



El Camino College  
COURSE OUTLINE OF RECORD – Official

<b>Course Acronym:</b>	BUS
<b>Course Number:</b>	161
<b>Descriptive Title:</b>	Business Taxation
<b>Division:</b>	Business
<b>Department:</b>	Accounting
<b>Course Disciplines:</b>	Accounting
<b>Catalog Description:</b>	The course involves an examination of the federal income taxation of corporations, partnerships and their owners. Topics include choice of entity, business formation, operating rules, distributions, and liquidations.
<b>Prerequisite:</b>	BUS 150 with a minimum grade of C or equivalent experience
<b>Co-requisite:</b>	
<b>Recommended Preparation:</b>	
<b>Enrollment Limitation:</b>	
<b>Hours Lecture (per week):</b>	3
<b>Hours Laboratory (per week):</b>	0
<b>Outside Study Hours:</b>	6
<b>Total Course Hours:</b>	54
<b>Course Units:</b>	3
<b>Grading Method:</b>	Letter Grade only
<b>Credit Status:</b>	Credit, degree applicable
<b>Transfer CSU:</b>	Yes
<b>Effective Date:</b>	fall 2021
<b>Transfer UC:</b>	No
<b>Effective Date:</b>	
<b>General Education:</b>	
<b>ECC</b>	
<b>Term:</b>	
<b>Other:</b>	
<b>CSU GE:</b>	
<b>Term:</b>	
<b>Other:</b>	
<b>IGETC:</b>	

<b>Term:</b>	
<b>Other:</b>	
<b>Student Learning Outcomes:</b>	<p><b>SLO #1 Knowledge of Federal Tax Law</b></p> <p>To achieve a practical and academic knowledge of federal tax law.</p> <p><b>SLO #2 Application of Tax Law - Corporations</b></p> <p>To apply federal tax law to the business formation, operations, and liquidation of corporations.</p> <p><b>SLO #3 Application of Tax Law - Flow-Through Entities</b></p> <p>To apply federal tax law to the business formation, operations, and liquidation of flow-through entities, including partnerships and S-corporations.</p>
<b>Course Objectives:</b>	<ol style="list-style-type: none"> <li>1. To describe the nature of business income, deductions, and accounting methods.</li> <li>2. To properly assess the tax implications related to the acquisition and cost recovery of corporate property.</li> <li>3. To properly assess the tax implications related to the disposition of corporate property.</li> <li>4. To describe the various legal taxable and non-taxable classifications of corporate entities.</li> <li>5. To apply federal tax law to the operations of corporate entities.</li> <li>6. To properly calculate and account for the income tax liabilities of corporate entities.</li> <li>7. To properly calculate and account for income tax liabilities related to non-liquidating distributions of corporate entities.</li> <li>8. To apply federal tax law to the formation, reorganization, and liquidation of corporate entities.</li> <li>9. To explain federal tax law as it applies to flow-through entities.</li> <li>10. To properly calculate and account for the tax implications partnership distributions and dispositions.</li> <li>11. To apply federal tax law to the formation, operation, and dissolution of S-Corporations.</li> </ol>
<b>Major Topics:</b>	<p><b>I. Introduction to business taxation (2 hours, lecture)</b></p> <ol style="list-style-type: none"> <li>A. Business taxation vs. personal taxation</li> <li>B. Components of business taxation</li> </ol> <p><b>II. Business income, deductions, and accounting methods (4 hours, lecture)</b></p> <ol style="list-style-type: none"> <li>A. Gross income</li> <li>B. Deductions</li> <li>C. Limitations on business deductions</li> <li>D. Specific deductions</li> <li>E. Accounting periods</li> <li>F. Accounting methods</li> </ol> <p><b>III. Property acquisition and cost recovery (4 hours, lecture)</b></p>

- A. Cost recovery and tax basis
- B. Depreciation
- C. Amortization
- D. Depletion

**IV. Property dispositions (4 hours, lecture)**

- A. Dispositions
- B. Character of gain or loss
- C. Depreciation recapture
- D. Other provisions affecting tax rate on gains
- E. Calculating net 1231 gains
- F. Gain or loss summary
- G. Non-recognition transactions

**V. Entities overview (4 hours, lecture)**

- A. Entity legal classification and non-tax characteristics
- B. Entity tax classification
- C. Entity tax characteristics
- D. Other tax characteristics

**VI. Corporate operations (6 hours, lecture)**

- A. Corporate taxable income formula
- B. Computing corporate taxable income
- C. Compliance

**VII. Accounting for income taxes (6 hours, lecture)**

- A. Accounting for income taxes and the tax provision process
- B. Calculating a company's income tax provision
- C. Determining the need for a valuation allowance
- D. Accounting for uncertainty in income tax provisions
- E. Financial statement disclosure and computing a corporation's effective tax rate
- F. FASB projects related to accounting for income taxes

**VIII. Corporate taxation: non-liquidating distributions (6 hours, lecture)**

- A. Taxation of property distributions
- B. Determining the dividend amount from earnings and profits
- C. Stock distributions
- D. Stock redemptions
- E. Partial liquidations

**IX. Corporate formation, reorganization, and liquidation (6 hours, lecture)**

- A. Review of the taxation of property distributions
- B. Tax-deferred transfers of property to a corporation
- C. Taxable and tax-deferred corporate acquisitions
- D. Tax consequences to a corporate acquisition

