Dear Reviewer,

In this submission, I am attempting to present the approach I developed and found to be an effective strategy for teaching multi-jurisdictional taxation by following the life of a T-shirt.

Many of the world’s T-shirts begin life as cotton in Texas, before becoming T-shirts in places such as China. They re-enter the U.S. market for sale and are eventually shipped to third world countries such as Tanzania for resale.

1 - Cotton growers in Lubbock, Texas. 2 - Textile factory in Shanghai, China. 3 - T-shirt owner in Washington, D.C. 4 - Consolidator in Brooklyn, NY. 5 - Market in Tanzania.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>PREFACE</td>
<td>3</td>
</tr>
<tr>
<td>INTRODUCTION</td>
<td>4</td>
</tr>
<tr>
<td>THE TRAVELS OF A T-SHIRT IN COURSE METHODOLOGY</td>
<td>5</td>
</tr>
<tr>
<td>Attachment A: Course Description and Objectives</td>
<td>9</td>
</tr>
<tr>
<td>Attachment B: Course Book List</td>
<td>10</td>
</tr>
<tr>
<td>Attachment C: Weekly Reading Assignments</td>
<td>11</td>
</tr>
<tr>
<td>Attachment D: Course Project #1</td>
<td>17</td>
</tr>
<tr>
<td>Attachment E: Course Project #2</td>
<td>21</td>
</tr>
</tbody>
</table>
PREFACE

I developed the course Multi-Jurisdictional Taxation in 2001 based on a comprehensive review of the Master of Science in Taxation (MST) curriculum with input from potential employers, alumni and current students. The results suggested an increase in the importance of both international and multi-state income taxation in mainstream tax practice in small and large firms and that e-businesses tended to expand across state and national borders at the same time. This indicated that every student should graduate with at least a fundamental knowledge of these subject areas. The curriculum was revamped in a way that Multi-Jurisdictional Taxation became one of the core courses in the MST program as well as an elective for MSA and MBA students. Please refer to Appendix A for the course description and objectives.

I designed a syllabus that develops an understanding of the U.S. tax rules that may apply to income involving the U.S. and another country and compares those with the multi-state tax rules. I selected two course texts, one for the taxation of international transactions and one for state and local taxation, as there was no single text available that covered both. Almost all my students were working professionals who held CPA licenses. I received positive feedback from them in their course evaluations.

Everything went well until the introduction of the “150-Hour Rule”, that requires an individual to complete 150 credit hours of accounting education before being eligible to sit for the CPA exam instead of the previous 120 credit hours. As a result, a large group of “Fifth-Year” full-time students with no or minimal work experience joined the traditional population of seasoned professionals in the course in 2005. This resulting new class diversity enriched the learning environment in many ways. However, the class as a whole did not connect well. This was confirmed in the students’ evaluations. As a consequence, I began my search for a creative solution to the problem I faced.
INTRODUCTION

I pursued numerous possibilities and eventually, I found a successful solution in an unlikely place—an award-winning book with the title *The Travels of a T-Shirt in the Global Economy*, by Pietra Rivoli, who teaches finance and international business at Georgetown University (“the T-shirt book”). The author tells the life story of a T-shirt from a Texas cotton field to a Chinese factory to a used clothing market in Tanzania via Maryland and New York.

Format: Paperback, 258 pages

Publication Date: January 2007
(Hardcover published in 2005)

Publisher: John Wiley & Sons Inc

ISBN-10: 0470039205

List Price: $16.95

Added to the course book list (see Attachment B), the book serves as the link that connects a student population with wide-ranging differences in prior exposure to and experience with today’s global business environment for less than $20. It is a case that is enjoyable to read, engaging and interesting for all students and provides a frame of reference for the following: identification of relevant tax issues, discussion of the constitutional framework, application of taxable presence standards, alleviation of double taxation, role of tax treaties, evaluation of tax planning opportunities, tax policy, ethics, professional responsibilities, and importance of collaboration in today’s professional environment.
THE TRAVELS OF A T-SHIRT IN COURSE METHODOLOGY

The T-shirt book becomes an integral element of the course throughout the semester. It is the only course text that the students read cover-to-cover, because the two tax textbooks are too voluminous to be covered in a single course. Please see Attachment C for the weekly reading assignments. The remainder of this section will focus on the T-shirt book’s role in the course.

