

**Credit Hours:** 3

**Contact Hours:** This is a 3-credit course, offered in accelerated format. This means that 16 weeks of material is covered in 8 weeks. The exact number of hours per week that you can expect to spend on each course will vary based upon the weekly coursework, as well as your study style and preferences. You should plan to spend 14-20 hours per week in each course reading material, interacting on the discussion boards, writing papers, completing projects, and doing research.

**Faculty Information:** Faculty contact information and office hours can be found on the faculty profile page.

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## **COURSE DESCRIPTION AND OUTCOMES**

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**Course Description:**

This course covers the federal income tax laws, regulations, and tax policy for individuals, partnerships, corporations, non-profits, estates, and trusts as it relates to accounting and artificial intelligence (AI). Students will demonstrate mastery by preparing tax returns using the most recent tax preparation software and conduct research covering tax issues such as tax planning, tax reform, and ethical considerations.

**Course Overview:**

In this course, students will review the current individual and business tax laws, complete problems through applying the current law and by using the related IRS tax forms, schedules, and publications.

**Course Learning Outcomes:**

1. Summarize the development of the United States federal income tax system.
2. Apply tax research and planning using artificial intelligence (AI).
3. Discuss the fundamentals of individual income tax and tax formula.
4. Analyze tax issues associated with business entities and investment activities.
5. Determine business income deductions and accounting methods of business entities
6. Calculate tax issues associated with purchase and sale of investment properties.
7. Examine wealth-building strategies through tax planning.
8. Prepare individual income tax returns and various business tax returns using artificial intelligence (AI).

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## **PARTICIPATION & ATTENDANCE**

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Prompt and consistent attendance in your online courses is essential for your success at CSU-Global Campus. Failure to verify your attendance within the first 7 days of this course may result in your withdrawal. If for some reason you would like to drop a course, please contact your advisor.

Online classes have deadlines, assignments, and participation requirements just like on-campus classes. Budget your time carefully and keep an open line of communication with your instructor. If you are having technical problems, problems with your assignments, or other problems that are impeding your progress, let your instructor know as soon as possible.

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## COURSE MATERIALS

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### Required:

Spilker, B., Ayers, B., Barrick, J., Outslay, E., Robinson, J., Weaver, C., & Worsham, R. (2019). *Taxation of individuals and business entities* (10th ed.). New York, NY: McGraw Hill. ISBN13: 9781260118872

**Additional Required Course Materials or Web-based Tools/Applications:** ProConnect Tax Preparation Software

**NOTE:** All non-textbook required readings and materials necessary to complete assignments, discussions, and/or supplemental or required exercises are provided within the course itself. Please read through each course module carefully.

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## COURSE SCHEDULE

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### Due Dates

The Academic Week at CSU-Global begins on Monday and ends the following Sunday.

- **Discussion Boards:** The original post must be completed by Thursday at 11:59 p.m. MT and peer responses posted by Sunday at 11:59 p.m. MT. Late posts may not be awarded points.
- **Opening Exercises:** Take the Opening Exercise before reading each week's content to see which areas you will need to focus on. You may take these exercises as many times as you need. The Opening Exercises will not affect your final grade.
- **Mastery Exercises:** Students may access and retake Mastery Exercises through the last day of class until they achieve the scores they desire.
- **Critical Thinking:** Assignments are due Sunday at 11:59 p.m. MT.
- **Live Classroom:** Although participation is not required, Live Classroom sessions are held during Weeks 3 and 6. There are two total sessions.

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## WEEKLY READING AND ASSIGNMENT DETAILS

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### Module 1

#### Readings

- Chapters 1, 2 & 3 in *Taxation of Individuals and Business Entities*

#### Opening Exercise (0 points)

#### Discussion (25 points)

#### Mastery Exercise (10 points)

#### Critical Thinking (50 points)

#### OPTION #1: Tax Legislation Process

Using Thomson Reuters Checkpoint, prepare a research paper, and based on the tax reform act of November 2017, provide an analysis of how a piece of tax legislation becomes a tax law. Choose the six most important changes (three for businesses and three for individuals) between the 2017 tax law and the 1986 tax law. Explain and justify your choice. Your research should include:

1. An explanation of the various constituents and various levels of government involved in the process.
2. A choice and reason for the choice of six key changes between the American Taxpayer Relief Act (ATRA) of 2012 and the Tax Cut and Jobs Act (TCJA) of 2017 tax law for businesses (3) and for individuals (3).
3. The reasons and effects on single, married, or head of household taxpayers (choose one category of taxpayer only) with business income as a sole proprietor, a partner, or a shareholder.

Your paper must meet the following requirements:

- Your written paper should be a Word document, 4-5 pages in length, not counting the title and reference pages, which you must include.
- Use key terms such as “LLC,” “Taxation,” etc.
- Use terms, evidence, and concepts from class readings.
- You should use the required textbook, along with a minimum of two external sources. The CSU-Global Library is a great place to find resources. You can also use Google Scholar and [www.ssrn.com](http://www.ssrn.com).
- Your paper must be formatted according to CSU-Global Guide to Writing and APA Requirements.
- If you need assistance with your writing style, start with the links under the Research Help and Writing Help tabs on the CSU-Global Library’s homepage.

Review the grading rubric to understand how you will be graded on this assignment. Reach out to your instructor if you have questions about the assignment.

