“In my own case the words of such an act as the Income Tax, for example, merely dance before my eyes in a meaningless procession; cross-reference to cross-reference, exception upon exception—couch in abstract terms that offer no handle to seize hold of—leave in my mind only a confused sense of some vitally important, but successfully concealed, purport, which it is my duty to extract, but which is within my power, if at all, only after the most inordinate expenditure of time.”

--Judge Learned Hand

The following shows how we will use that “most inordinate expenditure of time.”

**Syllabus Contents**

I. Instructor Contact Information .................................................................................... 2

II. Required Course Materials .......................................................................................... 2

III. Course Description and Learning Objectives .............................................................. 3

IV. Grading ........................................................................................................................ 3

V. Policy on the Use of Electronic Devices in Class ....................................................... 6

VI. Extra Credit .................................................................................................................. 8

VII. Homework Assignments & Tentative Schedule ....................................................... 9

VIII. Specific Assignments ............................................................................................... 13

IX. Advice for Doing Well .............................................................................................. 19

X. ****WARNING!****............................................................................................... 20

XI. Other Information ...................................................................................................... 20

XII. This Thing Called “Tax Reform” ............................................................................ 24
I. Instructor Contact Information

Instructor:    Mark J. Cowan, JD, CPA (Connecticut)
Office:       MEBB 3102 (3rd floor, South Wing, near the Dean’s office and Department of Accountancy Chair’s office.)
Telephone:    426-1565
E-mail:       markcowan@boisestate.edu
Office Hours: Tuesdays & Thursdays 10:30am-11:30am & 1:00pm-2:30pm
              Wednesdays 9am – 11:30am

Note #1: I am generally in the office most of the time and can normally meet with you outside of office hours—but it is best to check in advance. In addition to the two sections of this course, I teach another course Tuesdays & Thursdays from 3pm-4:15pm, and thus won’t be available during those times.

Note #2: Faculty office wings are automatically locked from 5pm-8am. If you are meeting with me during those hours you must call me so I can let you in.

II. Required Course Materials

1. CONCEPTS IN FEDERAL TAXATION, 2018 EDITION, by Murphy & Higgins
   Please purchase ONE of the following:

   - **Loose Leaf Edition** ISBN-13: 978-1-337-60782-7 [Available at the Boise State Bookstore. You can buy new or used so long as it is the 2018 edition. You don’t need any software that may be included in some versions.]
   - **Standard Hardcover Edition** ISBN-13: 978-1-337-38607-4 [Available from online retailers. You can buy new or used so long as it is the 2018 edition. You don’t need any software that may be included in some versions.]

2. Online Supplemental Readings
   [Available for free 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.]
III. Course Description and Learning Objectives

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.

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.

IV. Grading

Grading Summary:

<table>
<thead>
<tr>
<th>Component</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exam #1</td>
<td>15%</td>
</tr>
<tr>
<td>Exam #2</td>
<td>15%</td>
</tr>
<tr>
<td>Final Exam</td>
<td>30%</td>
</tr>
<tr>
<td>Quizzes</td>
<td>5%</td>
</tr>
<tr>
<td>Research &amp; Writing Assignments</td>
<td>10%</td>
</tr>
<tr>
<td>Tax Returns</td>
<td>20%</td>
</tr>
<tr>
<td>Class Participation &amp; Responsibility [Note the policy on cell phones, lap tops, etc. in Part V, below]</td>
<td>5%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
</tbody>
</table>

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

**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 7:30am section and the 9:00am 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.

Note: When you are done with a quiz, you MUST hit the button on the screen to receive credit. If you fail to do so, your grade for the quiz will be zero.
**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 Returns:** 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 on Tax Returns #1 and #3. **But everyone must have a partner for Tax Return #2.**

**Class Participation & Responsibility:** Students are expected to come to every class having completed the reading/homework assignments and prepared to discuss them intelligently. Your class participation and responsibility grade may be reduced if you are not regularly attending class or are not prepared for class discussions.

You are preparing to enter a profession where professional behavior and courtesy will be expected. Professional behavior obviously enhances the learning environment. Any disruption to that environment, such as arriving late, leaving early without notice, side conversations in class, sleeping during 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. **In particular, two unprofessional activities have become particularly disruptive in recent semesters:**

**Issue #1: Arriving late.** We have a lot of material to cover, and thus we will begin class on time (7:30am or 9:00am). **It is very disruptive and distracting when students arrive late.** While I understand circumstances will sometimes require you to be late (bad weather, unexpected car or family issues), I ask that you make every effort to adjust your schedule to ensure your timely arrival. **If it becomes evident that you are arriving late (more than a couple of times), your class participation grade may be reduced.** In addition, if tardiness becomes a problem this semester, I reserve the right to implement additional measures during the semester to address the problem.

