

ACCT 302: SURVEY OF FEDERAL INCOME TAXATION
SPRING 2010

Section 001: Tuesdays & Thursdays 7:40am – 8:55am

Section 002: Tuesdays & Thursdays 9:15am –10:30am

B215

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Office Hours: Tuesdays & Thursdays 10:30am-11:30am & 1:30pm-3:30pm
Wednesdays 9am – 11am
Or by appointment (I am generally in the office most of the time—but it is best to check in advance just in case.)

Required Course Materials:

1. **CONCEPTS IN FEDERAL TAXATION, 2010 EDITION**, by Murphy & Higgins
[New or Used; Standard Hardcover Edition or “Boise State University” Edition (soft cover/ about \$50 cheaper than the Standard Hardcover Edition)]
2. **Online Supplemental Readings**
[Available in PDF on the Blackboard course website under “Course Documents” in the folder “Online Supplemental Readings.” Subfolders are organized by assignment. You are responsible for downloading the required readings and either 1) printing them out and bringing them to class on the appropriate day or 2) having them available electronically in class via laptop or smart phone.]

Course Description (from the course catalog):

Theory and practice of federal income taxation, including concepts of taxation as they apply to businesses, individuals, flow-through entities and corporations. Specific topics include property transactions, individual tax rules, business revenue and expense issues, and state taxation. Emphasizes the social, political and ethical considerations of tax law.

Important Dates:

Last day to apply for May graduation	Monday, January 25 th
Last day to drop without a “W”	Monday, February 1 st
Last day to drop with a “W”	Monday, March 1 st

Learning Objectives:

At the completion of this course, students will be able to:

- 1) Understand the rationale and logic behind our system of income taxation, including the political processes that shape tax law.
- 2) Appreciate the impact that income taxes have on personal, business, and investment decisions and identify tax planning opportunities.
- 3) Read and interpret basic primary sources of tax law, such as the Internal Revenue Code and court cases.
- 4) Independently research basic tax questions using internet-based tax research databases.
- 5) Prepare and understand basic individual income tax returns.
- 6) Understand the ethical issues associated with providing professional tax services.

College of Business & Economics Core:

Students in this class will learn or practice the following COBE Core Curriculum concepts, methods, and skills:

1. Understand and apply analytical and disciplinary concepts and methods related to business and economics:
 - 1.1. Accounting
 - 1.7. Legal environment of business
- 2.1. Communicate Effectively: Write messages and documents that are clear, concise, and compelling
3. Solve problems, including unstructured problems, related to business and economics
5. Resolve ethical issues related to business and economics

Reminder of Policy on Academic Honesty:

You are encouraged to become familiar with the University's Policy of academic dishonesty found in the Student Code of Conduct. The content of the Code applies to this course. If you are in doubt regarding the requirements, please consult with me before you complete any requirements of the course. In accordance with Boise State University policy, any instance of dishonesty in the class may result in a failing grade for the course.

Grading:

Exam #1	15%
Exam #2	15%
Final Exam	30%
Quizzes	5%
Research & Writing Assignments	10%
Tax Returns	20%
Class Participation & Responsibility	5%
Total	100%

Note: Boise State has now implemented a plus/minus grading system. The following chart translates the overall % grade into a letter grade and quality points. The instructor reserves the right to make adjustments as to what percentage qualifies for each letter grade.

<u>Percentage</u>	<u>Letter Grade</u>	<u>Quality Points Per Credit Hour (GPA)</u>
97 and above	A+	4.0
93-96	A	4.0
90-92	A-	3.7
87-89	B+	3.3
83-86	B	3.0
80-82	B-	2.7
77-79	C+	2.3
73-76	C	2.0
70-72	C-	1.7
67-69	D+	1.3
63-66	D	1.0
60-62	D-	0.7
59 and below	F	0.0

Exams: We will have two “midterm” exams given during the semester and a comprehensive final exam given during finals week. Exams will be a mixture of problems, short answer, and multiple choice questions. Exams will be given on the scheduled dates (see tentative schedule that follows). **YOU MUST TAKE THE EXAMS ON THE DATES SCHEDULED.** Make-ups are generally only allowed if you must be out of town on school business (e.g., sports) or in the event of a serious emergency. If you miss an exam without making prior arrangements to take a make-up, your grade on the exam will be zero. More information regarding exams will be forthcoming.

