

MIDSTATE COLLEGE
411 W. NORTHMOOR RD. PEORIA, IL 61614
(309) 692-4092 (800) 251-4299
WINTER 2018/2019

bCourse number & Name: ACC 315 Tax Accounting II

Credit hours: 4 Quarter Hours

Method of Delivery: Hybrid

Course Description: Tax Accounting II is a continuation and expansion of Tax Accounting I with focus on business entities taxation. This course will emphasize individual (Schedule C), Real Estate (Schedule E), corporate (C & S corporations – Form 1120 & 1120 S) Partnerships (Form 1065) and other entity taxation in accordance with the latest Internal Revenue Service (IRS) Code. This course will also examine such concepts as AMT (Alternative Minimum Tax), stock options as well as Schedule F, farming income, and hobby losses. The course will delve into tax administration, tax planning and research.

Prerequisite: ACC 215 – Tax Accounting I

Text: *Income Tax Fundamentals* 2017, 35th Edition

Authors: Gerald E. Whittenburg and Steven L. Gill

Publisher: Southwestern Press; ISBN #978-1-305-87273-8

Topics Covered:

- Capital Gains & Losses
- Partnership Taxation & Schedules K-1
- The Corporate Tax (Schedule M, Form 1120 & 1120 S)
- Tax Administration and Tax Planning
- Self-Employed & Employee Expenses

Learning Objectives:

1. Research questions about the U.S. Tax Code and solve many problems involving significant tax issues
2. Perform calculations and complete tax returns for entities involving individual, partnership and corporation tax returns. (Focus in class will be upon Form numbers 1040, 1065 and 1120 and appropriate schedules).
3. Demonstrate knowledge of complex tax issues involving tax credits, capital gains & losses, business deductions, retirement accounts, rental income/expense, AMT, Schedule K-1 for partnership taxation and Schedule M for corporate taxation.

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Midstate Grading scale:	90 - 100	A
	80 - 89	B
	70 - 79	C
	60 - 69	D
	0 - 59	F

Midstate Plagiarism Policy:

Plagiarism is using another person's words, either by paraphrase or direct quotation, without giving credit to the author(s). Plagiarism can also consist of cutting and pasting material from electronic sources by submitting all or a portion of work for assignment credit. This includes papers, computer programs, music, sculptures, paintings, photographs, etc. authored by another person without explicitly citing the original source(s). These actions violate the trust and honesty expected in academic work. Plagiarism is strictly against the academic policy of Midstate College. Its seriousness requires a measured, forceful response which includes consequences for inappropriate and/or no citation.

In courses containing writing assignments, the College promotes the use of an electronic resource which compares the student's writing against previously submitted papers, journals, periodicals, books, and web pages. Students and instructors can use this service to reduce the incidence of plagiarism. This electronic resource has been found to conform to legal requirements for fair use and student confidentiality. It is able to provide a report to the student indicating the parts of the assignment that match.

Student Success:

The Office of Student Success is available to students seeking tutoring for individual classes or who need assistance with writing assignments. Information is also available on test taking techniques, how to take notes, developing good study skills, etc. Contact Student Success in Room 110 (in person); (309) 692-4092, extension 1100 (phone); studentsuccess@midstate.edu (email).

Instructor: Tom Razo, CPA
Email: tmrazo@midstate.edu

Participation Requirements/Policies and Procedures:

Attendance: Good attendance (the highest correlation of good grades) and keeping up with assignments is recommended to be successful in this class. Each exam may include some information discussed only in class, so unless you get great notes, you could miss something by not attending.

Examinations must be taken during the scheduled week. Makeup exams are highly

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discouraged and must be pre-approved. Makeup quizzes must be taken by the next class period or late points will reduce the score. Assignments submitted past the respective due dates will be subject to a 10% per day lateness penalty.

Examination Information: There will be two examinations in this course, a midterm examination and a final examination. Also, there will be a pre-test given the first night of class. A post-test will be included in the final examination. Both the pre-test and post-test will be graded to evaluate the student's progress in the class but will not affect the class grade.

Instructor's Grading Scale: The Midstate grading scale will be used in the class. Students must achieve an overall average score of 70% in the class to pass the course.

Requirements for Completing the Course: A passing grade must be attained on all tax returns (Comprehensive Problems) and tests combined. Assigned Homework must be done, and regular attendance will also be taken into consideration.

Grading: Grades for this class are determined on a weighted average:

Tax Returns 45%
Examinations 25%
Tax Research Project 10%
Quizzes 10%
Discussion Questions 10%

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Week-by-Week Sections:

- Week 1
 - Topics:
 - Chapter 8 – Capital Gains and Losses
 - The student will learn about the tax treatments for capital gains, both long-term and short-term, how to calculate realized and recognized capital gains and losses, about gain deferrals (Section 1031 exchanges) and will become familiar with the Qualified Dividend/Capital Gain Tax Worksheet.
 - Weekly Objective:
 - Demonstrate knowledge of complex tax issues involving tax credits, capital gains & losses, business deductions, retirement accounts, rental income/expense, AMT, Schedule K-1 for partnership taxation and Schedule M for corporate taxation.
 - Assignment:
 - Pre-Test
 - Weekly Discussion Question:
 - Why do you believe Congress would pass a lower individual income tax rate on long-term capital gains?

