates to sole proprietorships and partnerships.

Description

This course introduces students to current Federal income tax law as it relates to business income, business expenses, sole proprietorship reporting, and business property transactions. The learning process focuses on guided discussion of tax concepts in the forums, with all questions and answers welcome and encouraged. In addition, topics covered help students to prepare for two professional license examinations: Certified Public Account (CPA) Test and Special Enrollment Examination (SEE). Both are highly regarded certifications in accounting and tax fields.

Course Objectives

The student will be able to:

1. Describe and explain tax concepts related to business income and business expenses
2. Prepare tax reporting forms for a sole proprietorship
3. Describe and explain tax concepts and reporting requirements related to business property transactions

Course Content

1. Introduction to taxation
    a. Importance of taxes, approach to study taxes, working with taxes
    b. Components of U.S. income tax
    c. Various taxes affecting business entities and individuals
    d. Basic tax formula for individuals and business entities
    e. Introduction to the tax systems that apply to business entities and their owners
    f. Tax planning opportunities using a general framework for tax planning
    g. Economic, social, equity, political, and compliance considerations that underlie the tax law
2. Gross income
    a. Introduction to the differences between the economic, accounting, and tax concepts of gross income
    b. Taxable years and tax accounting methods generally available to taxpayers and other tax reporting entities
    c. General sources of income and to whom they are taxed
    d. Statutory authority as to when to exclude an item from gross income
    e. Introduction to general tax consequences of property transactions
    f. Tax provision that excludes interest on state and local government obligations from gross income
    g. Life insurance proceeds - exclusion from gross income
    h. Taxable income from the discharge of indebtedness
    i. Income exclusions - the tax benefit rule
    j. Tax provisions on loans made at below-market interest rates
    k. Tax rules for the exclusion of leasehold improvements from gross income
3. Business deductions
    a. Ordinary, necessary, and reasonableness requirements for the tax deduction of business expenses
    b. Application of the cash and accrual methods of accounting for business deductions
    c. Internal Revenue Code - deduction disallowance provisions
    d. Alternative tax treatments of research and experimental expenditures
    e. The deductibility of other common business expenses
    f. Deductible charitable contributions and limitations on the contribution deduction
    g. Cost recovery available under MACRS, including additional cost recovery available in the year an asset is placed in service
    h. Cost recovery limitations applicable to automobiles and property used for personal purposes, including listed property
    i. Intangible assets: eligibility for amortization and calculation the amount of the amortization deduction
    j. Deductible depletion expense and the alternative tax treatments for intangible drilling and development costs
4. Losses and loss limitations
    a. The amount, classification, and timing of the bad debt deduction
    b. The tax consequences of worthless securities, including § 1244 stock
    c. The amount, classification, and timing of casualty and theft losses
    d. Net operating loss provisions
    e. At-risk and passive activity loss limitations
    f. Rental activity, material participation, and the passive activity loss rules

   g. The relationship between the at-risk and passive activity loss limitations
   h. Special treatment available to real estate activities
   i. The consequences of the disposition of passive activities
   j. The excess business loss limitation
5. Individuals as proprietors - Form 1040 Schedule C, Schedule SE, Form 4562
   a. Tax provisions applicable to sole proprietors
   b. Business vs. hobby activities, application of the rules limiting the deduction of hobby losses
   c. Retirement plans available for Sole Proprietors
   d. Form 1040 Schedule C, Schedule SE, Form 4562
6. Property transactions: basis, gain, and loss
   a. Gains and losses realized on property dispositions
   b. Realized vs. recognized gains and losses
   c. Basis of assets acquired in various ways
   d. Various loss disallowance provisions
   e. Nonrecognition provisions and basis determination rules for like-kind exchanges
   f. Nonrecognition provisions available on the involuntary conversion of property
   g. Recognized gain on the sale of a principal residence
7. Property transactions: capital gains and losses, Sec. 1231, and recapture provisions
   a. General scheme of taxation for capital gains and losses; capital assets vs. ordinary assets
   b. Applicable holding period for a capital asset
   c. Tax treatment of capital gains and losses for noncorporate taxpayers
   d. Tax treatment of capital gains and losses for corporate taxpayers
   e. § 1231 assets vs. capital assets; calculate § 1231 gain or loss, Form 4797
   f. § 1245 & § 1250 recapture provisions application and effects, Form 4797, Schedule D

Lab Content

Not applicable.

Special Facilities and/or Equipment

1. Access to spreadsheet, word-processing, presentation software.
2. When taught as an online distance learning section, students and faculty need ongoing and continuous internet and email access.

Method(s) of Evaluation

Methods of Evaluation may include but are not limited to the following:

Examinations
Quizzes
Projects
Tax return preparation

Method(s) of Instruction

Methods of Instruction may include but are not limited to the following:

Lecture
In-class or electronic discussions
Group work
Case studies

Representative Text(s) and Other Materials

Nellen, Cuccia, Persellin, and Young. South-Western Federal Taxation 2023: Essentials of Taxation: Individuals and Business Entities via "CengageNOW" digital learning platform with ProConnect Tax and Thomson Reuters Checkpoint Access. 2023.

Types and/or Examples of Required Reading, Writing, and Outside of Class Assignments

1. Reading relevant IRS tax publications and form instructions provided by the instructor or on the IRS website at http://www.irs.gov
2. Reading the latest Federal tax updates
3. Reading relevant Internal Revenue Tax Code Sections and Regulations recommended and/or provided by the instructor

Discipline(s)

Accounting