Quizzes: You will do a brief take-home quiz for every major chapter that we cover in the course. Quizzes are due after you have done the reading for a topic but BEFORE we have discussed it in class. The idea is to motivate you to read the textbook and other assigned readings before class and to prevent you from falling behind in the readings. **You will take each quiz online via the Blackboard class website** and will get instant feedback. Quizzes will be available on the Blackboard class website at least a week before the due date and **will not be available after 7:30am on the day it is due**. That is, both sections (the 7:40am section and the 9:15am section) **must complete the quiz prior to 7:30am on the day it is due**. Because the online quizzes automatically “shut-off”, **LATE QUIZZES WILL NOT BE ACCEPTED**. Please do the quizzes individually—do not get the answers from others. I reserve the right to switch from an online quizzing system to a manual quizzing system if we encounter technical problems with Blackboard. In calculating your grade at the end of the semester, I will drop one quiz grade. Therefore, you can miss one quiz without affecting your grade. This “free” quiz is meant to cover a sudden emergency when you can’t get online; please use it wisely.

Research & Writing Assignments: It is impossible, even after years of study, to know all of the tax law. A good part of tax practice, therefore, involves looking things up. To get you used to doing this, we will be doing four relatively simple research and writing assignments. These assignments will require you to use various internet-based research tools to answer some basic tax questions. You will be graded both on your ability to find the answer and the quality of your writing. Ideally, you will complete the assignments with a partner. However, you may work individually if necessary.

Tax Return: In this course we will frequently talk about both tax planning and compliance. Both are important and they often go hand in hand. We will address planning issues through the homework exercises, class discussions, and the exams. We will address compliance issues by doing three tax return projects. Doing the tax return projects will consolidate and review the material we have studied in class and show how all of the various rules fit together. While preparing tax returns is a valuable learning exercise, it is not the main goal of this course and it is not a substitute for a thorough understanding the rules or the doctrines underlying the rules. Ideally, you will prepare the tax returns with a partner. However, you may work individually if necessary.

Class Participation & Responsibility: Professional behavior obviously enhances the learning environment. Any disruption to that environment, such as arriving late, leaving early without notice, side conversations in class, the use of cell phones/texting in class, being frequently unprepared, frequent absences, or other disruptive behavior will reduce your class participation and responsibility grade. Students are expected to come to every class having completed the reading/homework assignments and prepared to discuss them intelligently. I may call on you to answer homework problems, engage in class exercises, or discuss important points from the reading. Your class participation and responsibility grade may be reduced if you are not regularly prepared for class discussions.

Extra Credit Opportunity:

I will add *up to* 4 points to your final course grade if you complete a 5-page (typed and double spaced) report on a book on tax policy. (For example, if your final course grade is an 89 and you get an A on the book report, your final course grade will become a 93.)

Basically, you will read the book and then write an overview of its content, summarize the author's arguments, and then give your own opinion/reaction to the book. In order to receive the extra credit, you must choose a book and get my approval for the project by **Tuesday, March 9** then turn in the book report no later than Thursday, May 6. You will not be able to take advantage of this opportunity if you have not had your book approved by Tuesday, March 9. **This is the only opportunity for extra credit that will be offered.** A list of suggested titles is attached. I reserve the right to limit the number of students reviewing the same book.

