

# Corporate and Individual Taxation

## *Key Aspects*

### Course Description

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Designed to make the practitioner comfortable with “high traffic” issues, this program enables participants to discuss and handle business/personal tax essentials. The course examines and explains the practical aspects of individual & corporate planning, bridging the gap between theory and application. Significant new developments are summarized with emphasis on tax savings ideas. This course examines and explains the practical aspects of using the closely held corporation to maximize after-tax return on business operations. Recent developments giving corporations a competitive edge over other entities are explored and detailed. Practitioners are alerted to often missed fringe benefits, retirement planning opportunities, corporate business deductions, income splitting possibilities and little-known estate planning techniques.

**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:** 35 (CPA, EA)

**Category:** Taxation

**Prerequisite:** None

**Advanced Preparation:** None

### Course Learning Objectives

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#### Chapter 1: Individual Tax Elements

1. Identify federal revenue tax sources citing the definitive role of gross income and, determine a client’s tax liability using current rates, tables, exemptions, and statutory amounts, and their withholding and/or estimated tax responsibility.
2. Specify the various filing statuses and their filing requirements specifying the advantages and disadvantages of each.
3. Determine what constitutes gross income under §61 noting the tax treatment of compensation, fringe benefits, rental income, Social Security benefits, alimony, prizes and awards, identify dividend

and distribution types and their tax differences, and specify how debt discharge can result in taxable income.

4. Identify the mechanics of income exclusions such as education-related exclusions, gift and inheritance exclusions, insurance, personal injury awards, interest on state and local obligations, and the foreign earned income exclusion.
5. Recognize income tax deductions and their use to reduce tax liability by:
  - a. Identifying personal, spousal and dependency exemptions and re-reporting requirements including pre-2005 dependency rules;
  - b. Specifying the deductibility of §163 interest categories, §162 educational expenses, pre-2018 §217 moving expenses, pre-2018 §165 casualty & theft losses, and §164 taxes stating their proper reporting and substantiation;
  - c. Determining variables that impact the deductibility of charitable contributions, and identifying qualified organizations, permissible contributions contribution limitations, their tax treatment, and substantiation requirements;
  - d. Identifying the deductibility of medical care expenses including medical insurance, meals and lodging, transportation, home improvements and lifetime care payments recognizing the impact of Medicare;
  - e. Specifying deductions that are subject to the pre-2018 2% of AGI limitation, deductions not subject to the 2% limit, and nondeductible expenses.
6. Determine distinctions among several types of tax credits identifying the eligibility requirements and citing changes created by recent tax legislation to individual tax returns.

## **Chapter 2: Property Transfers & Retirement Plans**

1. Specify the differences among property sales, exchanges of property and sales of easements, and determine capital gain and ordinary income tax treatment in property sales.
2. Identify the application elements of the §121 home sale exclusion specifying associated safe harbor regulations.
3. Recognize the importance of the installment method and §453 requirements, and specify the §453 basic terminology.
4. Identify the variables that determine which §1038 rules apply recognizing distinctions among the rules, calculations, and effects of repossessions of personal property and repossessions of real property, and recognize when a bad debt deduction may be taken on a repossession.
5. Specify the tax treatment of a §1033 involuntary conversion by:
  - a. Determining related terminology and the tax consequences of receiving a condemnation award or severance damages;

- b. Identifying gain or loss from condemnations recognizing the reporting of payments associated with involuntary conversions; and
  - c. Determining whether clients can postpone gain on condemned, damaged, destroyed, or stolen property and specifying the related party rule.
- 6. Recognize the scope of the §465 at-risk rules and their effect on property depreciation, and identify the requirements, mechanics, and types of §1031 like-kind exchange.
- 7. Identify qualified deferred compensation plans and nonqualified plans by:
  - a. Determining the major benefit of the qualified deferred plans and the calculation basis of benefits and contributions; and
  - b. Recognizing the current and deferred advantages and the disadvantages of corporate plans stating fiduciary responsibilities and prohibited transactions.
- 8. Identify the requirements of the basic forms of qualified pension plans permitting clients to compare and contrast such plans.
- 9. Determine the distinctions between defined contribution and defined benefit plans, specify the types of defined contribution plans, and identify their effect on retirement benefits.
- 10. Identify how self-employed plans differ from qualified plans for other business types and owners, and specify the requirements of IRAs and the special requirements of Roth IRAs.
- 11. Determine what constitutes SEPs and SIMPLEs recognizing the mechanics and eligibility requirements of each type of plan.