**Issue #2: The use of cell phones/laptops/tablets during class.** You are not allowed to use these during class unless I say otherwise. The specifics of this policy, and the rationale for this policy are explained in Part V [below](#).
V. Policy on the Use of Electronic Devices in Class

The study of taxation requires attention to detail and focus. Texting or web surfing during class is rude and will cause you to miss important details and concepts. Also, employers have told me they are having problems with new graduates texting, web surfing, Facebooking, etc. when they should be working. Some of these employees have been fired for such behavior. Furthermore, it is critical for all professionals (including CPAs) to be present—both physically and mentally—when listening to others.

Technological distractions are not a “college student problem” or a “millennial generation problem.” The issue affects us all. I routinely see distracting technology use by faculty members and business professionals in meetings and at conferences. Furthermore, I realize you are all adults and are capable of making your own decisions about whether technology use during class is a good or bad thing for you personally. The concern I have is that when one student opts to use technology in class it distracts those around them (including the instructor)—which makes the classroom less conducive to learning. A professor at the Massachusetts Institute of Technology put it this way:

A lot is at stake. Where we put our attention is not only how we decide what we will learn, it is how we show what we value….In classrooms, the distracted are a distraction: Studies show that when students are in class multitasking on laptops, everyone around them learns less. Distraction is contagious. One college senior says, "I’ll be in a great lecture and look over and see someone shopping for shoes and think to myself, ‘Are you kidding me?’ So I get mad at them, but then I get mad at myself for being self-righteous. But after I’ve gone through my cycle of indignation to self-hate, I realize that I have missed a minute of the lecture, and then I’m really mad."

Even for those who don’t get stirred up, when your classmates are checking their mail or Amazon, it sends two signals: This class is boring, and you have permission to check out — you, too, are free to do other things online.1

The use of smartphones is just as distracting—for both students and the instructor. As a professor at the Rochester Institute of Technology put it:

I could not bear to look at one more student smiling at his or her crotch — the universally preferred location to keep one’s phone for "surreptitious" texting. (Note to students: If you’re smiling in that direction, your attempts at stealth are going to get noticed.)2

---

2 Hinda Mandell, No Phones, Please, This Is a Communications Class, THE CHRONICLE OF HIGHER EDUCATION, July 6, 2015.
Recent research has shown that even legitimate uses of technology in the classroom—like to take notes—is counterproductive. Consider the following abstract of a study done by researchers at Princeton and UCLA:

Taking notes on laptops rather than in longhand is increasingly common. Many researchers have suggested that laptop note taking is less effective than longhand note taking for learning. Prior studies have primarily focused on students’ capacity for multitasking and distraction when using laptops. The present research suggests that even when laptops are used solely to take notes, they may still be impairing learning because their use results in shallower processing. In three studies, we found that students who took notes on laptops performed worse on conceptual questions than students who took notes longhand. We show that whereas taking more notes can be beneficial, laptop note takers’ tendency to transcribe lectures verbatim rather than processing information and reframing it in their own words is detrimental to learning.3

For the above reasons, some law schools and business schools—including Harvard Business School—have banned technology from many of their classrooms. In addition, Supreme Court Associate Justice Neil Gorsuch banned technology from his classroom when he taught classes at the University of Colorado Law School. I have decided to follow this example and prohibit student use of technology in the classroom:

<table>
<thead>
<tr>
<th>POLICY ON ELECTRONIC DEVICES IN CLASS:</th>
</tr>
</thead>
<tbody>
<tr>
<td>In the absence of a pre-approved emergency situation, all electronic devices including, but not limited to, cell phones, smart phones, tablets, smart watches, and laptops must be turned off and put away during class.</td>
</tr>
<tr>
<td>Student violating this policy will experience the following consequences:</td>
</tr>
<tr>
<td>First-time violation: A warning.</td>
</tr>
<tr>
<td>Second-time violation: Class participation grade reduced to zero.</td>
</tr>
<tr>
<td>Subsequent violations: Course grades further reduced in increments of 5 points (out of 100) for each violation.</td>
</tr>
<tr>
<td>Exception: If you get permission from me for a compelling reason (e.g, you are the “on call” parent for your kids, a family member is ill or about to go into labor, etc.) You must let me know in advance if you have these situations and keep your phone on vibrate. Exceptions will also be granted for students with technology-related accommodations approved by the Educational Access Center.</td>
</tr>
</tbody>
</table>

I understand that this may be frustrating for some of you, but since I have adopted this policy I have found that students are able to be more engaged in class. Thanks for your cooperation!

