



This course supports the assessment for Advanced Tax Concepts. The course covers 6 competencies and represents 3 competency units.

Introduction

Overview

The Advanced Tax Concepts course is designed to enhance your awareness of the complexities and sources of tax law and to measure and analyze the effect of various tax options. This course provides an overview of individual and corporate taxation including associations, reorganizations, and corporate distributions, while emphasizing the role of taxes in business decisions and business strategy. Taxation of estates and trusts, including wealth transfer taxes, will be addressed in this course. Also, you will examine the federal tax law applicable to individuals and corporations (and shareholders) including tax research, tax compliance, and tax planning.

Getting Started

Welcome to Advanced Tax Concepts. As you work through each unit, you will access the VitalSource e-text along with assignments and a study plan which can be accessed through MyAccountingLab links within each topic. These activities will enable you to assess your mastery of the course material. The TaxACT resource provides you access to the software you will need to complete the performance assessment. Your pacing guide is a great resource to help you stay on track and a printable checklist will enable you to track your progress through the course. Competency in this course will be demonstrated by the successful completion of an objective assessment and a performance assessment.

Watch the following video for an introduction to this course:

Note: To download this video, right-click the following link and choose "Save as...": [download video](#).

Competencies

This course provides guidance to help you demonstrate the following 6 competencies:

- **Competency 3028.1.1: Tax Planning**
The graduate applies knowledge of tax laws for planning and compliance purposes.
- **Competency 3028.1.2: Multijurisdictional Tax Issue**
The graduate analyzes the impact of multijurisdictional taxes including federal, state, local, and international taxes.
- **Competency 3028.1.3: Tax Research and Communication**
The graduate uses tax research to interpret and evaluate recent developments in tax concepts.
- **Competency 3028.1.4: Federal Taxation of Property Transactions**
The graduate determines the proper tax treatment for business transactions such as capital gains, the sale of a residence, and gifts.



- **Competency 3028.1.5: Taxation of Complex Corporate Transactions**
The graduate determines the proper tax treatment for corporate transactions including formation, reorganization, distribution, and liquidation.
- **Competency 3028.1.6: Tax Return Preparation**
The graduate prepares federal tax returns with IRS forms, schedules, and related reporting requirements.

Course Instructor Assistance

As you prepare to demonstrate competency in this subject, remember that course instructors stand ready to help you reach your educational goals. As subject matter experts, mentors enjoy and take pride in helping students become reflective learners, problem solvers, and critical thinkers. Course instructors are excited to hear from you and eager to work with you.

Successful students report that working with a course instructor is the key to their success. Course instructors are able to share tips on approaches, tools, and skills that can help you apply the content you're studying. They also provide guidance in assessment preparation strategies and troubleshoot areas of deficiency. Even if things don't work out on your first try, course instructors act as a support system to help you prepare for another attempt. You should expect to work with course instructors for the duration of your coursework, and you are encouraged to contact them as soon as you begin. Course instructors are fully committed to your success!

Preparing for Success

The information in this section is provided to detail the resources available for you to use as you complete this course.

Learning Resources

The learning resources listed in this section are required to complete the activities in this course. For many resources, WGU has provided automatic access through the course. However, you may need to manually enroll in or independently acquire other resources. Read the full instructions provided to ensure that you have access to all of your resources in a timely manner.

Automatically Enrolled Resources

Wiley CPAexcel

Wiley CPAexcel is a series of video resources designed to align with the course topics. You will be directly linked to the video content by clicking the links provided throughout the course.

VitalSource E-Text

The following textbook is available to you as an e-text within this course. You will be directly linked to the e-text within each topic and you can also download it to read offline, or purchase a printed text using the following instructions.

- Anderson, K.E., Pope, T.R., Rupert, T.J., Fowler, A.C., Joseph, R.J., Hulse, D.S., Luna, L., & Schadewald, M.S. (Eds.) (2016). *Federal taxation 2016: Comprehensive* (29th ed.). New Jersey: Pearson Education. Print ISBN13: 9780134104379



For further information about using a VitalSource text, visit the following help page:

- [VitalSource: Help](#)

Note: This e-text is available to you as part of your program tuition and fees, but you may purchase hard copies at your own expense through a retailer of your choice. If you choose to do so, please use the ISBN listed to ensure that you receive the correct edition.

MyAccountingLab

MyAccountingLab contains the reviews, homework, quizzes, and study plan that you will need for this course.

View the MyAccountingLab Navigational Video to become familiar with using MyAccountingLab.

Note: To download this video, right-click the following link and choose "Save as...": [download video](#).

In the [Multimedia Library](#), you will be able to access the textbook and PowerPoint presentations for each chapter.

As you work through the course, you will find links to the assigned chapter readings and quizzes. There are three types of quizzes for each chapter that will help you prepare for the objective assessment:

- Chapter Review: These activities check your knowledge of the key concepts presented in the chapter.
- Chapter Quiz: These quizzes provide additional support by assessing your understanding of the chapter as a whole.
- Concept Quiz: These quizzes target your learning to specific topic areas (e.g., Tax Rate Quiz).

Question Help in MyAccountingLab

Assignments in MyAccountingLab include a variety of learning aides to support you as you work through the problems. You can access these learning aides through the Question Help button. Below is a description of the learning aides. The available learning aides vary depending on the question.

Help Me Solve This provides support by guiding you step by step in solving a similar problem.

eText pages direct you to the area of the textbook that relates to the question topic.

Calculator provides a calculator.

Worked Solutions are step-by-step explanations that detail how to solve the problem using the



exact numbers and data presented in the problem. The full solutions are available when reviewing submitted assignments.

Additional Learning Tools

Use the Check Answer and Final Check buttons as you work through each problem.

Check Answer provides feedback for each stage of a problem so you know whether or not you are on the right track before moving on.

