ACCOUNTING 503: FEDERAL TAXATION OF INDIVIDUALS
ACCTG 503-01
FALL 2015

Instructor: Narelle E. MacKenzie CPA

COURSE INFORMATION

Class Days: Monday, Wednesday, Friday
Class Times: 10am-10.50am
Class Location: GMCS 309
E-mail: NarelleMacKenzieCPA@live.com

Office Hours Times: Wednesday 2pm-3.30pm
Office Hours Location: SSE2429
Units: Three (3)

Course Overview

The purpose and scope of the course is the taxation of individuals, including income, deductions, credits, social security taxes, and property transactions.

The primary objective is to help you understand the role of taxation in economic decision making. I want to assist you in gaining an understanding of fundamental tax law and help you be able to apply essential tax planning concepts. If you have never taken a tax class you will be introduced to a broad range of tax issues and their impact on individuals. If you have taken a tax class you will experience an in depth study of the taxation of individuals. The knowledge and skills provided should facilitate an understanding of the tax issues even if you do not expect to become a tax professional.

Today’s accounting and business graduates must possess higher-level skills such as the ability to analyze, synthesize and critically evaluate information rather than just know how to prepare it. I will strive to make sure you meet this challenge and help you require the added skills to be effective decision makers and advisors. In addition, this course has a substantial component involved in developing your skills in communicating your tax knowledge to others much in the way a tax advisor would.

Student Learning Outcomes

BSBA students will graduate being:
• Effective Communicators
• Critical Thinkers
• Able to Analyze Ethical Problems
• Global in their perspective
• Knowledgeable about the essentials of business

MSA students will graduate being able to:
• Compare, contrast, interpret, or criticize accounting and business decisions and information using professional business communication
• Actively participate in team decision making.
• Apply ethical judgment and professional standards in analyzing situations and formulating accounting and business decisions
• Use relevant research tools and academic/professional literature to analyze or take a position in accounting and business situations
• Address unstructured problems in the areas of accounting information systems, financial reporting, or taxation
• Identify and discuss the significance of diversity and cultural differences in the global business environment
Acctg 503 contributes to these goals through its student learning outcomes so that by the end of the course students should be able to:

1. Apply the individual tax formula and identify and compute the components of gross income, adjusted gross income, federal taxable income and ultimately, compute the federal income tax liability.
2. Show the compliance process and prepare basic individual federal tax returns.
3. Illustrate the effects of personal, investment, and business transactions – individually and collectively – on the federal income tax.
4. Analyze the economic consequences of tax law and tax policy and examine the factors and influences that led to policy choice.
5. Examine tax law sources and demonstrate effective individual tax planning.

This is the link to the cba website: [http://cbaweb.sdsu.edu/assessment/slo](http://cbaweb.sdsu.edu/assessment/slo)

This course intends to address the following of those student learning objectives:

1. Determine the income tax of taxable entities in order to assess the effects of personal, investment and business transactions on their tax and after-tax cash flows (BSBA);
2. Present professional oral reports for accounting related topics (BSBA);
3. Apply ethical rules, theories and regulatory guidelines to the practice of public, private and tax accounting; understand the needs for professional integrity and objectivity (BSBA);
4. Compare, contrast, interpret, or criticize accounting and business decisions and information using professional business communication (MSA);
5. Actively participate in team decision making, utilizing skills such as interpersonal skills, motivation, attitude and meaningful contributions to team decision making (MSA);
6. Apply ethical judgment and professional standards in analyzing situations and formulating accounting and business decisions (MSA);
7. Use relevant research tools and academic/professional literature to analyze or take a position in accounting and business situations (MSA); and
8. Address unstructured problems in the area of taxation. Unstructured problem solving involves using discipline-specific technical knowledge and skills to anticipate issues, formulate hypotheses, develop conclusions, or recognize the strategic role of accounting in business organizations and society (MSA).

**Enrollment Information**

Please include information about enrollment for the course.

- **Prerequisites:** Accountancy 201 and 202. Approved upper division business major, business minor, or other approved major.

**Course Materials**

- You must have access to Connect which is part of the McGraw-Hill website
- Bring your best attitude, a calculator and your text book to class each session.