VI. Extra Credit

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 or accounting 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, February 27 and then turn in the book report no later than Thursday, April 26. You will not be able to take advantage of this opportunity if you have not had your book approved by Tuesday, February 27. This is the only opportunity for extra credit that will be offered. See below for a list of suggested books. I reserve the right to limit the number of students reviewing the same book. ANY INDICATION OF PLAGIARISM (e.g., using online book reviews or descriptions) WILL RESULT IN A ZERO GRADE.

List of Suggested Books:
Some of these books may be 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. This list is not all inclusive. 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.

<table>
<thead>
<tr>
<th>Jeffrey H. Birnbaum &amp; Alan S. Murray, Showdown at Gucci Gulch: Lawmakers, Lobbyists, and the Unlikely Triumph of Tax Reform:</th>
<th>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.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eugene Soltes, Why They Do It: Inside the Mind of the White-Collar Criminal:</td>
<td>This 2016 book provides insights on the history of white-collar crime and why executives engage in such crimes (like accounting fraud, insider trading, Ponzi schemes, etc.).</td>
</tr>
<tr>
<td>Michael J. Graetz, 100 Million Unnecessary Returns: A Simple, Fair, and Competitive Tax Plan for the United States:</td>
<td>This book (from 2008) criticizes our current tax system and presents a plan to substantially overhaul and simplify it.</td>
</tr>
<tr>
<td>Steven A. Bank, Kirk J. Stark, &amp; Joseph J. Thorndike, War and Taxes:</td>
<td>This 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.</td>
</tr>
<tr>
<td>Samuel P. King &amp; Randall W. Roth, Broken Trust: Greed, Mismanagement, &amp; Political Manipulation at America’s Largest Charitable Trust:</td>
<td>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.</td>
</tr>
</tbody>
</table>
Joel Slemrod & Joe Bakija, *Taxing Ourselves: A Citizen’s Guide to the Debate Over Taxes* (Fifth Edition--2017): 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.

Carol Ross Joynt, *Innocent Spouse: A Memoir*: The true story of a TV news producer and her business and tax problems that come to light when her husband dies. Light on tax, heavy on drama. Lots of namedropping and contains some “racy” material, but shows how difficult it can be for an “innocent” spouse to avoid the tax debts created by their husband or wife.

Jane Gleeson-White, *Double Entry: How the Merchants of Venice Created Modern Finance*: The history of debits and credits and the story of Luca Pacioli, the father of accounting. No tax content, but acceptable for those interested in the history of the accounting profession and its impact on commerce.


