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## COURSE INFORMATION

**Course Title:** *Small Business Tax Planning #495316*

**Number of continuing education credit hours recommended for this course**

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

**CFP®:** **12** (All States) CFP Board Course ID# 195441  
CFP Board sponsor number: 1008.

**CPA:** **24** (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:** **24** (All States) IRS: Qualified Sponsor number: *FWKKO*.

**CLU, ChFC/PACE Recertification: 24**

### Course Description

Americans who want to be their own boss are not entirely on their own. They have a rich uncle - Uncle Sam - who is there to help, as well as to make demands. The nation's tax laws are intended to encourage people to start new businesses and are chock full of incentives and tax breaks, as well as sometimes onerous reporting requirements.

This course is a fast-paced and entertaining guide through tax issues affecting business entities and their owners. The focus of this class is on tax devices and techniques available to the small-business owner. Emphasis will be given to operational deductions, fringe benefits, compensation, family income splitting, retirement plans, and estate planning.

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

**Subject Codes/Field of Study**

NASBA (CPA), CFP Board of Standards, Inc.; "D" Taxes.

IRS (EA, OTRP): Federal Tax Law.

NAPFA: Taxes

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

Program Level: CFP Board: Intermediate; NASBA/CPA, IRS: 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: 4/5/2016.

Author: Danny Santucci, J.D.

Final exam (online): One-hundred twenty 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 pages and at the beginning of each chapter, studying the chapter-text, then studying the review questions at the end of the chapter. Once you have completed each chapter and you are confident that the learning objectives have been met, answer the final exam questions for that chapter online (see exam question numbers for each learning objective on the following pages). As an alternative, you may complete the entire exam after studying the entire text.

**Instructions for Taking the Final Exam Online**

- Login to your account online at [www.bhfe.com](http://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](mailto:contact@bhfe.com).

# LEARNING ASSIGNMENTS & OBJECTIVES

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

ASSIGNMENT	SUBJECT
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<b>Chapter 1</b>	<b>Structure, Reporting &amp; Accounting</b>
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At the start of Chapter 1, participants should identify the following topics for study:

- \* Sole proprietorships
- \* Partnerships
- \* Regular corporations
- \* Record keeping
- \* Kinds of records to keep
- \* Business transactions
- \* Bookkeeping systems
- \* How long to keep records
- \* Accounting periods & methods
- \* Inventories

### Learning Objectives

After reading Chapter 1, participants will be able to:

1. Recognize sole proprietorships, partnerships, and corporations as organizational formats for new and existing businesses.
2. Identify how choice of entity relates to the type of records to keep, noting issues related to substantiation and documentation.
3. Specify available accounting periods and methods and the methods for identifying and valuing inventory items.

After studying the materials in Chapter 1, answer the exam questions 1 to 11.

ASSIGNMENT	SUBJECT
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<b>Chapter 2</b>	<b>Business Income, Credits &amp; Assets</b>
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At the start of Chapter 2, participants should identify the following topics for study:

- \* Rental income
- \* Interest
- \* Discharge of debt income
- \* Dividends
- \* Recoveries

- \* Recapture of depreciation
- \* Partnership income
- \* Business & investment credits
- \* Asset types
- \* Like-kind exchanges

### **Learning Objectives**

After reading Chapter 2, participants will be able to:

1. Identify the various types of income and their implications, including the hidden income tax dangers of cancellation of indebtedness income, tax recoveries, and recapture of depreciation.
2. Specify the existing basic business and investment tax credits, noting their tax requirements, and business asset types that affect the character of gain or loss, and recognize the tax treatment of the disposition of business assets, such as the availability of like-kind exchange treatment in the transfer of business assets and the tax treatment of Section 1231 assets.

After studying the materials in Chapter 2, answer the exam questions 12 to 18.