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- Week 2
 - Topics:
 - Continuation of chapter 8 – Capital Gains and Losses
 - The student will learn how to complete a tax return involving sales of capital assets, using Forms 1040 and 6252, Schedules A, B and D, and the Qualified Dividend/Capital Gain Tax Worksheet
 - Weekly Objectives:
 - Research questions about the U.S. Tax Code and solve many problems involving significant tax issues
 - Perform calculations and complete tax returns for entities involving individual, partnership and corporation tax returns. (Focus in class will be upon Form numbers 1040, 1065 and 1120 and appropriate schedules).
 - Demonstrate knowledge of complex tax issues involving tax credits, capital gains & losses, business deductions, retirement accounts, rental income/expense, AMT, Schedule K-1 for partnership taxation and Schedule M for corporate taxation.
 - Assignment:
 - Chapter 8, Comprehensive Problem 2 (Lisa Kohl), on pages 8-54 and 8-55 of the textbook
 - Weekly Discussion Question:
 - You have a client who is in possession of 1,000 acres of farm ground. The farm ground was purchased 10 years ago for \$160,000, and is now worth \$2,000,000. The client wishes to sell the farm ground and purchase an apartment building of approximately equal value to his farm ground. How would you suggest your client obtain the replacement property without having to incur a large income tax liability?

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- Week 3
 - Topics:
 - Chapter 9 – Withholding, Estimated Payments, and Payroll Taxes
 - The student will learn about payroll tax liabilities for employers, including FICA taxes, federal unemployment taxes, federal income tax withholding, and will learn about FICA taxes for self-employed individuals. The student will also learn about reporting of employees' wages and withholdings using Form W-2, as well as the reporting of dividends paid to corporate shareholders, payments of interest, and miscellaneous payments using various Forms 1099.
 - Weekly Objective:
 - Perform calculations and complete tax returns for entities involving individual, partnership and corporation tax returns. (Focus in class will be upon Form numbers 1040, 1065 and 1120 and appropriate schedules).
 - Assignment:
 - Quiz #1, chapter 8
 - Consisting of multiple-choice and true/false questions, 10 questions in total
 - Weekly Discussion Question:
 - The Internal Revenue Service has a number of deposit schedules for employers to remit their employees' FICA and federal income withholding (Form 941) taxes. These schedules are based upon the total amount of the employers' Form 941 taxes remitted for an entire year. The higher the employers' Form 941 liability for a year, the more quickly the employer has to remit those taxes to the IRS. Do you feel that the deposit schedules described on pages 9-11 and 9-12 (Federal Tax Deposit System) are fair to employers? Why or why not?

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- Week 4
 - Topics:
 - Continuation of Chapter 9 – Withholding, Estimated Payments, and Payroll Taxes
 - The student will learn how to complete a tax return for an individual who is both employed and self-employed. The tax return will involve the calculation
 - Weekly Objective:
 - Perform calculations and complete tax returns for entities involving individual, partnership and corporation tax returns. (Focus in class will be upon Form numbers 1040, 1065 and 1120 and appropriate schedules).
 - Assignment:
 - Chapter 9, Comprehensive Problem 1 (Carol Harris), on pages 9-47 and 9-48 of the textbook
 - Weekly Discussion Question:
 - Briefly explain the difference between personal allowances calculated using the “Personal Allowances Worksheet” on Form W-4 and the personal exemption allowance deducted on an individual’s Form 1040. Why do these differ?

- Week 5
 - Topics:
 - Chapter 10 – Partnership Taxation
 - The student will learn about the tax rules involving partnership formation and operation, how to calculate a partner’s basis in the partnership interest, and how to treat transactions involving partners and their partnerships.
 - Weekly Objective:
 - Perform calculations and complete tax returns for entities involving individual, partnership and corporation tax returns. (Focus in class will be upon Form numbers 1040, 1065 and 1120 and appropriate schedules).
 - Assignment:
 - Quiz #2, chapter 9
 - Consisting of multiple-choice and true/false questions, 10 questions in total
 - Weekly Discussion Question:
 - James is a 50% partner in JL Partnership. James sells land at a loss of \$20,000 to the partnership. Do you agree that James’s loss involving the sale of the land to the partnership should be disallowed on his Form 1040? Why or why not?