PART ONE: Basic Elements of Multi-Jurisdictional Taxation

Tax Topics:

- Course introduction, framework, goals and objectives, etc.
- Ethics and professional responsibilities
- Comparison of multi-state and international tax topics
- Development of the tax systems
- Conceptual and policy issues
- Sources of tax law applicable to taxpayers operating in more than one jurisdiction
- Tax treaties

During the week preceding the beginning of the semester, I send the students who registered for my course an e-mail in which I ask them to wear or bring their favorite T-shirts to the first class meeting as will I. After a brief welcome and before addressing any course-specific topics, we conduct a round of introductions during which each of us gives a brief snapshot of his or her personal background as well as the story of the T-shirt the individual is wearing including the reason/s for it being the favorite, information about the date and place of purchase or occasion of gift as well as country/ies of origin provided on the label.

I introduce my T-shirt that is a washed-out souvenir that has survived multiple rounds of closet renewals. It is from the Royal British Columbia Museum and sports colorful butterflies on a black background. I bought it during my first visit to Vancouver Island more than ten years ago of which I still have fond memories. Its label says, “100% cotton, fabric made in U.S.A., sewn in Canada.” The students follow with their respective stories. This phase holds surprises for pretty much everyone. Not a single T-shirt emerges that has never crossed state or national borders. We refer to some examples as we go over the learning objectives, and so on. Indeed, multi-jurisdictional taxation affects all of us.
Incidentally, the T-shirt that Pietra Rivoli describes in her Prologue is white and printed with a flamboyantly colored parrot, with the word “Florida” scripted beneath.

She bought hers at a Walgreen’s drug store in Fort Lauderdale in the spring of 1999, not long after she had watched a young woman at a student protest on campus against unethical global business practices who asked the crowd, “Who made your T-shirt? Was it a child in Vietnam, chained to a sewing machine and without food or water? ...” This passage serves as a great introduction for a discussion of ethical and professional responsibilities, followed by the remaining tax topics, connecting textiles and taxation by analogy. By now, the students are aware of how well the book integrates with the tax topics of the course.

PART TWO: **Sourcing of Income and Expenses**

Tax Topics:

- Sourcing of income
- Sourcing of expenses
- Foreign currency

Cotton, grown on a family farm in Lubbock, Texas, is exported to Shanghai, China [1], where the T-shirts are made and re-imported to the U.S [2]. Students read “King Cotton”, “Made in China” and “Trouble at the Border.” We cover the sourcing rules, a corner stone of multi-jurisdictional taxation. Once we have determined the source of income, we need to figure out the amount. That’s where the foreign currency rules come into play. Several students were surprised that a family farm may be involved in global business transactions.
The assignment of Course Project #1 (see Attachment D) asks the students to determine whether a Texan cotton farm business could reduce its federal income tax burden by exporting cotton directly to China instead of selling it to the local Farmer’s Cooperative Compress (FCC) and thus increase its rate of return. They are then asked to include in their analysis what impact direct export would have on the risk/s of the business, and whether a change in business practice with the details proposed for federal tax purposes would change its Texas state tax burden.

PART THREE: Outbound Transactions

Tax Topics:

- International sale of goods
- Multi-state sale of goods
- Exploitation of intangible property rights abroad
- Direct investment abroad
- Transfer pricing
- Division of the tax base among states
- Foreign tax credit (FTC)
- U.S. export tax subsidies
- Controlled foreign corporations (CFC)
- U.S. Citizens abroad
- Change in residence/expatriation
- State income taxation of individuals

The next part in the T-shirt book, “My T-Shirt Finally Encounters a Free Market” tells the journey of the worn T-shirt which first lands in a Salvation Army bin in Washington, D.C., and goes to a consolidator in Brooklyn, New York [ ]. From there, it travels to Tanzania [ ], where it is offered for sale for the second time, this time by small East African entrepreneurs.

By now, we have two outbound transactions to compare—the first one to China [ ], a country with which the U.S. has concluded a tax treaty, the second one to Tanzania [ ], a non-treaty country. We also have a multi-state transaction between Maryland and New York [ ] to compare to the two international transactions. Beyond that, business operations in different locations frequently require individuals to travel to better serve local markets.
In *Course Project #2* (see *Attachment E*), students provide tax advice to the author of the T-shirt book. They prepare an analysis of the federal tax consequences of Pietra’s income from international speaking engagements.