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

- \* Section 162
- \* Expenses of not-for-profit activities
- \* Rent expenses
- \* Interest expense
- \* Deductible taxes
- \* Other selected deductible costs
- \* Amortization
- \* Depletion -§613
- \* Business bad debts
- \* Depreciation

### **Learning Objectives**

After reading Chapter 3, participants will be able to:

1. Recognize the central importance of §162 in deducting and substantiating business expenses and costs and specify the implications of the deduction timing and limits noting the reporting of deductions for not-for-profit activities.
2. Identify conditional sales contracts, leveraged leases, and true leases, and determine how to qualify for rent expense deductions including through leasehold improvements.

3. Specify the various forms of interest expense under §163(a) noting related reporting and filing issues, and identify the distinctions between deductible and nondeductible interest.
4. Recognize deductions for real estate, state, and local taxes and cite deductions for home office use, research and experimentation costs, barrier removal, and mine development.
5. Identify the various forms of tax treatment under the concepts of depreciation and amortization, including the effect on amortization of §197.
6. Determine the differences between the concepts of cost depletion and percentage depletion as a means of accounting for the reduction of a product's reserves.
7. Specify the types of bad debt and their effect on accounting and the various methods for dealing with bad debt.
8. Recall MACRS classifications, cite the recapture provisions and exceptions, and identify the alternative depreciation system.

After studying the materials in Chapter 3, answer the exam questions 19 to 51.

<b>ASSIGNMENT</b>	<b>SUBJECT</b>
<b>Chapter 4</b>	<b>Employee Compensation &amp; Benefits</b>

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

- \* Wages, salary & pay
- \* Tests for deducting pay to employees
- \* Selected types of compensation
- \* Payroll taxes
- \* Selected fringe benefits
- \* Interest-free & below-market loans
- \* Equity participation
- \* Advantages of nonqualified deferred compensation
- \* Funded company account plans
- \* Segregated asset plans

#### **Learning Objectives**

After reading Chapter 4, participants will be able to:

1. Specify the common-law rules used by the IRS to determine whether a person is an employee for purposes of FICA, FUTA and federal income tax withholding.
2. Identify the tests for wages to be deductible and how excluded fringe benefits can result in more employer deductions and incentive based compensation to employees.
3. Recognize the use of deferred compensation agreements including the basic types of nonqualified deferred compensation, and the tax consequences related to these plans.

After studying the materials in Chapter 4, answer the exam questions 52 to 64.

<b>ASSIGNMENT</b>	<b>SUBJECT</b>
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<b>Chapter 5 Automobiles</b>	
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At the start of Chapter 5, participants should identify the following topics for study:

- \* Apportionment of personal & business use
- \* Deduction limitations using actual cost method
- \* Expensing - §179
- \* Predominate business use rule
- \* Auto leasing
- \* Standard mileage method
- \* Auto trade-in vs. sale
- \* Employer-provided automobile
- \* Nonpersonal use vehicle
- \* Reporting of employer-provided automobile

**Learning Objectives**

After reading Chapter 5, participants will be able to:

1. Identify the apportionment of business and personal use of an automobile, including deduction limitations, and specify the various depreciation methods such as MACRS and §179 expensing.
2. Recognize personal auto leasing, its advantages and disadvantages, and the various kinds of leasing arrangements that can be used, such as closed-end or open-end leases.
3. Recall the standard mileage method noting its limitations and identify the various working condition fringe benefits including their impact on the gross income of employees.
4. Identify the various valuation methods use in determining the actual value of an employee's personal use of an automobile noting the reporting options available to the employer.

After studying the materials in Chapter 5, answer the exam questions 65 to 78.

<b>ASSIGNMENT</b>	<b>SUBJECT</b>
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<b>Chapter 6 Business Travel &amp; Entertainment</b>	
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At the start of Chapter 6, participants should identify the following topics for study:

- \* Transportation & travel distinguished
- \* Definition of "tax home"
- \* Temporary & indefinite assignments
- \* Business purpose requirement for business travel
- \* Convention & meetings
- \* Statutory exceptions of ordinary & necessary requirement
- \* Entertainment facilities
- \* Employee expense reimbursement & reporting

\* Self-employed persons

\* Employers

### **Learning Objectives**

After reading Chapter 6, participants will be able to:

1. Identify deductible business travel expenses by:
  - a. Specifying the differences between transportation and travel in order to benefit from the appropriate business tax deduction;
  - b. Citing IRS definitions of a taxpayer's tax home for travel and transportation purposes;
  - c. Recognizing how time acts as a critical factor in distinguishing a temporary from an indefinite job assignment; and
  - d. Specify the distinctions between business and nonbusiness days.
2. Determine the factors associated with the business purpose requirement noting how they determine deductible expenses for meals and entertainment.
3. Identify the applicable federal per diem rate from any one of several methods and the different reporting and income inclusion treatments given to self-employed persons or reimbursed employees.