Class Website:

We will be using the Blackboard on-line learning tool as a course supplement. It will be used to post all documents, to make announcements, and (as noted above) for the online quizzes. In addition, the Online Supplemental Readings will be available on the class website. All students should gain access to Blackboard and the class website on Blackboard. See instructions at the "Instructions for Using Blackboard at Boise State" link at <http://blackboard.boisestate.edu>. Use your Bronco Web ID and password to get into the system. Students are responsible for checking the class website for important announcements (e.g., cancellation of class, changes in assignments, etc.).

Lecture Materials:

To save you time in taking notes, most lecture material will be provided in Word outlines. The outlines omit certain answers to examples, key phrases, etc. that you will need to fill in as we review the material in class. Lecture outlines will be available on the class website in the event that you miss class. However, such outlines will not include the answers to the examples, key phrases, etc. that were filled-in during class. Therefore, you will need to get such information from a classmate or from me.

Homework Assignments:

The tentative schedule of topics to be covered and specific homework assignments are listed on the pages that follow. It is important that you complete the assignments and make a good-faith effort to complete the problems assigned in each chapter. These problems will not be collected but students will be expected to discuss them in class (see above under class participation). For some assignments, I also pose some discussion questions which you should think about before class. These are normally big picture or practical questions that cannot be readily answered by reference to the assigned readings. As noted above, most assignments include a take home quiz, which must be completed online. As the semester progresses, I may add additional assignments and/or eliminate specific problems or portions of a particular chapter. I will announce all such changes in class and on Blackboard. Each class has its own pace and rhythm, and therefore there will likely be changes in assignments and due dates.

*****General Guidelines/Suggestions for Success*****

As most of you are painfully aware, accounting courses are rigorous and demand your constant attention. This class is no different. I recommend the following three step process¹ to succeed in this class:

- 1) **Immersion:** Read the assigned materials before class, complete the quiz, think about any discussion questions that have been posed, and work through any homework problems assigned. This stage will be frustrating, since the material is at times difficult and will be new to you. Immersion, however, is necessary to enable you to get the most out of our class meetings. When we review homework problems in class, for example, we will go over them quickly because I will assume you have read them and tried to work them prior to class. Therefore, the immersion stage is critical.

- 2) **Participation:** Come to class, take good notes, and ask any questions that you may have. A lot of the material on exams is based on class discussions. **Accordingly, if you do not attend class regularly, you should not expect to pass this course.** Like with many accounting courses, the material in ACCT 302 builds on itself. If you miss class, you not only miss the material covered on that day but also the foundation knowledge necessary to understand related topics that come later in the course.

- 3) **Assimilation:** Review your class notes and homework problems after we have gone over them and see me with any questions you may have. You should do this within a few days after each class. Since this is the only undergraduate tax class that BSU requires for accountancy majors, we are charged with covering a lot of material. We will cover the material thoroughly in class, but we only have the opportunity to cover the material **once**. We do not have the luxury of reviewing the material over and over. Therefore, it is critical that you keep up with the material and review and ask questions as we go. Learn the material as we review it in class and not just right before an exam.

In addition, allow plenty of time to complete the research and writing assignments and tax returns and turn them in on time.

If this is your first upper division accounting course (e.g., you have not yet taken ACCT 304) please keep in mind that this course (like all upper division accounting courses) requires much more study/work than either ACCT 205 (Introduction to Financial Accounting) or ACCT 206 (Introduction to Managerial Accounting).

¹ Partially inspired by, and roughly adapted from James Edward Maule's July 2009 "Student Focus" blog postings, which give advice to *law students* on studying basic tax. Basically, I have taken advice I have given in the past to *accounting students* on studying for ACCT 302 and have roughly reorganized them using Maule's terminology.

Note on Course Materials:

Materials provided or generated in this course, including (but not limited to) handouts, notes, exams, quizzes, projects, homework answer keys, etc. are for your own personal use and reference. You are not to pass them on to others, including future students.