Final Check provides you with the correct answer for a problem step that remains incorrect after several attempts. This allows you to progress through to the next stage of the problem

MyAccountingLab Study Plan

The study plan will help you to achieve mastery of each learning objective. The thumbtack icon indicates recommendations for what to work on next. The recommendations are based on the results from course quizzes, reviews, and homework assignments. Your study plan will include items from learning objectives that you have not yet mastered and provide you with additional practice.

The **Quiz Me** button provides a quiz to assess your mastery of the objective after you have completed the practice questions.

Once you've mastered an objective, you will earn Mastery Points for that objective and the study plan will recommend a new section for you to work on. The Study Plan Content page will list the number of points you have earned alongside the number of points possible for each objective.

Note: If you retake course quizzes, reviews, and homework assignments, the new results will be reflected in the study plan.

Tax Software

The following tax resources are available to students registered in this course as supplemental materials to Rupert/Pope/Anderson, *Prentice Hall's Federal Taxation 2016*, 29/e. Download the files and save them to your computer. Then, unzip the files for the 1040 and 1120s software to complete the performance assessment.

TaxACT Resources

- [All TaxACT 2014 Forms](#)
- [TaxACT 2014 Form 1040](#)
- [TaxACT 2014 Form 1120S](#)
- [TaxACT Help PDF](#)
- [TaxACT License PDF](#)

Minimum Technical Requirements

Obtain a Calculator



You will need a financial calculator or access to spreadsheet software, such as Microsoft Excel, for computational problems throughout this course. The recommended financial calculator is the Texas Instruments BA II Plus. You may only use an approved financial calculator during the pre-assessment and assessment for this course. You are unable to use Excel during the assessments.

Topics and Pacing

The pacing guide suggests a weekly structure to pace your completion of learning activities. It is provided as a suggestion and does not represent a mandatory schedule. Follow the pacing guide carefully to complete the course in the suggested timeframe.

Use this printable checklist to track your progress through the course: [C239 Taxation Course Checklist](#).

Week 1

- Tax Structures
- Tax Laws, Administration, and Compliance

Week 2

- Multijurisdictional Tax Issues (Individuals)
- IRS Forms and Schedules for Tax Preparation

Week 3

- Reporting Requirements (Individuals)
- Property Transactions

Week 4

- Depreciation, Cost Recovery, Amortization, and Depletion
- Tax Research

Week 5

- Multijurisdictional Tax Issues (Corporations)
- Corporate Formations

Week 6

- Reporting Requirements (Corporations)
- Distributions

Week 7



- Liquidations
- Reorganizations

Week 8

- Final Steps

Tax Concepts

An overview of individual and corporate taxation, including associations, reorganizations, and corporate distributions, will be covered in this course. Emphasis will be placed on the role of taxes in business decisions and business strategy. The taxation of estates and trusts, including wealth transfer taxes, will also be addressed through these readings. Additional topics of discussion and practice include multijurisdictional tax issues, tax planning, and tax return preparation.

Tax Structures

Given that tax rates can reach as high as 35% for individuals, and over 40% for corporations, familiarity with federal and state tax rates is integral to effective tax planning, compliance, and decision making. Such decisions include, but are not limited to, whether an individual buys or rents a home and whether a corporation purchases or leases property. Another element of tax planning is the timing of stock transactions. As one might imagine, this impacts the economy as a whole.

This topic addresses the following competency:

- **Competency 3028.1.1: Tax Planning**
The graduate applies knowledge of tax laws for planning and compliance purposes.

This topic highlights the following objectives:

- Calculate tax rates using three tax structures for an individual: progressive rate, proportional rate, and regressive rate.
- Describe the corporate tax rate structures and the calculations of each.
- Explain various types of taxes that are imposed upon taxpayers.
- Explain the criteria for a credible tax structure.

Read: Chapter 1, Individuals Section

Tax rates are highly debated topics within the political arena. The assigned readings address some of the challenges of tax rate structures and corporate tax rates.

As you complete the assigned material below, pay attention to the following key points:

- types of tax rate structures
- structures of corporate tax rates
- other types of taxes
- tax planning opportunities



Read the following section in *Prentice Hall's Federal Taxation Comprehensive*, Individuals:

Pages 1-4 through 1-14 in [Chapter 1: "Introduction to Taxation"](#)

View the following videos:

- [Tax Planning Strategies for Individuals \(23:45\)](#)

Web Activity

Read the article below on tax overhaul for a practical application and review of the assigned reading.

- ["Tax Overhaul Plan Faces Key Hurdles"](#)

Apply

Complete the following [MyAccountingLab](#) activity.

- Tax Concepts (Individuals).

Optional MyAccountingLab Practice:

- Complete the [study plan](#) activities for Chapter 1.
 - Objective 2: Describe the three types of tax rate structures.

Self-Check: Stop and Think

Read the "Stop and Think" on page I: 1-5 of Chapter 1 in *Prentice Hall's Federal Taxation Comprehensive*. Answer this question based on applying tax calculations to the scenario. Review the solution and compare your response.

Tax Laws, Administration, and Compliance

When performing tax research for clients, it's imperative that the accountant understands the hierarchy of various tax authorities. These tax law sources are under the purview of the federal government—the legislative, executive, and judicial branches. Choosing the appropriate business entity for a client requires skillful research and planning. There are two types of entities: tax paying entities and flow-through entities. This section provides an overview of tax laws, tax regulations, and tax planning for individuals.

This topic addresses the following competency:

- **Competency 3028.1.1: Tax Planning**
The graduate applies knowledge of tax laws for planning and compliance purposes.

This topic highlights the following objectives:

- Explain the objective of federal income tax laws and regulations.
- Explain the flow-through entity concept in taxation.



- Evaluate the sources of tax authority.
- Explain the steps of tax planning and the benefit to the taxpayer.

Read: Chapter 1, Individuals Section

S-Corporations are flow-through entities. The assigned readings and IRS links (and sub-links) offer a working view of the formation and filing requirements of individuals.

