



TAX GUIDE TO INTEREST AND DEBT



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Course Information

Course Title: *Tax Guide to Interest and Debt* #490717

Recommended CPE credit hours for this course

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

CPA 2.5 (All states)

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/OTRP 2 (All States) IRS: Qualified Sponsor number: *FWKKO*.

IRS Course Number: FWKKO-T-00062-13-S

CLU, ChFC Professional Recertification 2

Course Description

This mini-course brings the practitioner information on tax issues affecting interest and debt. The various types of interest and their required allocation are explored and reviewed. For the economically troubled client, special attention is devoted to debt cancellation, repossession, discounts, and foreclosure. The program also discusses installment sales, taxable interest, and bad debts.

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

Subject Codes/Field of Study

NASBA (CPA): Taxes.

IRS (EA, OTRP): Federal Tax Law.

Course Level, Prerequisites, and Advance Preparation Requirements

Program Level: Overview.

This program is appropriate for professionals at all organizational levels.

Prerequisites: Basic familiarity with federal taxation

Advance Preparation: None

Course Content

Publication/Revision Date: 1/25/2017.

Author: Danny Santucci, J.D.

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

Instructions for taking this course

You must complete this course within one year of the date of purchase (if you do not complete the course within one year, contact us to determine whether an updated edition of the course is available, in which case we will provide you with a PDF of the updated course and the online exam at no charge).

A passing grade of at least 70% is required on the final exam for this course. You may retake the exam if you do not pass it on the first attempt (no charge).

Complete the course by following the learning objectives listed on the following page, studying the text, and studying the review questions at the end of each major section (or at the end of the course). Once you have completed studying the course and you are confident that the learning objectives have been met, answer the final exam questions (online).

Instructions for Taking the Final Exam Online

- Login to your account online at www.bhfe.com.
- Go to "My Account" and view your course.
- Select "Take Exam" for this course and follow instructions.

Additional Information

- The exam may be started, stopped, then resumed at a later date.
- The exam is "open book," it is not timed, and it may be retaken if not passed on the first attempt (no charge).
- Results (correct, incorrect answers) and certificate appear immediately upon passing the exam.
- CFP® and EA credits are reported weekly.

Have a question? Call us at 800-588-7039 or email us at contact@bhfe.com.

Learning Assignment & Objectives

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

ASSIGNMENT

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

- * Deductible interest & debt
- * Nondeductible interest
- * Below-market interest rate loans
- * Unstated or imputed interest on sales
- * Original issue discount (OID)
- * Allocation of deductible interest
- * Taxable interest
- * Installment sales
- * Debt cancellation & foreclosure
- * Bad debts

Learning Objectives

After reading the materials, participants will be able to:

1. Determine what constitutes "interest" noting its key components, and identify whether the various types of interest are tax deductible or nondeductible.
2. Recognize how to deduct interest that is paid or accrued during the tax year applying different methods of accounting, specify the applicable federal rate, recognize the effects of unstated interest on transactions, and cite the imputed interest rules in the context of debt instruments.
3. Identify the interest allocation rules and the allocation period for a loan, recognize the difference between an allocation of loan proceeds that are deposited in an account and the allocation of loan proceeds received in cash, and cite loan repayments in the order they are deemed repaid.
4. Determine when certain distributions commonly referred to as "dividends" are actually interest and the tax treatment of interest that is earned on such items as income on frozen deposits and U.S. Savings Bonds.
5. Recognize an installment sale transaction, determine what constitutes the installment method, specify the parts of each payment on an installment sale, and cite the related party sales rules of §453.
6. Identify exceptions to the general income inclusion rule and their effect on a taxpayer, and determine the different effects of nonrecourse indebtedness from the effects of recourse indebtedness on foreclosure.
7. Specify bad debt categories noting the impact of nonbusiness bad debt recovery, identify when a business deducts its bad debts from gross income, and recognize which accounting method to apply to business bad debts.

After studying the materials, answer the exam questions 1 to 15.

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Tax Guide to Interest and Debt

By
Danny C. Santucci

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