Passing course materials on to others would (in some cases) violate copyright agreements. More importantly, such materials would have a negative impact on the recipient's learning process and performance in the course. First, the law is always changing, often in subtle but important ways. Second, topics emphasized and tested in the course change from semester to semester as the business world changes. Third, and most importantly, when students use old course materials for reference they are prevented from doing the thinking and struggling with the material necessary to truly learn.

Accordingly, such students will not do well on the exams. For these same reasons, you are not to refer to any course materials received from former students or other sources (such as homework answer keys from the publisher). Doing so would negatively affect your performance and significantly disrupt the learning process.

TENTATIVE SCHEDULE

Date	Topic	Assignment Due (See details of each Assignment following this chart)
Tuesday, Jan. 19	Introduction to the Course	
Thursday, Jan. 21	Federal Income Taxation—An Overview	No formal assignment due—but read the syllabus and start reading Chapter 1
Tuesday, Jan. 26	Federal Income Taxation—An Overview	Chapter 1 Assignment
Thursday, Jan. 28	Federal Income Taxation—An Overview Note: Monday, Feb. 1 is the last day to drop without a “W”	“Codehead” Assignment
Tuesday, Feb. 2	Federal Income Taxation—An Overview	Research & Writing Assignment #1 Due
Thursday, Feb. 4	Income Tax Concepts	Chapter 2 Assignment
Tuesday, Feb. 9	Income Tax Concepts	
Thursday, Feb. 11	Income Sources	Chapter 3 Assignment
Tuesday, Feb. 16	Income Sources	
Thursday, Feb. 18	Income Sources	
Tuesday, Feb. 23	EXAM 1: Covers Chapters 1-3	
Thursday, Feb. 25	Sources of Tax Law/Tax Research Note: Monday, March 1 is the last day to drop (with a “W”)	Chapter 16 Assignment
Tuesday, Mar. 2	Income Exclusions	Chapter 4 Assignment (Part 1 of 2)
Thursday, Mar. 4	Income Exclusions	Tax Return #1 Due

Tuesday, Mar. 9	Income Exclusions	Chapter 4 Assignment (Part 2 of 2) Deadline to sign up for Extra Credit
Thursday, Mar. 11	Income Exclusions: Section 132 Problems Introduction to Business Expenses	Chapter 5 Assignment
Tuesday, Mar. 16	Introduction to Business Expenses	
Thursday, Mar. 18	Business Expenses	Chapter 6 Assignment Research & Writing Assignment #2 Due
Tuesday, Mar. 23	Business Expenses Taxation of Individuals	Chapter 8 Assignment
Thursday, Mar. 25	Taxation of Individuals	
Tuesday, Mar. 30	SPRING BREAK—NO CLASS	
Thursday, Apr. 1	SPRING BREAK—NO CLASS	
Tuesday, Apr. 6	Taxation of Individuals Introduction to the Alternative Minimum Tax	Chapter 15 Assignment Research & Writing Assignment #3 Due
Thursday, Apr. 8	EXAM 2: Cumulative with special focus on Chapter 4, 5, 6, 8, & 16	
Tuesday, Apr. 13	Acquisitions of Property	Chapter 9 Assignment
Thursday, Apr. 15	Acquisitions of Property [REMINDER: YOUR PERSONAL TAX RETURNS ARE DUE AT THE IRS TODAY!]	
Tuesday, Apr. 20	Cost Recovery on Property	Chapter 10 Assignment Tax Return #2 Due

Thursday, Apr. 22	Cost Recovery on Property Property Dispositions	Chapter 11 Assignment
Tuesday, Apr. 27	Property Dispositions Overall Review of Property Transactions A Note on Nonrecognition Transactions (if time)	
Thursday, Apr. 29	Losses—Deductions and Limitations	Chapter 7 Assignment Research & Writing Assignment #4 Due
Tuesday, May 4	Losses—Deductions and Limitations Professional Responsibility	Professional Responsibility Assignment
Thursday, May 6	Professional Responsibility Course Wrap up	Tax Return #3 Due EXTRA CREDIT REPORTS DUE
Tuesday, May 11	FINAL EXAM FOR SECTION 001 (7:40 class) 8am-10am in B215	
Thursday, May 13	FINAL EXAM FOR SECTION 002 (9:15 class) 8am-10am in B215	

Specific Assignments:

The following sets forth the specific homework that you should complete prior to the date assigned in the syllabus.