As you read the listed material below, pay attention to the following key points:

- objectives of the federal income tax law
- entities in the federal income tax system
- administration of the tax law and tax practice issues
- components of a tax practice

Read the following section in *Prentice Hall's Federal Taxation Comprehensive*, Individuals:

- Pages 1-14 through 1-31 in [Chapter 1: "Introduction to Taxation"](#)

Web Activity

Access the IRS website and read the S-Corporations article for additional insight about S corporations:

- ["S Corporations"](#)

Read the following PDF, which details the *Helvering v. Gregory* case, to learn more about how to write a tax plan:

- [Helvering v. Gregory](#)

Apply

Complete the following [MyAccountingLab](#) activity.

- Tax Laws, Administration, and Compliance (Individuals).

Optional MyAccountingLab Practice:

- Complete the [study plan](#) activities for Chapter 1.
 - Objective 4: Discuss the criteria for a “good” tax structure, the objectives of the federal income tax law, and recent tax reform proposals.
 - Objective 5: Describe the tax entities in the federal income tax system.
 - Objective 6: Identify the various tax law sources and understand their implications for tax practice.
 - Objective 7: Describe the legislative process for the enactment of the tax law.
 - Objective 8: Describe the administrative procedures under the tax law.
 - Objective 9: Describe the components of a tax practice.



Note: Some of the objectives within the study plan do not include practice questions. Due to this, these objectives will not contain a clickable link. To access the “Quiz Me” activity for these objectives, click on an objective with an active link and use the dropdown to make your selection.

Self-Check: Review for Mastery

Answer the following questions and then verify your answers on page I: 1-25 of *Prentice Hall's Federal Taxation Comprehensive*.

- Which of the following tax law sources fall under the legislative, executive, and judicial branch, respectively?
 - Internal Revenue Code
 - Court Decisions
 - Revenue Rulings
 - Congressional Committee Reports
 - Income Tax Regulations
 - Letter Rulings
 - Revenue Procedures

Multijurisdictional Tax Issues (Individuals)

It is imperative for individuals and businesses to not only plan for federal income taxes, but to also plan for state and local taxes when applicable. Most states impose both an individual and corporate income tax in addition to a sales tax.

This topic addresses the following competency:

- **Competency 3028.1.2: Multijurisdictional Tax Issues**
The graduate analyzes the impact of multijurisdictional taxes including federal, state, local, and international taxes.

This topic highlights the following objectives:

- Explain the taxation of individuals, various business types, and fiduciary entities that generate transactions and conduct business in multiple state and local jurisdictions.
- Explain the tax implications of conducting business electronically.
- Alternate sales tax registration and collection systems.

Read: Chapters 1 and 13, Individuals Section

Individual income tax filers who itemize deductions may choose between claiming state and local income or sales tax. The assigned material provides working knowledge and tools to assist in the calculation of itemized deductions for individuals.

As you read the listed material below, pay attention to the following key points:

- other types of taxes
- property transactions



- Section 1231
- recapture
- tax practice

Read the following sections in *Federal Taxation Comprehensive*, Individuals:

- Review pages 1-7 through 1-14, and 1-29 through 1-31 in [Chapter 1: "An Introduction to Taxation"](#)
- Pages 13-18 through 13-20 in [Chapter 13: "Property Transactions: Section 1231 and Recapture"](#)

Web Activity

Familiarize yourself with the following web page to better understand sales tax deduction:

- "[Sales Tax Deduction Calculator](#)"

Navigate to and read the content in the following links:

- [Complete Auto Transit, Inc. v. Brady](#)
- [State Taxation of Internet Transactions](#)
- [Multistate Tax Compact Timeline](#)
 - Read all four tabs

Apply

Complete the following [MyAccountingLab](#) activities:

- Multijurisdictional Tax Issues (Individual).

Optional MyAccountingLab practice:

- Complete the [study plan](#) activities for Chapter 1.
 - Objective 3: Describe the various types of taxes.

Self-Check: Review for Mastery

Read the Social Objectives section under Encouragement of Certain Activities and Industries, and review the examples on page I: 1-15 of Chapter 1. After reading the examples you should be able to explain the ways in which tax laws can be vehicles for social change.

IRS Forms and Schedules for Tax Preparation

The preparation of the federal income tax return for individuals can be a complicated endeavor, one contingent upon the taxpayer's situation. A single tax return may be composed of many forms that require complex calculations required to determine taxable income. This section offers hands-on experience in applying the tax formula to compute an individual's taxable income.

This topic addresses the following competency:



- **Competency 3028.1.6: Tax Return Preparation**

The graduate prepares federal tax returns with IRS forms, schedules, and related reporting requirements.

This topic highlights the following objectives:

- Describe the tax forms used for calculation of federal income taxes for individuals, various business, and fiduciary entities.
- Determine the amount of tax for various tax filing statuses of individuals.
- Determine the tax liability (net refund due) of a C Corporation using Form 1120 and various schedules.
- Explain the multiple support declaration rules for individuals.
- Describe the provisions for high-income individuals.
- Describe compliance and procedural considerations for an individual's gross income.
- Calculate the income tax filing requirements of non-profit and tax-exempt.
- Determine the realized gain or loss from the sale or other disposition of property for an individual.
- Discuss the criteria for deducting business expenses on a tax return.
- Describe key tax planning opportunities to minimize an individual's income tax liability.
- Identify qualified medical expenses and deductions.
- Determine the tax liability (net refund) of an individual using Form 1040 and Schedules A, B, C, D and E and K-1 (from either a partnership or S corporation).

Read: Chapters 2, 3, 5, 6, and 7, Individual Section

Individual income tax filers may file Form 1040, 1040A, or 1040EZ depending upon certain factors. The [IRS](#) website delineates the requirements for each. The assigned readings and IRS website offer a working view of the income tax calculation for individuals regardless of the form used.