### **Chapter 3: Losses, AMT & Compliance**

- 1. Identify basic income types and the “buckets” of income and loss under §469 that can influence what can be deducted, determine the suspension of disallowed passive losses, and recognize the special rules for transfers deemed not to be fully taxable dispositions.
- 2. Specify differences between the regular and alternative minimum tax recognizing the application tax preferences and adjustments, and determine the life of assets under ADS, alternative minimum taxable income, passive losses under the AMT, and what constitutes ACE.
- 3. Identify the reporting requirements for real estate transactions, independent contractors, and cash reporting.
- 4. Recognize types of accuracy related and unrealistic position penalties, and specify the IRS's examination of returns policy and assessment process including applicable statute of limitations.

### **Chapter 4: Business Forms & Characteristics**

- 1. Specify the advantages and disadvantages of sole proprietorships including self-employed taxes and payment requirements and identify the characterization of sole proprietorship assets upon disposition.

2. Recognize partnerships and their advantages and disadvantages, identify partnership taxation particularly the application of the passive loss (§469) and at-risk rules (§465), and determine correct partnership income or loss reporting stating the role of husband and wife partnerships and limited partnerships.
3. Identify the reporting requirements of estates, trusts and unincorporated associations, determine what constitutes a “corporation” for a subchapter S or regular corporations, specify the characteristics of a personal service corporation and recognize the repeal of the alternative minimum tax for regular corporations.

## **Chapter 5: Corporate Formation & Capitalization**

1. Identify the transfer of money, property or both by prospective shareholders and the basic requirements associated with §351.
2. Recognize the requirements of §1244 and the small business stock exclusion, determine the differences between start-up and organizational expenses, and identify the elements of corporate tax recognition including the dangers of corporate ownership, and capital gains and losses stating dividends received treatment.
3. Specify the requirements for corporate charitable contributions, identify former §341 collapsible corporations, and determine how to avoid §541 status particularly as to personal service contracts.
4. Identify §531 status and determine accounting periods and methods available to corporations.
5. Specify methods for identifying inventory items including common methods of valuing inventory, and identify multiple corporation tax advantages, and the tax consequences of corporate liquidations and distributions.

## **Chapter 6: Corporate Principals and Employees**

1. Determine payroll taxes and the uses of Form 941, Form W-4, Form W-2, and Form W-3, specify the application of FICA and FUTA taxes and how to report them, and identify major employee labor laws.
2. Recognize common-law rules used to determine employee status for FICA and federal income tax withholding, specify the dangers of unreasonable compensation stating how to avoid them, and determine how a corporation can be a valuable income-splitting device.
3. Identify a buy-sell agreement distinguishing an entity purchase from a cross purchase agreement and recognize business recapitalizations and their potential uses.

## **Chapter 7: Basic Fringe Benefits**

1. Identify basic fringe benefit planning by determining “income” under §61 and specifying the differences between former nonstatutory and current statutory fringe benefits.
2. Determine “no-additional-cost services” and identify what property or services are excludable from income as qualified employee discounts under §132(c), specify exceptions to working condition

fringes and de minimis fringes, recognize a §74 “employee achievement award,” and cite the §79 group term life insurance rules.

3. Recognize the requirements and limits of §129 dependent care assistance, identify §125 “cafeteria plans” and how they function, specify the §119 meals and lodging exclusion, cite the mechanics of §105 self-insured medical reimbursement plans, and determine the requirements and limits of §127 programs.
4. Identify employer-provided automobiles valuation methods, determine what constitutes interest-free and below-market loans, specify the requirements and limitations of fringe benefits under §§217, 132, 67 212, 132(h)(5) and 280A, cite S corporation fringe benefits, and specify ERISA compliance requirements.

