

AC 371
Introduction to Taxation
Fall 2009

Instructor: Susan Journey, PhD, CPA
Classroom: Section 002: Bidgood Hall 217 TR 8:00 – 9:15 am
Section 003: Bidgood Hall 217 TR 9:30 – 10:45 am
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Office Hours: TR 11:00am-12:00 pm and by advance appointment

Prerequisite: Admission to the Culverhouse School of Accountancy

Required Text: *Individual Taxation-2010 Edition*, Pratt & Kulsrud (ISBN 1-4240-6987-4), Cengage Learning (earlier edition is not acceptable).

Course Description: An *introduction* to **concepts** and **procedures** of business and personal taxation as they relate to individual taxpayers.

Objectives: This course is intended to provide a *background* in the tax law relating to taxation of individuals. Since the course content basically is income tax law, knowledge of the area can be obtained primarily through a thorough understanding (and commitment to memory) of these laws. Knowledge can best be verified and strengthened through problem solving.

Topical Outline:

- Overview of Federal Taxation
- Tax Practice and Research
- Taxable Entities, Tax Formula, Introduction to Property Transactions
- Personal and Dependency Exemptions, Filing Status, Determination of Tax for an Individual, Filing Requirements
- Gross Income: Definition
- Gross Income: Inclusions and Exclusions
- Overview of Deduction and Losses
- Employee Business Expenses
- Capital Recovery: Depreciation, Amortization, and Depletion
- Certain Business Deductions and Losses
- Itemized Deductions
- Deductions for Certain Investment Expenses and Losses
- The Alternative Minimum Tax and Tax Credits
- Property Transactions: Basis Determination and Recognition of Gain and Loss
- Nontaxable Exchanges
- Property Transactions: Capital Gains and Losses
- Property Transactions: Dispositions of Trade or Business Property

Attendance Policy: Attendance is not taken on a daily basis. However, frequent absences generally result in lower exam scores particularly since exam questions are drawn primarily from lecture materials.

Class Format: Classes will be a combination of lecture, discussion, and team problem solving.

Course Strategy and Student Conduct: The materials covered in this course are **extensive and complex**. In order to get the full benefit of this course, you should complete all assigned readings *before* coming to class. Come to class, pay attention, ask relevant questions, and be ready to fully participate in meaningful discussions. Since this is an advanced course, I will expect each student to take a considerable amount of responsibility for his or her own learning. You must devote sufficient time out of class for individual study and apply yourself diligently throughout the semester to do well.

If you are having trouble understanding the material or keeping up with the assignments, please come see me during office hours or schedule an appointment to meet at another time. You will get the most out of your use of my office hours by preparing for them; do some problems, review your notes, and note any difficulties that you run into. Learning must be a joint effort; I will certainly do my part and expect you to do yours. Students should check the course website on eLearning regularly for class schedule changes, additional course materials, updates, and announcements. I will also post the PowerPoint slides or lecture outlines, homework solutions, and exam grades to eLearning.

Examinations: Three examinations are scheduled in class on the dates indicated, plus a required (non-comprehensive) final. No make-up exams will be given. Failure to take an exam without prior permission from the professor will result in an exam grade of **ZERO**. Adjustment of the student's grade due to such prior permission is at the discretion of the instructor. It is seriously advised not to miss an exam.

Homework Problems: Problems in the textbook from each chapter will be assigned. These homework problems will not be taken up as the answers will be provided on eLearning. However, you are strongly advised to work all of these problems as the material is discussed in lecture and as a part of your weekly reading assignments. It will be your own responsibility to work these problems; generally, these problems will not be worked in class as they will reinforce and/or reiterate lecture material. Most examples worked in class will be taken from the examples in the text material. The homework problems assigned will be reviews and extensions of these problems. Failure to work these homework problems on your own prior to each exam will prove detrimental to your exam performance as many exam problems will be based on these end of chapter problems. This is a difficult course with a substantial amount of material; if you wish to succeed in this course, you must keep up with the readings and homework assignments.