As you read the listed material below, pay attention to the following key points:

- tax formulas
- determining amount of tax
- business income
- business entities
- multiple support declaration
- capital gains and losses

Read the following sections in *Federal Taxation Comprehensive*, Individuals:

- Pages 2-2 through 2-7, and 2-17 through 2-32 in [Chapter 2: "Determination of Tax"](#)
- Pages 3-30 through 3-33 in [Chapter 3: "Gross Income: Inclusions"](#)
- Pages 5-33 through 5-40 in [Chapter 5: "Property Transactions: Capital Gains and Losses"](#)
- Pages 6-37 through 6-38 in [Chapter 6: "Deductions and Losses"](#)
- Pages 7-2 through 7-36 in [Chapter 7: "Itemized Deductions"](#)



Web Activity

Use your favorite web browser and search for "Topic 352" and read about the different requirements for the following forms: 1040, 1040A, and 1040EZ. What circumstances would be appropriate for the use of each form?

- Topic 352-Which Form—1040, 1040A or 1040EZ?

While reading, pay attention to the different requirements for the use of each form. Note the simplicity of Form 1040EZ.

Apply

Complete the following [MyAccountingLab](#) activities:

- IRS Forms and Schedules for Tax Preparation (Individuals)

Optional MyAccountingLab practice:

- Complete the [study plan](#) activities for Chapter 2.
 - Objective 1: Use the tax formula to compute an individual's taxable income.
 - Objective 2: Determine the amount of deductions from Adjusted Gross Income.
 - Objective 3: Calculate the income tax for individuals.
 - Objective 4: Explain the basic concepts relating to business entities.
 - Objective 6: Compute the income tax for high-income individuals.
- Complete the [study plan](#) activities for Chapter 3.
 - Objective 6: Describe compliance and procedural considerations for gross income.
- Complete the [study plan](#) activities for Chapter 5.
 - Objective 9: Describe compliance and procedural considerations for property transactions.
- Complete the [study plan](#) activities for Chapter 6.
 - Objective 8: Describe compliance and procedural considerations for deductions and losses.
- Complete the [study plan](#) activities for Chapter 7.
 - All objectives

Note: Some of the objectives within the study plan do not include practice questions. Due to this, these objectives will not contain a clickable link. To access the "Quiz Me" activity for these objectives, click on an objective with an active link and use the dropdown to make your selection.

Self-Check: Review for Mastery

Read the *Self-Study Question* on page I: 2-6 of Chapter 2. Note the difference between tax credits and deductions. When would an individual prefer to take a deduction instead of a credit? Answer the question based upon the application of tax calculations to the scenario.



Reporting Requirements (Individuals)

The determination of an individual's federal income tax is based upon several factors. This section provides examples of the maximization of itemized deductions (when applicable), and choice of filing status, and also offers a look at filing due dates and extensions and compliance/procedural considerations.

This topic addresses the following competency:

- **3028.1.6 Competency: Tax Return Preparation**

The graduate prepares federal tax returns with IRS forms, schedules, and related reporting requirements.

This topic highlights the following objective:

- Calculate the tax filing requirements of an individual taxpayer.

Read: Chapter 2 and 3, Individuals Section

Individual income tax filers may choose to file as single, married, married and filing separately, surviving spouse, head of household, etc., depending upon the circumstances. The IRS website shows the requirements for filing status. These assigned readings and IRS links (and sub-links) offer a detailed view of filing requirements.

As you read the listed material below, pay attention to the following key points:

- other types of taxes
- property transactions
- Section 1231
- recapture
- tax practice

Read the following section in *Federal Taxation Comprehensive*, Individuals:

- Pages 2-2, and 2-31 through 2-37 in [Chapter 2: "Determination of Tax"](#)
- Pages 3-13 through 3-25 in [Chapter 3: "Gross Income: Inclusions"](#)

Web Activity

Read the following posted information on the IRS website:

- [Determining Your Correct Filing Status](#)

When reading, pay attention to the different filing statuses and the requirements for each. Note that this information helps individuals choose their best filing status.

Apply

Complete the following [MyAccountingLab](#) activity:



- Reporting Requirements (Individual)

Optional MyAccountingLab practice:

- Complete the [study plan](#) activities for Chapter 2.
 - Objective 7: Describe tax planning considerations for various tax matters.
 - Objective 8: Describe compliance and procedural matters for filing tax returns.
- Complete the [study plan](#) activities for Chapter 3.
 - Objective 4: Apply the rules of Sec. 61(a) to determine whether items such as compensation, dividends, alimony, and pensions are taxable.

Note: Some of the objectives within the study plan do not include practice questions. Due to this, these objectives will not contain a clickable link. To access the "Quiz Me" activity for these objectives, click on an objective with an active link and use the dropdown to make your selection.

Self-Check: Review for Mastery

Read the section "Innocent Spouse Provision" on page 2-33 of Chapter 2 in Prentice Hall's Federal Taxation Comprehensive. What is the ethical point regarding filing separately to minimize risk?

Property Transactions

Gains and losses from property transactions can greatly affect taxable income. This section covers the variables integral to the computation of gains and losses on these transactions including the definition of capital assets, basis, and holding period.

This topic addresses the following competency:

- **Competency 3028.1.4: Federal Taxation of Property Transactions**
The graduate determines the proper tax treatment for business transactions such as capital gains, the sale of a residence, and gifts.

This topic highlights the following objectives:

- Explain realized and recognized gain (loss).
- Explain the various methods of acquiring property.
- Explain the types of property that are not considered capital assets.
- Recognize how to classify a capital gain or loss into long term or short term gains/losses.
- Differentiate capital gains for noncorporate and corporate taxpayers.
- Explain the various types of transactions that are treated as a sale or exchange of a property.
- Explain the taxation of a sale of property on installment.
- Discuss the benefits to the taxpayer of various property transfers and sales.
- Compare the tax qualifications of like-kind property exchange and a non-like-kind



property exchange.