### **OPTION #2: Hierarchy of Tax Authority and Tax Planning**

Using Thomson Reuters Checkpoint, prepare a 4-5-page research paper on the hierarchy of tax authority. Your research should include:

1. An explanation of the various levels of tax authority.
2. An analysis of the structure of the IRS tax code.
3. As a tax consultant, choose an individual or an incorporated business, analyze steps and items that you would include to plan for an effective tax avoidance strategy using the 2017 tax law provisions and resources in the hierarchy of tax authority.
4. An explanation of the use of Private Letter Rulings by the IRS (PLRs).

Your paper must meet the following requirements:

- Your written paper should be 4-5 pages in length not counting the title and reference pages, which you must include.
- Use key terms such as “LLC,” “Taxation,” etc.
- Use terms, evidence, and concepts from class readings.

- You should use the required textbook, along with a minimum of two external sources. The CSU-Global Library is a great place to find resources. You can also use Google Scholar and www.ssrn.com. You may use the textbook as a source.
- Your paper must be formatted according to CSU-Global Guide to Writing and APA Requirements.
- If you need assistance with your writing style, start with the links under the Research Help and Writing Help tabs on the CSU-Global Library's homepage.

Review the grading rubric to understand how you will be graded on this assignment. Reach out to your instructor if you have questions about the assignment.

## Module 2

### Readings

- Chapters 4, 5, & 6 in *Taxation of Individuals and Business Entities*

### Opening Exercise (0 points)

### Discussion (25 points)

### Mastery Exercise (10 points)

### Critical Thinking (50 points)

#### **OPTION #1: Computing Taxable Income**

Prepare a 3-4-page Word document answering the following case:

Rank the following three single taxpayers in order of magnitude of taxable income (from lowest to highest) and explain your results. (Note: Use standard deduction amounts provide under the Tax Cut & Job Acts (TCJA) enacted in November 2017).

Alice: Gross Income = \$80,000  
 Deductions for AGI = \$15,000  
 Itemized deductions = 0

Brian: Gross Income = \$80,000  
 Deductions for AGI = \$5,000  
 Itemized deductions = \$12,000

Craig: Gross Income = \$80,000  
 Deductions for AGI = \$0  
 Itemized deductions = \$15,000

In your paper, you should consider the differences between the standard deductions vs. itemized deductions given the filing status. Additionally:

- Compare and contrast deductions for AGI and deductions from AGI (itemized deductions).
- Discuss whether the tax treatment for each taxpayer is in line with the Adam Smith's taxation cannons.

Review the grading rubric to understand how you will be graded on this assignment. Reach out to your instructor if you have questions about the assignment.

## OPTION #2: Computing Taxable Income

Prepare a 3-4-page paper in Word to answer the following case:

Calculate Deborah's taxable income for the 2018 tax year based on the following information:

Filing Status	Single
Dependents	0
Wages	105,000
Interest from municipal bonds	750
Interest from savings account	250
Gift from parents	6,000
Capital loss from sale of capital assets	4,000
Alimony payments received	2,400
IRA contribution	2,500

In your paper, you should address whether or not each is includable in or excludable from gross income and the rationale for your decision. Additionally:

- Discuss whether the tax provision for each item is in line with the Adam Smith's taxation canons.
- Support your position with the most recent tax provisions, industry and scholarly sources.

Review the grading rubric to understand how you will be graded on this assignment. Reach out to your instructor if you have questions about the assignment.

### Portfolio Milestone (25 points)

#### Project Choice for Options #1 and #2

You have a choice between two Portfolio Projects in this course. You have the option of completing a Form 1040 or a Form 1120. We will use the **PROCONNECT** Online version only. Do not use the desktop (downloaded) version.

Go to the Week 8 Assignments page to read both Portfolio Project descriptions. Select only one project that you would like to complete. (You will not complete both projects!)

This week, identify your Portfolio Project choice in the title of a Word document and then briefly explain why you selected that project option. Review the Portfolio Project Milestone Grading Rubric to understand how you will be graded on this milestone.

Format your paper according to the CSU-Global Guide to Writing and APA.

Your description should be less than 1/2-page (approximately 150 words) in length.

## Module 3

### Readings

- Chapters 6, 7, & 8 in *Taxation of Individuals and Business Entities*
- Cornell Law School. (n.d.). 26 U.S.C. s 61. *Gross Income Defined*. Retrieved from <https://www.law.cornell.edu/uscode/text/26/61>

**Opening Exercise (0 points)**

**Discussion (25 points)**

**Mastery Exercise (10 points)**

**Live Classroom (0 points)**

**Critical Thinking (50 points)**

**OPTION #1: Capital Gain and Loss Calculation**

Murphy Smith has the following stock transactions for 2018.

Name	Date Purchased	Basis	Date Sold	Sales Proceeds
Apex Corp.	1/23/1986	7,250	7/22/2018	4,500
Blue Corp.	4/20/2018	14,000	9/13/2018	17,500
Coral Corp.	8/23/2010	10,750	10/12/2018	15,300
Diamond Corp	5/19/2017	5,230	10/12/2018	12,400
Electric Corp.	8/20/2017	7,300	11/14/2018	3,500

Based on the information in the above table, answer the following questions:

- (a) What is Murphy's net short-term capital gain or loss from these transactions?
- (b) What is Murphy's net long-term capital gain or loss from these transactions?
- (c) What is Murphy's net gain or loss from these transactions?
- (d) Based on (a) through (c), complete Murphy's Schedule D using **ProConnect** Tax software or IRS fillable tax forms.