After studying the materials in Chapter 6, answer the exam questions 79 to 89.

<b>ASSIGNMENT</b>	<b>SUBJECT</b>
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### **Chapter 7 Retirement Plans**

At the start of Chapter 7, participants should identify the following topics for study:

- \* Qualified deferred compensation
- \* Basic requirements of a qualified pension plan
- \* Basic types of corporate plans
- \* Types of defined contribution plans
- \* Self-employed plans – Keogh
- \* Distribution & settlement options of IRAs
- \* Tax-free rollovers for IRAs
- \* Roth IRAs
- \* Simplified employee pension plans (SEPs)
- \* SIMPLE Plans

### **Learning Objectives**

After reading Chapter 7, participants will be able to:

1. Recognize the requirements and characteristics of qualified retirement plans by:
  - a. Citing the limitations imposed by ERISA and TEFRA;
  - b. Specifying trust requirements and tests associated with these requirements, such as the ratio test; and
  - c. Identifying three classes of vesting noting how the vesting standards affect retirement plans.

2. Determine the differences between defined contribution and defined benefit plans noting the different types of plans and their effect on retirement benefits.

3. Identify Keogh Plans, traditional and Roth IRAs, and SIMPLE 401(k) plans by specifying their characteristics and determining how and when they may and may not be appropriate.

After studying the materials in Chapter 7, answer the exam questions 90 to 104.

<b>ASSIGNMENT</b>	<b>SUBJECT</b>
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<b>Chapter 8 Insurance</b>	
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At the start of Chapter 8, participants should identify the following topics for study:

- \* Company paid insurance
- \* Group term life insurance
- \* Retired lives reserve
- \* Split dollar life insurance
- \* Medical & dental insurance
- \* Disability income insurance
- \* Interest limitation on policy loans
- \* Self-employed health insurance deduction
- \* Capitalized insurance
- \* Health savings account

**Learning Objectives**

After reading Chapter 8, participants will be able to:

1. Recognize the benefits of company-provided insurance policies by identifying how to qualify for group term life insurance and citing the requirements of retired lives reserve funds and split-life insurance policies.
2. Specify the requirements that determine insurance premium deductions and, identify the interest disallowance rule, the uniform capitalization rules noting their relation to production or resale activity costs.

After studying the materials in Chapter 8, answer the exam questions 105 to 109.

<b>ASSIGNMENT</b>	<b>SUBJECT</b>
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<b>Chapter 9 Estate Planning</b>	
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At the start of Chapter 9, participants should identify the following topics for study:

- \* Unlimited marital deduction
- \* Simple will
- \* Types of trusts
- \* Charitable trusts
- \* Family documents
- \* Private annuities
- \* Business valuation



- \* Redemptions
- \* Lifetime dispositions
- \* Installment payment of federal estate taxes

### **Learning Objectives**

After reading Chapter 9, participants will be able to:

1. Recognize the elements of general estate planning such as the unlimited marital deduction, including the qualified terminable interest property trust, stepped-up basis, and modified carryover basis rules.
2. Identify the primary dispositive plans, such as simple wills, the various types of trusts, annuities, related family documents, and conservatorships.
3. Specify the various special business issues related to estate planning, such as methods of business valuation, the implications of important revenue rulings, the use of estate planning tools noting buy-sell agreements and, deferred compensation agreements.

After studying the materials in Chapter 9, answer the exam questions 110 to 120.

### **Notice**

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# Small Business Tax Planning



By

**Danny C. Santucci**

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