- Identify when gains may be deferred as a result of involuntary conversion.
- Analyze the regulations for the functional-use test, obtaining replacement property, and the time requirements for replacement property.
- Explain how to calculate the recognized gain (loss) from the sale of a personal residence.
- Describe key tax planning issues regarding the acquisition and disposition of property.
- Explain criteria that qualify Section 1231 property.
- Apply the procedural steps to analyze a Section 1231 transaction.

Read: Chapters 5, 12, and 13, Individuals Section

All recognized gains and losses must be classified as either capital or ordinary. Information found on the IRS website delineates facts about capital gains and losses. The assigned readings in the course e-text and on the IRS website discuss the usage of specialized treatment of capital transactions.

As you read the associated material, pay attention to the following key points:

- determination of gains or loss and tax treatments
- capital assets
- sale or exchange
- holding period
- like-kind exchanges
- involuntary conversions
- replacement property
- sales of principal residence
- tax planning

Read the following sections in *Federal Taxation Comprehensive*, Individuals:

- Pages 5-2 through 5-33 in [Chapter 5: "Property Transactions: Capital Gains and Losses"](#)
- Pages 12-2 through 12-23 in [Chapter 12: "Property Transactions: Nontaxable Exchanges"](#)
- Pages 13-2 through 13-16 in [Chapter 13: "Property Transactions: Section 1231 and Recapture"](#)

View the following videos:

- [Like-Kind Exchanges and Involuntary Conversations \(24:45\)](#)
- [Other Nonrecognition Transactions \(16:13\)](#)
- [Section 1231 Assets \(20:23\)](#)

Web Activity

Read the article below:



- "[Ten Facts about Capital Gains and Losses](#)"

What is the difference between long-term and short-term capital gains and losses? Note the special tax rates on these transactions.

Apply

Complete the following [MyAccountingLab](#) activity:

- Property Transactions (Individuals)

Optional MyAccountingLab practice:

- Complete the [study plan](#) activities for Chapter 5.
 - All objectives
- Complete the [study plan](#) activities for Chapter 12.
 - All objectives
- Complete the [study plan](#) activities for Chapter 13.
 - All objectives

Self-Check: Review for Mastery

Read the section entitled "Justification for Preferential Treatment on Net Capital Gains" on page 5-30 of Chapter 5. What are some of the controversial issues that affect the tax business?

Depreciation, Cost Recovery, Amortization, and Depletion

This section covers income tax rules relating to depreciation, cost recovery, amortization, and depletion.

This topic addresses the following competency:

- **Competency 3028.1.4: Federal Taxation of Property Transactions**
The graduate determines the proper tax treatment for business transactions such as capital gains, the sale of a residence, and gifts.

This topic highlights the following objectives:

- Calculate depreciation on business assets.
- Amortize intangible assets.

Read: Chapters 6 and 10, Individuals Section

Read the following sections in *Federal Taxation Comprehensive, Individuals*:

- Pages 6-10 through 6-12 in [Chapter 6: "Deductions and Losses"](#)
- Pages 10-2 through 10-27 in [Chapter 10: "Depreciation, Cost Recovery, Amortization, and Depletion"](#)



Apply

Complete the following [MyAccountingLab](#) activity:

- Depreciation, Cost Recovery, Amortization, and Depletion (Individuals)

Optional MyAccountingLab practice:

- Complete the [study plan](#) activities for Chapter 6.
 - Objective 3: Examine the restrictions for deducting expenses.
- Complete the [study plan](#) activities for Chapter 10.
 - All objectives

Tax Research

Accountants may encounter complex tax scenarios when preparing tax returns for their clients. In addition to tax preparation, accountants are often hired for tax planning. Both tax preparation and tax planning require the accountant to be well versed in the area of tax research and, in accordance, understand the hierarchy of tax authorities.

This topic addresses the following competency:

- **3028.1.3: Tax Research and Communication**
The graduate uses tax research to interpret and evaluate recent developments in tax concepts.

This topic highlights the following objectives:

- Explain key components of closed-fact tax compliance and of open-fact tax planning.
- Prepare tax research documentation using the Internal Revenue Code as a primary resource.
- Provide examples of tax litigations that can be taken to each branch of the U.S. court system.
- Prepare research documentation for application to the solution of a tax related accounting issue.

Read: Chapter 1, Corporations Section

When conducting tax research, it is imperative to have a firm grasp of the hierarchy of authoritative sources. Assigned content related to this topic offers a look at primary and secondary authority. The assigned readings address the hierarchy of these sources.

As you read the listed material below, pay attention to the following key points:

- overview and steps in tax research
- tax law
- judicial decisions



- tax services

Read the following section in *Federal Taxation Comprehensive*, Corporations:

- Pages 1-2 through 1-31 in [Chapter 1: "Tax Research"](#)

Web Activity

Read the following article:

- "[H. Review of Tax Research Materials](#)"

Be able to explain primary vs. secondary authority.

Apply

Complete the following [MyAccountingLab](#) activity:

- Tax Research (Corporations)

Regarding the [Bloomberg BNA](#) website, how can you utilize the Bloomberg BNA website in your accounting research?

Self-Check: Review for Mastery

- Read the section entitled "Tax Services" on page C: 1-24 of Chapter 1. How might you use these resources when performing tax research for a client?

Multijurisdictional Tax Issues (Corporations)

Tax accountants are hired to advise clients on business entity formation choices. Accountants must be well versed in the tax and non-tax advantages and disadvantages of such choices.

This topic addresses the following competency:

- **Competency 3028.1.2: Multijurisdictional Tax Issues**
The graduate analyzes the impact of multijurisdictional taxes including federal, state, local, and international taxes.