	<p>E. Complete liquidation of a corporation</p> <p><b>X. Forming and operating partnerships (4 hours, lecture)</b></p> <p>A. Flow-through entities overview  B. Partnership formations and acquisitions of partnership interests  C. Partnership accounting: Tax elections, accounting periods, and accounting methods  D. Reporting the results of partnership operations  E. Partner's adjusted tax basis in partnership interest  F. Loss limitations</p> <p><b>XI. Dispositions of partnership interests and partnership distributions (4 hours, lecture)</b></p> <p>A. Basics of sales of partnership interests  B. Basics of partnership distributions  C. Disproportionate distributions  D. Special basis adjustments</p> <p><b>XII. S Corporations (4 hours, lecture)</b></p> <p>A. S Corporation elections  B. S Corporation terminations  C. Operating issues  D. Shareholders' basis  E. Loss limitations  F. Distributions  G. S Corporation taxes and filing requirements  H. Comparing C and S Corporations and partnerships</p>
<b>Total Lecture Hours:</b>	54
<b>Total Laboratory Hours:</b>	0
<b>Total Hours:</b>	54
<b>Primary Method of Evaluation:</b>	2) Problem solving demonstrations (computational or non-computational)
<b>Typical Assignment Using Primary Method of Evaluation:</b>	<p>In January, Prahbu purchased a new machine for use in an existing production line of his manufacturing business for \$90,000. Assume that the machine is a unit of property and is not a material or supply. Prahbu pays \$2,500 to install the machine, and after the machine is installed, he pays \$1,300 to perform a critical test on the machine to ensure that it will operate in accordance with quality standards. On November 1, the critical test is complete, and Prahbu places the machine in service on the production line. On December 3, Prahbu pays another \$3,300 to perform periodic quality control testing after the machine is placed in service.</p> <p>In an Excel spreadsheet, calculate the amount Prahbu must capitalize as the cost of the machine.</p>

<b>Critical Thinking Assignment 1:</b>	W Corporation will acquire all of the assets and liabilities of Z Corporation in a Type A merger, after which W Corporation will sell off all of its assets and liabilities and focus solely on Z Corporation's business.  In a one-page paper, explain how the transaction must be treated if W Corporation fails the continuity of business enterprise (COBE) test.
<b>Critical Thinking Assignment 2:</b>	In a one-page paper, compare and contrast S corporations, C corporations, and partnerships in terms of tax consequences at formation, shareholder restrictions, income allocation, basis calculations, compensation to owners, taxation of distributions, and accounting periods.
<b>Other Evaluation Methods:</b>	Essay Exams, Homework Problems, Objective Exam, Quizzes, Written Homework
<b>Instructional Methods:</b>	Discussion, Lecture, Multimedia presentations
<b>If other:</b>	
<b>Work Outside of Class:</b>	Answer questions, Problem solving activity, Required reading, Skill practice, Study, Written work (such as essay/composition/report/analysis/research)
<b>If Other:</b>	
<b>Up-To-Date Representative Texts:</b>	Raabe et.al, <u>South-Western Federal Taxation 2023: Corporations, Partnerships, Estates and Trusts</u> . 46 <sup>th</sup> ed. Cengage Group, 2023
<b>Alternative Texts:</b>	
<b>Required Supplementary Readings:</b>	
<b>Other Required Materials:</b>	Materials provided by the instructor.
<b>Requisite:</b>	Prerequisite
<b>Category:</b>	sequential
<b>Requisite course(s): List both prerequisites and corequisites in this box.</b>	BUS 150
<b>Requisite and Matching skill(s): Bold the requisite skill. List the corresponding course objective under each skill(s).</b>	<b>Students must have knowledge of financial accounting in order to comprehend the more complex issues in the taxation of corporations and flow-through entities.</b>  BUS 150 - Define accounting terminology.  BUS 150 - Analyze financial transactions.  BUS 150 - Identify the characteristics of corporations and the stockholders' equity section of balance sheets.
<b>Requisite Skill:</b>	Equivalent experience
<b>Requisite Skill and Matching Skill(s): Bold the requisite skill(s). If applicable</b>	<b>Students must have knowledge of financial accounting in order to comprehend the more complex issues in the taxation of corporations and flow-through entities.</b>  Define accounting terminology.

	Analyze financial transactions.  Identify the characteristics of corporations and the stockholders' equity section of balance sheets.
<b>Requisite course:</b>	
<b>Requisite and Matching skill(s):</b> Bold the requisite skill. List the corresponding course objective under each skill(s).	
<b>Requisite Skill:</b>	
<b>Requisite Skill and Matching skill(s):</b> Bold the requisite skill. List the corresponding course objective under each skill(s). If applicable	
<b>Enrollment Limitations and Category:</b>	
<b>Enrollment Limitations Impact:</b>	
<b>Course Created by:</b>	Kurt M. Hull
<b>Date:</b>	06/18/19
<b>Original Board Approval Date:</b>	
<b>Last Reviewed and/or Revised by:</b>	Sidney Porter
<b>Date:</b>	10/12/2023
<b>Last Board Approval Date:</b>	12/18/2023
<b>Effective Term:</b>	FALL 2024