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| **Class** | **6A:231 – Taxes and Business Strategy; Spring 2009**<br>TTh 9:30 – 10:45, C425 PC |
| **Instructor** | **Professor Sonja Rego**<br>Email: Sonja-Olhoft@uiowa.edu<br>Office phone: 335-0891 |
| **Office Hours** | MW 3:00 – 4:00 pm, and by appointment; PBB W278 |
| **Text** | Taxes and Business Strategy; by Scholes, Wolfson, Erickson, Maydew, and Shevlin (SWEMS); 4th Edition<br>Cases in Tax Strategy; by Erickson; Third Edition |
| **Objective** | This course will develop a student's ability to identify, understand, and evaluate tax-planning opportunities. The material focuses on tax planning concepts and the effect of taxes on business decisions, rather than detailed tax rules and legal research. We begin by developing a conceptual framework for evaluating how tax rules affect financial decisions. The framework is then applied to various types of financial decisions, including savings vehicles, business entity choice, capital structure, international tax planning, financial statement analysis, compensation planning, and mergers, acquisitions, and divestitures. |
| **Course Web Page on ICON** | Students can access the course Web page through ICON, using their HawkID and password. I will continually post a "Calendar" on ICON under "Administrative Documents" to inform students of upcoming assignments and required readings. I also provide electronic links to lecture notes, outside readings, assignments, and grades on ICON. Communication outside of class and office hours should be done via e-mail (Sonja-Olhoft@uiowa.edu). |
| **Problem Sets** | Students must complete 7 problem sets throughout the semester. Problem sets are **individual** assignments designed to reinforce the textbook material and concepts discussed in class. While I encourage students to **discuss** problems with each other outside of class, problem sets must reflect **individual** work, and I will not accept problem sets where individuals have copied each other's work. Moreover, it is NOT acceptable for students to distribute solutions to, or compare solutions with, other students. Students who engage in such behavior will be subject to severe disciplinary action (see Academic Integrity section below). |
| **Cases** | Students must complete 6 cases throughout the semester. These assignments require students to apply textbook theories and concepts to 'real world' cases. Students will work together in pre-assigned groups, and each group should turn in one copy of each case. |

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| **Cases** | Groups should NOT work together. Students should only work with other students in their group. (Think of this as a case competition.) Moreover, it is NOT acceptable for groups to split up assignments between group members (e.g., student #1 completes case #1, student #2 completes case #2, etc.). Such behavior does not constitute group work. Finally, group members will evaluate each member's contribution to group assignments throughout the semester. Members that have not sufficiently contributed to group assignments will be penalized based on the group evaluations.<br><br>I highly recommend that students bring two copies of all assignments (i.e., problem sets and cases) to class on the due date, so that students can participate in classroom discussions during the solution presentation. |
| **Tax Shelter Project** | Each case group must write an 8 – 10 page paper that discusses some aspect of the tax shelter industry in the United States. For example, the paper could explain how specific tax shelters operate, describe current Treasury Department efforts to 'shut down' the tax shelter industry, or describe current tax shelter cases against accounting and law firms. (See suggestions at end of this syllabus.)<br><br>Each group must obtain my approval of their tax shelter topic BEFORE proceeding with the project. Topics will be approved on a 'first-come-first-serve' basis. I will evaluate each project based on three dimensions: (1) the <u>substance</u> of the written report, (2) the <u>writing</u> of the written report, and (3) the 10 minute <u>presentation</u> to the entire class.<br><br>Papers will be evaluated by Turnitin.com to detect improper "matching text" (i.e., plagiarism). Thus, it is imperative that you properly cite your sources. If you are copying text word-for-word, use quotation marks and cite the source and page number for the quotation. If you are paraphrasing a source, you still need to cite the source and page number for the paraphrased text.<br><br>In general, whenever quoting or paraphrasing text from another source, you should footnote the source's author(s), title, and relevant page number(s) in a footnote that immediately follows the quoted or paraphrased text. In addition, please prepare a bibliography at the end of the paper that lists (alphabetically by author) all sources utilized to complete the project. (This format is similar to Harvard Bluebook style…) |
| **Presentations** | On a pre-assigned basis, students will present the solutions for many assignments. I will notify students prior to an assignment who is presenting which solution for which problem or question. (For example, Leah will present the solution for problem #1; Dillon will present the solution for problem #2, etc.) These presentations will contribute to a student's class participation grade (see below). |