### VII. Homework Assignments & Tentative Schedule

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. Since each class has its own pace and rhythm, there may be changes in assignments and due dates. As the semester progresses, I will announce all such changes in class and on Blackboard.
<table>
<thead>
<tr>
<th>Date</th>
<th>Topic</th>
<th>Assignment Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuesday, Jan. 9</td>
<td>Introduction to the Course</td>
<td></td>
</tr>
<tr>
<td>Thursday, Jan. 11</td>
<td>Federal Income Taxation—An Overview</td>
<td>No formal assignment due—but read the syllabus and start reading Chapter 1</td>
</tr>
<tr>
<td>Tuesday, Jan. 16</td>
<td>Federal Income Taxation—An Overview</td>
<td>Chapter 1 Assignment</td>
</tr>
<tr>
<td>Thursday, Jan. 18</td>
<td>Federal Income Taxation—An Overview</td>
<td>“Codehead” Assignment</td>
</tr>
<tr>
<td></td>
<td>Note: Monday, Jan. 22 is the last day to drop</td>
<td></td>
</tr>
<tr>
<td></td>
<td>without a “W”</td>
<td></td>
</tr>
<tr>
<td>Tuesday, Jan. 23</td>
<td>Federal Income Taxation—An Overview</td>
<td>Research &amp; Writing Assignment #1 Due</td>
</tr>
<tr>
<td>Thursday, Jan. 25</td>
<td>Income Tax Concepts</td>
<td>Chapter 2 Assignment</td>
</tr>
<tr>
<td>Tuesday, Jan. 30</td>
<td>Income Tax Concepts</td>
<td></td>
</tr>
<tr>
<td>Thursday, Feb. 1</td>
<td>Income Sources</td>
<td>Chapter 3 Assignment</td>
</tr>
<tr>
<td>Tuesday, Feb. 6</td>
<td>Income Sources</td>
<td></td>
</tr>
<tr>
<td>Thursday, Feb. 8</td>
<td>Income Sources</td>
<td></td>
</tr>
<tr>
<td>Tuesday, Feb. 13</td>
<td><strong>EXAM 1</strong>: Covers Chapters 1-3</td>
<td></td>
</tr>
<tr>
<td>Thursday, Feb. 15</td>
<td>Sources of Tax Law/Tax Research</td>
<td>Chapter 16 Assignment</td>
</tr>
<tr>
<td>Tuesday, Feb. 20</td>
<td>Income Exclusions</td>
<td>Chapter 4 Assignment (Part 1 of 2)</td>
</tr>
<tr>
<td>Thursday, Feb. 22</td>
<td>Income Exclusions</td>
<td>Tax Return #1 Due</td>
</tr>
<tr>
<td>Date</td>
<td>Topic</td>
<td>Assignment</td>
</tr>
<tr>
<td>--------------</td>
<td>----------------------------------------</td>
<td>----------------------------------------</td>
</tr>
<tr>
<td>Tuesday, Feb. 27</td>
<td>Income Exclusions</td>
<td>Chapter 4 Assignment (Part 2 of 2)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Deadline to sign up for Extra Credit</td>
</tr>
<tr>
<td>Thursday, Mar. 1</td>
<td>Income Exclusions: Section 132 Problems</td>
<td>Chapter 5 Assignment</td>
</tr>
<tr>
<td></td>
<td>Introduction to Business Expenses</td>
<td></td>
</tr>
<tr>
<td>Tuesday, Mar. 6</td>
<td>Introduction to Business Expenses</td>
<td></td>
</tr>
<tr>
<td>Thursday, Mar. 8</td>
<td>Business Expenses</td>
<td>Chapter 6 Assignment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Research &amp; Writing Assignment #2 Due</td>
</tr>
<tr>
<td>Tuesday, Mar. 13</td>
<td>Business Expenses</td>
<td>Chapter 8 Assignment</td>
</tr>
<tr>
<td></td>
<td>Taxation of Individuals</td>
<td></td>
</tr>
<tr>
<td>Thursday, Mar. 15</td>
<td>Taxation of Individuals</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Note: Friday, Mar. 16 is the last day to drop (with a “W”)</td>
<td></td>
</tr>
<tr>
<td>Tuesday, Mar. 20</td>
<td>Taxation of Individuals</td>
<td>Research &amp; Writing Assignment #3 Due</td>
</tr>
<tr>
<td></td>
<td>Introduction to the Alternative Minimum Tax</td>
<td></td>
</tr>
<tr>
<td>Thursday, Mar. 22</td>
<td>EXAM 2: Cumulative with special focus on Chapter 4, 5, 6, 8, &amp; 16</td>
<td></td>
</tr>
<tr>
<td>Tuesday, Apr. 3</td>
<td>Acquisitions of Property</td>
<td>Chapter 9 Assignment</td>
</tr>
<tr>
<td>Thursday, Apr. 5</td>
<td>Acquisitions of Property</td>
<td></td>
</tr>
<tr>
<td>Tuesday, Apr. 10</td>
<td>Cost Recovery on Property</td>
<td>Chapter 10 Assignment</td>
</tr>
<tr>
<td></td>
<td>Tax Return #2 Due</td>
<td></td>
</tr>
<tr>
<td>Thursday, Apr. 12</td>
<td>Cost Recovery on Property</td>
<td>Chapter 11 Assignment</td>
</tr>
<tr>
<td></td>
<td>Property Dispositions</td>
<td></td>
</tr>
<tr>
<td>Date</td>
<td>Topic</td>
<td>Assignments</td>
</tr>
<tr>
<td>------------------</td>
<td>-----------------------------------------------</td>
<td>-------------------------------------------------</td>
</tr>
<tr>
<td>Tuesday, Apr. 17</td>
<td>Property Dispositions</td>
<td></td>
</tr>
<tr>
<td>Thursday, Apr. 19</td>
<td>Losses—Deductions and Limitations</td>
<td>Chapter 7 Assignment Research &amp; Writing Assignment #4 Due</td>
</tr>
<tr>
<td>Tuesday, Apr. 24</td>
<td>Losses—Deductions and Limitations Ethical Issues in Tax Practice</td>
<td>Ethical Issues in Tax Practice Assignment</td>
</tr>
<tr>
<td>Thursday, Apr. 26</td>
<td>Ethical Issues in Tax Practice Course Wrap up</td>
<td>Tax Return #3 Due EXTRA CREDIT REPORTS DUE</td>
</tr>
<tr>
<td>Tuesday, May 1</td>
<td>FINAL EXAM FOR SECTION 002 (9:00 class) 10:00-12:00pm in MBEB 1208</td>
<td></td>
</tr>
<tr>
<td>Thursday, May 3</td>
<td>FINAL EXAM FOR SECTION 001 (7:30 class) 7:30am-9:30am in MBEB 1208</td>
<td></td>
</tr>
</tbody>
</table>
VIII. 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 xxii 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, 45 (a only), 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. When I go over the problems in class, I am going to assume you have tried them and are familiar with the facts.]
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 (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 bottom of page 3-15 through middle of page 3-18.
   b. SKIP the material on the mechanics of the capital gain/loss “netting” on the middle of page 3-25 through the middle of 3-27 at this point. We’ll cover this (in a simplified way) later.
   c. SKIP the “Exceptions Applicable to the Cash Method” material on OID and EE Savings bonds on the bottom of page 3-33 through the bottom of page 3-34.

