

San José State University
College of Business
Accounting and Finance Department
Taxation of Business Entities
BUS 223G
Fall 2017

Instructor: Joel Busch

Office Location: Lucas Graduate School of Business

Telephone: (408) 924-3494

Email: Via Canvas Email

Office Hours: 30 minutes before and after class and by appointment

Class Days/Time: Wednesdays - 6:00 p.m. to 10:00 p.m.

Classroom: Lucas School Silicon Valley Site
2933 Bunker Hill Lane - Suite 120
Santa Clara, CA 95054

(Co) Prerequisites: Bus 223A

Faculty Web Page and MYSJSU Messaging

Course materials such as syllabus, handouts, PowerPoint slides, notes, assignment instructions, etc. may be found on the Canvas learning management system course website. You are responsible for regularly checking Canvas to learn of any course updates – including new messages, readings and assignments.

Course Description

Income tax treatment of different types of business entities and their owners. Focuses on operations, reporting, formation, restructuring and termination. Selected special state and international tax rules, tax planning, and underlying tax policies also covered.

Course Learning Outcomes

Upon completion of this course students will be able to:

CLO 1: Explain federal tax differences and similarities of business entities.

CLO 2: Apply basic tax rules on operation and formation of business entities for tax compliance and planning purposes.

CLO 3: Explain the historical, operational and policy reasons for the basic federal tax rules governing business entities.

CLO 4: Develop conceptual and analytic skills with real world applications.

CLO 5: Identify, understand and resolve complex and multijurisdictional tax issues within the context of our global economy and society.

CLO 6: Learn and acquire research skills for exploring both familiar and novel areas of the tax law and to communicate the findings using clear terms.

CLO 7: Appreciate tax policy issues and foundations of the tax law.

CLO 8: Understand the ethical implications of tax practice.

CLO 9: Develop skills for effective tax practice including keeping current, interacting with others, and career advancement.

Required Texts/Readings

Textbook

You have three options to purchase the required South-Western (Cengage) 2018 Corporations and Partnerships textbook (with the required LMS version of CengageNOW online study tools and homework system):

1) Purchase the looseleaf textbook (with the LMS version of CengageNOW online study tools and homework system) at the main campus bookstore.

2) Purchase the looseleaf version of the textbook (with the LMS version of CengageNOW online study tools and homework system) online directly from the publisher at: www.cengagebrain.com using the following ISBN: **9781337587969**

3) Purchase the electronic-only version of the textbook (with the LMS version of CengageNOW online study tools and homework system) online directly from the publisher at: www.cengagebrain.com using the following ISBN: **9781337390064** (note that if you purchase this version you will be required to bring your laptop or smartphone (capable of viewing the online textbook) to every class session).

Readings

Note – Please see the detailed reading instructions in the class session calendar below.

[All materials outside of the textbook are available online or via your online SJSU library account]

Note: *Primary* reading for this course also includes Federal and California statutes, regulations and case law.

- BNA Portfolio 1550 – Choice of Entity – An Overview of Tax and Non Tax Considerations
- BNA Portfolio 750 – Corporate Overview
- IRS Publication 334 (Tax Guide for Small Businesses):
<http://www.irs.gov/pub/irs-pdf/p334.pdf>
- IRS Business Structures website - <http://www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Business-Structures>

IRS S Corporation Compensation and Medical Insurance Issues:

<http://www.irs.gov/Businesses/Small-Businesses-&Self-Employed/S-Corporation-Compensation-and-Medical-Insurance-Issues>

- IRS Schedule C Small Business Workshop Video:
<http://www.irsvideos.gov/SmallBusinessTaxpayer/virtualworkshop/Lesson2>
- California Property Tax – An Overview (BOE Pub. 29):
<http://www.boe.ca.gov/proptaxes/pdf/pub29.pdf>
- Your California Seller's Permit (California Sales/Use Tax) – (BOE Pub. 73):
<http://www.boe.ca.gov/pdf/pub73.pdf>
- California FTB – 2016 Partnership Tax Booklet:
https://www.ftb.ca.gov/forms/2016/16_565bk.pdf
- California FTB – Limited Liability Company (LLC) Filing Information Publication (FTB 3556): <https://www.ftb.ca.gov/forms/misc/3556.pdf>
- California FTB – Overview of Withholding on Pass-Through Entity Owners:
<https://www.ftb.ca.gov/individuals/wsc/partnerships-and-limited-liability-companies.shtml>
- California FTB Publication 1017 (California Resident and Non-Resident Withholding):
<https://www.ftb.ca.gov/forms/misc/1017.pdf>

