

TAX 655 Milestone Two Guidelines and Rubric

You will submit a draft explaining the tax effects of salaries if cash is withdrawn from a business. You must also explain the tax consequences of paying the owners based on the taxable entity selected for the business, as well as the tax consequences for each individual's personal tax returns. This assignment will address Section I, Parts D and E of the critical elements of the final project.

Specifically, the following **critical elements** must be addressed:

I. Memorandum

- D. Explain the **tax effect** based on providing \$180,000 per year for the client's salary and \$70,000 per year for his daughter's salary if they **withdraw cash** from the business or **pay dividends** as appropriate.
- E. Justify the **percentage of ownership** the client's daughter should have in the business based on the type of business entity recommended. Consider the tax law in reference to the recommendation and how the decision will affect the daughter's tax return.

Guidelines for Submission: Your paper must be submitted as a 2- to 3-page Microsoft Word document with double spacing, 12-point Times New Roman font, one-inch margins, and at least three sources cited in APA format.

| Critical Elements | Proficient (100%) | Needs Improvement (75%) | Not Evident (0%) | Value |
|--|---|--|---|-------------|
| Memo: Tax Effect on Cash Withdrawals or Dividends | Explains the tax effect based on providing the client and his daughter salaries if they withdraw cash from the company or pay dividends | Explains the tax effect based on providing the client and his daughter salaries but details are inaccurate or cursory | Does not explain the tax effect based on providing the client and his daughter salaries | 40 |
| Memo: Percentage of Ownership | Justifies the percentage of ownership the client's daughter should have based on the business recommended | Justifies the percentage of ownership the client's daughter should have but details are irrelevant or cursory | Does not justify the percentage of ownership the client's daughter should have | 40 |
| Articulation of Response | Submission has no major errors related to citations, grammar, spelling, syntax, or organization | Submission has major errors related to citations, grammar, spelling, syntax, or organization that negatively impact readability and articulation of main ideas | Submission has critical errors related to citations, grammar, spelling, syntax, or organization that prevent understanding of ideas | 20 |
| Total | | | | 100% |