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## ACC 700 Milestone Three Guidelines and Rubric

The third milestone is a rough draft of the third artifact for your professional portfolio, a tax memo. The tax memo is broken up into two parts: Tax Memo I is a personal income tax preparation and Tax Memo II is a corporate tax memo. This will be graded using the rubric at the end of the assignment. This milestone is a rough draft for you to organize your thoughts and receive feedback from your instructor for the final submission. Note that the submission requirements for this milestone are less demanding than those for the final submission. Once you have submitted this milestone and received feedback from your instructor, you will have the opportunity to incorporate this feedback and complete the artifact by meeting the submission requirements found in the Final Project Guidelines.

### **Client Three – Ms. Emma Shire (Tax Memo)**

Ms. Emma Shire is a client at S.N.H.U., LLC. Your task is to develop a comprehensive, professional tax memo and appendix for her personal income tax preparation. Ms. Shire has questions and concerns about her personal income taxes, as well as taxes as they relate to her business, Clifford Co. She also works at Clifford Co., a large organization set up as a corporation, and has questions about their tax obligations. You will need to research the relevant tax regulations and provide Ms. Shire with guidance on her questions related to personal, partnership, and corporate tax situations. You will also need to provide her with recommendations for regulations in solving problems and recommending courses of action that will comply with regulations and, at the same time, provide her with the best tax strategy possible for Ms. Shire.

### **Artifact Three: Tax Memo I Information for Personal Income Tax Preparation**

Ms. Shire has provided you with the following information to prepare her personal income tax return for 2014.

Emma Shire lives at 5258 Mountain Skies Road, College Park, MD 20742. She is a human resource manager at Clifford Company, Inc. She works at Clifford Co., a large organization set up as a corporation, and has questions about their tax obligations. She also works at Clifford Co., a large organization set up as a corporation, and has questions about their tax obligations. She is also a 50/50 partner in a local clothing boutique. Ms. Shire has two children, Kelly Shire (DOB 2/3/2012) and Jordan Shire (DOB 5/19/2006).

Ms. Shire was born on January 14, 1976, and her Social Security number is 123-45-6789. She does not want to contribute \$3 to the Presidential Election Campaign Fund.



The following information is shown on Ms. Shire's 2014 Wage and Tax Statement (Form W-2):

Line	Description	Amount
1	Wages, tips, other compensation	\$65,000.00
2	Federal income tax withheld	10,500.00
3	Social Security wages	65,000.00
4	Social Security tax withheld	4,030.00
5	Medicare wages and tips	65,000.00
6	Medicare tax withheld	942.50
15	State: Maryland	
16	State wages, tips, etc.	65,000.00
17	State income tax withheld	1,650.00

Additional Information:

- Received interest of \$1,750 from Maryland Federal Savings and Loan Association and \$250 from Maryland State Bank. The interest income on a Form 1099-INT.
- Received qualified dividends of \$600 from Blue Corporation, \$750 from Green Corporation, and \$368 from Orange Corporation. The dividends were reported on a Form 1099-DIV.
- Received child support of \$15,000 during the year.
- Received a \$900 income tax refund from the state of Maryland on April 29, 2014.
- Reported total itemized deductions of \$10,200 on 2013 federal income tax return, which included \$2,200 of state income tax deduction.
- Received K-1 indicating her share of the clothing boutique's ordinary business income (loss) – Line 1 is \$23,580. No guaranteed payments were received by the partnership.
- Acquired 100 shares of Ace Corporation common stock for \$30 a share on January 12, 2014. She sold the stock on December 31, 2014, for \$45 a share.
- Paid \$1,300 for prescription medicines and \$1,875 in physician and hospital bills. Medical insurance premiums were paid by her employer.
- Paid real property taxes of \$1,675 on her personal residence and interest on her home mortgage was \$4,285, and interest on her car was \$360.
- Contributed \$25 each week to her church and \$15 each week to United Way.
- Paid \$1,500 in estimated federal income taxes throughout the year.

