

Small Business Taxation

A Complete Guide

Course Description

Americans who want to be their own boss are not entirely on their own. They have a rich uncle - Uncle Sam - who is there to help, as well as to make demands. The nation's tax laws are intended to encourage people to start new businesses and are chock full of incentives and tax breaks, as well as sometimes onerous reporting requirements.

This course is a fast-paced and entertaining guide through tax issues affecting business entities and their owners. The focus of this class is on tax devices and techniques available to the small-business owner. Emphasis will be given to operational deductions, fringe benefits, compensation, family income splitting, retirement plans, and estate planning.

Completion Deadline & Exam: This course, including the examination, must be completed within one year of the date of purchase. In addition, unless otherwise indicated, no correct or incorrect feedback for any exam question will be provided.

Course Level: Overview. This program is appropriate for professionals at all organizational levels.

CPE Credits: 24 (CPA, EA)

Category: Taxation

Prerequisite: None

Advanced Preparation: None

Course Learning Objectives

Chapter 1: Structure, Reporting & Accounting

1. Recognize sole proprietorships, partnerships, and corporations as organizational formats for new and existing businesses.
2. Identify how choice of entity relates to the type of records to keep, noting issues related to substantiation and documentation.
3. Specify available accounting periods and methods and the methods for identifying and valuing inventory items.

Chapter 2: Business Income, Credits, & Assets

1. Identify the various types of income and their implications, including the hidden income tax dangers of cancellation of indebtedness income, tax recoveries, and recapture of depreciation.
2. Specify the existing basic business and investment tax credits, noting their tax requirements, and business asset types that affect the character of gain or loss, and recognize the tax treatment of the disposition of business assets, such as the availability of like-kind exchange treatment in the transfer of business assets and the tax treatment of Section 1231 assets.

Chapter 3: Selected Business Expenses

1. Recognize the central importance of §162 in deducting and substantiating business expenses and costs and specify the implications of the deduction timing and limits noting the reporting of deductions for not-for-profit activities.
2. Identify conditional sales contracts, leveraged leases, and true leases, and determine how to qualify for rent expense deductions including through leasehold improvements.
3. Specify the various forms of interest expense under §163(a) noting related reporting and filing issues, and identify the distinctions between deductible and nondeductible interest.
4. Recognize deductions for real estate, state, and local taxes and cite deductions for home office use, research and experimentation costs, barrier removal, and mine development.
5. Identify the various forms of tax treatment under the concepts of depreciation and amortization, including the effect on amortization of §197.
6. Determine the differences between the concepts of cost depletion and percentage depletion as a means of accounting for the reduction of a product's reserves.
7. Specify the types of bad debt and their effect on accounting and the various methods for dealing with bad debt.
8. Recall MACRS classifications, state the recapture provisions and exceptions, and identify the alternative depreciation system.

Chapter 4: Employee Compensation & Benefits

1. Specify the common-law rules used by the IRS to determine whether a person is an employee for purposes of FICA, FUTA and federal income tax withholding.
2. Identify the tests for wages to be deductible and how excluded fringe benefits can result in more employer deductions and incentive based compensation to employees.
3. Recognize the use of deferred compensation agreements including the basic types of nonqualified deferred compensation, and the tax consequences related to these plans.

Chapter 5: Automobiles

1. Identify the apportionment of business and personal use of an automobile, including deduction limitations, and specify the various depreciation methods such as MACRS and §179 expensing.
2. Recognize personal auto leasing, its advantages and disadvantages, and the various kinds of leasing arrangements that can be used, such as closed-end or open-end leases.
3. Recall the standard mileage method noting its limitations and identify the various working condition fringe benefits including their impact on the gross income of employees.
4. Identify the various valuation methods use in determining the actual value of an employee's personal use of an automobile noting the reporting options available to the employer.

Chapter 6: Business Travel & Entertainment

1. Identify deductible business travel expenses by:
 - a. Specifying the differences between transportation and travel in order to benefit from the appropriate business tax deduction;
 - b. Citing IRS definitions of a taxpayer's tax home for travel and transportation purposes;
 - c. Recognizing how time acts as a critical factor in distinguishing a temporary from an indefinite job assignment; and
 - d. Specify the distinctions between business and nonbusiness days.
2. Determine the factors associated with the business purpose requirement noting how they determine deductible expenses for meals and entertainment.
3. Identify the applicable federal per diem rate from any one of several methods and the different reporting and income inclusion treatments given to self-employed persons or reimbursed employees.

Chapter 7: Retirement Plans

1. Recognize the requirements and characteristics of qualified retirement plans by:
 - a. Citing the limitations imposed by ERISA and TEFRA;
 - b. Specifying trust requirements and tests associated with these requirements, such as the ratio test; and
 - c. Identifying three classes of vesting noting how the vesting standards affect retirement plans.
2. Determine the differences between defined contribution and defined benefit plans noting the different types of plans and their effect on retirement benefits.

3. Identify Keogh Plans, traditional and Roth IRAs, and SIMPLE 401(k) plans by specifying their characteristics and determining how and when they may and may not be appropriate.

Chapter 8: Insurance

1. Recognize the benefits of company-provided insurance policies by identifying how to qualify for group term life insurance and citing the requirements of retired lives reserve funds and split-life insurance policies.
2. Specify the requirements that determine insurance premium deductions, and identify the interest disallowance rule and the uniform capitalization rules noting their relation to production or resale activity costs.

Chapter 9: Estate Planning

1. Recognize the elements of general estate planning such as the unlimited marital deduction, including the qualified terminable interest property trust, stepped-up basis, and modified carryover basis rules.
2. Identify the primary dispositive plans, such as simple wills, the various types of trusts, annuities related to family documents and conservatorships.
3. Specify the various special business issues related to estate planning, such as methods of business valuation, the implications of important revenue rulings, the use of estate planning tools, noting buy-sell agreements and deferred compensation agreements.