



51A Middle Street Newburyport MA 01950  
Phone: 800-588-7039 Fax: 877-902-4284  
[contact@bhfe.com](mailto:contact@bhfe.com) [www.bhfe.com](http://www.bhfe.com)

## Course Information

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**Course Title:** Building Client Wealth with Effective Tax Planning #4212

### Number of continuing education credit hours recommended for this course:

**CPA:** 16 (All States)

In accordance with the standards of the CFP Board, the National Registry of CPE Sponsors and the IRS, CPE credits have been granted based on a 50-minute hour.

National Registry of CPE Sponsors ID Number: 107615.

Sponsor numbers for states requiring sponsor registration:

Florida Division of Certified Public Accountancy: 4761 (Ethics #11467)

Hawaii Board of Public Accountancy: 14003

New York State Board of Accountancy: 002146

Ohio State Board of Accountancy: M0021

Texas State Board of Accountancy: 009349

**EA/RTRP:** 16 (All States) IRS: Qualified Sponsor number: *FWKKO*.

### CLU, ChFC/PACE Recertification: 16

For a list of states which have approved PACE compliance as also meeting their state CE licensing requirement, contact The American College/PACE <http://www.theamericancollege.edu>

**Program Delivery Method:** Self-Study (NASBA QAS Self-Study/interactive)

### Subject Codes/Field of Study:

CPA: Taxes.

EA, RTRP: Federal Tax Law.

### Course Level, Prerequisites, and Advance Preparation Requirements

Level: Overview. This program is appropriate for professionals at all organizational levels.

Prerequisites: Basic familiarity with federal taxation

Advance Preparation: None

## **Course Description**

The basic tax characteristics of the primary tax entities are explored and analyzed. Their ability to defer, reduce and eliminate tax is examined. Client goals, purposes and risk tolerances are determined and quantified. Investments and assets are then evaluated using a variety of tools found on the Internet. Finally, investments and entities are matched to produce the best after-tax return for the client.

## **Course Materials**

Publication/Revision Date: 4/22/2013.

Course book: *Matching Investments to Tax Savings Techniques* by Danny Santucci, J.D.

Final exam (online): Eighty-questions (multiple-choice).

In order to receive CPE credit for this course, you must complete the course within one year of the date of purchase. This includes achieving a passing grade of at least 70% on the final exam (online). This exam may be retaken at no charge if not passed on the first attempt.

# **Learning Assignments & Objectives**

As a result of studying each assignment, you should be able to meet the objectives listed below each assignment.

<b>ASSIGNMENT</b>	<b>SUBJECT</b>
<b>Chapter 1</b>	<b>Introduction</b>

At the start of Chapter 1, participants should identify the following topics for study:

- \* The Internet
- \* Mapping for financial independence
- \* Investment purposes
- \* Cash management
- \* Savings
- \* Physical assets
- \* Financial assets
- \* Life insurance
- \* Social Security
- \* Investment selection & evaluation strategies

### **Learning Objectives**

After reading Chapter 1, participants will able to:

1. Identify seven Internet advantages including depth and volume of available financial information and list five steps in the mapping process to prepare for financial independence.
2. Differentiate goals from purposes to better define investment planning, clarify retirement planning direction, and discuss resource allocation including necessary generational changes.
3. Develop and implement a financial plan to prepare for retirement by:
  - a. Managing income to generate and inflation protect cash identifying key savings elements;
  - b. Distinguishing physical and financial assets naming at least six types of stocks and five types of bonds;
  - c. Categorizing mutual funds based upon an investor's personal objectives and risk tolerance; and
  - d. Explaining two major types of life insurance including their use as financial planning tools.
4. Compare and contrast eight active and two passive investment acquisition strategies.

After studying the materials in Chapter 1, answer the exam questions 1 to 20.