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- Week 6
 - Midterm Examination
 - Chapters 8 through 9
 - 50 Multiple-Choice Questions
 - 2-hour time limit

- Week 7
 - Topics:
 - Continuation of Chapter 10 – Partnership Taxation
 - The student will learn how to complete Form 1065, U.S. Return of Partnership Income, as well as Schedules K-1 for the partnership's partners.
 - Weekly Objectives:
 - Perform calculations and complete tax returns for entities involving individual, partnership and corporation tax returns. (Focus in class will be upon Form numbers 1040, 1065 and 1120 and appropriate schedules).
 - Demonstrate knowledge of complex tax issues involving tax credits, capital gains & losses, business deductions, retirement accounts, rental income/expense, AMT, Schedule K-1 for partnership taxation and Schedule M for corporate taxation.
 - Assignment:
 - Chapter 10, Comprehensive Problem 1 (J&S Barbers), on page 10-27 of the textbook.
 - Weekly Discussion Question:
 - A partnership uses Form 1065 to calculate the partnership's income or loss, then divides that income or loss between its partners using Schedules K-1. What are the advantages of this approach as opposed to the individuals completing separate Schedules C on their individual income tax returns to report the same business activity?

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- Week 8
 - Topics:
 - Chapter 11 – The Corporate Income Tax
 - The student will learn the basic rules for forming and operating a corporation, as well as the basics for the two types of corporations (C-Corporations and S-Corporations). The student will learn about the calculation of corporate income taxes, and about corporation special taxes and credits.
 - Weekly Objectives:
 - Perform calculations and complete tax returns for entities involving individual, partnership and corporation tax returns. (Focus in class will be upon Form numbers 1040, 1065 and 1120 and appropriate schedules).
 - Demonstrate knowledge of complex tax issues involving tax credits, capital gains & losses, business deductions, retirement accounts, rental income/expense, AMT, Schedule K-1 for partnership taxation and Schedule M for corporate taxation.
 - Assignment:
 - Quiz #3, chapter 10
 - Consisting of multiple-choice and true/false questions, 10 questions in total.
 - Weekly Discussion Question:
 - Briefly describe the difference between a regular (C) Corporation and an S-Corporation.

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- Week 9
 - Topics:
 - Continuation of Chapter 11 – The Corporate Income Tax
 - The student will learn how to prepare a Form 1120S, U.S. Income Tax Return for an S Corporation, as well as Schedules K-1 for the S-Corporation shareholders.
 - Weekly Objectives:
 - Perform calculations and complete tax returns for entities involving individual, partnership and corporation tax returns. (Focus in class will be upon Form numbers 1040, 1065 and 1120 and appropriate schedules).
 - Demonstrate knowledge of complex tax issues involving tax credits, capital gains & losses, business deductions, retirement accounts, rental income/expense, AMT, Schedule K-1 for partnership taxation and Schedule M for corporate taxation.
 - Assignment:
 - Chapter 11, Comprehensive Problem 2 (The Olive Corporation, Form 1120S), on page 11-34 of the textbook.
 - Weekly Discussion Question:
 - When, in your opinion, is it beneficial for a corporation to apply to be taxed as an S-Corporation?

- Week 10
 - Topics:
 - Chapter 12 – Tax Administration and Tax Planning
 - The student will learn about the organizational structure of the Internal Revenue Service (IRS), about the different types of IRS audits, about the different types of taxpayer and preparer penalties, about the basics of tax planning, and about the different statutes of limitations on individual income tax returns.
 - Weekly Objective:
 - Research questions about the U.S. Tax Code and solve many problems involving significant tax issues
 - Assignments:
 - Quiz #4, Chapter 11
 - Consisting of multiple-choice and true/false questions, 10 questions in total.
 - Tax Research Project (due Week 12)
 - Weekly Discussion Question:
 - In your opinion, why do penalties exist for various infractions of tax law?

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- Week 11
 - Topics:
 - Supplemental information (Schedules C, E and F, Employer & Employee Expenses, and the Alternative Minimum Tax)
 - Various sections of Chapters 3, 4 and 6 will be re-visited, and information involving the reporting the income or loss from Farming will be presented. The student will learn about the reporting of business activities using Schedules C, E and F of Form 1040.
 - Weekly Objectives:
 - Perform calculations and complete tax returns for entities involving individual, partnership and corporation tax returns. (Focus in class will be upon Form numbers 1040, 1065 and 1120 and appropriate schedules).
 - Demonstrate knowledge of complex tax issues involving tax credits, capital gains & losses, business deductions, retirement accounts, rental income/expense, AMT, Schedule K-1 for partnership taxation and Schedule M for corporate taxation.
 - Assignment:
 - Quiz #5, Chapter 12
 - Consisting of multiple-choice and true/false questions, 10 questions in total.
 - Weekly Discussion Question:
 - Depreciation deductions are allowed for various farm animals. What do you believe is the purpose of this deduction?
- Week 12
 - Final Examination
 - Chapters 8 through 12
 - 50 Multiple-Choice Questions
 - 2-hour time limit
 - Tax Research Project due