### **Artifact Three: Tax Memo II Corporation Issue**

Clifford Company has encountered the following issue:

The company would like to make a property distribution (dividend) of the three machines that it uses in its business. It no longer needs them. All three machines have a fair market value of \$20,000 each. The basis of each machine is as follows: Machine A, \$27,000; Machine B, \$18,000; Machine C, \$12,000. The corporation has asked you for advice. What do you recommend?

Your final portfolio artifact is the comprehensive, professional tax memo and appendix that you develop for Ms. Emma Shire, a partner in Clifford Company. As you did with the previous two artifacts, make sure to incorporate the feedback that you receive from your instructor and peers.

**Memo:** You will justify recommendations and explain potential issues and future decisions relating to Ms. Shire's tax situation. As you did with the previous two artifacts, make sure that your memo addresses her concerns in language that she can understand.

- Address Ms. Shire's questions pertaining to personal tax planning. Based on her given information, what actions can Ms. Shire take in her personal life to effectively reduce her tax liability? Provide specific recommendations, defend them with tax regulations, and explain the tax consequences or savings in conceptual and dollar value terms.
- Address Ms. Shire's questions pertaining to her partnership income. Based on the given information, what actions can Ms. Shire take in her partnership to effectively reduce her tax liability from the partnership? What are the tax consequences to Ms. Shire if she and her partner sell their interest in their business to a corporation? Provide specific recommendations, defend them with tax regulations, and explain the tax consequences or savings in conceptual and dollar value terms.
- Address Ms. Shire's questions pertaining to Clifford Co.'s tax preparation. Provide specific recommendations, defend them with tax regulations, and explain the tax consequences or savings in conceptual and dollar value terms.

Supporting documents should include, but are not limited to: a completed tax return, tax schedules, and tax forms.

**Guidelines for Submission:** Tax Memo I should be submitted as a one- to two-paragraph summary in a Microsoft Word document with double spacing, 12-point Times New Roman font, one-inch margins, and at least two sources cited in APA format. Round all answers up to the nearest cent.

Tax Memo II should be submitted as a one- to two-paragraph summary in a Microsoft Word document with double spacing, 12-point Times New Roman font, one-inch margins, and at least two sources cited in APA format.

Note that this milestone is a rough draft and the submission guidelines are different for the final draft of the memos. Tax Memo I will be one to two pages in length and Tax Memo II will be one to two pages in length with at least three sources. Refer to the submission guidelines in the Tax Memo II Rubric document.

**Instructor Feedback:** This activity uses an integrated rubric in Blackboard. Students can view instructor feedback in the Grade review [these instructions](#).

Critical Elements	Proficient (100%)	Not Proficient (0%)
<b>Personal Tax Planning</b>	Identifies specific actions to reduce Ms. Shire's tax liability; provides recommendations supported with tax regulations with an explanation of the consequences or savings in conceptual terms and dollar values	Does not identify specific actions to reduce Ms. Shire's tax liability; does not provide recommendations supported with tax regulations or an explanation of the consequences or savings in conceptual terms and dollar values
<b>Partnership Income</b>	Identifies actions for Ms. Shire to reduce her tax liability from her partnership, includes tax consequences if Ms. Shire and her partner change to a corporation, and provides recommendations supported with tax regulations with an explanation of the consequences or savings in conceptual terms and dollar values	Does not identify actions for Ms. Shire to reduce her tax liability from her partnership, includes tax consequences if Ms. Shire and her partner change to a corporation, and provides recommendations supported with tax regulations with an explanation of the consequences or savings in conceptual terms and dollar values
<b>Clifford Co.'s Tax Preparation</b>	Provides recommendations pertaining to Clifford Co.'s tax preparation supported with tax regulations and an explanation of the consequences or savings in conceptual terms and dollar values	Does not provide recommendations pertaining to Clifford Co.'s tax preparation supported with tax regulations and an explanation of the consequences or savings in conceptual terms and dollar values
<b>Articulation of Response</b>	Submission has no major errors related to citations, grammar, spelling, syntax, or organization	Submission has critical errors related to citations, grammar, spelling, syntax, or organization that prevent the communication of ideas



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