Chapter 1 Assignment:

Federal Income Taxation: An Overview

- 1) Read the Introduction to the textbook at pages XXI thru XXVI
- 2) Read all of Chapter 1
- 3) **Complete the Chapter 1 Quiz**
- 4) Do Problems 2a, 3, 4, 10, 16, 29, 43, 44, 45a, 50, 51, 57, 58, 59, 63 [As noted above, homework problems are not collected. However, you should try to work these problems before class and then review them after we have gone over them in class.]
- 5) The material in Chapter 1 gives us an opportunity to explore some taxes other than the federal income tax. Some of these taxes raise interesting policy issues. Think about the following: [Note: In some of these assignments, I will pose questions such as this that you should think about in doing the reading. **You do not need to write-up or turn in an answer to any of these questions posed here in the syllabus**—just think about them and be ready to discuss them in class.]
 - a. Sales Tax:
 - i. Should the state sales tax apply to food (as it does currently in Idaho)? What are some policy *benefits* associated with taxing food?
 - ii. Should you be required to pay sales tax on your online purchases? Why or why not?
 - b. Property Tax:
 - i. Out of all the taxes we pay (sales, income, excise, etc.), none is more hated than the property/real estate tax. Why do so many people hate the property tax?
 - ii. What are some *positive* aspects of the property tax?
- 6) Since so few taxpayers are audited, how does the IRS ensure that taxpayers are complying with the tax law?

“Codehead” Assignment:

- 1) Review the tax return for Joe & Sally Codehead (handout)
- 2) **Complete the Codehead Tax Return Quiz**

Chapter 2 Assignment:

Income Tax Concepts

- 1) Read all of Chapter 2
- 2) **Complete the Chapter 2 Quiz**
- 3) Do Problems 6, 23, 27, 28, 34 (part a only), 35, 49 (a & c only), 62

Chapter 3 Assignment:
Income Sources

- 1) Read Chapter 3, BUT:
 - a. SKIP the material on the mechanics of the taxation of Social Security benefits on the middle of page 97 through middle of page 100.
 - b. SKIP the material on the mechanics of the capital gain/loss “netting” on pages 107-middle of 109 at this point. We’ll cover this (in a simplified way) later.
 - c. SKIP the material on OID and EE Savings bonds on bottom of page 114-bottom of page 115.
- 2) Read the Old Colony Case in the Online Supplemental Readings on Blackboard. This is a U.S. Supreme Court case from 1929 that is still relevant to payments made by employers to employees today. Consider the following:
 - a. Is the outcome of the case fair?
 - b. Look at the final paragraph on page 4 of the case. If an employer truly wanted to pay ALL of the federal income taxes on an employee’s wages, then how, practically, could an employer deal with this potential “tax upon a tax” issue?
- 3) **Complete the Chapter 3 Quiz**
- 4) Do Problems 3, 20, 38, 40, 46, 49, 55, 57, 59, 68, 85
- 5) Chapter 3 tells us that most income realized by a taxpayer is taxable. Why does the U.S. tax system use such a broad definition of income?

