

ACCT317/517 FALL 2008: FEDERAL INCOME TAX PLANNING

Class meetings

Section A01, Call No. 00685:

Tuesday/Thursday, 08:10 am - 12:00 pm in Copeland 001

Section A02, Call No. 00686:

Tuesday/Thursday, 10:10 am - 12:00 pm in Copeland 001

Instructor: Toby Stock, Ph.D., CPA
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Office hours: Tuesdays & Thursdays 4:00 pm – 5:00 pm
Wednesdays 10:00 am – 11:30 am
& *by appointment*

Course website: <http://www.cob.ohiou.edu/stockt/Teaching.html>

Course objectives

The overall goal of the tax courses at OU (ACCT317 and ACCT347) is to provide you with a foundation for analyzing business decisions while considering the tax consequences of those decisions. Other business courses tend to gloss over important tax considerations or ignore them altogether. As we will see again and again in this class, a decision that appears to be optimal when ignoring taxes frequently can be sub-optimal once one considers the effects of taxation on different alternatives' cash flows. Thus, this course is relevant to any business student wishing to improve the quality of his/her business decisions.

The specific objectives of ACCT317 are to help students:

1. Develop an economic framework for thinking *critically* about how taxes affect business decisions;
2. Accumulate a core knowledge of how the law taxes business income and owners' cash flows;
3. Understand the relation between cash flows, financial accounting numbers, and tax numbers;
4. Recognize and address some tax/business planning issues and opportunities; and
5. Use the internet and other resources to research tax issues, and clearly and concisely write about them.

Course materials

- Introduction to Income Tax Planning, a custom course text that includes selected chapters from Principles of Taxation for Business & Investment Planning, 2008 Edition prepared by McGraw-Hill Publishing, ISBN# 978-0-39-039716-4. Available at all three Athens textbook stores.
- Course packet. This includes most of the handouts and overheads used in the course, and sample exam problems and solutions. A separate course packet also includes selected chapters from Tax Concepts and Analysis, 2007-2008 edition, by Jerrold J. Stern. These packets are available at either Grade A Notes or Bobcat Books (only).

Course conduct

This class is largely a traditional class discussion/problem oriented class. Throughout the quarter, we will work on problems, short cases, etc. in class alone or in small groups. These give you opportunities to apply the material discussed in class to practical situations and to improve your analytical, creative and interpersonal skills. This makes it critical that you come to class prepared, as your preparation will directly impact the learning of your group members (and the class in general).

Importance of preparing for each class

You must prepare for and attend every class, even if you have an exam in another class, a business-related meeting that night, or a non-emergency personal matter that might conflict with this class. You must also be ready and willing to participate in, rather than merely passively absorb, class discussions. I will frequently call on students randomly to encourage this interaction and assess class understanding.

Please refer to the tentative schedule of assignments for the order in which we will cover course material. **To prepare before each class, you should (1) read the material assigned for that day's class, (2) attempt any suggested homework problems assigned for that day, and (3) come to class with a list of questions/issues about which you are unclear.**

While I understand that you have other time commitments, preparing before class is critical to your success in this class. Our discussions often will use the text and problem materials as a starting point. In addition, you frequently can learn as much from each other as you can from me. If you feel that you cannot commit to my advance preparation requirement, please drop this course.

Course grade

Your relative class standing relating to your performance on the following items will determine your final grade. I may “curve” the final point distribution if necessary.

<u>Examinations:</u>	<u>Points</u>
• Mid-Term Exams (2)	170
• Final Exam (partially comprehensive)	<u>150</u>
Total exam points	320
 <u>Non-exam points:</u>	
• Cash Flow analysis competency quiz	30
• 2 Web-based tax research assignments	50
• 3 Deloitte webcast assignments	50
• Other in-class/homework assignments	<u>50</u>
Total non-exam points	<u>180</u>
TOTAL POINTS FOR ALL WORK	<u>500</u>

Examinations

Your responsibility for the exams consists of the material covered in class (including homework assignments). You are not responsible for topics covered in the text but not assigned in the reading or in homework or discussed in class.

I believe in “second chances” in the first tax course. To allow for this, I will grade each mid-term exam out of 100 points, but then I will re-weight your lower score so that it is out of only 70 points. For example, if your two mid-term exam raw scores are 88 and 56, an equally-weighted scheme would result in your earning 72% of the total of these two exams, or $(88+52)/200$. In contrast, the re-weighting scheme will

result in your earning about 75% of the total points on these exams, or $[88 + 56*(70/100)]/170$. So this grading scheme automatically weights your better mid-term exam score more heavily than your other score. In addition, your final exam is partially comprehensive, giving you another chance to show your improvement over the older material.

- *You can use “cheat sheets” on all exams!*

The three exams are closed-book, but you may bring a “cheat sheet” to each exam. The cheat sheet is (1) limited to one side of an 8½ x 11 sheet of paper that is (2) self-created and (3) includes no photocopying or scanning. You may put anything you wish on this cheat sheet. You must turn in the cheat sheet with the exam.