**Requirements:**

Clearly identify the requirements discussed in your assignment. Show all calculations within the cells of an Excel spreadsheet to be submitted with the required tax form or schedule. Schedule D may also be submitted as PDF or converted into a Word document. This means that you must use formulas and links so that the thought process can be examined. Make good use of comments to convey your thought process as well. No hard coding of solutions. Submit a single MS Excel file for grading.

Review the grading rubric to understand how you will be graded on this assignment. Reach out to your instructor if you have questions about the assignment.

**OPTION #2: Capital Gain and Loss Calculation**

Dan Smith received a Form 1099-B showing the following stock transactions during 2017.

Stock	Date Purchased	Date Sold	Sales Price	Cost Basis
4000 sh. Jupiter Corp.	6-04-12	8-5-2018	12,000	3,000
500 sh. Mercury Inc.	2-12-2018	9-1-2018	54,000	62,000
5,000 sh. Gold Corp.	2-4-2003	3-31-2018	18,000	22,000
100 sh.	11-15-2017	07-12-2018	19,000	18,000

Zenith Corp.				
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Based on the information in the above table, answer the following questions:

- (a) What is Dan's net short-term capital gain or loss from these transactions?
- (b) What is Dan's net long-term capital gain or loss from these transactions?
- (c) What is Dan's net gain or loss from these transactions?
- (d) Based on (a) through (c), complete Dan's Schedule D using **ProConnect** Tax software or IRS fillable forms and schedules.

**Requirements:**

Convert your Schedule D from PDF to a Word Document or embed your schedule D into a Word document. Explain and compare the provisions in the TCJA of 2017 and in the ATRA of 2012 about calculation, tax rates, taxation of net capital gains, and net capital losses. Use Dan Smith's case data to support your analysis and explanation.

Clearly identify the requirements discussed in your assignment. Explain all calculations.

**Portfolio Milestone (25 points)**

**OPTIONS #1 & #2**

Read the case or option on which your Portfolio Project is based and determine all items that will be included and excluded from gross income on the Form 1040 or the Form 1120 based on the TCJA of 2018.

In an Excel spreadsheet, list all included and excluded items in column A. In column B, explain why the item is either included or excluded.

You may reference the specific tax law, the text (make sure you include the page number), or a link to another trusted source. A trusted source is either supported by the IRS or academic literature (including textbooks) under which tax law for the year 2018 is applicable.

This assignment should be delivered using the Excel spreadsheet that lists the excluded items and the supporting information on which your decision is based. Review the Portfolio Project Grading Rubric on the Course Information page to understand how you will be graded on the project.

Also, remember that this milestone will ultimately help you complete your final Portfolio Project, so be sure to read your instructor's feedback when you receive it and consider how it will impact your final project.

**Module 4**

**Readings**

- Chapters 9, 10, & 11 in *Taxation of Individuals and Business Entities*

**Opening Exercise (0 points)**

**Discussion (25 points)**

## **Mastery Exercise (10 points)**

## **Critical Thinking (55 points)**

### **OPTION #1: Business Transactions Deduction Methods**

Prepare a research paper on deduction methods. Your research should rely on the case below:

Zoe had the following events in her business in 2018. Her business locates, purchases, and refurbishes collectible assets for its clients. Zoe uses the accrual accounting method but does not maintain significant inventory.

1. Zoe received a contract to sell gadgets to the city, provided that tested samples functioned properly. In December 2018 that would be tested in February 2019 worth \$24,000. The cost of these gadgets was \$17,000.
2. Zoe paid \$360 to entertain a client from out of town. The client did not discuss business with Zoe, but she would like to keep in touch and to encourage future business deals in the following years.
3. On November 1, 2018, Zoe paid \$1,200 for \$80,000 life insurance on her key executives over the next 12 months.
4. At the end of the year, the business reported \$18,000 of accounts receivables with an estimated \$4,000 of uncollectibles.
5. In December 2018, Zoe rented equipment to complete jobs and paid \$6,000 for three months of rent required as a minimum by the leasing company or \$2,000 per month. The job was completed before the end of the year, but the equipment was returned at the end of February 2019, the end of the lease.
6. Zoe hired a new marketer and send him to Atlanta for a week to contact out of state clients. The employee was reimbursed for the following expenses: \$600 for airfare, \$700 for lodging, and \$500 for meals and entertainment. Each expense had adequate documentation to support the business purpose as an established policy.
7. Zoe usually uses her personal Mercedes-Benz to commute to her office. She uses the Lexus for business travel from the office. However, the Lexus broke down in one month, so she was forced to use her Mercedes to attend business functions and events in addition to commuting. She accumulated 240 miles for business purposes and 46 miles commuting from home to work and back (ignore other mileage for the year). Zoe uses the standard mileage rate to determine her auto-related business expenses.
8. Zoe visited her parents in Omaha over the Christmas holidays. While there, she spent \$100 to attend a half-day business seminar. Zoe paid \$400 for airfare, \$100 for meals during the seminar, and \$40 on Uber transportation to the seminar.

#### **Requirements:**

- Explain how the above-listed transactions would theoretically affect her sole proprietor business taxable income. Use tax provisions of the most recent Tax Reform Act.
- Determine the impact of each of these transactions on Zoe's taxable income.
- Fill out the proper tax form that Zoe must complete to account for these transactions. Convert it to a Word document from a PDF or embed your PDF into the Word document.