In addition, you should use the LearnSmart modules to help you learn each module prior to the start of each class, and you will be provided marks for completing the assigned modules before the due date.

Your LearnSmart link is: [http://connect.mheducation.com/class/n-mackenzie-acctg-503-1-mwf-10am-1](http://connect.mheducation.com/class/n-mackenzie-acctg-503-1-mwf-10am-1)

Please ensure you connect to your FIRST LearnSmart module via BlackBoard (this ensures your completion of the modules link to the points available for each module)

If you have difficulties with Connect – please contact the McGraw-Hill 24/7 support.
Course Structure and Conduct

- 47 (forty seven) fifty minute class meetings during which we will do a variety of teaching and learning activities, including
  - class lectures
  - group work in class
- 14 (fourteen) LearnSmart modules due before the start of the lecture (with the exception of the first module)
- Two homework assignments to be submitted via Turnitin
- Five quizzes which will be assessed and returned;
- One individual class presentation;
- One final exam;
- Optional assignments, via Connect, based on the materials we covered in class and which will provide real time feedback to you; and
- Office hours to try and help you with any difficulties you may be having.

Successful relationships in the classroom require mutual respect and communication.

My responsibilities:

- I will be prepared for every class.
- I will attempt to answer any questions that you have, if not immediately, then as soon as possible thereafter.
- I will try and create a classroom environment that feels safe – safe for you to ask questions without fear of embarrassment and safe for you to be yourself and focus on learning.
- I will do my best to be fair in my assessment of your performance and assignment of grades and to report these grades as quickly as possible.
- I will attempt to help you understand what you read in the textbook and also add value to the course by adding insights and information that is not in the text.
- I will try to continuously improve this class.

Your responsibilities:

- I expect that you will come to class. Your presence in class benefits us all.
- I expect you to come to class prepared. That includes reading each chapter prior to coming to class for that chapter, and I have assigned a LearnSmart module to assist with that preparation prior to each class.
- I expect you will plan your schedule appropriately to allow sufficient time outside of class to be successful in this course.
- I expect that you will ask questions of me and your colleagues when you do not understand something you read, something I said, or something one of your colleagues said in class. It is imperative that any confusion you might have be as temporary as possible. If you have a question, then chances are that someone else in the class may have a similar question.
- I expect you to come prepared to meetings during office hours. Try and write out the question or for possibly quicker responses, try and e-mail the question first.
- I expect you to be able to access the internet to complete LearnSmart modules and research the issue(s) for the class presentation.
- I expect your communications with me to be professional and your questions must avoid issues that are adequately addressed in class, e-mail or in Blackboard.
- I expect you to obtain access to e-mail and Blackboard and check both frequently.

Students with Disabilities

If you are a student with a disability and believe you will need accommodations for this class, it is your responsibility to contact Student Disability Services at (619) 594-6473. To avoid any delay in the receipt of your accommodations, you should contact Student Disability Services as soon as possible. Please note that accommodations are not retroactive, and that accommodations based upon disability cannot be provided until you have presented your instructor with an accommodation letter from Student Disability Services. Your cooperation is appreciated.
**Academic Honesty**

The University adheres to a strict policy regarding cheating and plagiarism. These activities will not be tolerated in this class. Become familiar with the policy (http://www.sa.sdsu.edu/srr/conduct1.html).

Accounting is a profession that depends on trust – individuals, companies and society as a whole place reliance on the decisions and opinions of accountants. For most of history, accountants were viewed among the most trusted members of society. In recent years, certain events have eroded this trust. Rebuilding this trust will take a long time but can be accomplished if future accountants ensure that such lapses do not recur. I take my role in this effort very seriously (and I expect you will as well).

The class presentation and quizzes are individual assignments unless specifically instructed otherwise. The SDSU Standards for Student Conduct (http://www.sa.sdsu.edu/srr/conduct1.html) states that unacceptable student behavior includes “cheating, plagiarism, or other forms of academic dishonesty that are intended to gain unfair academic advantage.” Any student suspected of academic dishonesty will be reported to the SDSU Center for Student Rights and Responsibilities; if found responsible for academic dishonesty, the student will receive an F in ACCTG 503.

