



Western Technical College

10101165 Income Tax Accounting

Course Outcome Summary

Course Information

Description	Introductory course emphasizing the preparation of individual and small business income tax. Students will learn how to apply filing statuses; exemptions; inclusions and exclusions from gross income; adjusted gross income; treatment of retirement plans; small business expenses; self-employment expenses; capital gains and losses; tax credits; special taxes; depreciation for tax reporting; accounting periods; and withholding methods and payments.
Career Cluster	Finance
Instructional Level	Associate Degree Courses
Total Credits	4
Total Hours	72

Pre/Corequisites

Prerequisite 10101114 Accounting Principles 1

Textbooks

Income Tax Fundamentals 2022. 40th Edition. Copyright 2022. Whittenburg, Gerald E., Martha Altus-Buller, and Steven Gill. Publisher: Cengage Learning. **ISBN-13:** 978-0-357-51638-6. Required.

Learner Supplies

Publication 17. **Vendor:** Internal Revenue Service. Required.

Instructions – Form 1040. **Vendor:** Internal Revenue Service. Required.

Calculator. **Vendor:** Campus Shop. Required.

Program Outcomes

1. Perform organization and/or individual tax accounting preparation, reporting, and analysis tasks

Course Competencies

1. Select appropriate filing status and apply dependency criteria.

Assessment Strategies

- 1.1. Activity - Textbook Problems and Tax Return Completion
- 1.2. Written Objective Test

Criteria

You will know you are successful when

- 1.1. you determine who must file a tax return.
- 1.2. you classify taxpayers into appropriate filing status.
- 1.3. you calculate standard deductions.
- 1.4. you calculate the limitations on itemized deductions when appropriate.
- 1.5. you identify the filing requirements of Form 1040.

Learning Objectives

- 1.a. Identify Federal filing status.
- 1.b. List standard deduction for each filing status.
- 1.c. Identify personal and dependency exemptions.
- 1.d. Apply the five dependency tests to determine eligibility.
- 1.e. Determine the limitations on exemptions and itemized deductions based on the threshold amount of Adjusted Gross Income and filing status.

2. Differentiate between gross income inclusions and exclusions.

Assessment Strategies

- 2.1. Activity - Textbook Problems and Tax Return Completion
- 2.2. Written Objective Test

Criteria

You will know you are successful when

- 2.1. you classify active income, portfolio income, and passive income.
- 2.2. you calculate interest and dividend income.
- 2.3. you complete a Schedule B.
- 2.4. you calculate alimony.
- 2.5. you classify child support.
- 2.6. you calculate taxable prizes and awards.
- 2.7. you calculate the taxable amounts of an annuity payment.
- 2.8. you determine the taxable amounts of life insurance proceeds.
- 2.9. you describe the tax treatment of gifts and inheritance.
- 2.10. you determine the taxable amounts of scholarships.
- 2.11. you determine the taxable amounts of accident and health insurance proceeds and premiums.
- 2.12. you classify the taxable portions of meals and lodging income.
- 2.13. you calculate after-tax municipal bond interest.
- 2.14. you calculate the taxable portion of social security benefits.
- 2.15. you identify unemployment compensation.
- 2.16. you identify taxable and nontaxable employee fringe benefits.
- 2.17. you use appropriate terminology, tax forms, and schedules.
- 2.18. you identify the tax implications of educational savings incentives.

Learning Objectives

- 2.a. Define gross income.
- 2.b. Identify active income, portfolio income, and passive income.
- 2.c. List gross income inclusions and exclusions.
- 2.d. Describe usage of basic tax forms and schedules.
- 2.e. Identify alimony, alimony recapture, and child support.
- 2.f. Identify taxable prizes and awards.
- 2.g. Identify annuity payments.
- 2.h. Applies the general rule and the simplified general rule for annuities.
- 2.i. Identify taxable and nontaxable life insurance proceeds.
- 2.j. Identify tax consequences of gifts and inheritance.
- 2.k. Identify taxable and nontaxable scholarship amounts.
- 2.l. Describe tax consequences of accident and health insurance proceeds and premiums.
- 2.m. Identify municipal bond interest.
- 2.n. Identify Modified Adjusted Gross Income.
- 2.o. Identify taxable social security benefits.
- 2.p. Identify unemployment compensation.
- 2.q. Identify taxable employee fringe benefits.
- 2.r. Identify types of educational savings plans.

3. Calculate itemized deductions.

Assessment Strategies

- 3.1. Activity - Textbook Problems and Tax Return Completion
- 3.2. Written Objective Test

Criteria

You will know you are successful when

- 3.1. you classify itemized deductions into medical, taxes, interest, charitable contributions, casualty and theft losses, and miscellaneous deductions.
- 3.2. you analyze hobby losses, the special rules applicable to moving expenses, home office deduction, and travel and transportation expenses.
- 3.3. you complete a Schedule A.
- 3.4. you use appropriate terminology, tax forms, and schedules.

