

**ATA 2021  
Teaching and Curriculum Conference**

**Friends & Felons**

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This is a case study designed for use in an income tax course at the undergraduate or graduate level. The protagonist is a student who is wrestling with an ethical dilemma around providing a character reference for an old friend who has been indicted for fraudulent loan applications related to the Paycheck Protection Program (PPP) of the CARES Act. It provides a context for discussing the requirements of the PPP, exploring the differences between independent contractors vs. employees (a critical detail that led to discovery of the fraud), considering the role of tax policy in economic stimulus and the tradeoffs between providing timely economic relief and crafting carefully designed legislation, and examining ethics issues.

Because the fraud was related to recent federal legislation it provides a wonderful opportunity to bring current events in tax policy to the classroom as a jumping off point to accomplish the following learning objectives: discuss the important distinctions between employee vs. contract labor; explore the details of the CARES Act PPP legislation and the potential issues that accountants and their clients will face in complying with the law; discuss the role of tax policy in providing economic stimulus and the potential opportunities for fraud inherent in large-scale financial relief programs; discuss ethics with a focus on virtue and loyalty to a friend versus healthy egoism. In addition to classroom discussion, potential student deliverables include tax research memos related to the independent contractor vs. employee issues and the compliance requirements of the PPP loan program.

The case was pilot tested in three classes in the fall 2020 semester, a senior-level tax survey class and a graduate accounting ethics class at a large state university and an undergraduate tax class at a small private university. Pre- and post- case survey data were gathered from students in the tax classes. Survey questions asked student to rate their knowledge pre- and post-case on each of the learning objectives and the results indicate statistically significant increases from pre to post on each learning objective. Student feedback also indicates strong support that the case held their interest and included sufficient information for them to analyze the situation and address the questions posed. All class discussion of the case took place online via zoom and students were engaged and actively participated.