Your paper must meet the following requirements:

- Your written paper should be 4-5 pages in length (Word document) not counting the title and reference pages, which you must include.
- Use terms, evidence, and concepts from class readings.
- You need to cite at least 3 sources for this assignment.
- The CSU-Global Library is a great place to find resources. You can also use Google Scholar and [www.ssrn.com](http://www.ssrn.com). Do not use the textbook as a source.
- Your paper must be formatted according to CSU-Global Guide to Writing and APA.
- If you need assistance with your writing style, start with the links under the Research Help and Writing Help tabs on the CSU-Global Library's homepage.

Review the grading rubric to understand how you will be graded on this assignment. Reach out to your instructor if you have questions about the assignment.

### **OPTION #2: Section 1231 and Sale of Business Assets**

Mona Inc. makes and distributes bicycle accessories. To streamline its operations and to become leaner, it had the following transactions:

1. It sold a machine that made some accessories for \$54,600 cash. The machine originally cost \$38,400 three years ago and has accumulated depreciation of \$16,000.
2. Mona Inc., owned stock of XYZ Corporation worth \$24,000 at the beginning of the year and \$30,460 at the end of the year.
3. Mona sold some inventory for \$14,000 with a cost of \$10,000 during the year.
4. Mona disposed of an office building with a fair market value of \$150,000 for another office building of \$110,000 and received \$40,000 in cash. The sold building was purchased seven years ago for \$124,000 and has been depreciated for \$30,000.
5. Land held for investment was sold for \$56,000 with an original basis of \$64,000 and no depreciation.
6. Mona Inc. sold another machine on account in four installments notes of \$24,000; the first payment was received in 2018. It purchased the machine two years earlier for \$64,000 and has claimed \$18,000 in depreciation on the machine.
7. Stock originally purchased eight years ago for \$4,200, was sold in 2018 for \$5,500.
8. Mona Inc., sold another machine for \$14,600. The machine was purchased six months earlier for \$18,000 and at the date of the sale had accumulated depreciation of \$1,660.

### **Requirements:**

- Explain the character of gain/loss realized and recognized for each of the events in the 2018 tax year. Define Section 1231 of the Internal Revenue code (IRC), capital gain/loss, and ordinary gain/loss. Classify each event as section 1231, capital gain/loss, or ordinary income. Use provisions of the most recent tax law.
- From the determination made in part A, determine the net Section 1231 gain/loss and the net ordinary gain/loss to be included in its tax return. Note that Mona Inc. had a \$4,000 non-recaptured net Section 1231 net losses from previous years.
- Using **ProConnect** or fillable forms, complete Mona Inc.'s Form 4797. Use the most recent and most current form available. Convert it to a Word document from a PDF or embed your PDF into Word.

Your paper must meet the following requirements:

- Your written paper should be 4-5 pages in length not counting the title and reference pages, (Word Document) which you must include.
- Use terms, evidence, and concepts from class readings.

- You need to cite at least 3 sources for this assignment.
- The CSU-Global Library is a great place to find resources. You can also use Google Scholar and www.ssrn.com. Do not use the textbook as a source.
- Your paper must be formatted according to CSU-Global Guide to Writing and APA.
- If you need assistance with your writing style, start with the links under the Research Help and Writing Help tabs on the CSU-Global Library's homepage.

Review the grading rubric to understand how you will be graded on this assignment. Reach out to your instructor if you have questions about the assignment.

### **Portfolio Milestone (25 points)**

#### **OPTIONS #1 and #2**

If you are preparing Option 1-Form 1040, please prepare Schedule D and Form 8949 based on the data provided about your case in the final Portfolio Project description (See Module 8). If you are preparing Option 2-Form 1120, please prepare Schedule L of Form 1120.

The deliverables are as follows:

**Option #1:** The completed **Form 1040-Schedule D and Form 8949**.

**Option #2:** The completed **Schedule L of Form 1120**.

Use **PROCONNECT** Online version only. Do not use the desktop (download) version. **Submit your milestone as a PDF or as embedded PDF forms in a Word document.**

Review the Portfolio Project Grading Rubric on the Course Information page to understand how you will be graded on the project.

## **Module 5**

### **Readings**

- Chapters 15, 16, & 17 in *Taxation of Individuals and Business Entities*

### **Opening Exercise (0 points)**

### **Discussion (25 points)**

### **Mastery Exercise (10 points)**

### **Critical Thinking (55 points)**

#### **OPTION #1: Form 1120 Schedules M reconciliation**

##### **Part I: M-1 Information for Tango Inc., an accrual basis corporation**

Net income per books (after-tax)	\$174,100
Federal income tax expense per books	\$86,600
Tax-exempt interest income	\$4,500
MACRS depreciation**	\$7,200
Excess of capital loss over capital gains	\$9,400

Nondeductible meals and entertainment	\$5,500
Interest on loan to purchase tax-exempt bonds	\$1,100

\*\* This is depreciation in excess of straight-line depreciation used for financial statement purposes

**Part II: M-2 Information for Bravo Inc., an accrual basis corporation**

Net income per books (after-tax)	\$386,250
Taxable income	\$120,000
Federal income tax per books	\$30,050
Cash dividend distributions	\$150,000
Unappropriated retained earnings, as of January 1, 2018	\$796,010

**Requirements:**

- A. Reconcile book income to taxable income for Tango Inc. and Bravo Inc. Be sure to start with book income, explain and identify all the adjustments necessary to arrive at taxable income.
- B. Identify each book-tax difference as either temporary or permanent and explain your determination.
- C. Complete Schedule M-1 using **ProConnect** or fillable forms. Submit it as a PDF or convert it to a Word document.
- D. Complete Schedule M-2 for Bravo Inc. and submit it as a PDF or convert it into a Word document.