Chapter 16 Assignment:
Tax Research

- 1) Read Chapter 16, BUT:
 - a. You can SKIP the section on “Citations to Primary Authorities” on the bottom of page 724 - top of page 727.
 - b. You can just skim the “Comprehensive Research Example” on pages 733-736.
- 2) **Complete the Chapter 16 Quiz**

Chapter 4 Assignment (Part 1 of 2):
Income Exclusions

- 1) Read all of Chapter 4, BUT:
 - a. Don't worry about the mechanics of the Foreign Earned Income Exclusion on the bottom of page 141-top of 142
- 2) Read the following cases in the Online Supplemental Readings on Blackboard (Warning: These cases get a little "PG-13"):
 - a. Peebles Case
 - b. Starks Case
 - c. Jones Case
 - i. What accounts for the difference in outcome between the Starks case and the Jones case?
- 3) **Complete the Chapter 4 Quiz**
- 4) Do Problems 7, 31, 38, 49, 62

Chapter 4 Assignment (Part 2 of 2):
Income Exclusions

- 1) Read the Benaglia Case in the Online Supplemental Readings on Blackboard. The case was decided by the Board of Tax Appeals, the predecessor to the modern day Tax Court. Note that this case was decided before the enactment of the exclusion for employer-provided meals and lodging (discussed in the textbook starting on page 145.) Even though the "law" in the case is no longer current, we are reading this case because it will help us figure out the rationale (if any) behind the exclusion for employer-provided meals and lodging. Consider the following:
 - a. If the court had decided to include the value of meals and lodging in Benaglia's income, how would they be valued? Based on the standard room rate and menu price? Or based on the value of the benefits TO BENAGLIA specifically?
 - b. The current exclusion for employer-provided meals and lodging covers spouses of employees as well. What problems would the tax system encounter if spousal meals and lodging were not excluded?
- 2) Read Internal Revenue Code Section 132 in the Online Supplemental Readings on Blackboard. This is likely your first experience with statutory language, so the reading may be a bit difficult. We will use this code section in class to help us solve some problems.
- 3) Read the American Airlines Case in the Online Supplemental Readings on Blackboard.
 - a. Why didn't American Airlines argue that the American Express vouchers it gave to its employees were nontaxable gifts?
 - b. Assume you were the executive at American Airlines who decided to issue the American Express vouchers to employees. If you knew the vouchers would constitute taxable income to the employees, what steps would you have taken to ensure that they were properly reported and the appropriate taxes were paid? Keep in mind both the tax law and the business ramifications of your approach to this problem.
- 4) Note: There is NO QUIZ for this assignment.

Chapter 5 Assignment:
Introduction to Business Expenses

- 1) Read all of Chapter 5, BUT:
 - a. You can just skim the material on Hobby Expenses on pages 195-196 and the material on Home Office Expenses on the middle of page 198-top of page 200. Instead, focus your study on the Vacation Home rules on the bottom of page 196-middle of page 198. We are going to use the Vacation Home rules as our example of “mixed use assets” (assets that are part business/part personal)
 - b. You can just skim the material on accounting methods on the middle of page 200-page 207.
- 2) Read the Sanitary Farms Case in the Online Supplemental Readings on Blackboard
- 3) Skim the Jenkins Case in the Online Supplemental Readings on Blackboard (it is long but it is not technical)
 - a. How is the court’s analysis in Sanitary Farms similar to the court’s analysis in Jenkins?
- 4) Read the Smith Case in the Online Supplemental Readings on Blackboard
 - a. Don’t the taxpayers have a good point here: If you incur childcare costs in order to allow you to work, shouldn’t these costs be deductible as a business expense?
- 5) **Complete the Chapter 5 Quiz**
- 6) Why doesn’t the tax code allow us to deduct many personal expenses?
- 7) Do Problems 27 (skip part b), 39, 55(skip Case D), 70

Chapter 6 Assignment:
Business Expenses

- 1) Read all of Chapter 6, BUT:
 - a. You can just skim the material on “Retirement Plan Contribution Deductions” on the middle of page 252-middle of page 256.
- 2) **Complete the Chapter 6 Quiz**
- 3) Do you think the Qualified Production Activities Deduction will help struggling U.S. manufacturers?
- 4) Do Problems 29, 35, 38, 43, 51, 59
- 5) The chapter discussed some deductions (e.g., bad debts) that are treated differently for GAAP (financial accounting/”book” accounting) purposes and tax return purposes. Some have called for GAAP income and tax income to be the same. Is this book/tax “conformity” a good idea? Why or why not?

