

Tax Training: Business, Real Estate, and Trust Tax Returns Agenda

The recorded version of our training consists of several discrete webinars, covering a wide range of topics. The core program is described below. Additional webinars may become available later in the processing cycle.

B-01 – Businesses and Financial Aid Basics

This webinar will introduce participants to the business, real estate, and trust tax returns that they can use to enhance their ability to evaluate an applicant's available resources. The basics of business tax returns will be covered by taking quick looks at the most useful relevant tax forms, and the reasons these tax forms can be helpful – business owner pay vs. business profits, the timing of purchase vs. the timing of expensing these purchases, and the challenge of assessing a business's value will be covered. This webinar is designed to get participants familiar with the tax forms and language that will be used in the rest of the program.

B-02 – The Basics of Business Expenses

Which business expenses are deductible, and which are not? Do all expenses on the tax return represent actual, necessary spending? Can we identify one-time or short-term expenses on the base year tax return that will not reduce the business income during the academic year? Are there expenses that are likely to be padded with personal expenses? This webinar will review the expenses that a business deducts in the year they are incurred, which may overstate the business's costs reducing taxable income below available income.

B-03 – Depreciation, Amortization, and Depletion

Most financial aid officers reviewing business tax returns look first for depreciation – which they treat as untaxed income in the analysis of eligibility for institutional financial aid. This webinar will explain what depreciation is and why it is an easy “add-back”, but also whether there are circumstances when some of the depreciation should not be treated as available income. Amortization and the less common depletion, two other business deduction that share characteristics with depreciation, will also be explored.

B-04 – Schedule C – The Basics

Schedule C is the most common business tax return and often the most frustrating to financial aid officers. In this webinar, we will look who is required to file a Schedule C. Then we will review a straightforward Schedule C business, using the information from the earlier webinars, to convert the taxable base year income into an estimate of income available to the business owner in the academic year.

B-05 – Schedule C – Advanced Issues

In this webinar, which builds on the previous webinar, we will look at a more complicated Schedule C business, again converting taxable income in the base year into an estimate of the income available to the business owner in the academic year. This webinar will also look at non-traditional Schedules C and Schedules SE – from statutory employees, ministers, and United States employees of international organizations, that aid officers might see and should understand.

B-06 – Real Estate: Schedule E and Form 8825

People who rent real property (buildings) to others enjoy some of the most significant tax benefits available to individuals. These benefits are so large, that many real property owners get to take a tax loss based on their rental activities even in years when they turn a real profit. This webinar will review Schedule E and Form 8825 so that participants will be able to estimate the property owner's real income, which can be used in the calculation of the applicants' financial aid eligibility.

B-07 – Introduction to Pass-through Entities

When I was a financial aid officer, I would groan or curse when I opened a file only to find a partnership or S corporation. All financial aid officers file personal tax returns, but few own businesses and have had to deal with the dreaded Schedule K-1. This webinar will introduce aid officers to pass-through business entities: partnership and S corporations. The goal will be to become familiar with these businesses and the forms they produce for their owners that allow owners to complete their personal tax returns.

B-08 – Partnerships

We will review a partnership and its tax return, Form 1065. This webinar presents a step-by-step approach to analyzing a partnership to determine the income available to its owners during the academic year. The partnership has multiple owners, depreciable property, made a large, one-time purchase in 2020, and had a PPP Loan forgiven in 2020.

B-09 – S Corporations and C Corporations

S corporations are like partnerships. C corporations are not. In this webinar, we will look at the same business that we reviewed in webinar B-8 – as an S corporation and a C corporation. We will learn about S corporations by comparing them to partnerships (they really are very similar), and then C corporations by comparing them to S corporations (despite their similar names, they are very different). Form 1120-S and Schedule K-1 (Form 1120-S) will be explained. The importance of collecting C corporation tax returns (Form 1120) and adjusting the income used in the need analysis for retained earnings and C corporation dividends will be emphasized.

B-10 –Valuing Businesses and Real Estate

We ask business owners to report the value of their business on the applications for financial aid – but what are we really asking – and what are question are they hearing? People rarely have a good idea of what their assets are worth until it comes time to sell them. Tax returns often contain balance sheets –

but these list book values, and (usually) we expect people to report market values. This webinar will review the various approaches aid officers can take to assign a value to a business, based on the business's available income, balance sheet, and online resources.

B-11 – Business Tax Return Case Studies

Several case studies will be covered in detail in this follow-up webinar, which assumes that participants have completed webinars B-01 through B-10.

B-12 – Trusts

Individuals use trusts for many purposes. Some trusts are set up to make the inheritance of assets easier – allowing beneficiaries to receive their inheritance without going through probate court. Others are set up to provide for the future needs of their beneficiaries, including anticipated medical costs, costs for disability care, and of course education. But they can also be set up to prevent assets from being available – by limiting the beneficiary's options or specifying that trust funds cannot be used to fund higher education. This webinar will look at trusts with a goal of developing a fair and equitable approach to assessing them in the need analysis. It will look at the documentation an aid officer will need to collect to evaluate the trust, the inherent inequities in trusts and how to address them consistently, and of course, IRS Form 1041 and Schedule K-1 (Form 1041).

B-13 – 2020 (2022-2023) Need Analysis Challenges

For tens of millions of American families, 2020 was the worst year of their economic lives. Aid officers may have used 2020 tax returns as documentation when addressing 2021-2022 appeals, but what do we need to know about this unique year as we review 2022-2023 application? This webinar will cover the pandemic related programs created to support individuals and businesses through the pandemic, including the Paycheck Protection (PPP) Loan program, the Shuttered Venue Operators Grant, the Restaurant Recovery Grant, and the Coronavirus Related Distribution (CRD) pension and IRA withdrawal option.