**PART FOUR: Inbound Transactions**

**Tax Topics:**

- Resident vs. non-resident individuals and corporations
- Trade or business income
- Imports
- Non-business income

With the book studied in its entirety by now, we compare the previously discussed outbound transactions [1----2, 3----5] with the import of the T-shirts made in China from Shanghai. We also compare the multi-state transaction from the perspectives of Maryland and New York [2----4].

**PART FIVE: Investment Decisions**

**Tax Topics:**

- How taxes affect the location and structure of investments
- The decision to repatriate or reinvest
- Important taxes other than income taxes

This part pulls it all together. The focus shifts from determining the tax consequences of a transaction to after-tax returns and the major factors that influence them, income taxes being one of them. We discuss the analyses submitted in *Course Projects #1 and #2*. Finally, we round out the course by touching upon other important taxes in the U.S. and abroad, such as sales taxes and value-added taxes, social security contributions as well as estate taxes.

**PART SIX: Comprehensive final exam.**

Lastly, it is the students’ turn to individually solve 25 small cases in 2 hours and 20 minutes, using their course books and notes.
Attachment A: Course Description and Objectives

Multi-Jurisdictional Taxation (3 credits)

Course Description

This course addresses the increased importance of international, multi-state, and e-business taxation in today’s global environment. It introduces students to the principles guiding nexus, geographic allocation of income, and the avoidance of double taxation. Develops an understanding of the U.S. tax rules that may apply to income involving the U.S. and another country and compares those with the multi-state tax rules. Deals with the tax implications of business conducted electronically. Uses specialized information technology resources and public domain databases to conduct relevant research. Applies multi-jurisdictional tax principles and rules to real-world case studies. Research, analysis, critical thinking and ethics are integral elements of the course.

Course Objectives

• Develop an ability to identify relevant multi-jurisdictional tax issues.
• Apply both international and multi-state taxable presence standards.
• Apply the rules of income and deduction allocation and apportionment among countries and states.
• Understand how territorial and credit systems eliminate/mitigate double taxation of income.
• Perform basic foreign tax credit calculations.
• Understand the implications of the rules for Subpart F income.
• Analyze how taxes affect the location of investment.
• Evaluate tax-planning opportunities.
• Accomplish the objectives above with professional integrity.
**Attachment B: Course Book List**


**Attachment C: Weekly Course Readings**

*Note: Please prepare all problem assignments in Gustafson for discussion in both an international as well as a multi-state context.*

**PART ONE: Basic Elements of Multi-Jurisdictional Taxation**

<table>
<thead>
<tr>
<th></th>
<th>Gustafson</th>
<th>Hellerstein</th>
<th>Rivoli</th>
<th>Problems/Cases/Other</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Week 1</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Course introduction, framework, goals and objectives, etc.</td>
<td></td>
<td></td>
<td></td>
<td>Preface Prologue</td>
</tr>
<tr>
<td>Ethics and professional responsibilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Week 2</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comparison of multi-state and international tax topics</td>
<td></td>
<td></td>
<td></td>
<td>“A Comparison of Critical Multistate and International Tax Topics: What Entities Conducting Business Globally Need to Know” (see Assignments)</td>
</tr>
<tr>
<td>Development of the tax systems</td>
<td>¶ 1000-065</td>
<td>Ch. 1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conceptual and policy issues</td>
<td>¶ 1070-165</td>
<td>Ch.3., Ch.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sources of tax law applicable to taxpayers operating in more than one jurisdiction</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax treaties</td>
<td>¶ 1235-95</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## PART TWO: Sourcing of Income and Expenses

<table>
<thead>
<tr>
<th>Week 3</th>
<th>Gustafson</th>
<th>Hellerstein</th>
<th>Rivoli</th>
<th>Problems/Cases/Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>King Cotton</td>
<td></td>
<td></td>
<td></td>
<td>Part I</td>
</tr>
<tr>
<td>Course Project #1 Assignment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due date: .............</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Week 4</th>
<th>Gustafson</th>
<th>Hellerstein</th>
<th>Rivoli</th>
<th>Problems/Cases/Other</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sourcing of expenses</strong></td>
<td>¶¶ 2220-30</td>
<td></td>
<td></td>
<td>¶ 2235, 1. and 2.</td>
</tr>
<tr>
<td>Made in China</td>
<td></td>
<td></td>
<td></td>
<td>Part II</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Week 5</th>
<th>Gustafson</th>
<th>Hellerstein</th>
<th>Rivoli</th>
<th>Problems/Cases/Other</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Foreign currency</strong></td>
<td>¶¶ 9000-9100 ¶¶ 9110-9120</td>
<td></td>
<td></td>
<td>G: ¶ 9105, 1. to 9., ¶ 9125, 1. to 3.</td>
</tr>
<tr>
<td>Trouble at the Border</td>
<td></td>
<td></td>
<td></td>
<td>Part III</td>
</tr>
</tbody>
</table>
### PART THREE: Outbound Transactions

