



Wolters Kluwer

Basic Concepts of Individual Taxation Course Instructions

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Instructions to Participants

To assist the participant with navigating the learning process through to successful completion, this course has been produced with the following elements:

Overview of Topics / Table of Contents: In this electronic format you'll find a slide menu on the left side of the screen. This serves as your overview of topics for the program. You may navigate to any topic by clicking on the slide name.

Definition of Key Terms / Glossary: You'll find key terms defined for this program in the course information on the following page(s).

Index / Key Word Search: You can find information quickly in the PDF materials (slide handout plus any additional handouts) by using the search function built into your Adobe Reader.

Review Questions: Questions that test your understanding of the material are placed throughout the course. You'll see explanatory feedback pop up for each incorrect answer, and reinforcement feedback for the correct answer for every review question.

Final Exam: The final exam measures if you have gained the knowledge, skills, or abilities outlined in the learning objectives. You may submit your final exam at the end of the course. Exams are graded instantly. A minimum score of 70% is required to receive the certificate of completion. **You have one year from date of purchase to complete the course.**

Course Evaluation: Once you have successfully passed your online exam, please complete our online course evaluation. Your feedback helps Wolters Kluwer maintain its high quality standards!

About This Course

This section provides information that is important for understanding the course, such as course level and prerequisites. Please consider this information when filling out your evaluation after completing the course.

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Course Description

Join Allison McLeod, CPA, LL.M, for an introductory course on the fundamentals of preparing and filing an individual federal income tax return. We will cover topics such as what the federal income tax is and how it is computed.

Learning Objectives

Upon successful completion of this course, participants should be able to:

- Identify how the federal income tax differs from other types of federal taxes
- Describe the steps in computing a taxpayer's federal income tax liability
- Differentiate tax consequences for terms commonly used for the federal income tax, such as "adjusted gross income," "qualifying child," "tax credits," "filing status," and "kiddie tax."
- Recognize how an individual's standard deduction is determined
- Recognize how to explain differences in the tax for ordinary income, capital gains, and qualified dividend income
- Differentiate between the cash and accrual method, and the correct period in which taxpayers must recognize income and/or deductions
- Identify deadlines for filing income tax returns and estimated taxes and how to obtain an extension of time for filing a return
- Recognize taxable income
- Identify how much of self-employment taxes are deductible for AGI
- Recognize which years an expenditure can be deducted
- Recognize choices in selecting a filing status
- Identify total amount of tax liability that will be reported on a tax return
- Recognize what year income and expenses can be recognized
- Describe dollar-for-dollar offset to a taxpayer's tax liability

NASBA Field of Study

Taxes. Some state boards may count credits under different categories—check with your state board for more information.

Course Level

Basic. Program knowledge level most beneficial to CPAs new to a skill or an attribute. These individuals are often at the staff or entry level in organizations, although such programs may also benefit a seasoned professional with limited exposure to the area.

Prerequisites

None.

Advance Preparation

None.

Course Expiration

AICPA and NASBA Standards require all Self-Study courses to be completed and the final exam submitted within 1 year from the date of purchase as shown on your invoice. No extensions are allowed under AICPA/NASBA rules.

Key Terms

- **Cash Method of Accounting:** A method that can be selected by the taxpayer that will govern when income and deductions are recognized. In the cash method of accounting, income recognized when cash is received or constructively received. Expenses are generally deducted with paid.
- **Capital gains and losses:** These are gains or losses derived by a taxpayer selling a trade or business asset or an asset being held for investment. The gain or loss is calculated by comparing the sales proceeds against the assets' bases. For individual taxpayers, long-term capital gains are subject to favorable marginal rates, while a net capital loss can be deducted against ordinary income only to a maximum of \$3,000 a year. Excess net capital losses must be carried over to future years.
- **Constructive receipt:** A concept whereby a cash-basis taxpayer is deemed to have received income in the year the taxpayer has dominion and control over the funds.
- **Discharge of Indebtedness income:** a.k.a. Cancellation of Indebtedness (COD) income – This situation arises when the taxpayer is forgiven a debt owed to another person or entity. The forgiven amount of a loan is taxable income.
- **Form 8332:** Form that permits a non-custodial parent to claim a child as an exemption. The custodial parent must sign the Form 8332. While exemptions are currently suspended for the time being, the ability to claim a child may potentially change the non-custodial parent's status from Single (assuming he/she is not married) to Head of Household.
- **Hobby Losses:** Hobby losses are defined as disallowed losses incurred by the taxpayer pursuant to a "hobby" as defined by the IRC. A trade or business is presumed to have a profit motive if he/she can show a profit for 3 out of 5 consecutive years, or be classified as a "hobby." If activity considered a hobby, then taxpayer can deduct expenses only up to amount of gross income.
- **Investment Interest:** Interest expense incurred by a taxpayer pursuant to a loan undertaken to buy property held for investment. A common example is a margin loan taken to purchase stocks or bonds to be held in a portfolio. Investment interest is deductible by the taxpayer, but limited to net investment income.
- **"Kiddie Tax":** The application of the parent's marginal tax rate to a dependent child (23 and younger) who has unearned income, such as interest and dividend income.
- **Tax Credits:** Credits allowed to the taxpayer for expenditures on certain proscribed activities. These credits reduce the taxpayer's tax liability dollar-for-dollar.