Clearly identify the requirements being addressed. Your assignment should consist of a single PDF or Word document, clearly identifying the requirements being addressed. Show all calculations within the discussion or in an embedded Excel spreadsheet. Make good use of comments to convey your thought process as well.

Review the grading rubric, which can be accessed in the module folder, to understand how you will be assessed on this assignment. Reach out to your instructor if you have questions about the assignment.

**OPTION #2: Preparation of Form 1120 Corporate tax return**

**Preparation of Form 1120 Corporate tax return**

Golden Corporation, located at 123 Main St., Houston, TX 77079 has the following transactions in its 2018 financial statements:

Item	Amount
Sales	2,700,000
Cost of Goods Sold	1,980,000
Capital Gain Net Income	5,000
Net Gain, Form 4797	2,000
Depreciation Per Books	16,500
Depreciation, tax	8,000
Penalties	500
Legal and Professional	50,000
Telephone Expense	6,500
Officer's Salary	200,000

Employee Salaries	210,000
Rent Expense	120,000
Advertising	40,000
Employee Benefit Programs	15,000
Charitable Contributions	2,000
Interest	1,000
Taxes and Licenses	31,726
Repairs	12,000

### Requirements

Based on the above data, compute Golden Inc.'s taxable income. Please complete Form 1120, page 1, stopping at the "taxable income" line. Use **ProConnect** Online version or fillable forms to complete Form 1120. In a Word document, please explain the steps and supporting tax provisions used to include or to exclude items in the preparation of Form 1120. Additionally, do the following:

- Clearly identify the requirements being addressed.
- Make good use of comments to convey your thought process as well.

You may also show all calculations within the cells of an Excel spreadsheet. This means that you must use formulas and links so that the thought process can be examined. No hard coding of solutions. Your assignment should consist of a single Word document. You may embed an Excel File into Word clearly identifying the requirements being addressed. You may also submit a single PDF clearly identifying the requirements addressed.

Review the grading rubric to understand how you will be assessed on this assignment. Reach out to your instructor if you have questions about the assignment.

## Module 6

### Readings

- Chapters 18 & 19 in *Taxation of Individuals and Business Entities*

### Opening Exercise (0 points)

### Discussion (25 points)

### Mastery Exercise (10 points)

### Critical Thinking (55 points)

#### **OPTION #1: Taxation of Corporate Distributions**

Thunder Incorporated has issued 2000 shares of one class of common stocks. These shares are outstanding throughout 2018 and are owned as follows:

Isaac Newton—800 shares, Ben Newton (son of Isaac)—400 shares, Mary Newton (daughter of Isaac)—400 shares, Sam Melvin—400 shares, for a total of 2000 shares.

Thunder Incorporated's reported current Earnings and Profit of \$600,000 in 2018, and accumulated Earnings and Profits of \$1,000,000 at the beginning of 2018. The corporation made the following distributions to its shareholders:

03/31/2018: It distributed \$20/share to each shareholder or \$40,000 in total (\$20 x 2000).

06/30/2018: It bought back 400 shares of Isaac's stock for \$400,000 with a corresponding basis at the time of \$200,000.

09/30/2018: Redeemed 120 shares of Sam's stock for \$120,000 with a basis of \$72,000 for all 120 shares.

12/21/2018: It distributed \$20/share to each shareholder for a total of (\$29,600 in total).

**Requirements:**

- A. Determine the tax treatment of each distribution above as either a dividend distribution, an exchange, or return of capital. Explain the tax rule that justifies and supports the determination made for each distribution.
- B. Calculate Thunder Inc.'s accumulated Earnings & Profits at December 31, 2018.
- C. Isaac is planning to retire and would like to sell all his shares to the corporation for \$200,000 and a 10-year note with a fair market value of \$600,000.
  - 1. Explain what Isaac and the corporation must do and consider to be sure that the sale or redemption of his shares is treated as an exchange.
  - 2. Could Joe become or stay as a consultant to the company? Please justify your position using the most recent tax law provisions.
  - 3. The attorney's fees affecting the disposal of Isaac's shares were \$10,000, could these fees be deductible expenses for the corporation for tax purposes? Please support your position using current tax law or other industry and scholarly sources.

Your paper must meet the following requirements:

- Your written paper should be a 4-5-page Word document not counting the title and reference pages, which you must include.
- Use terms, evidence, and concepts from class readings.
- You need to cite at least three sources for this assignment.
- The CSU-Global Library is a great place to find resources. You can also use Google Scholar and [www.ssrn.com](http://www.ssrn.com). Do not use the textbook as a source.
- Your paper must be formatted according to CSU-Global Guide to Writing and APA.
- If you need assistance with your writing style, start with the links under the Research Help and Writing Help tabs on the CSU-Global Library's homepage.

Review the grading rubric to understand how you will be graded on this assignment. Reach out to your instructor if you have questions about the assignment.