This topic highlights the following objective:

- Explain the tax considerations when forming a corporation.

Read: Chapter 2, Corporations Section

When choosing a business entity, the client must consider the requirements of formation and other important factors. The assigned reading from the Journal of Accountancy discusses the issues of capitalization, compensation, profit and loss allocation, and distributions. This section offers a good overview of formation choices.

As you read the assigned material, pay attention to the following key points:



- legal requirements
- forming a corporation

Read the following sections in *Federal Taxation Comprehensive, Corporations*:

- Pages 2-2 through 2-12 in [Chapter 2: "Corporate Formations and Capital Structure"](#)

Web Activity

Read the article below in the Journal of Accountancy:

- "[The Choice-of-Entity Maze](#)"

What are some of the key complications of tax and nontax issues?

Apply

Complete the following [MyAccountingLab](#) activity:

- Multijurisdictional Tax Issues (Corporations)

Self-Check: Review for Mastery

Read the sections on corporations and S corporations on pages 2-5 through 2-7 in Chapter 2. Think about the tax strategy tips and the pros and cons of each entity.

Corporate Formations

Many businesses choose to incorporate upon formation due to the advantages offered such as limited liability. However, one disadvantage is that the accounting and taxation for this entity is inherently more complex.

This topic addresses the following competency:

- **Competency 3028.1.5: Taxation of Complex Corporate Transactions**
The graduate determines the proper tax treatment for corporate transactions including formation, reorganization, distribution and liquidation.

This topic highlights the following objectives:

- Analyze the tax treatments for taxable and nontaxable property transfers into a corporation.
- Recognize the property, the control, and the stock requirements for transferring property to a corporation and deferring the gains and losses.
- Determine the tax liabilities established by the Internal Revenue Code for the transferee and the transferor due to the transfer of property.
- Explain the strengths and limitations of using debt and equity within a corporate capital structure.
- Identify reasons why loss tax treatment could be applied if the security were to become worthless.



- Calculate a corporation's alternative minimum tax liability.
- Calculate the PHC tax by making the necessary positive and negative adjustments.
- Compute the amount of working capital required for a company's reasonable needs.
- Calculate the accumulated earnings tax for a corporation.
- Discuss rules for determining corporate tax liability to calculate the net tax due (refund).
- Calculate deductions particular to corporations and arrive at corporate taxable income.
- Calculate a corporation's income tax liability using the tax table.
- Describe the advantages and disadvantages of filing a consolidated tax return.
- Explain key tax planning opportunities involved in the formation of a corporation.
- Explain a corporation's information reporting responsibilities.
- Explain how the Affordable Care Act impacts corporations.
- Explain the structure and function of S-corporations within the tax system.

Read: Chapters 2, 3, and 5, Corporations Section

Three special deductions are allowed only for corporations. They are the U.S. Production Activities Deduction, the Dividends-Received Deduction, and the Net Operating Losses (NOL) Deduction. The following IRS assignment includes instructions for the preparation of the corporate tax return, paired with assigned readings and IRS links to explain the special deductions.

As you read the listed material below, pay attention to the following key points:

- regulations for forming a corporation
- Section 351
- tax consequences to transferee corporation
- capital structure
- worthlessness of stock or debt obligations
- corporate elections
- determining taxable income
- computing a corporation's income tax liability
- alternative minimum tax
- personal holding company tax
- accumulated earning tax
- information reporting responsibilities

Read the following sections in *Federal Taxation Comprehensive*, Corporations:

- Review pages 2-2 through 2-21 and read pages 2-22 through 2-34 in [Chapter 2: "Corporate Formations and Capital Structure"](#)
- Pages 3-2 through 3-35 in [Chapter 3: "The Corporate Income Tax"](#)
- Pages 5-2 through 5-33 in [Chapter 5: "Other Corporate Tax Levies"](#)

View the following videos:

- [Formation of a Corporation \(18:05\)](#)
- [Corporate Income \(17:15\)](#)



Web Activity

Access the following IRS websites and read the information they contain:

- [Publication 542: Corporations](#)
- [Information Reporting by Employers on Form 094-C and Form 1095-C](#)
- [A Guide to Information Returns](#)
- [Examination of Returns and Claims](#)

What are the specific instructions for the special deductions?

Apply

Complete the following [MyAccountingLab](#) activity:

- Corporate Formations (Corporations).

Optional MyAccountingLab practice:

Note: Some of the objectives within the study plan do not include practice questions. Due to this, these objectives will not contain a clickable link. To access the “Quiz Me” activity for these objectives, click on an objective with an active link and use the dropdown to make your selection.

- Complete the [study plan](#) activities for Chapter 2.
 - Objective 3: Recognize the legal requirements and tax considerations related to forming a corporation.
 - Objective 4: Discuss the requirements for deferring gain or loss upon incorporation.
 - Objective 5: Explain the tax implications of alternative capital structures.
 - Objective 6: Determine the tax consequences of worthless stock or debt obligations.
- Complete the [study plan](#) activities for Chapter 3.
 - Objective 1: Select tax years and accounting methods for C corporations.
- Complete the [study plan](#) activities for Chapter 5.
 - Objective 1: Determine whether a corporation is subject to the alternative minimum tax (AMT) and, if so, calculate the AMT.
 - Objective 2: Determine whether a corporation is a personal holding company (PHC) and, if so, calculate the PHC tax.
 - Objective 3: Establish whether a corporation is subject to the accumulated earnings tax and, if so, calculate the tax.

Self-Check: Review for Mastery

Read the following article on tax reform:



- [Tax Break-Down: Section 199, the Domestic Production Activities Deduction](#)

How does this deduction benefit manufacturers?

Reporting Requirements (Corporations)

Wealth transfer taxation is a specialized area that differs from income and property taxation. Accountants who specialize in these areas help clients with tax planning, tax preparation, and post-mortem planning. The income taxation on estates and trusts is also a specialized area that requires in-depth knowledge.

