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## Course Information

**Course Title:** *Corporate Tax Planning #496224*

**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 21** (Accepted in all states)

National Registry of CPE Sponsors ID Number: 107615.

Sponsor numbers for states requiring sponsor registration:

Florida Division of Certified Public Accountancy: 0004761 (for Ethics #0011467)

Hawaii Board of Public Accountancy: 14003

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Ohio State Board of Accountancy: CPE .51 PSR

Pennsylvania Board of Accountancy: PX 178025

Texas State Board of Accountancy: 009349

**EA/OTRP 21** (All States) IRS: Qualified Sponsor number: *FWKKO*.

**Course Description**

This course examines and explains the practical aspects of using a closely held corporation to maximize after-tax return on business operations. Recent developments giving corporations a competitive edge over other entities are explored and detailed. Practitioners are alerted to often missed fringe benefits, retirement planning opportunities, corporate business deductions, income splitting possibilities, and little-known estate planning techniques. The program covers step-by-step tax procedures to form, operate, and ultimately dispose of a closely held corporation. Distinctions between S and C corporations will be unraveled and guidelines for client direction given.

## Course Content

Publication/Revision Date: 4/24/2024.

Author: Danny Santucci, J.D.

Final exam (online): One-hundred twenty-five questions (multiple-choice).

**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

## Instructions for Taking This Course

- **Log in to your secure account at [www.bhfe.com](http://www.bhfe.com). Go to "My Account."**
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- For a printed copy of the exam questions, open the exam and press "Print Exam."
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# Learning Assignments & Learning Objectives

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

## **ASSIGNMENT**

## **SUBJECT**

### **Chapter 1**

### **Business Forms & Characteristics**

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

- \* Sole proprietorships
- \* Partnerships
- \* Estates & trusts
- \* Unincorporated associations
- \* Corporation defined
- \* Subchapter S corporations
- \* Ordinary “C” corporations
- \* Personal service corporations
- \* Corporate tax rate

### **Learning Objectives**

After reading Chapter 1, participants will be able to:

1. Specify the advantages and disadvantages of sole proprietorships including self-employed taxes and payment requirements and identify the characterization of sole proprietorship assets upon disposition.
2. Recognize partnerships and their advantages and disadvantages, identify partnership taxation particularly the application of the passive loss (§469) and at-risk rules (§465), and determine correct partnership income or loss reporting stating the role of husband and wife partnerships and limited partnerships.
3. Identify the reporting requirements of estates, trusts, and unincorporated associations, determine what constitutes a “corporation” for a subchapter S or regular corporation, specify the characteristics of a personal service corporation, and recognize the repeal of the alternative minimum tax for regular corporations.

After studying the materials in Chapter 1, answer exam questions 1 to 12.

## **ASSIGNMENT**

## **SUBJECT**

### **Chapter 2**

### **Corporate Formation & Capitalization**

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

- \* Incorporation
- \* Start-up & organizational expenses

- \* Tax recognition of the corporate entity
- \* Capital gains & losses
- \* Dividends received deduction
- \* Charitable contributions
- \* Accumulated earnings tax trap
- \* Accounting periods & methods
- \* Inventories
- \* Multiple corporations

### **Learning Objectives**

After reading Chapter 2, participants will be able to:

1. Identify the transfer of money, property, or both by prospective shareholders and the basic requirements associated with §351.
2. Recognize the requirements of §1244 and the small business stock exclusion, determine the differences between start-up and organizational expenses, and identify the elements of corporate tax recognition including the dangers of corporate ownership and capital gains and losses stating dividends received treatment.
3. Specify the requirements for corporate charitable contributions and determine how to avoid §541 status particularly as to personal service contracts.
4. Identify §531 status and determine accounting periods and methods available to corporations.
5. Specify methods for identifying inventory items including common methods of valuing inventory and, identify multiple corporation tax advantages and the tax consequences of corporate liquidations and distributions.

After studying the materials in Chapter 2, answer exam questions 13 to 29.

### **ASSIGNMENT**

### **SUBJECT**

#### **Chapter 3**

#### **Corporate Principals & Employees**

At the start of Chapter 3, participants should identify the following topics for study:

- \* Payroll taxes
- \* FICA & FUTA
- \* Employee labor laws
- \* Employee v. contractor status
- \* Unreasonable compensation
- \* Income splitting
- \* Buy-sell agreements
- \* Entity & cross-purchase agreements
- \* Sole shareholder planning
- \* Recapitalization

### **Learning Objectives**

After reading Chapter 3, participants will be able to:

1. Determine payroll taxes and the uses of Form 941, Form W-4, Form W-2, and Form W-3, specify the application of FICA and FUTA taxes and how to report them, and identify major employee labor laws.
2. Recognize common-law rules used to determine employee status for FICA and federal income tax withholding, specify the dangers of unreasonable compensation stating how to avoid them, and determine how a corporation can be a valuable income-splitting device.
3. Identify a buy-sell agreement distinguishing an entity purchase from a cross-purchase agreement and recognize business recapitalizations and their potential uses.