<table>
<thead>
<tr>
<th>Week 6</th>
<th>International sale of goods</th>
<th>¶¶11000-135</th>
<th>Gustafson</th>
<th>¶ 11045, 1. to 13., 15, ¶ 11055, 1. to 4 Quill Geoffrey Wrigley</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multi-state sale of goods</td>
<td>Ch.6.2, Ch.7</td>
<td></td>
<td>Rivoli</td>
<td>Problems/Cases/Other</td>
</tr>
</tbody>
</table>

### Week 7

| Exploitation of intangible property rights abroad | ¶¶12000-090 | E.I. Du Pont De Nemours & Co | ¶ 12065, 1. and 2. |
| Direct investment abroad | ¶¶13000-050, ¶¶13070-075 | | |
| My T-Shirt Finally Encounters a Free Market | | | Part IV Conclusion |

### Week 8

| Transfer pricing | ¶¶8000-125 | Bausch & Lomb | ¶ 8125, 1. to 7. |
| Division of the tax base | Ch.8.4.-8.8. | | |

### Week 9


**Course Project #2 Assignment**

Due Date: .............
## PART THREE: Outbound Transactions (continued)

<table>
<thead>
<tr>
<th>Week 10</th>
<th>Gustafson</th>
<th>Hellerstein</th>
<th>Rivoli</th>
<th>Problems/Cases/Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. export tax subsidies</td>
<td>¶11145</td>
<td>¶11185</td>
<td>¶1190-225</td>
<td></td>
</tr>
<tr>
<td>Controlled foreign corporations (CFC)</td>
<td>¶6000-025</td>
<td></td>
<td>G: ¶6035 1.-10.</td>
<td></td>
</tr>
</tbody>
</table>

| Week 11                                      |           |             |        |                      |
| U.S. Citizens abroad Change in residence/expatriation | ¶5315-70 | ¶1195       | Cook v. Tait | ¶5375-2. and 3., 1200 |
| State income taxation of individuals        |           | Ch.10       |        |                      |
## PART FOUR: Inbound Transactions

<table>
<thead>
<tr>
<th></th>
<th>Gustafson</th>
<th>Hellerstein</th>
<th>Rivoli</th>
<th>Problems/Cases/Other</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Week 12</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Resident vs. non-resident individuals and corporations</td>
<td>¶¶ 1170-185</td>
<td>¶ 1205-225</td>
<td>G: ¶1230</td>
<td></td>
</tr>
<tr>
<td>Trade or business income</td>
<td>¶¶ 3000-165</td>
<td>¶ 3185</td>
<td>¶ 3190-200</td>
<td>G: ¶3145, 3155</td>
</tr>
<tr>
<td>Imports</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Week 13</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
PART FIVE: Investment Decisions

<table>
<thead>
<tr>
<th>Week 13</th>
<th>Gustafson</th>
<th>Hellerstein</th>
<th>Rivoli</th>
<th>Problems/Cases/Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>How taxes affect the location and structure of investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The decision to repatriate or reinvest</td>
<td></td>
<td></td>
<td></td>
<td>Estate tax treaties.</td>
</tr>
<tr>
<td>Important taxes other than income taxes</td>
<td></td>
<td></td>
<td></td>
<td>Social security</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>totalization agreements.</td>
</tr>
</tbody>
</table>

PART SIX: **Comprehensive final exam.**
*(Week 14 – Library Week, Week 15 – Exam)*
Appendix D: Course Project #1

FACTS – Assume the following situation:

Disclaimer: The following is a hypothetical situation for classroom discussion purposes. Its sole purpose is to illustrate various aspects of the course materials.

Assume you are the tax manager at the Reinsch Farms administrative offices in (City), (State).

Nelson Reinsch meanwhile has reached his early 80s. Unfortunately, his wife Ruth is not in good health, but he is doing just fine and continues his cotton farming business. He just loves it. Although it took him some time to get used to the idea of an increasing share of his crop being exported to China by the local co-op, he has enjoyed getting to know some of the Chinese owners of spinning and manufacturing mills during their visits to Texas. Meanwhile, they are on a first name basis and appreciate their conversations as well as each other’s entrepreneurial spirit and energy.