- California FTB – 2016 Corporation Tax Booklet:
https://www.ftb.ca.gov/forms/2016/16_100bk.pdf
- California FTB – 2016 S Corporation Tax Booklet:
https://www.ftb.ca.gov/forms/2016/16_100sbk.pdf
- California Franchise Tax Board's Guide to Forms of Ownership:
<https://www.ftb.ca.gov/forms/misc/1123.pdf>
- AICPA Comparison of Business Entities:
<http://www.aicpa.org/interestareas/tax/resources/taxplanning/downloadabledocuments/comparison%20of%20business%20entities.pdf>
- Joint Committee on Taxation, *Selected Issues Relating To Choice Of Business Entity* (7/27/12): <https://www.jct.gov/publications.html?func=startdown&id=4478>
- Congressional Budget Office, *Taxing Businesses Through the Individual Income Tax* (Dec. 2012): <https://www.cbo.gov/sites/default/files/112th-congress-2011-2012/reports/43750-TaxingBusinesses2.pdf>
- Additional materials may be delivered in class or posted on Canvas
- Use of RIA, CCH, TTR and BNA for research and background reading to supplement above readings.

MST Program Administrative Guidelines

- Please see the 2017/2018 New Student Handbook at:
http://www.sjsu.edu/lucasgsb/docs/MST_New%20Student%20Handbook%20Fall%202017_rev_090817.pdf

Assignments and Grading Policy

Reading and Viewing Assignments: Reading and video viewing assignments have been scheduled throughout the class term. It is expected that the students have completed the assigned reading and watched the assigned videos prior to class.

Homework: Homework assignments are assigned throughout the course.

The primary purposes for the homework assignments are to assist you in understanding the course subjects and to prepare you for the exam.

All homework assignments must be taken and submitted using the online CengageNow system.

Only with advanced consent of the instructor and under very limited circumstances may homework assignments be turned in other than through the CengageNOW online system. As such, **you are responsible for ensuring that you purchase the CengageNOW system in sufficient time before the first (and subsequent) assignments are due.**

You will normally receive your scores immediately after you complete each homework assignment. Unless

instructed otherwise, you can re-take the assignment as many times as you need to up until the due date of the assignment until you reach a 100% score to receive full credit for the homework assignment. Homework scores with less than a 100% score and those turned in late are subject to point reductions. Late submissions of homework will only be allowed with consent by the instructor. If no consent is given by the instructor, your score for that particular homework assignment will be zero. For some homework assignments where an alternative scoring system to that stated above is in place, an announcement will be made in class and/or posted on the Canvas website.

Quizzes: There will be four (4) quizzes during the semester. The quizzes will be taken online on Canvas. You will have two attempts at each quiz. The highest score of the two attempts will be used as your score for that particular quiz. Late submissions of quizzes may only be done with permission from the instructor and are subject to a deduction of points. **The online quizzes must be undertaken on an individual basis – they are not group quizzes. It is against MST and University policy to share answers among students (current, former or future).**

Exams: A final examination will be administered during the final week of class. One page of notes (not larger than 8.5" x 11", double-sided) will be allowed. The exam will be multiple- choice. You must choose the best answer to each question to be awarded points for that particular question. *All submitted exam answers will require the use of a Scantron form (Version 882-E).*

Grades: Course grades will be determined on the basis of total points earned in the class. Please see below for additional information on grading:

CengageNOW Homework (7)	70 points	(10 points each)
Canvas Online Quizzes (4)	40 points	(10 points each)
Final Exam	<u>240 points</u>	
Total Possible Points	350 points	

Grades will follow the pattern of 90% or higher for an A, 80% or higher for a B, 70% or higher for a C, etc. Plus and minus grades will be used for scores within two percentage points (rounded) of the grade breakpoint (for example, 92% for an A- grade). I may lower the percentage required to earn a certain grade, however, I will not raise the percentage.

Class Participation: While you are encouraged to ask or answer questions in class, points will not be awarded for class participation.