2) Read the article “Should Olympic Medals Be Taxed?” in the Online Supplemental Readings on Blackboard

3) 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?

4) Complete the Chapter 3 Quiz

5) Do Problems 3, 20, 38(a only), 40, 49, 55, 68, 85

6) 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 middle of page 16-13 through the middle of page 16-15.
   b. You can just skim the “Comprehensive Research Example” on pages 16-21 through 16-24.

2) Complete the Chapter 16 Quiz
Chapter 4 Assignment (Part 1 of 2):
Income Exclusions
1) Read all of Chapter 4, BUT: Don’t worry about the mechanics of the Foreign Earned Income Exclusion on page 4-7
2) Read the following cases in the Online Supplemental Readings on Blackboard (Warning: Some of these cases get a little “PG-13”):
   a. Peebles Case
   b. Jackson Case
   c. Starks Case
   d. Jones Case
      i. What accounts for the difference in outcome between the Starks case and the Jones case?
3) Complete the Chapter 4, Part 1 of 2 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 on page 4-11.) 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. What practical steps would you have taken to ensure that the vouchers were properly reported, the appropriate taxes were paid, and the employees were kept happy?
4) Read IRS Announcements 2015-22 and 2016-02 in the Online Supplemental Readings on Blackboard. Why did the IRS need to issue these announcements?
5) Complete the Chapter 4, Part 2 of 2 Quiz
Chapter 5 Assignment:  
Introduction to Business Expenses

1) Read Chapter 5, BUT:
   a. You can just skim the material on Hobby Expenses on the bottom of page 5-23 through the top of page 5-25 and the material on Home Office Expenses on the bottom of page 5-26 through the middle of page 5-28. Instead, focus your study on the Vacation Home rules on the middle of page 5-25 through the bottom of page 5-26. 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 bottom of page 5-28 through the bottom of page 5-34.

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
   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 business expenses?

5) Read the article “The Home Bathroom Deduction” in the Online Supplemental Readings on Blackboard. Although we are not going to spend a lot of time discussing home office deductions, this article provides some thoughts on what it means to use part of your home “exclusively” for “business” purposes.

6) Read “NY Times Article on Section 280E” in the Online Supplemental Readings on Blackboard.

7) Complete the Chapter 5 Quiz

8) Why doesn’t the tax code allow us to deduct many personal expenses?

9) Do Problems 27 (skip part b), 39, 55 (skip Case D), 70

Chapter 6 Assignment:
Business Expenses

1) Read Chapter 6, BUT:
   a. SKIP the section on the Qualified Production Activities Deduction on the middle of page 6-15 through the middle of page 6-17.
   b. You can just skim the material on “Retirement Plan Contribution Deductions” on the middle of page 6-25 through the top of page 6-29.
   c. SKIP the section on Moving Expenses on the bottom of page 6-31 through the bottom of page 6-32.

2) Read “Shaking and Stirring the Three-Martini Lunch Tax Break Myth” in the Online Supplemental Readings on Blackboard

3) Complete the Chapter 6 Quiz

4) Do Problems 29 (parts a & b only), 35, 38, 43
Chapter 8 Assignment: Taxation of Individuals

1) Read Chapter 8, BUT:
   a. SKIP the section on Miscellaneous Itemized Deductions on the middle of page 8-18 through the middle of page 8-20.
   b. SKIP the section on Itemized Deductions and Exemptions—Reductions by High-Income Taxpayers on the middle of page 8-20 through the bottom of page 8-21.
   c. You need only skim the section on Income Tax Credits from the top of page 8-24 through the middle of page 8-31.

2) In Chapter 15, read the section on the Alternative Minimum Tax on the top of page 15-28 through the middle of page 15-37.

3) Complete the Chapter 8 Quiz

4) In the back of Chapter 8, do Problems 5, 41, 46, 47, 53, 54 & try the “Alternative Minimum Tax Problem” included in the back of the Chapter 8 lecture notes

Chapter 9 Assignment: Acquisitions of Property

1) Read all of Chapter 9, BUT:
   a. SKIP the “Basis in Securities” material on the bottom of page 9-24 through the middle of page 9-26.
   b. SKIP the “Wash Sale Stock Basis” material on the middle of page 9-26 through the middle of page 9-27.

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?

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. You need only skim the top of page 10-22 through the middle of page 10-30 (on alternative depreciation methods, listed property, depletion, amortization, etc.).

2) Complete the Chapter 10 Quiz

3) Do Problems 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 Capital Gain Exclusion on Qualified Small Business Stock (middle of page 11-13 through the middle of page 11-15).
   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 (a & d only), 64 [Note: We will 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, is at the end of the Chapter 10 class notes.]