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| **Class Participation** | I expect students to read materials BEFORE class and I expect students to participate in class discussions **regularly** (i.e., approximately each class period). Participation grades will be based on: (1) a student's ability to answer questions about class material during class discussions, and (2) a student's overall contribution to the classroom. (If a student does not talk in class, they will receive a ZERO for class participation, even if they attend every class.) |
| **Class Attendance** | Given my emphasis on class participation, I expect students to attend most classes. However, students sometimes need to miss class due to medical or other personal reasons. Similar to an employment situation, I expect students to inform me of anticipated absences (e.g., job interviews), as well as extended absences (e.g., due to illness). Email notification would be most appreciated. |
| **Cell Phones** | *Please have the courtesy of turning off your cell phone before class starts!* |

**Grades**

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| Problem Sets (7 @ 10 points each) | 70 pts | 28 % |
| Cases (6 @ 15 points each) | 90 pts | 36 % |
| Tax Shelter Project (1 @ 45 points) | 45 pts | 18 % |
| Class Participation (45 points) | 45 pts | 18 % |
| **Total Points** | **250 pts** | 100.0% |

**Grading Policies**

Assignments are due **at the beginning of class** on the due date and will be docked five points for each day (or part thereof) the assignment is late. I will **not accept** a late assignment if the student was in class during the solution presentation for the late assignment.

If you disagree with how your assignment was graded, you should write a memorandum that discusses the issue (i.e., why you believe your answer is correct). All memos must be submitted with the assignment within one week of receiving your grade. Please be aware that **I will re-grade the entire assignment**.

**Now for the fine print…**

**College**

The Tippie College of Business administers this course. Consequently, class policies on matters such as requirements, grading, and sanctions for academic dishonesty are governed by the Tippie College of Business. Students wishing to add or drop this course after the official deadline must receive the approval of the Dean of the Tippie College of Business.

**Disabilities**

** *PLEASE NOTE:* If you have a disability that may require some modification of seating, testing, or any other class requirement, please let me know as soon as possible so that appropriate arrangements can be made. Similarly, if you have any emergency medical information about which I should know, or if you need special arrangements in the event the building must be evacuated, please let me know. Please see me after class hours or during my scheduled office hours or schedule an appointment. I would also remind you that the Office of Student Disability Services is available to assist you.

**Grievances**

If you have concerns regarding this course, please first discuss your concerns with me. If I cannot resolve your concerns, you may contact the DEO of Accounting, Doug DeJong, 319-335-0910, douglas-dejong@uiowa.edu. If you cannot resolve your concerns by speaking with the DEO, you may contact the Associate Dean of the MBA Program, Jay Sa-Aadu, 319-335-0930, jsa-aadu@uiowa.edu.

**Sexual Harassment**

The Tippie College of Business and the University of Iowa are committed to providing students with an environment free from sexual harassment. If you feel that you are being or have been harassed or you are not sure what constitutes sexual harassment, we encourage you to visit the University website http://www.sexualharassment.uiowa.edu/index.php, and to seek assistance from the accounting department chair, the Dean's office, the University Ombuds Office, or the Office of Equal Opportunity and Diversity.

**Academic Integrity**

All students are subject to the Honor Code for the Tippie College of Business. The Honor Code may be found at http://www.biz.uiowa.edu/upo/honorcode.html

Given the professional nature of the MAc and MBA programs, it is unlikely that a student in this class would engage in academic misconduct, which includes but is not limited to: plagiarism and unauthorized collaboration of any kind (e.g., assignments not written solely by the student(s) whose name(s) appears on the assignment or the distribution of solutions to other students).

I will punish academic misconduct according to the severity of the infraction. At a minimum, I will give the offending student(s) a zero on the assignment or exam. In some cases, the student(s) involved will NOT pass this course and may be subject to program-level discipline. Students can appeal my decision to the relevant Dean in accordance with the Tippie College of Business Honor Code.