Examples of Plagiarism include but are not limited to:

- Using sources verbatim or paraphrasing without giving proper attribution (this can include phrases, sentences, paragraphs and/or pages of work)
- Copying and pasting work from an online or offline source directly and calling it your own
- Using information you find from an online or offline source without giving the author credit
- Replacing words or phrases from another source and inserting your own words or phrases
- Submitting a piece of work you did for one class to another class

When you put your name at the top of the assignment, the prevailing notion is that all the ideas, words, or specific substance are those of your own creation and not another unless it is made obvious to the reader that is not the case.

As stated above, I reserve the right to assign a grade of F in ACCTG 503 if you plagiarize.

If you have questions on what is plagiarism, please consult the policy and this helpful guide from the Library.

**Turnitin**

Students agree that by taking this course all required papers may be subject to submission for textual similarity review to Turnitin.com for the detection of plagiarism. All submitted papers will be included as source documents in the Turnitin.com reference database solely for the purpose of detecting plagiarism of such papers. You may submit your papers in such a way that no identifying information about you is included. Another option is that you may request, in writing, that your papers not be submitted to Turnitin.com. However, if you choose this option you will be required to provide documentation to substantiate that the papers are your original work and do not include any plagiarized material.

**Assessments and Grading**

Course grades for undergraduate students will be assigned in accordance with San Diego State University policy (see General Catalog, pp. 468-470). Undergraduate grades shall be: A (outstanding achievement, available only for the highest accomplishment), B (praiseworthy performance, definitely above average), C (average, awarded for satisfactory performance, the most common undergraduate grade), D (minimally passing, less than the typical undergraduate achievement), F (failing).

Course grades for graduate students will be assigned in accordance with San Diego State University policy (see Graduate Bulletin, pp. 62-64). Graduate grades shall be: A (outstanding achievement, available for the highest accomplishment), B (average, awarded for satisfactory performance), C (minimally passing), D (unacceptable for graduate credit, course must be repeated), F (failing).
The assessment is objective, and with the exception of required university policies, there are no provisions for missing LearnSmart modules, missing homework, missed quizzes, missed presentation or missed final exam.

Please note there is no extra credit for this class.

Please note if there is a curve for this class, you must have completed each LearnSmart module and both sets of homework by the due dates or you will not be eligible to participate in the curve, if there is a curve for the class.

LearnSmart modules:

The LearnSmart modules assist with the pre-reading before class and credit will be provided for each module completed prior to class. It is due on or before 8.00am on the day of the tax class when a new chapter will be discussed, and is accessed through the McGraw-Hill website. The modules can be taken anytime up to the due date and time. Please do not wait until the last minute to complete the modules.

Please note these modules are set to assist you with your learning, and credit will be provided for completing them. The only way to demonstrate the pre-reading has been completed, and for which credit will be given, is through the LearnSmart modules on the McGraw-Hill website/Connect. No exceptions.

Final Exam:

The final exam will be cumulative for material presented for the whole course.

The final exam will be taken in your classroom at the time scheduled by the university. It is scheduled for two hours. You MUST take your exam during the scheduled exam time. There are no provisions for missed exams other than those required under University policy. The exams are long and difficult and often test not only your ability to master the material but also to efficiently communicate your knowledge back to me. Time management is an important element to success on exams.

The final exam is a modified open book exam. You may bring in two pages (double sided) of handwritten notes. You may not access notes in electronic form during the quiz. Any access to electronics or having more than two page of hand written notes or having typed notes during the exam will result in a zero (0) score for the exam. No exceptions.

Quizzes:

All quizzes will be cumulative for material presented between the previous quiz and the material up to that date of the quiz.

The five quizzes will be taken in your classroom at regularly scheduled class times. One or more of the quizzes may be an online quiz. Whether the quiz is on-line or in the classroom is entirely at the discretion of the lecturer. You MUST take the quizzes during the scheduled time. There are no provisions for missed quizzes other than those required under University policy. The quizzes are long and difficult. Time management is an important element to success on quizzes. We will be using the red Parscore forms (F-289) for all multiple choice quizzes.
The quizzes are modified open book exams. You may bring in one page (double sided) of hand written notes. You may not access notes in electronic form during the quiz. Any access to electronics or having more than one page of hand written notes or having typed notes during the quiz will result in a zero (0) score for that quiz. No exceptions.