**OPTION #2: Taxation Liquidation of a Corporation**

Kango Corporation owns 180 shares of Shanda Corporation. Kafue, an individual shareholder, owns the remaining 20 shares of Shanda Corporation. In 2018, Kango Corporation decided to liquidate Shanda Corporation by distributing the assets to Kango Corporation and to Kafue. The tax basis of Kango Corporation is \$20,000, and the tax basis of Kafue's shares is \$14,000. Shanda Corporation reported the following balance sheet at the date of liquidation:

	Adjusted Basis	Fair Market Value
Cash	\$24,000	\$24,000

Accounts Receivable	16,000	16,000
Investment in Stocks	4,000	20,000
Land	80,000	140,000
Total Assets	\$124,000	\$200,000
Common Stock-Kango (90%)		180,000
Common Stock- Kafue (10%)		20,000
Total Stockholder Equity		\$200,000

**Requirements:**

- a) Compute and analyze the type of gain or loss recognized by Shanda, Kango, and Kafue on a total liquidation of the corporation (Shanda Corporation) whereby Shanda distributes \$20,000 of cash to Kafue and the remaining assets to Kango Corporation.
- b) Compute and analyze the type of gain or loss recognized by Shanda, Kango, and Kafue on a total liquidation of the corporation (Shanda Corporation) whereby Shanda Corp. distributes the stocks' investment balance to Kafue and the remaining assets to Kango Corporation. Assume Shanda Corporation's tax rate is zero.
- c) Determine what tax form or forms need to be filed with the liquidation of Shanda by each party involved in the transaction and explain why.

Your paper must meet the following requirements:

- Your written paper should be a 4-5-page Word document, not counting the title and reference pages, which you must include.
- Use terms, evidence, and concepts from class readings.
- You need to cite at least 3 sources for this assignment.
- The CSU-Global Library is a great place to find resources. You can also use Google Scholar and www.ssrn.com. Do not use the textbook as a source.
- Your paper must be formatted according to CSU-Global Guide to Writing and APA Requirements.
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Review the grading rubric to understand how you will be graded on this assignment. Reach out to your instructor if you have questions about the assignment.

**Portfolio Milestone (25 points)**

**OPTIONS #1 and #2**

If you are preparing Option 1-Form 1040, please prepare Schedule E based on the data provided about your case in the final Portfolio Project description (See Module 8). If you are preparing Option 2-Form 1120, please prepare Schedule M-1 and M-2 of Form 1120.

Please complete the above milestone in **ProConnect or fillable forms**. **Submit your milestone as a PDF or as embedded PDF forms in a Word document.**

The deliverables are as follows:

Option #1: The completed **Form 1040-Schedule E**.

Option #2: The completed **Schedule M-1 and M-2 of Form 1120**.

Review the Portfolio Project Grading Rubric on the Course Information page to understand how you will be graded on the project.

## **Module 7**

### **Readings**

- Chapters 20, 21, & 22 in *Taxation of Individuals and Business Entities*
- Opening Exercise (0 points)

### **Discussion (25 points)**

### **Mastery Exercise (10 points)**

### **Critical Thinking (55 points)**

#### **OPTION #1: Taxation of an S Corporation**

Jamya and Manu are the shareholders of Buffalo Corporation an S Corporation. They each own 50% of Buffalo Corporation. In **Year 1**, Jamya and Manu each received distributions of \$30,000 from Buffalo Corporation. In **Year 2**, they received distributions each of \$50,000.

<b>Buffalo Corporation (an S Corporation) Income Statement, Dec. 31, 20x8 and 20X9</b>	20X8(Year 1)	20X9(Year 2)
Sales revenue	\$600,000	\$860,000
Cost of goods sold	(80,000)	(120,000)
Salary to shareholders Manu and Jamya	(80,000)	(160,000)
Employee wages	(50,000)	(100,000)
Depreciation expense	(40,000)	(80,000)
Section 179 expense	(60,000)	(100,000)
Interest income ( related to business)	24,000	45,000
Municipal bond income	3,000	8,000
Government fines	0	(4000)
Overall net income	317,000	349,000
Distributions	\$60,000	\$100,000

#### **Requirements:**

- a) Determine and explain the amount of ordinary income and separately stated items allocated to them for Year 1 based on the information given in the table above. Assume that Buffalo Corporation has qualified property with an unadjusted basis of \$400,000.
- b) Using **ProConnect** and/or fill in forms, complete the S Corporation Form 1120S, Schedule K for **Year 1** and Schedule K-1 for Jamya.
- c) Determine and explain the amount of ordinary income and separately stated items are allocated to them for **Year 2** based on the information given in the table above, assuming Buffalo Corp has qualified property with an unadjusted basis of \$400,000.
- d) Using **ProConnect** and/or fill in forms, complete the S Corporation Form 1120S, Schedule K for **Year 2** and Schedule K-1 for Manu.

Submit a Schedule K, and one Schedule K-1 for Jamya and one for Manu and a Word document for questions a), and b), or one Word document with embedded Schedule K, and Schedule K-1 in the document.

Your paper must meet the following requirements:

- Your written paper should be a 4-5-page Word document, not counting the title and reference pages, which you must include.
- Use terms, evidence, and concepts from class readings.
- You need to cite at least three sources for this assignment.
- The CSU-Global Library is a great place to find resources. You can also use Google Scholar and www.ssrn.com. Do not use the textbook as a source.
- Your paper must be formatted according to CSU-Global Guide to Writing and APA Requirements.
- If you need assistance with your writing style, start with the links under the Research Help and Writing Help tabs on the CSU-Global Library's homepage.

Review the grading rubric, which can be accessed from the **Course Information** page, to understand how you will be graded on this assignment. Reach out to your instructor if you have questions about the assignment.