In-Class Team Assignments: We will have approximately 5 to 7 in-class assignments that you will complete in teams of 3 to 4 students. Each member who participates in class on the assignment will receive the team's score for the assignment. A student who misses class during an assignment will receive a zero for the assignment. A team that puts an absent team member's name on a project will be guilty of academic misconduct. Assignments must be completed during class and may not be made up. Each student is allowed to drop his or her lowest team assignment score for the semester. Dates for the in-class team assignments will be posted on eLearning throughout the semester.

Tax Return Preparation Assignment: A comprehensive tax return preparation problem will be assigned to you during the semester to test your skills at applying the knowledge you are learning in class to an actual individual income tax return. More details will be provided in class. This is an individual assignment; please do not work on it with anyone else. No assignments will be accepted after the deadline set on the syllabus.

Grading:

3 exams	@ 100 points	300 points
In-class team assignments		50
Tax return preparation assignment		50
Final Exam		<u>100</u>
Total points		500

Your final grade will be computed as a percentage of the total number of points you have earned after the final out of 500.

Grade Cut-offs

A+	97%
A	94%
A-	90%
B+	87%
B	84%
B-	80%
C+	77%
C	74%
C-	70%
D+	67%
D	64%
D-	60%
F	Below 60%

Disability Access Statement: If you are registered with the Office of Disability Services, please make an appointment with me as soon as possible to discuss any course accommodations that may be necessary. If you have a disability, but have not contacted the Office of Disability Services, please call 348-4285 or visit 133-B Martha Parham East to register for services. After initial recommendations are made with that office, it is your responsibility to make arrangements for accommodations, on a timely basis. Special arrangements for exams must be made at least **one week** prior to the exam date.

The University of Alabama Policies

- Academic Honor Code: The Academic Honor Code appears on the back page of the registration worksheet used by each student during registration periods. Students are required to read and sign the honor code. You can find more information on the Academic Honor Code in the Student Handbook.
- Academic Honesty Policy: All acts of dishonesty in work constitute academic misconduct. This includes, but is not limited to cheating, plagiarism, fabrication of information, and abetting any of the above. Plagiarism involves copying the words of any work published by another person, *including text on the internet*, and presenting that work as your own. Any assignment committing plagiarism or other academic misconduct will be assigned a grade of zero with no opportunity to repeat the assignment. The Code of Academic Conduct and Academic Misconduct Disciplinary Procedures will be followed in the event that academic misconduct occurs. Students should refer to the Student Affairs Handbook, which can be obtained from the Student Life Office.

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Omitted Topics

You will not be tested on any information concerning these topics
except where otherwise noted.

Chapter One:

Omit: Wealth Transfer Taxes through Additional Types of Taxes (13-26)

Chapter Three:

We will focus on the individual as a taxable entity. Therefore, only **briefly read** Corporate Taxpayers through Tax-exempt organizations. (5-15)

Chapter Five:

Omit: Limitations on the Use of the Cash Method through Accounting for the Adjustment (18-25); Interest-Free and Below-Market Loans through Income from Community Property (36-41).

Chapter Six:

Briefly read Section 132 Fringe Benefits (30-36).

Omit: Military Personnel (36); Reparations to Holocaust Victims (36); Limitations on Front Loading (40-42); Business Gross Income (50-53) and, Car Pool Receipts and Temporary Living Costs (54).

Chapter Seven

Omit: Accrual Basis Taxpayers (13-17); Expenses of Performing Artists (24-25); Capital Expenditures (30-33); and, Business Investigation Expenses and Start-Up Costs (33-36).

Chapter Eight

Omit: Foreign Travel (31-32); Foreign Conventions (32); Cruise Ships (33).

Chapter Nine

Omit: Alternative Depreciation System (19-21); Amortization (42-44); Research and Experimental Expenditures (46-48); Expenses of Farmers and Ranchers (49-50).