This topic addresses the following competency:

- **Competency 3028.1.6: Tax Return Preparation**
The graduate prepares federal tax returns with IRS forms, schedules, and related reporting requirements.

This topic highlights the following objectives:

- Calculate the income tax filing requirements of a sole proprietor.
- Calculate the income tax filing requirements of a partnership.
- Calculate the income tax filing requirements of a C corporation.
- Calculate the income tax filing requirements of an S corporation.
- Calculate the estate tax filing requirements.
- Calculate the income tax filing requirements of a trust.

Read: Chapters 2, 3, 11, 13, and 14, Corporations Section

The [IRS](#) link (and sub-links) includes explanations of the federal estate and gift tax as well as instructions for preparation of the tax returns. This section's assigned readings and IRS links explain the machinations of wealth transfer taxation.

As you read the listed material below, pay attention to the following key points:

- corporate formations
- capital structure
- corporate elections
- estate tax
- trusts and estates

Read the following sections in *Federal Taxation Comprehensive*, Corporations:

- Pages 2-2 and 2-12 in [Chapter 2: "Corporate Formations and Capital Structure"](#)
- Pages 3-3 through 3-43 in [Chapter 3: "The Corporate Income Tax"](#)
- Pages 11-2 through 11-32 in [Chapter 11: "S Corporations"](#)
- Pages 13-35 through 13-37 in [Chapter 13: "The Estate Tax"](#)
- Pages 14-6 through 14-35 in [Chapter 14: "Income Taxation of Trusts and Estates"](#)

Web Activity



Read the following article on the IRS website:

- "[Estate Tax](#)"

How does the gift tax impact the estate tax?

Apply

Complete the following [MyAccountingLab](#) activity:

- Reporting Requirements (Corporations)

Optional MyAccountingLab practice:

- Complete the [study plan](#) activities for Chapter 2.
 - Objective 1: Discuss the tax advantages and disadvantages of alternative business forms.
 - Objective 2: Apply the check-the-box regulations to partnerships, corporations, and trusts.
- Complete the [study plan](#) activities for Chapter 3.
 - Objective 2: Calculate deductions particular to corporations and arrive at corporate taxable income.
 - Objective 3: Compute a corporation's regular income tax liability.
 - Objective 4: Recognize what a controlled group is and determine the tax consequences of being a controlled group.
 - Objective 5: Identify planning strategies to reduce taxes for corporations and their shareholders.
 - Objective 6: Comply with corporate tax filing requirements.
- Complete the [study plan](#) activities for Chapter 11.
 - All objectives
- Complete the [study plan](#) activities for Chapter 14.
 - All objectives

Note: Some of the objectives within the study plan do not include practice questions. Due to this, these objectives will not contain a clickable link. To access the "Quiz Me" activity for these objectives, click on an objective with an active link and use the dropdown to make your selection.

Self-Check: Review for Mastery

- Review the "Stop and Think" section on page C: 13-8 of Chapter 13. Why was the alternate valuation date chosen?

Distributions

When corporate income is distributed to shareholders, the tax effect to the corporation and



shareholder is contingent upon the characteristics of the distribution. Shareholders usually treat these distributions as dividends for tax purposes, but there is a caveat—such distributions must previously have deemed either to be paid out of current, or out of accumulated corporate earnings and profits (E&P) for this treatment.

This topic addresses the following competency:

- **Competency 3028.1.5: Taxation of Complex Corporate Transactions**

The graduate determines the proper tax treatment for corporate transactions including formation, reorganization, distribution, and liquidation.

This topic highlights the following objectives:

- Calculate a company's earnings and profit (E&P) using adjustments to the taxable income.
- Analyze the impact of non-liquidating property distributions on the earnings and profit of a corporation.
- Calculate the taxability of stock dividends, stock rights, and stock redemptions.
- Calculate the capital gain or loss with Section 306 stock disposition and stock redemption.
- Describe the legal obligations of the purchaser in a bootstrap acquisition.
- Describe key tax planning opportunities involving corporate distributions.

Read: Chapter 4, Corporations Section

A proper calculation of a firm's E&P is imperative. Distributions in excess of E&P will be treated differently than those deemed paid out of E&P. Such excess distributions are treated as a return of capital. This section discusses earnings and profits and related issues.

As you read the listed material below, pay attention to the following key points:

- non-liquidating distributions
- earnings and profits
- stock dividends and stock rights
- stock redemption
- preferred stock bailouts
- tax planning

Read the following section in *Federal Taxation Comprehensive*, Corporations:

- Pages 4-2 through 4-36 in [Chapter 4: "Corporate Nonliquidating Distributions"](#)

View the following videos:

- [Distributions from a Corporation \(20:23\)](#)
- [Corporate Redemptions and Liquidations \(17:39\)](#)

Web Activity



Read the article below in the Journal of Accountancy:

- "[Taking the 'Sting' Out of S Corporations' Earnings and Profits](#)"

What issues are inherent to S corporations?

Apply

Complete the following [MyAccountingLab](#) activity:

- Distributions (Corporations)

Optional MyAccountingLab practice:

- Complete the [study plan](#) activities for Chapter 4.
 - All objectives

Self-Check: Review for Mastery

- Refer to Example C: 4-1 in Chapter 4 of your e-text (page 4-2 in Corporations). Review the computation of Current E&P.

Liquidations

Corporate liquidations affect both the corporation and the shareholder. Liquidations can be motivated by tax and business reasons. Different liquidation rules may apply contingent upon whether the corporation is controlled by a parent corporation or not. This section discusses corporations and tax consequences of liquidation.

This topic addresses the following competency:

- **Competency 3028.1.5: Taxation of Complex Corporate Transactions**
The graduate determines the proper tax treatment for corporate transactions including formation, reorganization, distribution, and liquidation.