**OPTION #2: Partnerships Taxation**

Prepare a research paper on the concepts and elements of partnership taxation. Your paper should rely on the following:

Haw-Keya-Moto, a general partnership, was formed by Haw, Keya, and Moto respectively, \$220,000 cash for Haw and Keya. Moto contributed an acre of land with a tax basis of \$140,000 and an appraisal value of \$360,000. The land had a \$140,000 mortgage (non-recourse) for which no one was personally liable. Profits and losses are to be split equally. At the end of the first year, Haw-Keya-Moto paid a \$14,000 payment principal on the mortgage. In the first year of operations, the partnership reported the following events:

Sales revenues	940,000	
Cost of goods sold	820,000	
Operating expenses	140,000	
Long term capital gains	4,800	
Section 1231 gains	1,800	
Charitable contribution	600	
Municipal bond interests	600	
Salary paid as guaranteed payment to Keya (not in expenses)	6000	

**Requirements:**

- a) Calculate and report the adjusted basis of each partner's interest in the partnership immediately after the formation of Haw-Keya-Moto. In a Word document, explain the determination made.
- b) List and explain items for partnership ordinary income calculation, gains, losses, and deductions the partners must show on their individual (Form 1040) returns in relation to the partnership's first year of operations.

- c) From the determination made in parts, a) and b), prepare page 1 and Schedule K to be included in the partnership informational tax return (Form 1065) and prepare Schedule K-1 for Keya using **ProConnect** and/or fillable forms.
- d) In a table inserted in a Word document, compute each partner's adjusted basis in the partnership at the end of the first year of operations. In a Word document, explain to Haw, Moto, and Keya, the principles and tax provisions and the tax rule that justify and support the determination made for each item and allocation to partners.

You should submit a Schedule K, and one Schedule K-1 for Keya and a Word document for questions a), b), and d), or one Word document with embedded Schedule K, and Keya's Schedule K-1 in the document.

Your paper must meet the following requirements:

- Your written paper should be a 4-5-page Word document, not counting the title and reference pages, which you must include.
- Use terms, evidence, and concepts from class readings.
- You need to cite at least three sources for this assignment.
- The CSU-Global Library is a great place to find resources. You can also use Google Scholar and [www.ssrn.com](http://www.ssrn.com). Do not use the textbook as a source.
- Your paper must be formatted according to CSU-Global Guide to Writing and APA.
- If you need assistance with your writing style, start with the links under the Research Help and Writing Help tabs on the CSU-Global Library's homepage.

Review the grading rubric to understand how you will be graded on this assignment. Reach out to your instructor if you have questions about the assignment.

## **Module 8**

### **Readings**

- Chapters 23, 24, & 25 in *Taxation of Individuals and Business Entities*

### **Opening Exercise (0 points)**

### **Discussion (25 points)**

### **Mastery Exercise (10 points)**

### **Portfolio Project (250 points)**

### **OPTION #1: Form 1040, Schedule C, Schedule D, Schedule E, Form 8949**

Jenny Walters is a marketing assistant and earned \$38,000 in 2018. She is 42 years old and has been divorced for five years. Jenny will claim head of household for 2018. She has a daughter, Julia, who is 20 years old. Julia is a full-time student. Here are some more tax facts:

1. Jenny's SSN is 123-34-4567 and Julia's is 654-32-1234.
2. Jenny's address is 100 N. Main St., Atlanta, GA 30301.
3. Jenny receives \$1,200 per month in alimony from her ex-husband.
4. Jenny owns a rental property with the following financial data:
  - a. Rental Revenue - \$50,000
  - b. Expenses:

Insurance - \$5,000

Repairs - \$10,500

Depreciation - \$4,000

5. Jenny has interest income from corporate bonds of \$2,200 and interest from municipal bonds of \$1,000.
6. Jenny also paid the following expenses: State income taxes of \$5,800, charitable contributions of \$12,500, and medical expenses of \$5,795 for insurance premiums; \$1,100 for medical care expenses; \$350 for prescription medicine; \$100 for nonprescription medicine; and \$200 for new contact lenses for Julia.
7. Jenny received disability insurance payments of \$1,200.
8. Jenny runs a small business from her home giving piano lessons to kids on weekends. She had the following transactions from it: total revenue \$10,000; office supplies \$500; teaching materials and supplies \$1050; concerts and field shows \$1500; repairs and maintenance of pianos \$950; wages to a teaching assistant \$1000; payroll taxes \$765; business insurance \$420; occupational taxes and license \$160.

For your final Portfolio Project, submit the following: Form 1040 (Pages 1 and 2, Schedules C, D and SE, Form 8949, Schedule E). Please use the **PROCONNECT** Online Tax Preparation Software or fillable forms. **Submit your portfolio as PDF or as embedded PDF forms in a Word document. You may also convert all your PDF forms into Word documents and submit the whole portfolio as a single Word document.**

You will be working on these forms throughout the course in the Portfolio Project Milestones and getting incremental feedback from your course instructor. Use this feedback to make improvements or corrections before you submit your final forms.

**OPTION #2: Form 112, Schedule L, M-1, and M-2**

Apex Corporation was incorporated on January 1, 2017. Here is the income statement for Apex Corp. for 2017. Please complete the Form 1120 using **ProConnect** Tax Online.