Chapter 7 Assignment: Losses—Deductions and Limitations

1) Read all of Chapter 7

2) Read the Leland Case in the Online Supplemental Readings on Blackboard

3) Complete the Chapter 7 Quiz

4) Do Problems 8, 17, 21, 22, 35, 37, 38, 61

Ethical Issues in Tax Practice Assignment:

1) Skim the AICPA Statements on Standards for Tax Services in the Online Supplemental Readings on Blackboard

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.

3) Read the Vaughn Case in the Online Supplemental Readings on Blackboard
   a. Note the distinction the court draws between relying on an advisor for tax advice and relying on an advisor to file a tax return.

4) Read the article “Travails in Tax: KPMG and the Tax Shelter Controversy” in the Online Supplemental Readings on Blackboard
   a. Note: This article discusses tax shelters that were used in recent years—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?

5) Complete the Ethical Issues in Tax Practice Quiz
IX. Advice for Doing Well

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 process\(^4\) 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, pay attention, 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 Boise State 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. To help you in this endeavor, I will sometimes post review problems (and check figures) to Blackboard so you can check your understanding.

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

---

\(^4\) 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.
X.  ****WARNING!****

It has been my experience that many students struggle with the workload and the complexity of the material when they take their first upper division accounting course.

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).

a. If you did not do well in ACCT 205 and/or 206 (e.g., you were a “C” student in those courses) the prospects for success in this course are not good.

b. Even if you did well in 205 and 206, you will find this course very challenging and will need to put in a lot more study time than you did in 205 and 206. Please make sure you have enough time to devote to the course this semester and are not over-extended.

c. Recall that you can take ACCT 302 at any time prior to graduation; it is not a prerequisite to any other course. Deferring this class to a future semester should not delay your graduation. (In contrast, it is critical that you take ACCT 290 and ACCT 304 as soon as possible, as those are prerequisites for more advanced accounting courses and putting off those courses may delay your graduation.)

XI.  Other Information

Important Dates:

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Last day to apply for May graduation</td>
<td>Friday, January 12th</td>
</tr>
<tr>
<td>Last day to drop without a “W”</td>
<td>Monday, January 22nd</td>
</tr>
<tr>
<td>Deadline to apply for scholarships</td>
<td>Thursday, February 15th</td>
</tr>
<tr>
<td>Last day to drop with a “W”</td>
<td>Friday, March 16th</td>
</tr>
</tbody>
</table>

Class Website:

We will be using the Blackboard in this course. 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. For more information, log on to Blackboard via the myBoiseState portal. Students are responsible for checking the class website for important announcements (e.g., cancellation of class, changes in assignments, etc.). I will also post information on scholarships, job openings, internships, etc. on the Blackboard site.
Emails:
I will sometimes email you important information via Blackboard’s “Send Email”
function. This should send the email to your Boise State email account. You are
responsible for frequently checking your Boise State email account for these
messages even if you otherwise correspond with me via another email account.

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 should you miss class.

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. Demonstrate appropriate principles of responsible business practice
   5.1 Resolve issues related to Individual Responsibility (Business Ethics)

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.
Cheating or plagiarizing on a particular assignment may result in a grade of zero for that
assignment.

Right to Request Reasonable Accommodations:
Students with disabilities needing accommodations to fully participate in this class should
contact the Educational Access Center (EAC). All accommodations must be approved
through the EAC prior to being implemented. To learn more about the accommodation
process, visit the EAC’s website.
Policy on Late Assignments:
Late assignments are only accepted at the discretion of the instructor and generally require a compelling reason. Points may be deducted for assignments that are allowed to be turned in late.

Reminder on Boise State’s Statement of Shared Values:
All members of the campus community are expected to adhere to Boise State’s Statement of Shared Values (adopted Spring 2007). The common values are Academic Excellence, Caring, Citizenship, Fairness, Respect, Responsibility, and Trustworthiness.

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.
The Mission and Core Values of the College of Business and Economics:

Our dream is to be a collaborative, engaged and dynamic community of learners. We inspire our students and colleagues to achieve their full potential by creating and sharing relevant knowledge, skills and experiences for the benefit of local and global communities. We value:

**Relevance:** We address important business and societal issues by being effective, innovative and risk-tolerant. Our effectiveness is based on rigorous teaching and research and a commitment to life-long learning and community engagement.

**Respect:** We strive to be an inclusive, collegial community that values all forms of diversity. We are committed to integrity and ethical behavior in all that we do.

**Responsibility:** We foster an environment that empowers students, staff and faculty. We are dedicated to accountability, transparency and fairness.