**6A:231 Taxes and Business Strategy**
**<u>Tentative</u> Course Schedule* Spring 2009**

| DATE | TOPICS |
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| **Weeks 1 - 2** | Introduction and Tax Law Fundamentals |
| Textbook: | Chapters 1 and 2 |
| Assignment: | Select Tax Shelter Project topic |
| Assignment: | Problem Set #1 |
| **Weeks 2 - 3** | Savings Vehicles and Organizational Form |
| Textbook: | Chapters 3 and 4 (§§4.1, 4.3, and 4.4 only) |
| Assignment: | Problem Set #2 |
| Assignment: | Case #1 "Catellus on the REIT Track – An Organizational Form Choice" p. 79 |
| **Week 4** | Capital Structure |
| Textbook: | Chapter 12 (§§12.3 and 12.4 only) |
| Assignment: | Case #2 "Analysis of the Tax and Financial Statement Effects of Enron's Use of Monthly Income Preferred Stock (MIPS)" p. 25 |
| **Weeks 5** | Implicit Taxes and Tax Clienteles |
| Textbook: | Chapter 5 (§§5.1 – 5.6 only) |
| Assignment: | Problem Set #3 |
| **Weeks 6 – 8** | Multinational Tax Planning |
| Textbook: | Chapters 10 and 11 |
| Assignment: | Problem Set #4 |
| Assignment: | Case #3 "Business Purpose / Profit Motive: Compaq's Purchase and Sale of Shell Common Stock" p. 57 |
| Assignment: | Tax Shelter Project |
| **Week 9 - 10** | Accounting for Income Taxes and Fin 48 |
| Textbook: | Appendix 2.2 |
| Assignment: | Case #4 "Implications of Corporate Tax Footnote Disclosures" |
| **Weeks 11 – 12** | Compensation Planning |
| Textbook: | Chapter 8 (including Appendix 8.1 and 8.2) |
| Assignment: | Problem Set #5 |
| **Weeks 13 - 15** | Mergers, Acquisitions, and Divestitures |
| Textbook: | Chapters 13, 14, 16, and 17 |
| Assignment: | Problem Set #6 |
| Assignment: | Problem Set #7 |
| Assignment: | Case #5 "Analysis of the Tax Consequences of WorldCom's Acquisition" p. 85 |
| Assignment: | Case #6 "Snapple I: Analysis of the Tax Consequences of Quaker Oats 1997 Sale of Snapple to Triarc" p. 107 |

***This schedule is subject to change!**

**6A:231 Taxes and Business Strategy**
**Possible Topics for Tax Shelter Projects**

1) Descriptions of tax shelter activities undertaken by particular companies, individuals, accounting, or law firms.
   - Black and Decker.
   - Enron.
   - General Electric.
   - KPMG.
   - LTCM.
   - Walmart.
   - Financial institutions (e.g., Lehman Brothers) and offshore tax shelter activities.

2) Explanation (to the extent possible) of how particular tax shelters work.
   - Lease-In Lease-Out (LILO) transactions.
   - Sale-In Lease-Out (SILO) transactions.
   - Basis-Shift transactions.
   - BOSS and Son-of-BOSS transactions.
   - Lease-Stripping transactions.
   - Corporate Owned Life Insurance (COLI).
   - FLIP / OPIS transactions.
   - Corporate inversions.

3) Detailed analysis of the use of foreign tax havens by U.S. taxpayers (corporate or individual).
   - Ireland.
   - Bermuda / Cayman Islands.
   - Reliance on transfer pricing schemes and/or tax avoidance via intangible assets.

4) IRS strategies and procedures to ‘shut down’ tax shelter transactions.
   - Tax Shelter Regulations.
   - Listed Transactions.
   - Fines and Penalties.

**Where to Start Looking:**

a) http://www.irs.gov/businesses/corporations/article/0,,id=120633,00.html
b) http://www.pbs.org/wgbh/pages/frontline/shows/tax/
c) http://www.quatloos.com/listed_abusive_tax_shelters.htm
d) http://www.quatloos.com/tax_shelters_scams.htm
e) http://www.lawandtax-news.com/html/us/juslatshelt.html
f) http://www.mofo.com/news/updates/files/update1379.html
g) http://www.unclefed.com/Audit-Proofing/step4-4.html
h) http://www.quatloos.com/executive_sues_tax-shelter.htm
i) http://www.finfacts.com/irelandeconomy/usmultinationalprofitsireland.htm
j) http://www.corporatepolicy.org/topics/Taxhavens.htm