Chapter 8 Assignment:
Taxation of Individuals

- 1) Read all of Chapter 8, BUT:
 - a. You need only skim the material on income tax credits on bottom of page 348- top of page 355.
- 2) **Complete the Chapter 8 Quiz**
- 3) Do Problems 5, 40, 46, 47, 53, 54, 63 (skip part c), 64 (only worry about redoing part f of Problem 63)

Chapter 15 Assignment:
Alternative Minimum Tax

- 1) Read the Chapter 15 handout [Chapter 15 is not in the Boise State soft cover version of the textbook; the relevant parts of the chapter will be handed out in class]
- 2) Do the “Alternative Minimum Tax Problem” included in the back of the Chapter 8 lecture notes [handed out in class]
- 3) Note: There is NO QUIZ associated with this assignment.

Chapter 9 Assignment:
Acquisitions of Property

- 1) Read all of Chapter 9, BUT:
 - a. Don't worry about the “Wash Sale Stock Basis” material on pages 416-417.
- 2) Read the Idaho Power Case in the Online Supplemental Readings on Blackboard
 - a. If Idaho Power had used the transportation equipment for half the year in construction and half the year in servicing utility customers, how much of the depreciation on the equipment would need to be capitalized as construction costs?
 - b. See the last paragraph of the case (on page 11 of the case). This was part of Justice Douglas's dissenting opinion. Do you think Douglas's suspicion is correct? Does Douglas get his math right?
- 3) **Complete the Chapter 9 Quiz**
- 4) Do Problems 4, 6, 21, 89 (Skip part e) [Note: Problem 89 is part of a series of property problems we will do that we will call the “Brown Sheet Problems”]

Chapter 10 Assignment:
Cost Recovery on Property: Depreciation, Depletion, and Amortization

- 1) Read Chapter 10, BUT:
 - a. Skip the section on Depletion (from the bottom of page 456 – bottom of page 458)
- 2) **Complete the Chapter 10 Quiz**
- 3) Do Problems 9, 46, 47, 74 [Note: Problem 74 is part of a series of property problems we will do that we will call the “Brown Sheet Problems”. Problem 74 builds on the work we did in Problem 89 in Chapter 9]

Chapter 11 Assignment:
Property Dispositions

- 1) Read Chapter 11, BUT:
 - a. Skip the section on Qualified Small Business Stock (bottom of page 498 – middle of page 500)
 - b. Note: In class, we are going to take a somewhat simplified approach to some of the material on netting of capital gains and losses and netting of 1231 gains and losses. Therefore, don't get too worried about the details in the book until after we have reviewed them in class.
- 2) Read Internal Revenue Code Section 1221 in the Online Supplemental Readings on Blackboard
- 3) **Complete the Chapter 11 Quiz**
- 4) Do Problems 22 (parts a & d only), 39, 62 [Note: We also go over, in class, the final part of the "Brown Sheet" series of property problems. This problem, which builds on Problem 89 in Chapter 9 and Problem 74 in Chapter 10, will be handed out in class.]

Chapter 7 Assignment:
Losses—Deductions and Limitations

- 1) Read all of Chapter 7
- 2) **Complete the Chapter 7 Quiz**
- 3) Do Problems 8, 17, 21, 22, 34, 35, 37, 38, 61, 63

Professional Responsibility Assignment:

- 1) Skim the AICPA Statements on Standards for Tax Services in the Online Supplemental Readings on Blackboard. **Note: It is very important that you print this document and bring it with you to class or that you have access to it in class electronically.**
- 2) Read the American Express Case in the Online Supplemental Readings on Blackboard. Note that this is not a tax case but it involves management's handling of a transaction in a way that did not maximize the tax benefits that were available.
 - a. Do officers/directors of corporations have a duty (to shareholders) to minimize taxes?
- 3) Read the article "Travails in Tax: KPMG and the Tax Shelter Controversy" in the Online Supplemental Readings on Blackboard
 - a. Note: This article discusses modern day tax shelters—not the tax shelters of old that the passive loss and at risk rules (discussed in Chapter 7) attacked.
 - b. Don't worry about the technical details of the tax shelters involved; focus instead on how KPMG sought to develop and market such shelters. Also, don't worry about reading the footnotes.
 - c. If you had been a tax manager at KPMG, would you have been comfortable selling the tax shelters discussed in the article?
- 4) **Complete the Professional Responsibility Quiz**

EXTRA CREDIT: LIST OF SUGGESTED BOOKS

You need to get instructor approval by **Tuesday, March 9** and turn in the report by **Thursday, May 6** in order to receive credit. **NO LATE APPROVALS OR LATE REPORTS ARE ALLOWED.** With the exception of the “End of Prosperity,” one copy of each of the following is available in the library. You can also buy these books via online booksellers (e.g. Amazon.com). These books were all written for the general public rather than tax specialists.

Jeffrey H. Birnbaum & Alan S. Murray, Showdown at Gucci Gulch: Lawmakers, Lobbyists, and the Unlikely Triumph of Tax Reform

The behind-the-scenes political story of how the Tax Reform Act of 1986, one of the most significant tax law changes in history, came to be passed by Congress. Recommended for students interested in law-making and politics.

Michael J. Graetz, The U.S. Income Tax

A slightly dated overview of the U.S. income tax system and its problems. Includes suggestions for major reform. Contains many interesting insights and stories regarding our tax system.

Michael J. Graetz, 100 Million Unnecessary Returns: A Simple, Fair, and Competitive Tax Plan for the United States

This book is relatively new (January of 2008) and is therefore very up to date. It criticizes our current tax system and presents a plan to substantially overhaul and simplify it.

Michael J. Graetz & Ian Shapiro, Death by a Thousand Cuts: The Fight Over Taxing Inherited Wealth

Examines the methods used by anti-estate tax groups to influence the debate over estate taxes. Recommended for students interested in more detail on the debate over the estate tax.

Steven A. Bank, Kirk J. Stark, & Joseph J. Thorndike, War and Taxes

This recent (2008) book looks at U.S. tax policy during wartime—from the American Revolution through the war in Iraq and puts our current policy (tax cuts in wartime) in historical perspective. Recommended for students interested in history, politics, and military issues.

Samuel P. King & Randall W. Roth, Broken Trust: Greed, Mismanagement, & Political Manipulation at America’s Largest Charitable Trust

Fascinating story of the wealthy Bishop Estate in Hawaii, which was founded by a member of the Hawaiian royal family, set up the Kamehameha Schools for native Hawaiians, and was badly mismanaged in recent years. Explains how the threat of IRS sanctions eventually forced change at the organization. Recommended for students interested in nonprofits and organization governance.

Arthur Laffer, Stephen Moore, & Peter J. Tanous, The End of Prosperity: How Higher Taxes Will Doom the Economy—If We Let It Happen

This relatively new book (2008) is not in the library but is readily available from internet booksellers. It summarizes (in very basic terms) supply-side economics and analyzes the impact of prior tax cuts on the U.S. economy. The book argues against raising taxes in the new administration. Recommended for students interested in the economic arguments behind lowering taxes.

Joel Slemrod & Joe Bakija, Taxing Ourselves: A Citizen’s Guide to the Debate Over Taxes (Fourth Edition--2008)

Explains how tax reform should ideally work and the various options that are being debated. Recommended for students interested in economics. Warning: This book is a bit “denser” than the other books listed above.

Others? If you have an interest in a particular area of tax, let me know and I may be able to offer additional suggestions. Also, if you find a different book on tax policy you would like to use for this project, please discuss it with me.