## **Chapter 8: Business Entertainment**

1. Define the key tax term “entertainment” and identify the pre- and post-2018 required §162 & §274 deductibility tests recognizing the importance of the remaining statutory exceptions for entertainment.
2. Determine the former treatment of ticket purchases, recognize the percentage reduction restriction for meals, specify the application of the former 2% deduction limit and determine an “entertainment facility” stating related deductible costs.
3. Identify substantiation, recordkeeping, reimbursement, and reporting requirements recognizing variations in methods and determine how to itemize non-reimbursed employee expenses and specify the special reporting rules for self-employed persons and employers.

## **Chapter 9: Insurance**

1. Recognize the importance and variety of business insurance by:
  - a. Identifying the popularity and application of business life insurance plans specifying common coverage and premiums;
  - b. Determining corporate uses for life insurance including estate, travel and accident uses and specifying the tax treatment, reporting requirements, and discrimination rules for business insurance particularly the §79 requirements for group insurance.
  - c. Identifying the benefit of not needing a medical examination as a prerequisite to purchasing a plan;
  - d. Recognizing a retired lives reserve and split-dollar life insurance stating their mechanics, taxation regulation, and advantages and disadvantages;
  - e. Specifying the mechanics of employer paid health, medical and disability income insurance including the impact of medical examination requirements.
2. Identify the impact of the disallowance of the interest deduction on purchasers and the insurance industry recognizing the §264 interest limitation on policy loans, specify the benefit of corporate key

person life insurance, cite the requirements of COBRA, and determine what constitutes a Voluntary Employee Benefit Association under §501(c)(9).

## **Chapter 10: Nonqualified Deferred Compensation**

1. Recognize the postponement of income with a nonqualified plan by:
  - a. Identifying nonqualified plan advantages including ways to design the plans and specifying the IRS's position on such arrangements recognizing the impact of constructive receipt and economic benefit concepts;
  - b. Specifying deferred compensation patterns set forth in R.R. 60-31 stating the taxability of each; and
  - c. Determining unfunded and funded plans and the use of company assets or bookkeeping accounts to avoid employee taxation.
2. Identify the setup of a segregated asset plan where the account is not subject to the claims of the employer's creditors and still avoids employee taxation and specify the tax consequences of establishing a nonqualified plan.

## **Chapter 11: S Corporations**

1. Determine what constitutes an S corporation and specify the advantages and list disadvantages associated with them.
2. Identify variables that impact whether a business can choose S corporation status.
3. Cite ways an S corporation may be terminated specifying related procedures that must be followed.
4. Recognize the taxation and fringe benefits of S corporations as compared to other entity formats by:
  - a. Determining the tax treatment of S corporation income and expenses, pass-through items, built-in gain, passive income, tax preference items, LIFO recapture tax and capital gains tax and their impact on the taxation of S corporations; and
  - b. Identifying the benefits available to other entity formats, determining S corporation owner compensation and distribution options recognizing reasonable compensation requirements, related party rules, S corporation distribution taxation, tax year choices, fringe benefits, and specifying when the Form 1120S must be filed.

## **Chapter 12: Business Dispositions & Reorganizations**

1. Recognize various business disposition and reorganization possibilities by:
  - a. Determining how organizational costs, start-up costs and syndication costs are incurred and specifying what expenditures they include and how they are treated;

- b.** Identifying advantages of purchasing an existing business over starting a new business, citing ways to find a business that is for sale, and specifying the tax considerations of such an acquisition;
- c.** Specifying a reorganization under §368(a)(1), recognizing the types of transactions that qualify as non-taxable reorganizations; and
- d.** Identifying the factors that determine the corporate tax attributes of an acquired corporation that carry over to the acquiring or successor corporation.