The part of the business Nelson is not taking care of in person any longer is administration, accounting and regulatory issues, including taxation. He just wants to be in the loop on key issues and results.

His granddaughter Amelia, one of his son Lamar’s children, now heads this part of the business up. Amelia went to college at Bentley in Waltham, MA, for her undergraduate education and is currently pursuing a part-time MBA with a concentration in Entrepreneurship. After completion of her undergraduate studies, she gradually took over these parts of her grandfather’s business over the past years. She, however, did this under the condition that she would continue to live in the Boston area. This was no problem for Nelson. Amelia entered into a sub-lease for office space with a downsizing technology business on Totem Pond Road in Waltham and visits her grandparents on the farm near Lubbock, TX, periodically.

At a recent meeting, the discussion ensued as to whether the business could reduce its federal income tax burden by exporting cotton directly to China instead of selling it to the Farmer’s Cooperative Compress (FCC) and thus increase their rate of return. [As you know from the course reading assignment, the present path of Ranch’s cotton is described in The Travels of a T-Shirt in the Global Economy by Pietra Rivoli (see pages 45 and 61).]

They also wonder:
- what impact direct export would have on the risk/s of the business.
- whether a change in business with the details you propose for federal tax purposes would change their Texas state tax burden.
ASSIGNMENT:

Prepare a memorandum of your analysis, including a hypothetical comparative calculation addressed to Amelia Reinsch, and five PowerPoint slides for presentation at the next Reinsch Farm business meeting in Lubbock, TX. Amelia’s father Lamar, a business professor, and her uncle Dade are expected to participate at the next meeting in addition to her grandfather. You are going to participate for the first time and present your tax analysis using the five ppt-slides you are preparing and bringing along a copy of your memorandum for each participant.

Use net income resulting from export revenue. The current cost structure is as follows: 70% cost of sales, 25% operating expenses, return on sales before federal income tax of 5%.

Delivery by ....................., 9:00 p.m. via Digital Drop Box.

GUIDELINES:

- Research Memorandum:

  The revised Circular 230 became effective on June 20, 2005. Thus, Section 10.33(a) Best practices for tax advisors applies to this memorandum (see Appendix 1). The memorandum will excluded advice under Circular 230, Section 10.35(b)(2)(ii)(D) provided it is written advice provided to an employer by a practitioner in that practitioner’s capacity as an employee of that employer solely for purposes of determining the tax liability of the employer and therefore not be subject to the Requirements for covered opinions (see Appendix 2).
Organization of the memorandum

To:
From:
Date:

1. Purpose and Use
   (Communicating clearly the terms of the engagement. For example, the advisor should determine the client's expected purpose for and use of the advice and should have a clear understanding with the client regarding the form and scope of the advice or assistance to be rendered.)

2. Facts
   (Establishing the facts, determining which facts are relevant.)

3. Assumptions/Representations
   (Evaluating the reasonableness of any assumptions or representations.)
   
   Note: Utilize any facts written up in The Travels of a T-Shirt in the Global Economy. Make assumptions as necessary to complements the known facts.

4. Analysis
   (Relating the applicable law (including potentially applicable judicial doctrines) to the relevant facts.)

5. Conclusion
   (Arriving at a conclusion supported by the law and the facts.)

6. Reliance
   (Advising the client regarding the import of the conclusions reached, including, for example, whether a taxpayer may avoid accuracy-related penalties under the Internal Revenue Code if a taxpayer acts in reliance on the advice.)

Format: 12 font, 1.5 line space, 1 inch margins, maximum five pages.
**PowerPoint Slides:**

Documentation: *Computer Science* – The organized collection of records that describe the **structure, purpose, operation, maintenance, and data requirements** for a computer program, operating system, or hardware device.

Apply the five elements of documentation (see above) by analogy and use each of them as the title of one of your five ppt-slides to describe the contemplated tax strategy.

1. **Structure**
   
   (Illustrate comparatively the elements, such as entities, types of transactions, agreements, etc. involved graphically, in the current export process and the contemplated one.)

2. **Purpose**
   
   (Business purpose, show your comparative calculation of after-tax return, and how it lines up with Congressional intent.)