---

Department of Accountancy Mission Statement and Objectives:

We provide a high-quality educational experience through student-centered teaching, impactful research, and meaningful service that benefits and challenges students, the accounting profession, the business community, and the community at large.

Consistent with COBE’s values we develop well-rounded professionals by:

1. delivering rigorous curriculum
2. engaging in relevant research and other scholarly endeavors
3. encouraging life-long learning
4. fostering a culture of service
XII. This Thing Called “Tax Reform”

“By the pricking of my thumbs, something wicked this way comes [?]”
–William Shakespeare’s Macbeth

“Of course the truth is that the congresspersons are too busy raising campaign money to read the laws they pass. The laws are written by staff tax nerds who can put pretty much any wording they want in there. I bet that if you actually read the entire vastness of the U.S. Tax Code, you'd find at least one sex scene ("'Yes, yes, YES!' moaned Vanessa as Lance, his taut body moist with moisture, again and again depreciated her adjusted gross rate of annualized fiscal debenture").”—Dave Barry

---

5 Is the new tax law “wicked”? Yes, in the sense of being painful to digest. Will it have a good or bad impact on the economy? Stay tuned.
The New Law: On December 22, 2017, President Trump signed into law H.R. 1, known informally as the Tax Cuts and Jobs Act (referred to as TCJA). It is the most significant change to the federal tax law in over 30 years. It simplifies the tax law in some areas and makes it more complicated in others.

Our Approach: Traditionally, in this course we use the prior year as our “example year” when applying rules, tax rates, tax forms, etc. For the Spring of 2018, our example year is 2017. The reason for this is that the prior year is the most recent year for which forms are available. Also, the textbook reflects 2017 law. Most of the provisions of TCJA take effect for tax years beginning after December 31, 2017. Thus, we must use the “old” law in preparing 2017 tax returns. Incorporating TCJA into the course will be challenging. The task is more difficult because TCJA has various phase-ins and phase-outs. Some of the provisions of TCJA are “permanent,” meaning they will remain in the law unless Congress changes them. But many provisions of TCJA—including provisions that provide tax benefits and cut tax benefits—are “temporary,” in that they automatically expire in a few years (generally the end of 2025) unless Congress extends them. Thus, there are some rules that apply in 2017 (our example year) that won’t apply starting in 2018—and probably won’t ever return. But there are other rules that apply in 2017 (our example year) that won’t apply (are suspended) starting in 2018 BUT MAY RETURN IN 2026 unless Congress acts. We will deal with these realities as follows:

---

6 I say “informally” because the law itself does not contain the name “Tax Cuts and Jobs Act.” Including that “short title” in the law was prohibited under budget reconciliation rules (specifically the “Byrd Rule”) that the law had to meet to suspend the filibuster in the Senate. Despite this, politicians and the press refer to H.R. 1 as the Tax Cuts and Jobs Act. We will follow that practice in this course. It would be cumbersome for us to use the sexier official name of H.R. 1, which is “An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018.” (No, I didn’t make that up.)
• We will use 2017 (pre-TCJA) law (tax rates, forms, etc.) reflected in the textbook as our starting point in our work (examples, tax returns, homework, etc.). Although TCJA made a lot of changes to the tax law, the basic structure and concepts that underlie the tax law remain unchanged. Thus, most of the material in the textbook is still valid and important in a post-TCJA world. But I will make sure that we don’t spend much time on the tax rules that have been repealed, suspended, or rendered unimportant by TCJA.

• In the course lecture notes, I will do my best to note the impact of TCJA as follows:
  o Rules added, changed, repealed, or suspended by TCJA will be noted in blue font.
  o Rules suspended by TCJA temporarily (and thus which may return to the tax law in the future) will be noted in red font.

• When we review problems in class, we will generally apply the 2017 rules. But, where appropriate, I will review how the problems would come out differently in 2018 (post-TCJA).

• I will hand out in class an “ACCT 302 Tax Quick Reference Card” for you to keep handy with 2017 and 2018 tax rates and other key information. I will also set up a folder in Blackboard under “Course Documents” with some additional information on TCJA in case you are interested in learning more.

• If, during the semester, Congress enacts additional changes to the tax law (like “technical corrections”), I will note that as well. Stay tuned.

My hope is that, by taking this approach, you will have a solid understanding of the tax system (which has not changed much), understand the major impact of the new law, and understand where old law might return in the future. In any case, we shall do our best. It can’t be that hard. President Trump recently told the New York Times “I know the details of taxes better than anybody. Better than the greatest C.P.A.”
Studying the impact of TCJA will be challenging. But it is an excellent, real world example of how CPAs must teach themselves new tax laws and incorporate them into the framework they learned in college. In ACCT 302, we will focus on the underlying framework of the tax law (which tends to remain stable over time). Once you learn the framework, incorporating new developments (like TCJA) becomes easier.