This topic highlights the following objectives:

- Recognize the tax consequences on the shareholders and the corporation as a result of a corporate liquidation.
- Calculate the amount of gain or loss recognized by the shareholder and the corporation when the corporation distributes property during liquidation.
- Determine the tax consequences when a parent corporation liquidates a controlled subsidiary.
- Describe key tax planning opportunities involved in the liquidation of a corporation.

Read: Chapter 6, Corporations Section

Shareholders may face special reporting issues with respect to liquidating distributions. The four special reporting rules are related to 1) partially liquidating distributions, 2) subsequent assessments, 3) open versus closed transactions, and 4) installment obligations. This section



covers issues around these reporting rules.

As you read the listed material below, pay attention to the following key points:

- corporate liquidation
- liquidation rules
- liquidation of a controlled subsidiary

Read the following section in *Federal Taxation Comprehensive*, Corporations:

- Pages 6-2 through 6-14 in [Chapter 6: "Corporate Liquidating Distributions"](#)

Web Activity

Access the AICPA website and read the following article:

- "[Determining Tax Consequences of Corporate Liquidation to the Shareholders](#)"

What are some of the shareholder consequences of corporate liquidations?

Apply

Complete the following [MyAccountingLab](#) activity:

- Liquidations (Corporations)

Optional MyAccountingLab practice:

- Complete the [study plan](#) activities for Chapter 6.
 - All objectives

Self-Check: Review for Mastery

- Refer to Example C: 6-1 (page 6-3 in Corporations) and Example C: 6-2 (page 6-4 in Corporations) in Chapter 6 of your e-text. Review the tax consequences of liquidation to both shareholders and the liquidating corporation.

Reorganizations

An acquisition of another corporation, a restructuring, and a corporate divestiture can each be defined as a corporate reorganization. It is imperative to draw a dichotomy between what is considered a taxable acquisition and what constitutes a tax-free reorganization.

This topic addresses the following competency:

- **Competency 3028.1.5: Taxation of Complex Corporate Transactions**
The graduate determines the proper tax treatment for corporate transactions including formation, reorganization, distribution, and liquidation.

This topic highlights the following objectives:



- Calculate tax returns for a business when a gain or loss is recognized with shareholders and security holders during reorganization.
- Explain the tax implications of various types of corporate reorganizations.
- Explain the appropriate type of corporate reorganization for various situations.
- Explain strengths and limitations of various types of divisive reorganizations.

Read: Chapter 7, Corporations Section

Section 368 authorizes seven types of reorganizations to accommodate the major forms of business acquisitions, divestitures, and restructurings. The different types of reorganizations are generally referred to by the subparagraph letter of Section 368 that defines them. An acquisitive reorganization is a transaction where the acquiring corporation obtains part or all of the assets of the target corporation. Types A, B, C, D, and G reorganizations can be classified as acquisitive transactions. A divisive reorganization is a transaction in which part of a transferor corporation's assets are transferred to a second, newly-created corporation that is controlled by either the transferor or its shareholders. Type D or G reorganizations can be either acquisitive or divisive. In a Type E reorganization, an existing corporation is recapitalized. Finally, a Type F reorganization changes the identity, legal form, or state of incorporation.

As you read the listed material below, pay attention to the following key points:

- types of reorganizations
- acquisitive reorganizations
- divisive reorganizations

Read the following section in *Federal Taxation Comprehensive*, Corporations:

- Pages 7-14 through 7-43 in [Chapter 7: "Corporate Acquisitions and Reorganizations"](#)

View the following video:

- [Corporate Reorganizations \(24:59\)](#)

Web Activity

Access the Journal of Accountancy website and read the following:

- "[Accounting Method Changes to be Allowed in Corporate Reorganizations](#)"

Note the accounting method changes to be allowed in corporate reorganizations.

Apply

Complete the following [MyAccountingLab](#) activity:

- Reorganizations (Corporations)

Optional MyAccountingLab practice:



- Complete the [study plan](#) activities for Chapter 7.
 - All objectives

Self-Check: Review for Mastery

A. Why Use a Reorganization Instead of a Taxable Transaction? The choice between a taxable and tax-free transaction can be a difficult one. Depending upon their relative importance, they will have an impact on the negotiations leading up to the reorganization.

1. **Acquiring a Corporation's Shareholders.** A tax-free reorganization generally allows more capital to be retained after any taxes owed due to the receipt of bootstrap acquisitions are paid. A taxable transaction allows the shareholders of the target corporation to receive liquid assets that can be invested in other ventures. Losses cannot be recognized in a tax-free reorganization, while they can be recognized in a taxable one. Gains recognized in a tax-free reorganization may be taxable as a dividend (an advantage to a corporation but a disadvantage to an individual shareholder).
2. **Transferor Corporation.** In a tax-free reorganization, assets are exchanged with no gain being recognized. The recapture burden is shifted to the acquiring corporation.
3. **Purchaser.** A tax-free reorganization permits an acquisition to take place without substantial cash or securities being used. Tax-free reorganizations allow the use of the target corporation's tax attributes by the acquiring corporation.

Please note the following: Recent Treasury Regulation, Temp. Reg. Sec. 1.368-1T(e)(2)(v), Example I, provides for continuity of interest with only 40% of the consideration being the acquiring corporation's stock. These regulations appear to have superseded the IRS's previous ruling position.

Final Steps

Congratulations on completing the activities in this course! You are now prepared to complete the associated assessment. If you have not already been directed to complete it, schedule and complete the assessment now.

Wiley CPAexcel

For those students who plan to take the CPA exam, WGU is offering the Wiley CPAexcel CPA prep tool. Wiley CPAexcel will likely help you to master concepts faster, retain more of what you learn and become comfortable with the exam format. This tool will be available until you have successfully passed all four sections of the exam.

After your graduation, the alumni office will be in contact with you to get you started with the tool. Congratulations!