- *Mid-term make-up exam policy*

I do not give make-up exams. If you must miss one of the mid-term exams for a valid purpose (approved before the exam), then you will replace that exam by writing a 10-page comprehensive summary of the material covered on the exam. We must agree on the content of this summary, and you might have to go through one or two rounds of revisions before I accept it. Once we agree on your summary, your exam grade will equal the average of your other exam grades, scaled to the appropriate number of points. This procedure is only acceptable for one mid-term exam. If you do not have pre-approval for missing the exam, you will receive a zero on that exam.

- *Final exam*

The final exam is partially comprehensive, meaning that it will cover all material after the second exam plus selected topics from the older material. Generally, I will select topics to re-test based on class performance on the mid-term exams. You will know the list of re-tested topics before the final exam.

Non-exam points

- *Cash flow analysis competency quiz*

Computing the after-tax cash flow for a variety of transactions is a critical skill in this class. It is impossible for taxpayers to rely on tax planning advice if their advisor cannot determine the ATCF from a proposed transaction. Therefore, you will complete a 30 point take-home quiz that focuses on this skill. However, there are only 3 possible grades on this assignment—30, 24, and zero. That is, you must score at least 80% on this assignment to receive points on it. You will have up to 3 opportunities to take this quiz during the quarter.

- *Tax research assignments*

Unit 2 of the class (taught during the 2nd and 3rd weeks of class) will teach you how to perform high-quality tax research. This material is not highly covered on the first mid-term exam. To assess your competency in this unit, you must complete two tax research assignments, one each relating to material in Units 3 and 4. The purpose of these assignments is to give you multiple chances to practice finding, reading, understanding, and communicating the tax law applied to complex tax planning and tax compliance questions. I will grade each of these assignments out of 25 points.

- *Deloitte webcast assignments*

Deloitte has created extremely high-quality, streaming web-based video presentations that deal with a variety of topics. Your task is to watch three of these and turn in answers to a few questions about each one. I will assign two of them to you, and you can select one other from a subset of the remaining available topics. In addition, I might ask an exam question that relates to one or more of these webcasts.

- *Other in-class assignments and homework*

This component of your total points is assessed on a less formal basis than the other components. Sometimes I will visually spot-check homework, and other times I will assign short problems/exercises for you to complete in-class in groups or alone at home and collect and grade these assignments. Most commonly, I will occasionally collect one or more suggested homework problems randomly. This is my way of rewarding students who prepare for class and of providing all students with an incentive to prepare for class. **I will not accept late homework assignments.** even if you did them but forgot to bring them to class. However, I will drop your lowest homework score at the end of the quarter.

Other grading issues

- *Subjective evaluation*

At the end of the quarter, I will assess your in-class participation and, to a lesser extent, your attendance. If your overall performance in these areas is excellent, I reserve the right to increase your grade by one level (e.g., from a B+ to an A-). Conversely, if your performance in these areas is poor, I reserve the right to decrease your grade by one level (e.g., from a B- to a C+). In very extreme cases, your grade might rise or fall by more than one level.

- *Class participation*

An evaluation of your class participation includes consideration of both the quality and quantity of your comments and questions during class discussion. It also includes the effort and leadership you exhibit during in-class group exercises. Participation is an important part of the class because you will learn much from each other if you are willing to share with one another in and out of class.

- *Attendance*

It is essential that you attend every class because class we will devote the bulk of class time to illustrating the content of the reading and resolving any questions/problems you are having with the material. I informally and randomly take attendance, and take note of people who are often absent. Consequently, I reserve the right to drop you from the class if you miss more than 3 classes. My inclination to drop you will depend on the number of classes missed, the reasons for your absences, and the likelihood of future absences. Note that you will have to present a very persuasive reason for remaining in the class if you miss more than 4 classes, and that I will automatically drop you if you miss more than 6 classes. This is a nonnegotiable, administrative decision, reflecting the reality that missing 30% of class meetings is not acceptable in an academic environment.

Administrative details

I follow, without exception, university and college policies regarding assigning incompletes, withdrawal from class, and academic dishonesty.

SOME IMPORTANT DATES:

(source: <http://www.ohiou.edu/registrar/info/fall08-09/calendar.htm>)

- ✓ First day of classes: Monday, September 8, 2008.
- ✓ **The last day to drop this class and without a WP or WF grade showing on your transcript is Monday, September 22, 2008.**
- ✓ **The last day to drop this class with a WP or WF grade showing on your transcript is Monday, October 13, 2008.**
- ✓ The last day to resolve an incomplete (I) grade from the spring quarter is Friday, October 17, 2008.
- ✓ Last day of classes: Saturday, November 15, 2008.