Learning Objectives

- 3.a. Identify types of itemized deductions.
- 3.b. Determine what qualifies as a medical deduction.
- 3.c. Identify deductible taxes.
- 3.d. Apply the interest deduction limitation.
- 3.e. Identify the charitable contributions and limitations.
- 3.f. Identify casualty and theft losses.
- 3.g. Apply the rules for measuring casualty and theft losses.
- 3.h. Calculate casualty and theft loss limitations.
- 3.i. Identify the two miscellaneous deduction categories.
- 3.j. Apply miscellaneous deduction limitations.
- 3.k. Identify miscellaneous deductions.
- 3.l. Apply moving expense deduction tests.
- 3.m. List profit activity operational rules.
- 3.n. Apply hobby loss limitations.
- 3.o. Identify travel and transportation expenses.
- 3.p. List Per Diem Substantiation methods.
- 3.q. Apply the office in the home deduction rules.
- 3.r. Apply gross income limitations on home office deduction.
- 3.s. Identify deductible entertainment expenses.
- 3.t. Apply the limitations on entertainment expenses.
- 3.u. Identify deductible educational expenses, dues, subscriptions, publications, clothing, and uniforms.

4. Calculate adjusted gross income.

Assessment Strategies

- 4.1. Activity - Textbook Problems and Tax Return Completion
- 4.2. Written Objective Test

Criteria

You will know you are successful when

- 4.1. you differentiate between adjustments for AGI and adjustments from AGI.
- 4.2. you calculate gross income and adjustments for AGI.
- 4.3. you use appropriate terminology, tax forms, and schedules.

Learning Objectives

- 4.a. List the adjustments to Adjusted Gross Income
- 4.b. List the adjustments from Adjusted Gross Income.

5. Illustrate the favorable tax treatment of qualified retirement plans.

Assessment Strategies

- 5.1. Activity - Textbook Problems and Tax Return Completion

Criteria

You will know you are successful when

- 5.1. you calculate the Individual Retirement Account (IRA) deduction.
- 5.2. you calculate contributions to a Keogh plan or other qualified retirement plan, including Section 401K plans.
- 5.3. you calculate retirement plan distribution penalties.
- 5.4. you use appropriate terminology, tax forms, and schedules.

Learning Objectives

- 5.a. Identify who qualifies for an IRA deduction.
- 5.b. Identify qualifying retirement plans.
- 5.c. Identify limitations on contributions to and benefits from qualified plans.
- 5.d. Identify retirement plan rollovers and distribution penalties.

6. Calculate net rental income.

Assessment Strategies

- 6.1. Activity - Textbook Problems and Tax Return Completion
- 6.2. Written Objective Test

Criteria

You will know you are successful when

- 6.1. you complete a simple Schedule E.
- 6.2. you analyze the tax treatment of passive income and losses.
- 6.3. you calculate net rental income.
- 6.4. you use appropriate terminology, tax forms, and schedules.

Learning Objectives

- 6.a. List rental property income and expenses.
- 6.b. Apply limitations on vacation home expense deductions.
- 6.c. Distinguish between personal use and rental use on vacation home rules.
- 6.d. Apply passive loss limitations.

7. Calculate capital gains and losses.

Assessment Strategies

- 7.1. Activity - Textbook Problems and Tax Return Completion
- 7.2. Written Objective Test

Criteria

You will know you are successful when

- 7.1. you analyze capital assets.
- 7.2. you calculate holding periods.
- 7.3. you compare and contrast recognized and realized gains.
- 7.4. you appropriately categorize Section 1231 and 1245 assets.
- 7.5. you calculate 1245 and 1250 recapture.

- 7.6. you calculate personal casualty gains.
- 7.7. you calculate casualty gains and losses on business or investment property.
- 7.8. you calculate gain deferral.
- 7.9. you calculate sale of residence.
- 7.10. you complete a Schedule D.
- 7.11. you use appropriate terminology, tax forms, and schedules.

Learning Objectives

- 7.a. Define capital asset.
- 7.b. Apply tax rules regarding holding periods and tax rates.
- 7.c. Identify like-kind exchanges, involuntary conversions, and sales of personal residence.
- 7.d. Calculate amount realized and adjusted basis.
- 7.e. Identify capital gains tax rates.
- 7.f. List the tax treatment of net capital losses.
- 7.g. Define Section 1231 assets.
- 7.h. Define Section 1245 and 1250 recapture rules.
- 7.i. Identify capital gains and losses from business or investment property.
- 7.j. Identify personal casualty gains.
- 7.k. Define installment sales.

8. Calculate and apply tax credits.

Assessment Strategies

- 8.1. Activity - Textbook Problems and Tax Return Completion
- 8.2. Written Objective Test

Criteria

You will know you are successful when

- 8.1. you distinguish between deductions and credits.
- 8.2. you analyze the child and dependent care credit.
- 8.3. you complete form 2441, Child and Dependent Care Expenses.
- 8.4. you analyze the earned income credit, foreign tax credit, and adoption expense credit.
- 8.5. you calculate Qualified Adoption Expenses.
- 8.6. you complete Schedule 8863, Education Credits.
- 8.7. you calculate credits applicable to current tax year.
- 8.8. you use appropriate terminology, tax forms, and schedules.