Revenue from sales	40,000,000
Cost of goods sold	27,000,000
Gross profit	13,000,000
Other income	
Income from investment in corporate stock	300,000
Interest income	20,000
Capital gains (losses)	-4000
Gain or loss from disposition of fixed assets	3,000
Miscellaneous income	50,000
Gross income	13,369,000
Expenses	
Compensation	7,500,000
Stock option compensation	200,000
Advertising	1,350,000

Repairs and maintenance	75,000
Rent	22,000
Bad debt expense	41,000
Depreciation	1,400,000
Warranty expenses	70,000
Charitable donations	500,000
Meals	18,000
Goodwill impairment	30,000
Organizational expenditures	44,000
Other expenses	140,000
Total expenses	11,390,000
Income before taxes	1,979,000
Provision for income taxes	720,000
Net income before taxes	1,259,000

**APEX Corporation Balance**

**Sheet**

**January 1, 2017 (in  
\$)**

**Assets**

**Current Assets**

Cash	580,000
Investment in Bonds	
Accounts Receivable	470,000
Less Allowance for bad debts	-
Accounts Receivable (net)	470,000
Inventory	300,000
<b>Total Current Assets</b>	<b>1,350,000</b>

**Non Current Assets**

Fixed Assets	21,170,000
Less Accum. Depreciation	-
Fixed Assets (net)	21,170,000
Life Insurance	
Investments in stocks	10,050,000
Goodwill	120,000
<b>Total Noncurrent Assets</b>	<b>31,340,000</b>

	31,340,000
<b>Total Assets</b>	<b>32,690,000</b>
<b>Liabilities and Shareholders' Equity</b>	
<b>Current Liabilities</b>	
Accounts Payable	370,000
Reserve for Warranties	800,000
<b>Total Current Liabilities</b>	<b>1,170,000</b>
<b>Non Current Liabilities</b>	
Long -term debt	19,000,000
Deferred compensation	-
Deferred tax Liabilities	-
<b>Total Non Current Liabilities</b>	<b>19,000,000</b>
<b>Total Liabilities</b>	<b>20,170,000</b>
<b>Shareholders' Equity</b>	
Common Stack ( \$1 par value)	5,000,000
Additional Paid In Capital	7,520,000
retained earnings	-
<b>Total Shareholders' Equity</b>	<b>12,520,000</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>32,690,000</b>

Here are some other data:

1. The total compensation of officers is \$2,500,000; other wages and salaries is \$5,000,000.
2. Apex actually wrote off \$27,000 of its accounts receivable as uncollectible.
3. Charitable contributions, \$500,000, were all cash contributions.
4. Tax depreciation was \$1,900,000.
5. Apex wrote off \$30,000 of goodwill as impaired.
6. Apex's dividends received deduction is \$130,000
7. Apex made \$480,000 in estimated tax payments.
8. Apex's taxable interest income is \$8,000.
9. Apex's other deductions are 166,600.

- A. For your final Portfolio Project, submit Form 1120, page 1-5, Schedule L, M-1, and M-2.
- B. Explain how you prepared and the purpose of each schedule used in your preparation of Form 1120.
- C. Among the other Schedules that corporations also use, there are Schedules B, D, G, H, M-3, and N, O and PH among several others. Explain why in this corporate return, some or all of these other schedules were not used or required.

Please use the **PROCONNECT** Online Tax Preparation Software. **Submit your portfolio as PDF or as embedded PDF forms in a Word document. You may also convert all your PDF forms into Word documents and submit the whole portfolio as a single Word document.**

You will be working on some of these forms throughout the course in the Portfolio Project Milestones and getting incremental feedback from your course instructor. Use this feedback to make improvements or corrections before you submit your final forms.

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## COURSE POLICIES

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Grading Scale	
A	95.0 – 100
A-	90.0 – 94.9
B+	86.7 – 89.9
B	83.3 – 86.6
B-	80.0 – 83.2
C+	75.0 – 79.9
C	70.0 – 74.9
D	60.0 – 69.9
F	59.9 or below

### Course Grading

20% Discussion Participation  
08% Mastery Exercise  
37% Critical Thinking Assignments  
35% Final Portfolio Project  
0% Live Classroom

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## IN-CLASSROOM POLICIES

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For information on late work and incomplete grade policies, please refer to our [In-Classroom Student Policies and Guidelines](#) or the Academic Catalog for comprehensive documentation of CSU-Global institutional policies.

### **Academic Integrity**

Students must assume responsibility for maintaining honesty in all work submitted for credit and in any other work designated by the instructor of the course. Academic dishonesty includes cheating, fabrication, facilitating academic dishonesty, plagiarism, reusing /repurposing your own work (see CSU-Global Guide to Writing & APA for percentage of repurposed work that can be used in an assignment), unauthorized possession of academic materials, and unauthorized collaboration. The CSU-Global Library provides information on how students can avoid plagiarism by understanding what it is and how to use the Library and internet resources.

### **Citing Sources with APA Style**

All students are expected to follow the CSU-Global Guide to Writing & APA when citing in APA (based on the most recent APA style manual) for all assignments. A link to this guide should also be provided within most assignment descriptions in your course.

### **Disability Services Statement**

CSU-Global is committed to providing reasonable accommodations for all persons with disabilities. Any student with a documented disability requesting academic accommodations should contact the Disability Resource Coordinator at 720-279-0650 and/or email [ada@CSUGlobal.edu](mailto:ada@CSUGlobal.edu) for additional information to coordinate reasonable accommodations for students with documented disabilities.

### **Netiquette**

Respect the diversity of opinions among the instructor and classmates and engage with them in a courteous, respectful, and professional manner. All posts and classroom communication must be conducted in accordance with the student code of conduct. Think before you push the Send button. Did you say just what you meant? How will the person on the other end read the words?

Maintain an environment free of harassment, stalking, threats, abuse, insults, or humiliation toward the instructor and classmates. This includes, but is not limited to, demeaning written or oral comments of an ethnic, religious, age, disability, sexist (or sexual orientation), or racist nature; and the unwanted sexual advances or intimidations by email, or on discussion boards and other postings within or connected to the online classroom. If you have concerns about something that has been said, please let your instructor know.