**Presentation:**

There will be one class presentation. You will research a topic and present it to the rest of the class and to external evaluators. An oral communication rubric will be provided, and this will form the assessment of the presentation. The case will be prepared during time outside of class. There is a link to tutorials for using the RIA website for researching the topic. The links are provided at the end of the Calendar.

**Homework:**

With the exception of two sets of homework, one given the first day of class, and the other the SDSU plagiarism tutorial quiz -

_Undergraduate students:_ there is no other set homework for this class.

_Graduate students:_ there are three sets of homework that must be completed outside the classroom. The three additional assignments are on Connect, and please notify me when they are completed and the three assignments that were completed.

**Attendance:**

I do not take attendance except during the class presentations. Each class meeting is 50 minutes. If you are unable to attend class, do not expect that I will make up that lecture or go through the in-class exercises for you individually in office hours. It is your responsibility to catch up any the information that was provided in class from another classmate.

There is a ten (10) point deduction for each class presentation class that you miss (Classes 43-47). No exceptions.

**Grade of Incomplete.** A grade of Incomplete (I) indicates that a portion of required coursework has not been completed and evaluated in the prescribed time period due to unforeseen, but fully justified, reasons and that there is still a possibility of earning credit. It is your responsibility to bring pertinent information to the instructor and to reach agreement on the means by which the remaining course requirements will be satisfied. The conditions for removal of the Incomplete shall be reduced to writing by the instructor and given to you with a copy placed on file with the department chair until the Incomplete is removed or the time limit for removal has passed. A final grade is assigned when the work agreed upon has been completed and evaluated. An Incomplete shall not be assigned when the only way you could make up the work would be to attend a major portion of the class when it is next offered. Contract forms for Incomplete grades are available at the [Office of the Registrar website](https://www.registrar.sdsu.edu/)

For my professional background, please refer to my LinkedIn profile: [https://www.linkedin.com/pub/narelle-mackenzie/16/547/b9a](https://www.linkedin.com/pub/narelle-mackenzie/16/547/b9a)

For additional information, please refer to my website: [http://www.narellemackenziecpa.com/profile/](http://www.narellemackenziecpa.com/profile/)

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**Tentative Course Schedule**

Table 2. The course schedule, including topics and class activities listed by week, is presented in the separate calendar document, including due dates for LearnSmart modules and Homework.

**Class 1**

An overview of the course and review of the syllabus

**Classes 2 and 3**

Chapter 1 An Introduction to Tax (LO 1-1, 1-2, 1-3, 1-4, 1-5)

How taxes influence business decisions
What constitutes a tax
Tax rate structures
Types of taxes
Evaluate alternative tax systems

Prior to Class 5:

- Watch RIA Videos (please refer to Calendar document for the links)

Classes 4 and 5
Chapter 2 Tax Compliance, the IRS and Tax Authorities (LO 2-1, 2-2, 2-3, 2-4, 2-5, 2-6, 2-7)
Identify the filing requirements for income tax returns
Identify the statute of limitations
IRS audit processes – selection for audit, different types of audits, procedures after the audit
Types of tax law sources
Legislative processes for taxation
Basic steps in tax research
Evaluation of various tax law sources when faced with ambiguity in statutes
Tax professional responsibilities in providing tax advice
Penalties for taxpayers and tax preparers

Classes 6 and 8
Chapter 3 Tax Planning Strategies and Related Limitations (LO 3-1, 3-2, 3-3, 3-4, 3-5, 3-6, 3-7)
Basic tax planning strategies
Timing strategies – application and limitations
Concept of present value to tax planning
Income shifting strategy and limitations
Conversion strategy and limitations
Basic judicial doctrines that limit tax planning strategies
Tax avoidance vs tax evasion

Class 9
Quiz 1 for Chapters 1-3

Classes 10 and 11
Chapter 4 Individual Income Tax Overview, Exemptions, and Filing Status (LO 4-1, 4-2, 4-3)
Formulas calculating taxes payable/refundable for individuals
Understand personal and dependent exemptions
Determine taxpayer filing status

**Classes 12 and 13**

**Chapter 5 Gross Income and Exclusions (LO 5-1, 5-2, 5-3)**
Concept of realization
Understanding recognition of income
Distinguish between sources of income
Income exclusions