Chapter 10

Omit: Bad Debts (2-7); Inventories (20-40).

Chapter 11

Omit: Classification of Interest Expense (31-35)

Chapter 13

Omit: Adjustment Applicable Only to Corporations and remainder of AMT material (14-27).
Skim only pages 30-46 and 56-66 (we will discuss in class what you need to know).

Chapter 14

Omit: Concepts Related to Realization and Recognition (13-18); Installment Sale Method (18-26).

Chapter 15

Omit: Involuntary Conversions (15-24); Other Nontaxable Exchanges (38-39).

Chapter 16

Omit: Corporate Taxpayers (20); Capital Gain Treatment Extended to Certain Transactions (26-27); Dealers and Developers (31-34); Other Related Provisions (34-39); Corporate Bonds and Other Indebtedness (39-44).

Chapter 17

Omit: Additional Recapture – Corporations (29, 34-35); Related Business Issues (37-38).

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Tentative Assignment Schedule (dates or assignments may be subject to change)

Date	Required Reading	Recommended Homework and Projects Due
R, 8/20	Intro	
T, 8/25	Ch. 1	2,3,4,16,17,19,21,22
R, 8/27	Ch. 3	8,9,10,11,13,14,16,19,20,21,22,23,24,25,26,27,29,39,40,41,44,44,46,47,48,49,50,52
T, 9/1	Ch. 3	See previous assignment
R, 9/3	Ch. 4	2,5,6,7,8,12,13,14,15,16,17,19,20,21,22,23,24,25,29
T, 9/8	Ch. 4	30,32,33,35,37,38,40,41,42,43,44,48,49,55
R, 9/10	Ch. 5	4,5,10,11,17,27,28,29,36,38,39,40,48
T, 9/15	Ch. 5	See previous assignment
R, 9/17	Exam #1	
T, 9/22	Ch. 6	1,8,10,11,13,17,18,21,23,24,26,28,32,35,42,43,44,46,54
R, 9/24	Ch. 6	See previous assignment
T, 9/29	Ch. 7	3,5,7,8,10,17,20,28,40,41,42,49,53,57,58,61
R, 10/1	Ch. 7	See previous assignment
T, 10/6	Ch. 8	1,5,7,8,24,25,26,28,29,33,35
R, 10/8	Fall Break-No Class	
T, 10/13	Ch. 11	1,4,6,7,13,16,25,26,27,28,29,38
R, 10/15	Ch. 11	See previous assignment
T, 10/20	Exam #2	
R, 10/22	Ch. 9	1,2,6,7,9,10,19,20,23,28,29,32
T, 10/27	Ch. 9	See previous assignment
W, 10/28	<i>Last day to drop a course with a grade of "W"</i>	
R, 10/29	Ch. 10	7,8,15,16,18,19,20,21,22
T, 11/3	Ch. 12	1,2,6,19,20,22
R, 11/5	Ch. 13	3,5,9,14,15,18,19,24,26,27,38,40,44
T, 11/10	Ch. 13	Catch-up and review day
R, 11/12	Exam #3	
T, 11/17	Ch. 14	1,2,3,4,5,6,7,8,9,10,19,21,23,24,26,27,28,33,37
R, 11/19	Ch. 15	3,4,8,9,10,11,12,19,21,27,29,30,33,43 TAX RETURN ASSIGNMENT DUE TODAY
T, 11/24	Ch. 16	3,4,5,7,8,9,12,14,15,16,23,25,26,33,35,38,44
R, 11/26	Thanksgiving Holiday-No Class	
T, 12/1	Ch. 17	1 through 11,14,15,26,28,29,30,31,34,45,47,49,50
R, 12/3	Ch. 17	Catch-up and review day
FINAL EXAM		
M, 12/7	8:00am-10:30am	9:30-10:45am TR class, Section 003
T, 12/8	11:30am-2:00pm	8-9:15am TR class, Section 002