University Policies

Per University Policy S16-9, university-wide policy information relevant to all courses, such as academic integrity, accommodations, etc. will be available on Office of Graduate and Undergraduate Programs' Syllabus Information web page at: <http://www.sjsu.edu/gup/syllabusinfo/>

Lucas College and Graduate School of Business:

Mission: We are the institution of opportunity in Silicon Valley, educating future leaders through experiential learning and character development in a global business community and by conducting research that contributes to business theory, practice and education.

Taxation of Business Entities

Bus. 223G – Fall 2017

Wednesdays 6:00 p.m. to 10:00 p.m.

(SCHEDULE IS SUBJECT TO CHANGE WITH FAIR NOTICE)
(Any changes will be announced in class and/or on Canvas)

Course Schedule

C l a s s	Date	Class Topics	Reading / Viewing Due Before Class (See links / references above under “Readings”)	Homework and Other Activities to Complete Before Class
1	9/20	Introduction to the course and topic What is a business entity – incl. key elements and definitions Reasons for variety of forms of business entities Overview of history and tax differences among entities Formation of business entities – legal perspectives Finding the federal tax rules for each entity form Trends in usage of entity types Introduction to Property tax and Sales/Use tax in California.	1) Textbook: Sect. 2-1 2) AICPA Comparison of Business Entities 3) Skim links on IRS Business Structures website 4) Joint Committee on Taxation, <i>Selected Issues Relating To Choice Of Business Entity</i> 5) Congressional Budget Office, <i>Taxing Businesses Through the Individual Income Tax:</i> 6) California Franchise Tax Board’s Guide to Forms of Ownership 7) California Property Tax – An Overview (BOE Pub. 29) {Through Pg. 17 – <u>skip</u> Timber & Yield Tax} 8) Your California Seller’s Permit (California Sales/Use Tax – BOE Pub. 73) 9) Cal. Rev. & Tax §§64(c); 441; 443; 453; 469; 470; 6019; 6367 10) Cal. Reg. 462-180(d)(1)	1) Register for your online account at CengageBrain.com 2) Register for the CengageNow online system

C l a s s	Date	Class Topics	Reading / Viewing Due Before Class (See links / references above under “Readings”)	Homework and Other Activities to Complete Before Class
2	9/27	<p>Sole Proprietorships – formation, operation, termination, special rules, tax compliance; tax planning, tax policy considerations</p> <p>Self-employment tax; Clarification of Schedule C vs. Schedule E real estate activities; Spousal Joint Ventures</p>	<p>1) IRC §§162; 469(h); 1401 & 6041</p> <p>2) Treas. Reg. §§ 1.6041-1; 1.6041-3 & 1.183-2(b)</p> <p>3) <i>IRS v. Robert P. Groetzinger</i> (87-1 USTC ¶ 9191)</p> <p>4) IRS Publication 334: Tax Guide for Small Businesses (Chapters 1 and 10; Chapter 5 – Real Estate Rents section only)</p> <p>5) Watch IRS Schedule C Small Business Workshop Video</p> <p>(For video - focus on Referenced Forms; Publications as well as the Self-Employment & Estimated Tax Sections)</p>	Online Canvas Quiz #1
3	10/4	<p>Partnerships and LLCs – formation, operation, restructuring, termination, special rules, tax planning, tax policy considerations</p>	<p>1) Textbook – Chapter 10 (skip: Economic and Substantial Effects in Sect. 10-3b)</p> <p>2) IRC §§ 83(a); 195; 465; 469; 701-709; 721-723; 731; 734; 741; 751-752; 754; 761; 1001(a), (b) and (c); 1402(a); 6063; 6698 and 7701(a)(2)</p> <p>3) Treas. Reg. §§1.6031(a)-1(a) and –(e)</p> <p>4) Rev. Proc. 84-35</p>	CengageNOW Homework Set #1

4	10/11	<p>Partnerships and LLCs (Continued) – formation, operation, restructuring, termination, special rules, tax planning, tax policy considerations</p> <p>California reporting – including California withholding and California LLC, LP and LLP taxes and fees</p>	<p>1) Textbook – Chapter 11 (Skip Sections 11-1e; 11-2; 11-3b; 11-5; 11-7a and 11-8)</p> <p>2) Calif. Rev. & Tax. §§ 17851; 17935-17936; 17941; 17948; 18633(a) & (b); 18633.5 and 19172</p> <p>3) Calif. Regs. 23038(b)-1 and 23038(b)-3</p> <p>4) Skim California FTB – 2016 Partnership Tax Booklet</p> <p>5) California FTB – Limited Liability Company (LLC) Filing Information Publication (FTB 3556)</p> <p>6) <i>IRS v. Culbertson</i>, 337 US 733 (1949)</p> <p>7) California FTB – Overview of Withholding on Distributions to Non-California Partners and LLC Members</p> <p>8) California FTB – Publication 1017 (Pages 14-17 - Domestic Pass-Through Entities Section: Partnership and LLCs)</p>	<p>CengageNOW Homework Set #2</p> <p>Canvas Online Quiz #2</p>
---	-------	---	---	--