3. **Operation**
   
   (Rules to be followed that do not leave anything open to second guessing: IRC Section(s), court case(s), regulation(s), etc.)

4. **Maintenance**
   
   (What needs to get done to accomplish implementation as intended, initially and periodically.)

5. **Data requirements**
   
   (Input data and source needed, initially and periodically.)
Appendix E: Course Project #2

FACTS – Assume the following situation:

Disclaimer: The following is a hypothetical situation intended for classroom discussion purposes. Its sole purpose is to illustrate various aspects of the course materials.

You are a Tax Manager with Cedar Hill Certified Public Accountants, a professional services firm in Waltham, MA. Their offices are located at 175 Forest Street.

One of your clients is Pietra Rivoli, author of The Travels of a T-Shirt in the Global Economy, published in the U.S. in 2005. The book won several notable awards in its first year. These included:

- Finalist - Financial Times-Goldman Sachs 2005 Business Book of the Year
- Amazon.com Editor's Picks: 10 Best Business Books of 2005
- A Booz Allen Hamilton Best Business Book of the Year, 2005
- Named one of the six best business books of 2005 by the Financial Times - Dec 9, 2005

These accolades have led to the translation of the book into several languages. The first one was German, published in March 200x. Other translations include Dutch, Russian, Japanese, Italian, Chinese (formal and simplified), Korean and Portuguese; 22 languages in total so far. Copyright ownership in the respective countries is the same as in the U.S. (see book). Her contracts with the book publishers provide for compensation as a percentage of revenue.

In addition to numerous business schools in the U.S. and in Canada, Pietra spoke at several well-respected universities in the German-speaking countries, including St. Gallen and Zurich in Switzerland, Berlin and Munich in Germany, Innsbruck and Vienna in Austria during the period May through August 200x, for which she did not accept an honorarium, only reimbursement of travel expenses. She also had private speaking engagements in the U.S., in Canada and in Tanzania, for which she charged a flat fee per hour, plus full reimbursement of travel, meals, etc. Income from speaking engagements: U.S.—$80,000; Canada—Can$ 30,000 , net of withholding of Can$5,000; Tanzania—US$12,000 net of withholding of US$3,000. Several speaking engagements are already planned in 200(x+1).

Pietra is earning the income from speaking engagements in addition to her salary as an Associate Professor of Economics at Georgetown University as well as her income from the book sales of several million copies in 200x. Thus, she has reached the highest marginal tax bracket.
ASSIGNMENT:

1. Determine what type of opinion you are going to issue under the revised Circular 230, which became effective on June 20, 2005, and determine any additional disclosures to be prepared, if any.  
   *Tip:* You may find the Circular 230 coverage in the BNA database useful.

2. Advise Pietra on the federal income tax consequences of the income from international speaking engagements and prepare a memorandum of your analysis.  
   Delivery by ................., before class via Digital Drop Box.

3. Prepare a tax calculation worksheet for the income from all speaking engagements and determine her income, net of federal taxes, from this activity for 200x, which you submit to your client together with the research memorandum and are going to use to walk your client through the mechanics during the scheduled meeting on .................. Use the 200x highest marginal tax rate for your calculations.

GUIDELINES:

- **Memorandum:**

  The revised **Circular 230** became effective on June 20, 2005. Thus, **Section 10.33(a)** *Best practices for tax advisors* applies to this memorandum.

  **Organization of the memorandum**

  To: 
  From: 
  Date: 

  7. **Purpose and Use**

     (Communicating clearly the terms of the engagement. For example, the advisor should determine the client's expected purpose for and use of the advice and should have a clear understanding with the client regarding the form and scope of the advice or assistance to be rendered.)

  8. **Facts**

     (Establishing the facts, determining which facts are relevant.)
9. Assumptions/Representations

(Evaluating the reasonableness of any assumptions or representations.)

10. Analysis

(Relating the applicable law (including potentially applicable judicial doctrines) to the relevant facts.)

11. Conclusion

(Arriving at a conclusion supported by the law and the facts.)

12. Reliance

(Advising the client regarding the import of the conclusions reached, including, for example, whether a taxpayer may avoid accuracy-related penalties under the Internal Revenue Code if a taxpayer acts in reliance on the advice.)

13. Additional Disclosures

(As required by Circular 230, Section 10.35, if applicable.)

**Format:** 12 font, 1.5 line space, 1 inch margins, maximum five pages, plus one page for the tax calculation worksheet.