After studying the materials in Chapter 3, answer exam questions 30 to 39.

<b>ASSIGNMENT</b>	<b>SUBJECT</b>
<b>Chapter 4</b>	<b>Basic Fringe Benefits</b>

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

- \* Statutory v. nonstatutory benefits
- \* No-additional-cost services & qualified employee discounts
- \* Working condition fringes
- \* Employee achievement awards
- \* Dependent care assistance
- \* Cafeteria plans
- \* Self-insured medical reimbursement plans
- \* Employer-provided automobile
- \* Interest-free & below-market loans
- \* Fringe benefit plans for S corporations

### **Learning Objectives**

After reading Chapter 4, participants will be able to:

1. Identify basic fringe benefit planning by determining “income” under §61 and specifying the differences between former nonstatutory and current statutory fringe benefits.
2. Determine “no-additional-cost services” and identify what property or services are excludable from income as qualified employee discounts under §132(c), specify exceptions to working condition fringes and de minimis fringes, recognize a §74 “employee achievement award,” and cite the §79 group term life insurance rules.
3. Recognize the requirements and limits of §129 dependent care assistance, identify §125 “cafeteria plans” specifying how they function, specify the §119 meals and lodging exclusion, cite the mechanics of §105 self-insured medical reimbursement plans, and determine the requirements and limits of §127 programs.

4. Identify employer-provided automobiles valuation methods, determine what constitutes interest-free and below-market loans, specify the requirements and limitations of fringe benefits under §§217, 132, 67 212, 132(h)(5) and 280A, cite S corporation fringe benefits, and specify ERISA compliance requirements.

After studying the materials in Chapter 4, answer exam questions 40 to 48.

<b>ASSIGNMENT</b>	<b>SUBJECT</b>
<b>Chapter 5</b>	<b>Business Entertainment</b>

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

- \* Pre- & post-2018 tests for entertainment expenses
- \* Statutory exceptions
- \* Pre-2018 ticket purchases
- \* Percentage reduction for meals
- \* Entertainment facilities
- \* Substantiation & record keeping
- \* Employee expense reimbursement & reporting
- \* Self-employed persons
- \* Employers

### **Learning Objectives**

After reading Chapter 5, participants will be able to:

1. Define the key tax term “entertainment” and identify the deductibility tests recognizing the importance of the remaining statutory exceptions for entertainment.
2. Determine the former treatment of ticket purchases, recognize the percentage reduction restriction for meals, specify the application of the former 2% deduction limit, and determine an “entertainment facility” stating related deductible costs.
3. Identify substantiation, recordkeeping, reimbursement, and reporting requirements recognizing variations in methods and determine how to itemize non-reimbursed employee expenses and specify the special reporting rules for self-employed persons and employers.

After studying the materials in Chapter 5, answer exam questions 49 to 58.

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

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

- \* Company paid insurance
- \* Group term life insurance
- \* Regulations
- \* Retired lives reserve

- \* Split-dollar life insurance
- \* Medical & dental insurance & disability income insurance
- \* Interest limitation on policy loans
- \* Key person life insurance
- \* COBRA
- \* VEBA's - §501(c)(9) Trusts

### **Learning Objectives**

After reading Chapter 6, participants will be able to:

1. Recognize the importance and variety of business insurance by:
  - a. Identifying the popularity and application of business life insurance plans specifying common coverage and premiums;
  - b. Determining corporate uses for life insurance including estate, travel, and accident uses and specifying the tax treatment, reporting requirements, and discrimination rules for business insurance particularly the §79 requirements for group insurance;
  - c. Identifying the benefit of not needing a medical examination as a prerequisite to purchasing a plan;
  - d. Recognizing retired lives reserve and split-dollar life insurance stating their mechanics, taxation regulation, and advantages and disadvantages;
  - e. Specifying the mechanics of employer-paid health, medical, and disability income insurance including the impact of medical examination requirements.
2. Identify the impact of the disallowance of the interest deduction on purchasers and the insurance industry recognizing the §264 interest limitation on policy loans, specify the benefit of corporate key person life insurance, cite the requirements of COBRA, and determine what constitutes a Voluntary Employee Benefit Association under §501(c)(9).

