

ACCT 540

Income Tax Accounting

Summer II - 2022

Online, with live and recorded video sessions

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Textbook: McGraw Hill's *Taxation of Individuals and Business Entities*, 2022 Edition.

### Course Format

This is a fully online class using the D2L platform. **YOU MUST CHECK YOUR TAMUC E MAILS AND THE CONTENT SECTION OF D2L FREQUENTLY – AT LEAST EVERY OTHER DAY. I WILL COMMUNICATE BY E MAIL, BY POSTING CONTENT ON D2L AND BY LIVE VIDEOS THAT WILL BE RECORDED AND POSTED ON D2L. YOU ARE RESPONSIBLE FOR KEEPING UP IN THIS COURSE.**

### Course Description

This course is an overview to the taxation of corporations (both “C” and “S”), and partnerships. It also discusses tax research techniques and professional responsibilities in tax practice. This semester we will add a module on the new “qualified business income deduction.” This new deduction is so significant that I have decided to not cover the estate and gift material. We address issues and approaches that are similar to what a tax practitioner would encounter and do. In many cases, there are no certain answers. This course is not specifically designed to prepare for the CPA exam, but the course coverage will be very helpful in this regard. Among other course objectives, you will learn differences between book and tax accounting and why these differences exist.

The 2017 tax legislation makes significant changes to the taxation of regular (“C”) corporations and to the taxation of business income in general. Significant tax law changes create opportunities, particularly for new or recent entrants into the profession. Changes to laws create a more equal footing for young professionals and more experienced ones.

This course has been designated by the accounting department as a writing-intensive course. We address issues and approaches that are similar to what a tax practitioner would encounter and do. In many cases, there are no certain answers. This course is not specifically designed to prepare for the CPA exam, but the course coverage will be very helpful in this regard.

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### Grading

|                               |                   |              |
|-------------------------------|-------------------|--------------|
| (10) Assignments              | 200 points        | 80% of grade |
| Short writing assignments (2) | <u>50 points</u>  | 20% of grade |
| TOTAL                         | <u>250 points</u> |              |

**All assignments will be in the content section of D2L. All submissions must be to the assignments folder. I will not post them all immediately. To do them “right,” that is, with full credit, we need to go over the material first. By holding back on posting the assignments I can increase the likelihood that you will listen to the class discussion (video) before doing the assignment. This is the same approach taken in a face-to-face class.**

### **TOPIC COVERAGE**

- Assignment 1 – Book/Tax differences**
- Assignment 2 – Section 301 distributions**
- Assignment 3 – Section 351 transfers**
- Assignment 4 – Liquidation comparison (336/331; 337/332)**
- Assignment 5 – Section 1060 allocations**
- Assignment 6 – Section 721 transfers**
- Assignment 7 – Section 704(b) allocations**
- Assignment 8 – Section 704(c) allocations**
- Assignment 9 – Section 731 distributions/734 adjustments**
- Assignment 10 – Section 1366 distributions**

Assignments must be turned in on time to receive full credit (20 points). An assignment turned in one day late will have a maximum of 18 points, two days late 15 points, three days late 11 points, four days late 6 points, and no assignments can be accepted for credit after four days from the original due date.

The writing assignments must be turned in on time. **You must submit a hard copy to the assignments folder of D2L.** Failure to submit it on this date will result in a loss of possible points. If turned in one day late, the maximum point total drops to 22 (out of 25). If 2 days late 18 points maximum, 3 days late 13 points maximum. More than 3 days late, zero points.

## Learning Objectives

At the end of this course you should be able to:

1. Distinguish the key tax and business aspects of different forms of operating a business
2. Determine the tax consequences of formation of a corporation
3. Identify different means of withdrawing funds from a corporation and the tax consequences of each
4. Determine the tax consequences of distributions from a regular corporation to the corporation
5. Determine the tax consequences of distributions from a regular corporation to its shareholders
6. Identify the facts used to distinguish a distribution from an exchange when a corporation redeems its own stock
7. Determine the tax consequences of a liquidation of a corporation to the entity
8. Determine the tax consequences of a liquidation of a corporation to its shareholders
9. Determine the tax consequences of formation of a partnership
10. Identify distinctions between the tax treatment of partnerships and S corporations, including formations, allocations, distributions, and treatment of debt

## Alignment with COB Learning Objectives

The two written assignments, in particular, but also the other assignments that require a written response, will help you fulfill COB objective 2, “Students will demonstrate proficiency in written communications....” Certain assignments will assist with objective 3, “students will identify and evaluate ethical business issues.” All assignments will help with objective 5, “students will be analytical problem solvers.....”

## Students with Disabilities and Title IX Compliance

If you have any disability that could affect your experience in this class, please let me know the first week of classes. I rely entirely on those specialists designated by the university to determine whether an accommodation is appropriate and, if so, what accommodation is appropriate.

In an effort to meet obligations under Title IX, faculty are considered “responsible employees” by the Department of Education. This requires that any report of gender discrimination which includes sexual harassment, sexual misconduct and sexual violence made to a faculty member must be reported to the Title IX Coordinator at the Office of Equal Opportunity.

## **CPA Exam Candidates - State of Texas**

Candidates who desire to sit for the CPA in Texas must meet the following educational criteria:

- 1) Have a bachelor's degree; 2) Completed 150 semester hours of courses; 3) Included in the 150 semester hours, 30 of upper level accounting courses. 24 hours of upper level

business courses; 3-semester credit hours of approved ethics; 2-semester credit hours of approved communication and 2-semester credit hours of approved accounting research. For more information visit Exam/Qualification on the State Board's website: <http://www.tsbpa.state.tx.us/>

### COURSE SCHEDULE: 5 WEEKS

| Date   | Topic                     | Reading                 | Assignment(s)            |
|--------|---------------------------|-------------------------|--------------------------|
| M 7-11 | Entity Overview           | Chapter 15              |                          |
| T 7-12 | Book-Tax Differences      | Chapter 17              |                          |
| W 7-13 | Corporate Distributions   | Chapter 18              | <b>Assignment 1 due</b>  |
| R 7-14 |                           | Chapter 18<br>Continued |                          |
| F 7-15 |                           |                         | <b>Assignment 2 due</b>  |
| M 7-18 |                           | Chapter 18<br>Continued |                          |
| T 7-19 | Corporate formations      | Chapter 19              |                          |
| W 7-20 | (continued)               |                         | <b>Assignment 3 due</b>  |
| R 7-21 | Corporate Liquidations    | Chapter 19              |                          |
| F 7-22 |                           |                         | <b>Assignment 4 due</b>  |
| M 7-25 | Purchase/sale business    | My handout              | <b>Writing 1 due</b>     |
| T 7-26 | Partnership types         | Chapter 20              | <b>Assignment 5 due</b>  |
| W 7-27 | Partnership formations    |                         |                          |
| R 7-28 | Partnership formations    |                         | <b>Assignment 6 due</b>  |
| F 7-29 |                           |                         |                          |
| M 8-01 | Partnership allocations   |                         | <b>Assignment 7 due</b>  |
| T 8-02 | (continued)               |                         |                          |
| W 8-03 | Partnership distributions | Chapter 21              | <b>Assignment 8 due</b>  |
| R 8-04 | Partnership distributions |                         |                          |
| F 8-05 |                           |                         | <b>Assignment 9 due</b>  |
| M 8-08 | S elections/operations    | Chapter 22              |                          |
| T 8-09 | S distributions           |                         | <b>Writing 2 due</b>     |
| W 8-10 | S distributions           |                         |                          |
| R 8-11 |                           |                         | <b>Assignment 10 due</b> |