

# Corporate Tax Planning

## Course Description

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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. The program covers step-by-step tax procedures to form, operate, and ultimately dispose of a closely held corporation. Distinctions between S and C corporations will be unraveled and guidelines for client direction given.

**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:** 20 (CPA, EA)

**Category:** Taxes

**Prerequisite:** General understanding of federal income taxation.

**Advanced Preparation:** None

## Course Learning Objectives

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### Chapter 1: 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 partnerships 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 a regular corporation, specify the characteristics of a personal service corporation and recognize the repeal of the alternative minimum tax for regular corporations.

## **Chapter 2: 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 3: Corporate Principals & 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 4: 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” specifying 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 5: 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 6: 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 provided to employees;
  - 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 life insurance.
  - c. Identifying the benefit of not needing a medical examination as a prerequisite to purchasing a plan;
  - d. Recognizing 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 7: Retirement Plans**

1. Identify nonqualified and qualified deferred compensation plans recognizing their benefits and contributions limits and recall the current and deferred advantages and disadvantages of corporate plans including fiduciary responsibilities and prohibited transactions.
2. Specify the requirements of three basic forms of qualified pension plans.
3. Determine the differences between defined contribution and defined benefit retirement plans and specify five types of defined contribution plans stating their impact on retirement benefits.

4. Recognize self-employed plans from qualified plans for other business types and owners.
5. Identify the requirements of IRAs, SEPs, and SIMPLEs, and define tax-free Roth IRA distributions specifying strategies to maximize plan benefits.

## **Chapter 8: 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 set-up 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 9: 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 to 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 10: 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.