After studying the materials in Chapter 6, answer exam questions 59 to 67.

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

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. Identify nonqualified and qualified deferred compensation plans recognizing their benefits and contribution limits and recall the current and deferred advantages and disadvantages of corporate plans including fiduciary responsibilities and prohibited transactions.
2. Specify the requirements of three basic forms of qualified pension plans.
3. Determine the differences between defined contribution and defined benefit retirement plans and specify five types of defined contribution plans stating their impact on retirement benefits.
4. Recognize self-employed plans from qualified plans for other business types and owners.
5. Identify the requirements of IRAs, SEPs, and SIMPLEs, and define tax-free Roth IRA distributions specifying strategies to maximize plan benefits.

After studying the materials in Chapter 7, answer exam questions 68 to 90.

### **ASSIGNMENT**

### **SUBJECT**

#### **Chapter 8**

#### **Nonqualified Deferred Compensation**

At the start of Chapter 8, participants should identify the following topics for study:

- \* Postponement of income
- \* Purposes & benefits
- \* Constructive receipt
- \* Economic benefit
- \* Funded company account plan
- \* Segregated asset plan
- \* Tax consequences
- \* Accounting
- \* Estate planning considerations

### **Learning Objectives**

After reading Chapter 8, participants will be able to:

1. Recognize the postponement of income with a nonqualified plan by:
  - a. Identifying nonqualified plan advantages including ways to design the plans and specifying the IRS's position on such arrangements recognizing the impact of constructive receipt and economic benefit concepts;
  - b. Specifying deferred compensation patterns set forth in R.R. 60-31 stating the taxability of each; and
  - c. Determining unfunded and funded plans and the use of company assets or bookkeeping accounts to avoid employee taxation.



2. Identify the setup of a segregated asset plan where the account is not subject to the claims of the employer's creditors and still avoids employee taxation and specify the tax consequences of establishing a nonqualified plan.

After studying the materials in Chapter 8, answer exam questions 91 to 99.

<b>ASSIGNMENT</b>	<b>SUBJECT</b>
<b>Chapter 9</b>	<b>S Corporations</b>

At the start of Chapter 9, participants should identify the following topics for study:

- \* Advantages & disadvantages
- \* S corporation status
- \* Termination
- \* Income & expense
- \* Built-in gain
- \* Passive income
- \* Basis of stocks & debts
- \* Distributions
- \* Form 1120S
- \* Fringe benefits

### **Learning Objectives**

After reading Chapter 9, participants will be able to:

1. Determine what constitutes an S corporation, specify the advantages, and list the disadvantages associated with them.
2. Identify variables that impact whether a business can choose S corporation status.
3. Cite ways an S corporation may be terminated specifying related procedures to be followed.
4. Recognize the taxation and fringe benefits of S corporations as compared to other entity formats by:
  - a. Determining the tax treatment of S corporation income and expenses, pass-through items, built-in gain, passive income, tax preference items, LIFO recapture tax, and capital gains tax and their impact on the taxation of S corporations; and
  - b. Identifying the benefits available to other entity formats, determining S corporation owner compensation and distribution options recognizing reasonable compensation requirements, related party rules, S corporation distribution taxation, tax year choices, fringe benefits, and specifying when the Form 1120S must be filed.

After studying the materials in Chapter 9, answer exam questions 100 to 119.

<b>ASSIGNMENT</b>	<b>SUBJECT</b>
<b>Chapter 10</b>	<b>Business Dispositions &amp; Reorganizations</b>

At the start of Chapter 10, participants should identify the following topics for study:

- \* Starting a new business
- \* Buying an existing business
- \* Reorganization types
- \* Carryover of corporate tax attributes

### **Learning Objectives**

After reading Chapter 10, participants will be able to:

1. Recognize various business disposition and reorganization possibilities by:
  - a. Determining how organizational costs, start-up costs, and syndication costs are incurred and specifying what expenditures they include and how they are treated;
  - b. Identifying advantages of purchasing an existing business over starting a new business, citing ways to find a business that is for sale, and specifying the tax considerations of such an acquisition;
  - c. Specifying a reorganization under §368(a)(1) recognizing the types of transactions that qualify as non-taxable reorganizations; and
  - d. Identifying the factors that determine the corporate tax attributes of an acquired corporation that carry over to the acquiring or successor corporation.

After studying the materials in Chapter 10, answer exam questions 120 to 125.

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# CORPORATE TAX PLANNING



By  
Danny C. Santucci

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