<b>ASSIGNMENT</b>	<b>SUBJECT</b>
<b>Chapter 2</b>	<b>Entities &amp; Title</b>

At the start of Chapter 2, participants should identify the following topics for study:

- \* Individual ownership & sole proprietorships
- \* Corporations
- \* Trusts holding title & business trusts
- \* Co-tenancy taxation, percentage interests, & partition
- \* Partnership taxation & recapitalization
- \* Family partnerships
- \* Limited liability companies
- \* Retirement plans
- \* Custodianship
- \* Estate

### **Learning Objectives**

After reading Chapter 2, participants will able to:

1. List nine basic tax and legal title formats, show the advantages and disadvantages of holding property individually and through a sole proprietorship or a corporation, and how to avoid associated title pitfalls. Categorize C corporations into three groups and differentiate among them considering the estate-planning problems associated with each, and identify at least four advantages that partnerships may have over corporations.
2. Analyze the S corporation rules by listing several tax advantages and disadvantages and name six disadvantages and four advantages of incorporating a farm.
3. Compare the title holding benefits of trusts, co-tenancy, partnerships, and limited liability companies and the tax characteristics of each.
4. Distinguish among three types of retirement plans used to provide lifetime benefits to a business owner and to employees, identify how title can be held on behalf of minors and the tax treatment of custodianships, and explain the basic tax treatment of a probate estate.

After studying the materials in Chapter 2, answer the exam questions 21 to 28.

<b>ASSIGNMENT</b>	<b>SUBJECT</b>
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<b>Chapter 3</b>	<b>Deferral</b>
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At the start of Chapter 3, participants should identify the following topics for study:

- \* Elements of like-kind exchanges
- \* Related party exchanges
- \* Personal & multiple property regulations
- \* Delayed (deferred) exchange regulations
- \* Actual & constructive receipt rule
- \* Qualified contribution plans
- \* Tax-deferred annuities
- \* Installment sales

- \* At-risk rule
- \* Deferred compensation and options

### **Learning Objectives**

After reading Chapter 3 participants will able to:

1. Name two benefits of tax deferral, summarize the former use of tax deferral under §1034, and clarify the deferral advantage under §1031 listing its three elements.
2. Explain the related party §1031 restrictions identifying prohibited parties or entities and permissible disposition exceptions, make recommendations for the protection of exchange participants, and summarize the history of the personal and multiple property regulations clarifying the unique personal property like-kind and netting requirements for multiple asset exchanges.
3. Outline the evolution of §1031 delayed exchanges identifying allowable transfers, select replacement property within statutory deadlines, list four constructive receipt safe harbors, explain methods to secure exchange party performance, and summarize the §1031 partnership underlying asset rule. Design retirement plans following four basic steps, identify two of the most popular methods for providing for retirement, and determine near retirement investments.
4. Determine three requirements for an installment, explain how to elect out of the installment method, list at least five variables affecting §453 availability. Illustrate how to use a property option to receive income and postpone tax.

After studying the materials in Chapter 3, answer the exam questions 29 to 43.

<b>ASSIGNMENT</b>	<b>SUBJECT</b>
<b>Chapter 4</b>	<b>Reduction</b>

At the start of Chapter 4, participants should identify the following topics for study:

- \* Work Opportunity Credit & Rehabilitation Credit
- \* Low Income Housing Credit & Child & Dependent Care Credit
- \* Estimated taxes
- \* Interest
- \* Automobile deductions
- \* Business entertainment deductions
- \* Depreciation & cost recovery
- \* Net operating losses
- \* Tax breaks for nonitemizers
- \* Amended returns

### **Learning Objectives**

After reading Chapter 4, participants will able to:

1. Apply at least six tax saving credits identifying qualified computational expenses and describing their limitations and restrictions.
2. Outline the estimated tax rules and procedures including the four payment deadlines and underpayment penalties, point out the economics of overpaying estimated taxes. Delineate the types of interest that are non-deductible including personal interest under §163(h)(1).
3. Determine the deductibility of investment interest, prepaid interest, points, and prepayment penalties, and offset passive income with rental property mortgage interest.
4. Deduct business vehicle operating costs using (or switching between) the actual cost method or the standard mileage rate and allocating expenses based on §162 usage, retain substantiable expense and mileage records, and explain five depreciation traps when purchasing a vehicle.
5. List three requirements for business expenses to meet the directly related test, explain the elements of the associated test, identify the nine business expense statutory exceptions, and summarize the application of R.R. 90-23 and R.R. 99-7 to the deduction of transportation costs to a temporary work location.
6. Apply business asset depreciation using both ACRS and MACRS recovery classes, identify three sources of §172 net operating losses (NOLs) explaining carryback and carryover rules, name several tax breaks for nonitemizing taxpayers, evaluate the advisability of filing an amended return, avoid audits by claiming refunds for provable items, and determine which return amendments are safest.