Learning Objectives

- 8.a. compare and contrast deductions and credits.
- 8.b. apply eligibility requirements for the earned income credit.
- 8.c. compute the earned income credit.
- 8.d. identify qualified expenses for the child and dependent care tax credit.
- 8.e. compute the child and dependent care tax credit and the foreign tax credit.
- 8.f. identify qualified adoption expenses paid by the taxpayer and taxpayer's employer.
- 8.g. apply the limitations of the adoption tax credit.
- 8.h. compare and contrast the adoption credit rules for the adoption of U.S. citizens and non- U.S. citizens.
- 8.i. compute the adoption expense credit.
- 8.j. Compute educational credits.
- 8.k. Identify credits applicable to current tax year.

9. Calculate special taxes

Assessment Strategies

- 9.1. Activity - Textbook Problems and Tax Return Completion
- 9.2. Written Objective Test

Criteria

You will know you are successful when

- 9.1. you identify who is subject to the individual alternative minimum tax.
- 9.2. you explain the individual AMT.
- 9.3. you analyze the tax owed on a minor's unearned income.
- 9.4. you analyze the rules for married taxpayers residing in community property states.

9.5. you use appropriate terminology, tax forms, and schedules.

Learning Objectives

- 9.a. identify taxpayers subject to the individual alternative minimum tax.
- 9.b. identify common adjustments to income in arriving at the individual AMT income.
- 9.c. identify the common tax preferences that are added to taxable income to calculate the AMT base.
- 9.d. calculate the net amount and the tax owed on a minor's unearned income.
- 9.e. Identify the conditions that must be met to elect to include a minor's unearned income.
- 9.f. compare and contrast the rules for married taxpayers residing in community property states and common law states.

10. Analyze accounting periods and methods.

Assessment Strategies

10.1. Activity - Textbook Problems and Tax Return Completion

Criteria

You will know you are successful when

- 10.1. you determine the required tax year for partnerships and corporations.
- 10.2. you calculate the appropriate tax for a short tax period.
- 10.3. you analyze the following methods of accounting: 1) cash, 2) accrual, and 3) hybrid.
- 10.4. you use appropriate terminology, tax forms, and schedules.

Learning Objectives

- 10.a. compare and contrast fiscal year, natural business year, and the required tax year for a partnership and corporation.
- 10.b. apply the tax regulations to determine the appropriate required tax year for a partnership and corporation.
- 10.c. calculate the tax liability for a short tax period.
- 10.d. compare and contrast the recognition of income under the cash basis, accrual basis, and the hybrid basis of accounting.
- 10.e. identify the tax restrictions on the use of the cash method of accounting.

11. Calculate self-employed and employee business expenses.

Assessment Strategies

- 11.1. Activity - Textbook Problems and Tax Return Completion
- 11.2. Written Objective Test

Criteria

You will know you are successful when

- 11.1. you complete a Schedule C.
- 11.2. you identify the filing requirements for a Schedule C.
- 11.3. you distinguish between the tax treatment of employee related business expenses and self-employed business expenses.
- 11.4. you analyze entertainment expenses.
- 11.5. you analyze travel and transportation expenses.
- 11.6. you analyze automobile expenses.
- 11.7. you analyze the home office deductions.
- 11.8. you complete Form 8829, Expenses for the Business Use of Your Home.
- 11.9. you analyze dues, subscriptions, clothing and uniform deductions.
- 11.10. you analyze hobby losses and the special rules applicable to moving expenses.
- 11.11. you analyze the business gift deduction.
- 11.12. you use appropriate tax forms and schedules.
- 11.13. you use appropriate tax terminology.

Learning Objectives

- 11.a. compare and contrast the tax treatment of employee related expenses and self-employed expenses.
- 11.b. identify deductible entertainment and travel expenses.
- 11.c. identify limitations on entertainment expenses.
- 11.d. identify the limitations on travel expenses.
- 11.e. apply the tax rules to combined business and pleasure trips.

- 11.f. compare and contrast travel expenses and transportation expenses.
- 11.g. identify deductible transportation expenses.
- 11.h. calculate deductible automobile expenses using both the standard mileage method and the actual cost method.
- 11.i. apply the four exceptions of the home in office deduction.
- 11.j. apply gross income limitations to the home office deduction.
- 11.k. identify deductible expenses for education, dues, subscriptions, publications, clothing and uniforms, and business gifts.
- 11.l. identify the filing requirement for a Schedule C, and Schedule C-EZ.
- 11.m. list per diem substantiation methods.

12. Analyze the tax treatment of bad debts, inventory and net operating losses.

Assessment Strategies

- 12.1. Activity - Textbook Problems and Tax Return Completion
- 12.2. Written Objective Test

Criteria

You will know you are successful when

- 12.1. you calculate cost of goods sold.
- 12.2. you distinguish between business and non-business bad debts.
- 12.3. you apply net operating loss carryback and carry-forward rules.
- 12.4. you use appropriate terminology, tax forms and schedules.

Learning Objectives

- 12.a. Identify cost of goods sold components.
- 12.b. Identify business and non-business bad debts.
- 12.c. Identify Net Operating Loss carryback and carryover rules.