Tentative Schedule for ACCT317 for Fall 2008

Class #	Date	Topic(s)	Read before class	Try homework before class
Unit 1: The tax planning environment				
1	Sep 9	Intro; ATCF model theory	TCA1: 2-16	22, 24, 27-31
2	Sep 11	ATCF model in practice	Syllabus; TCA1: 16-29; SJ3: 1-16	SJ3—D:2-4, 10, 11; A:3, 5, 10-13
3	Sep 16	Individual tax	SJ14: 27-44	D:2, 6, 8, 12, 16; A:7-11, 13-17
Unit 2: Tax law hierarchy & tax research				
4	Sep 18	Finish individual tax; Tax law hierarchy	SJ5: 63-78 + TS: review tax research slides	Work more TCA1 & SJ3 problems of your choice. I suggest SJ3 "tax planning case" #2
	Friday, Sep 17	ATCF Competency Quiz (first try) hard copy due by noon to my office		
5	Sep 23	IRC and regulations	TS: review code & regs slides	Work more TCA1 & SJ3 problems of your choice.
		Cases and rulings	TS: review cases/rulings slides	SJ5—D:1, 2, 4, 5, 9; A:3, 10 D&T Webcast #1 due in class
Unit 3: Shifting income across time				
6	Sep 25	Wrap up tax research; Accounting methods	SJ6: 83-96	SJ5—D:7; A:5, 6 SJ6—D:5-8; A:5, 6, 8, 9, 12-14
	Monday, Sep 29	Tax Research Warm-Up hard copy due by noon to my office		
7	Sep 30	Book-tax differences	SJ6: 96-103	D:10, 14; A:3, 16, 17, 23, 28
		Finish Accounting Methods NOLs & MTRs	TCA7: 2-15 & SJ6: 103-107	TCA7—1-6; SJ6—A:29
8	Oct 2	Exam 1: in class exam. ATCF Competency Quiz (second try) hard copy due at beginning of class.		
Unit 4: Shifting income across income types				
9	Oct 7	Review exam 1; Investment planning	TCA3 : 2-31	TCA5—25, 26, 36, 37, 41; then 27, 28, 30, 31, 35, 42
10	Oct 9	Property acquisitions	SJ7: 119-128	D: 3, 5; A: 2, 5, 6
	Sunday, Oct 12	Tax Research Assignment for Unit 3 e-copy due by 5:00 PM to course drop box		
11	Oct 14	Cost Recovery	SJ7: 128-138 + 141-143	D: 9, 12-14; A: 7, 10, 13, 15, 17, 21, 27

Tentative Schedule for ACCT317 for Fall 2008

Class #	Date	Topic(s)	Read before class	Try homework before class
12	Oct 16	Property sales-- gain/loss <u>amount</u>	SJ8: 157-165	D:3, 5, 6, 11; A:1, 4, 6, 14, 25
		Property sales-- gain/loss <u>character</u>	SJ8: 165-178	D:1, 12; A:23, 24, 27, 29, 31
13	Oct 21	Property sales-- gain/loss <u>netting</u>		TS: netting problems D&T Webcast #2 due in class
14	Oct 23	Finish property sales; Tax-deferred exchanges	SJ9: 195-204	D: 2, 3; A: 3, 4, 9-15
Exam 2: Take-home exam hard copy due in my office on October 27 at noon.				
Unit 5: Shifting income across entities				
15	Oct 28	Entity selection planning Start corporate taxation--TI	TCA5: 2-29	TCA5—14, 19, 15, 16, 21, 22
16	Oct 30	Review exam 2 Corporate taxation—TI Corporate taxation—Book-tax differences	SJ11: 221-228 TS: Book-tax difference discussion & problems; review SJ6 & related slides	SJ11—D:10; A:3a, 5-8 SJ11—A:12a; SJ6—A:26 & 27; SJ7—A:29
	Sunday, Nov 2	Tax Research Assignment for Unit 4 e-copy due by 5:00 PM to course drop box		
17	Nov 4	Corporate taxation—finish book-tax differences Corporate taxation—Tax & AMT	SJ11: 228-241 (skim tax credits)	TS—book-tax problems 1-6 SJ8—A:40, 41 SJ11—D: 8, 9; A: 18, 19, 23
18	Nov 6	Proprietorship taxation & Partnership taxation—income	SJ10: 253-269	D: 6, 8, 9; A: 1a, 7, 13
19	Nov 11	Veterans' Day—NO CLASS!!		
20	Nov 13	Partnership taxation—basis	SJ10: 270-274	A: 14, 15, 17-21 D&T Webcast #3 due in class
Final	Nov 18	Final Exam: Tuesday, Nov 18, 2008 at 7:00 p.m. (tentative; location TBA)		
Legend:				
• TCA# = chapter # from the Tax Concepts and Analysis text portion of the course packet.				
• SJ# = chapter # from the Sally Jones/Shelly Rhoades-Catanach text in our custom course text.				
• D = <u>discussion</u> questions from the Sally Jones/Shelly Rhoades-Catanach text in our custom course text.				
• A = <u>application</u> problems from the Sally Jones/Shelly Rhoades-Catanach text in our custom course text.				
• TS = item/pages from slides course packet				