**Classes 14 and 15**

**Chapter 6 Individual Deductions (LO 6-1, 6-2, 6-3)**
Calculation of Adjusted Gross Income (“AGI”)
Itemized deductions – identification and computation
Standard deduction application
Computation of taxable income, including exemptions

**Classes 16 and 17**

**Chapter 7 Investments (LO 7-1, 7-2, 7-3, 7-4, 7-5)**
Taxation of interest and dividends
Calculate the tax on disposition of capital assets
Netting processes for gains and losses
Tax exempt investment income

**Class 18**

**Quiz 2 for Chapters 4-7**

**Classes 19 and 20**

**Chapter 8 Individual Income Tax Computations and Tax Credits (LO 8-1, 8-2, 8-3, 8-4, 8-5)**
Calculation of regular tax liability
Calculation of Alternative Minimum Tax (“AMT”) liability
Calculation of employment taxes and self-employment taxes
Characteristics of employee vs self-employed independent contractor
Types of tax credits and calculation of those credits
Tax payer filing requirements
Tax payment requirements
Computation of penalties for late filing, underpayment of taxes and late payment penalties

**Classes 21 and 22**

**Chapter 9 Business Income, Deductions and Accounting Methods (LO 9-1, 9-2, 9-3, 9-4, 9-5)**

General requirements for deducting business expenses
Identify common business deductions
Deductible and non-deductible expenses
Special business deductions specifically permitted under the tax laws
Different types of accounting periods
Different types of accounting methods

**Classes 23 and 25**

**Chapter 10 Property Acquisition and Cost Recovery (LO 10-1, 10-2, 10-3, 10-4, 10-5)**

Understand the concepts of basis, adjusted basis
Cost recovery methods for personal property, real property, intangible assets and natural resources
Cost recovery life, method and convention for tangible personal property and real property
Calculate deduction available under MACRS
Understand and calculate special cost recovery rules for §179, bonus depreciation and listed property
Understand and calculate amortization of intangible assets
Understand and calculate depletion of natural resources

**Classes 24 and 26**

**Chapter 11 Property Dispositions (LO 11-1, 11-2, 11-3, 11-4, 11-5, 11-6)**

Calculate recognized gains and losses
Character of gains and losses
Understand and calculate depreciation recapture
Tax treatment of unreaptured §1250 gains
Character of gains on sale of property sold to related parties
Tax treatment of §1231 gains and losses
§1231 netting process
Non-recognition transactions
Class 27
Quiz 3 for Chapters 8-11

Classes 28 and 29
Chapter 12 Compensation (LO 12-1, 12-2, 12-3)
Tax implications for employees on salary and wages compensation
Tax implications for employers on salary and wages compensation
Tax implications for employees of equity based compensation
Tax implications for employers of equity based compensation
Taxable fringe benefits
Nontaxable fringe benefits

Classes 30 and 31
Chapter 13 Retirement Savings and Deferred Compensation (LO 13-1, 13-2, 13-3, 13-4, 13-5, 13-6)
Tax and nontax aspects of employer provided defined benefit plans
Tax consequences of employer provided defined contribution plans
Tax implications of traditional IRAs and Roth IRAs
Retirement savings options available to self-employed taxpayers
Limitations on retirement accounts for self-employed taxpayers
Saver’s credit

Classes 32 and 33
Chapter 14 Tax Consequences of Home Ownership (LO 14-1, 14-2, 14-3, 14-4, 14-5, 14-6)
Describe a principal residence, a residence or a nonresidence
Calculate the taxable gain on the sale of a residence
Understand when exclusion rules for a principal place of residence will apply to a transaction
Tax deduction for mortgage interest deduction for loans secured by a residence
Tax deduction for real property taxes
Understand the first-time home buyer credit
Understand the tax consequences of rental use of the home
Understand the home office deduction
Calculate the home office deduction and limitations on the deduction

Class 34
Quiz 4 for Chapters 12-14

Classes 36, 37 and 38
Forms and Schedules

Class 39
Quiz 5 for Forms and Schedules

Class 40
Review class

Classes 43, 44, 45, 46 and 47
Class presentations

December 11 (note time for exam is 2 hours)
Final Exam on all materials covered this semester

Changes to the course schedule, if any, will be announced in class.