**Impact on GAAP Financial Statements:** As noted above, most of the provisions of TCJA don’t take effect until 2018. Thus, TCJA has little impact on 2017 tax returns. But, because President Trump signed TCJA into law in 2017, corporations will need to account for the impact of the new law on their 2017 GAAP financial statements. GAAP generally requires that the impact of tax law changes be reported in the year of enactment—here 2017. (It was hoped that the President would wait until early 2018 to sign TCJA into law, which would allow companies to postpone booking the impact until the first quarter of 2018). If you have taken ACCT 306 Intermediate Accounting II, you are familiar with the concept of deferred tax assets and liabilities, which account for temporary differences between GAAP income statement income and taxable income as reported on the tax return. Many companies currently have these assets and liabilities booked based on a 35% corporate rate and will need to adjust the assets and liabilities to TCJA’s new 21% corporate tax rate. In addition, some companies will need to accrue new taxes (that mainly apply to international operations) and account for certain changes TCJA made to some deductions. All of this is beyond the scope of ACCT 302.

**Reactions:** TCJA is a controversial law. You’ve probably read about reactions to TCJA from the positive (it will spark economic growth; it puts our corporate tax system more in line with international norms and thus will make U.S. companies more competitive; the benefits will flow to workers in the form of higher pay) to the negative (it was not bipartisan in that it passed without a single Democratic vote; the whole package was negotiated in secret; it will increase the deficit and lead to cuts in government programs; it primarily benefits large corporations and the rich; it limits deductions that are important in some parts of the country—like the deduction for state and local taxes; voters don’t like it). Reactions range from gushing\(^7\) to absurd.\(^8\) These debates will continue, and the ultimate impact of TCJA will reveal itself in time.

---

\(^7\) Particularly by Republicans, who celebrated the passage of TCJA at the White House on Dec. 20, 2017. The celebration has been called “an orgy of self-congratulation. The president patted himself on the back so vigorously that he might have required physical therapy.” Alan S. Blinder, *Almost Everything is Wrong With the New Tax Law*, WALL STREET JOURNAL, Dec. 27, 2017.

\(^8\) A psychologist in Los Angeles, Robert Strong, reportedly “responded to the recent enactment of tax reform legislation by gift-wrapping boxes of horse manure and delivering them to the L.A.-area homes of Treasury Secretary Steven Mnuchin.” Strong refers to himself as the “prophet of poo” and noted “[a]s Martin Luther nailed his 95 theses to the door of the Wittenberg Chapel, starting the Reformation some 400 years ago, I have nailed my 95 feces onto the gate of the Secretary of Treasury of the United States.” Strong posted pictures of the “gifts” on Facebook and was questioned about his “Secret Santa project” by the Secret Service. But so far he has not been charged with any crime. *Off the Beaten Tax: Mnuchin Thanked for Tax Bill With Horse Hockey*, TAX NOTES TODAY, Jan. 2, 2018.
Meanwhile, in CPA-Land: Our job in ACCT 302 is to learn the important provisions of TCJA to be able to advise our future clients. CPAs in practice are currently working long hours to determine the impact of the new law on their clients. Despite the challenges, some say that “[i]t’s never been a better time to be a CPA.”9 Many of them feel like “financial therapist[s]” that are “trying to calm people down.”10 Like therapists, CPAs charge for their time, and thus (let’s be honest) TCJA will be lucrative for CPAs. As one CPA noted, “I hate to be flip, but it’s going to be an accountant’s retirement act.”11

Let’s All Calm Down: Finally, in analyzing TCJA, we should try to be objective, and have some perspective. Consider the following quote by columnist George Will:

Most of the nonstop noise emanating from the White House is white noise — audible wallpaper, there but unnoticed. Some is, however, interestingly symptomatic, as when a presidential assistant calls this year’s tax legislation ‘the most significant tax reform we’ve had since 1986.’ Which is like bragging about the tallest building in Boise. The 1986 tax reform radically simplified the tax code. Since then, the code has acquired more than 15,000 new wrinkles. The 2017 tax legislation might — this is difficult to measure — have managed the minor miracle of making the 70,000-page code more complicated. On a scale of importance from one (negligible) to 10 (stupendous), the legislation might be a three. Never mind. Cue the Cassandras. This tax cut of less than 1 percent of the next decade’s projected GDP is ‘the worst bill in the history of the United States Congress’ (House Minority Leader Nancy Pelosi). It ‘will result in 10,000 extra deaths per year’ and ‘our country will be living on a shoestring for decades’ (former treasury secretary Lawrence H. Summers). The many Americans who are happiest when unhappy seem as addicted to indignation as the fewer Americans are to cocaine. Brain imaging might show the same pleasure points lighting up in both cohorts.12

---

10 Id.
11 Id.