After studying the materials in Chapter 4, answer the exam questions 44 to 59.

<b>ASSIGNMENT</b>	<b>SUBJECT</b>
<b>Chapter 5</b>	<b>Income Splitting</b>

At the start of Chapter 5, participants should identify the following topics for study:

- \* Using progressive tax rates
- \* Deductible business expenses
- \* Home-office deduction
- \* C or regular corporations
- \* S corporations
- \* Family partnerships
- \* Kiddie tax trap
- \* Child care & education
- \* Gifts
- \* Interest-free loans

### **Learning Objectives**

After reading Chapter 5, participants will able to:

1. List six formats for income splitting, compare the tax treatment of employee and self-employed business expenses particularly home-office expenses noting the two non-exclusive use exceptions and the income limitation, summarize changes made to home office deduction under TRA '97, and determine the ability of self-employed to make annual deductible contributions to a Keogh plan.
2. Maximize the tax opportunities available to an unincorporated business by specifically discussing retirement plans, hiring family members, travel expenses, casualty losses, bad debts, and self-employment tax.
3. Summarize the uses and tax characteristics of regular and S corporations by:
  - a. naming at least six circumstances when incorporation is desirable,
  - b. comparing the taxation of these entities including their ability to split income; and
  - c. listing initial §351 formation and capitalization issues discussing appropriate tax form filings for each entity.
4. Explain the use of partnerships to split income among partners specifically including the use of §704(e) family partnerships and the consequences of gifting a partnership interest to a child or to another family member.
5. Set up a custodianship to split income and contain the “kiddie tax” listing three initial planning considerations and four examples of good investments for children, summarize deductions and credits for childcare, education, children, and §7872 loans, and explain the income and later estate tax benefits of gifts.

After studying the materials in Chapter 5, answer the exam questions 60 to 72.

<b>ASSIGNMENT</b>	<b>SUBJECT</b>
<b>Chapter 6</b>	<b>Elimination</b>

At the start of Chapter 6, participants should identify the following topics for study:

- \* \$500,000 home sale exclusion
- \* Municipal bonds
- \* Divorce & separation settlements
- \* Gifts & inheritances
- \* Life insurance
- \* Fringe benefits
- \* Taxation & valuation of benefits
- \* Employee expense reimbursement & reporting
- \* Fixed & variable rate allowances
- \* Social security

**Learning Objectives**

After reading Chapter 6, participants will able to:

1. Apply selected tax elimination techniques by:

- a. explaining the current §121 home sale exclusion contrasting it with the former provision;
  - b. determining qualifications for tax-free state or local obligations specifically discussing private activity bonds; and
  - c. identifying the tax elimination aspects of family transactions such as gifts, bequests, inheritances, life insurance, and even divorce.
2. Maximize employer deductions and increase tax-free incentive-based compensation for employees by:
  - a. explaining at least eight rules for excluding fringe benefits under §132 and their proper reporting on the W-2; and
  - b. adopting popular employee fringe benefits including employer paid accident & health coverage, meals or lodging, cafeteria plan benefits, §127 education assistance, achievement awards, group life insurance and dependent care assistance.
3. Value fringe benefits according to IRS regulations, comply with ERISA requirements, properly report reimbursed and unreimbursed business expenses under accountable and nonaccountable plans, substantiate auto expenses using a fixed and variable rate, and determine eligible for retirement benefits exempt from social security taxes.

After studying the materials in Chapter 6, answer the exam questions 73 to 80.

### **Notice**

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