C l a s s	Date	Class Topics	Reading / Viewing Due Before Class (See links / references above under “Readings”)	Homework and Other Activities to Complete Before Class
5	10/18	C Corporations – formation, operation, termination, special rules, tax compliance; tax planning, tax policy considerations	<p>1) Textbook – Section 2-2 through 2-4e (Skip Section 2-2e); Section 2-4g; Section Sect. 4-1 to 4-2</p> <p>2) IRC §§1(h)(11); 11; 301; 312; 316(a); 331; 351; 448; 531 & 3121(d)(1)</p> <p>3) Treas. Reg. §§ 301-7701-2(b); 301-7701-3(a); 1.316-1(a); 31.3121(d)-1(b) and 31.3401(c)- 1(f)</p> <p>4) <i>Eberl’s Claim Service, Inc. v.</i> <i>IRS</i> (2001-1 USTC ¶50,396)</p> <p>5) Joint Committee on Taxation, <i>Selected</i> <i>Issues Relating to Choice Of Business</i> <i>Entity</i> (Pages 19-21)</p>	CengageNOW Homework Set #3

6	10/25	C Corporations (Continued) – Continuation of Federal rules – including dividend and non-dividend distributions with a strong focus on Earnings and Profits (E&P)	1) Textbook: Sect 3-2 to 3-3b (skim Section 3-2c and 3-2d); Sect 5-1 through 5-3 2) IRC §§243; 246; 354; 361; 368; 381; 1361 & 1362 3) Treas. Reg. §§1.368-1;1.368-2 4) Skim California FTB 2016 Corporation Tax Booklet 6) <i>Louangel Holding Corp., v. Anderson</i> , 15 AFTR 1 (9 F. Supp. 550), DC-NY (1934)	CengageNOW Homework Set #4
7	11/1	C Corporations (Continued) Federal taxation of C corporations (continued) California taxation of C corporations S Corporations – formation, operation, termination, special rules, tax planning, tax policy considerations	1) Textbook: Chapter 6-5 through 6-7; Chapter 12 (Skip LIFO recapture tax in Sect. 12-3g) 2) IRC §§1366 – 1367 3) Calif. Rev. & Tax. §§18601(a); 23101; 23114; 23151; 23153 and 24451 4) Skim California FTB – 2016 Corporation Tax Booklet 5) IRS S Corporation Compensation and Medical Insurance Issues	CengageNOW Homework Set #5 Canvas Online Quiz #3

8	11/8	S Corporations (Continued) California taxation of S corporations //////////////////// Income-Splitting Introduction to international tax issues Introduction to corporate reorganizations – including California sales/use and property tax issues and planning points Introduction to C Corp. consolidated tax returns Ethical considerations of representing entities and their owners	1) Textbook – Section 2-3c; Chapter 7 (Section 7-1 through 7-4d); Chapter 8 (Sect. 8-1 through 8-5b, Example 20 {Skip Sect. 8-4}); Chapter 9 (Sect 9-1 and 9-3d) 2) Skim 2016 California S Corporation Booklet 3) IRC §§ 482 & 511-513 4) Treas. Reg. §§ 1.513-1; 1.511-2(a)(2) and 1.513-2(a) 5) BNA Portfolio 1550 – Sections 1550.04.A.1(a) and (b); and 1550.04.A.2 6) BNA Portfolio 750, Section VIII 7) Cal. Rev. & Tax. §§23800; 23800.5; 23801; and 23802	CengageNOW Homework Set #6 Canvas Online Quiz #4
9	11/15	Tax Planning for Entity Conversions Review for Final Exam	BNA Portfolio 1550 – Section 1550.05	CengageNOW Homework Set #7
	11/22	No Class – Thanksgiving		
10	11/29	Final Exam		