ACC 355 / ACC 380K.11  
SPRING 2015 - INTRODUCTION TO TAXATION

UNIQUE 2770/2950 (8:00-9:15 GSB 2.122)  
UNIQUE 2775/2955 (9:30-10:45 GSB 2.122)

Instructor: John Robinson, C. Aubrey Smith Professor of Accounting  
Office: CBA 4M.226 (471-5315):  
Office Hours: 2:00 to 3:00 Monday & Wednesday and 10-11:30 Tuesday  
Assistants: Kathleen Powers (office hours: TBA)  
Shannon Chen (office hours: TBA)  
Web Site/email: Canvas (http://canvas.utexas.edu/)

1. Goals  
This course extends the core set of skills for students aspiring to become professional accountants. This course focuses on the calculation of Federal income taxes and concentrates on the following specific objectives:  
- Understand the law and economics underlying Federal income taxes,  
- Appreciate influence of taxation and accounting on business decisions, and  
- Gain an ability to understand and interpret corporate tax disclosures in financial reports.

2. Prerequisites  
Students enrolled in the Master in Professional Accounting program must have credit or be registered for Accounting 381 or the equivalent. Students enrolled in the Master of Business Administration program must have credit for Business Administration 384T.

3. Text and Class Notes  
The text is a condensed version of Spilker et al., Taxation of Individuals and Business Entities (ISBN 978-1-30-8367132). The text is available in multiple configurations (including ebook and rental), and it should be used as a reference and for access to additional problems. We cover topics very quickly in this class but the text contains many insignificant details. The primary focus is on topics and materials included in the class notes.

Class notes, assigned exercises, practice problems, and supplemental readings are all available on the class web site. Class notes and supplemental readings are meant to provide focus, alternative perspectives, and additional details. The class notes and assigned exercises should be brought to class. Solutions to exercises and practice problems (old exam questions) are made available on the class web site.

4. Additional References  
The library web site provides access to two of the common on-line tax services: RIA Checkpoint and CCH Tax Research Network. These services provide direct access to updated tax authorities as well as explanations of tax laws. These services are very similar to the services (e.g., LEXIS and WESTLAW) that are the primary research tools used by professional accountants and attorneys. A guide to these services is available on the class web site.
5. **Schedule**

A detailed class schedule is attached to this syllabus, and I make every effort to adhere to it. Any changes to the schedule will be announced in class and posted on the class web site. However, the exam dates will not be changed – you should plan your studies accordingly.

6. **Evaluation**

Grades are a necessary means of motivating preparation and providing feedback. In this class, course grades are assigned based upon cumulative points from examinations, exercises, and participation. The following is the maximum number of points possible for each component:

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<th>Component</th>
<th>Points Possible</th>
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<tr>
<td>Examinations</td>
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<td>Midterm exam 1 (15%)</td>
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<td>Final exam (40%)</td>
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<td>Total points possible</td>
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Letter grades are assigned according to relative performance in the class using plus/minus grading (i.e., A, A-, B+, B, B-, C+, etc.). I expect an overall class GPA between 3.0 and 3.4.

7. **Exams**

There are two midterm exams and a final exam. All exams are closed book, but each exam will include a “cheat sheet” containing tax rate schedules, various fixed amounts (e.g., standard deductions), and typical statutory limits (e.g., §179 limitations). Midterm exams consist of a variety of objective questions, essay questions, and multiple-part problems whereas the final exam consists of objective questions. Although the final is not comprehensive per se, the course material is cumulative in nature. Hence, an inability to understand material early in the course will likely hamper comprehension and performance throughout the term.

If an exam is missed due to an emergency (an employment interview is not an acceptable emergency), please notify me as soon as possible. All medical excuses need to be coordinated with the dean of students. For more information, please visit this web site: [http://deanofstudents.utexas.edu/emergency/students.php](http://deanofstudents.utexas.edu/emergency/students.php). The dean of students will forward the excuse to me via email. Unexcused examinations will result in a score of zero. No make-up exams are given for excused absences from midterm exams, and instead, the weight of the missed exam is shifted to the final exam. For example, the weight of the final exam is increased proportionately to 550 points for an excused absence on the first midterm exam.

8. **Exercises**

I assign daily exercises for solution to reinforce concepts and issues addressed in class. Exercises are due by 8am on the assigned date and should be transmitted as a pdf, word file, or picture via Canvas. Exercises are evaluated on the effort and accuracy of the solution, and each exercise is worth five points (100 points possible). Homework solutions are available for review via the class web site after 5pm.
9. **Participation & Workshops**

Participating during class facilitates comprehension of the topic and improves the learning environment for everyone. Because last-minute preparation does not work well for this class (or any accounting class for that matter), this portion of the course grade is designed to motivate preparation in advance, provide regular feedback, and monitor achievement. My experience suggests that students who prepare diligently and regularly participate in class outperform students who often skip class or come unprepared.

Evaluating class participation is subjective and requires that I exercise my judgment. I evaluate participation generously for comments that add to the discussion or pose relevant questions. Participation scores suffer for those who choose not to participate. Besides silence, there are a number of actions that discourage participation and tend to decrease participation scores. For example, arriving late to class, sitting in the back row or off to one side of the classroom, and failing to come prepared to class will all tend to reduce participation.

I do not take attendance on most class days (absences from class do not need to be explained or excused). However, participation is mandatory on workshop days. On these occasions, the class is divided into small teams, and I ask each team to prepare a solution to a problem or problem set. The objectives of a workshop are to both reinforce concepts introduced during class and enhance leadership and team problem solving skills. We evaluate individuals (not teams) during workshops, and these evaluations are a large component of participation scores. The most direct way to increase your participation score is to demonstrate preparation and participation on workshop days.

10. **Academic Integrity**

I adhere to the Policy Statement on Scholastic Dishonesty for the McCombs School of Business. I believe that your grade should reflect your mastery of the course material. I enforce the following rules:

1. Exam scores comprise 80 percent of the course grade, and I score exams solely on individual achievement. Students must complete exams independently during the designated exam time. The only outside aid permitted during an exam is a calculator (scratch paper, depreciation tables, and other information are provided with the exam). Accessing other materials of any kind or receiving any outside assistance during the exam is expressly prohibited. Students are also prohibited from using words or formulas stored in programmable calculators and from discussing the exam with other students (via any medium) until after the exam time has expired.

2. Except for exams, collaboration and group problem solving is permitted and encouraged. Students are also encouraged to post questions, solutions, or current events links to the class web site. Excluding examinations, students may obtain assistance from any source including former students and professionals.
11. **Web Site**

A web-based, password-protected class site is available in Canvas. This site is used to distribute notices and class resources, and class e-mail rosters are a component of the site. Students who do not want their names included in these electronic class rosters must restrict their directory information in the Office of the Registrar, Main Building, Room 1. The class web site should be accessed regularly to stay informed about class announcements, assignments, and solutions.

12. **Contacting me outside of office hours**

For most course-related communications, use Canvas email. However, for personal communications, my academic email address is the best choice because I read my email every day (although my responses are not necessarily instantaneous). However, email is not a perfect medium for urgent or complex questions (requiring more than a few simple sentences) - face-to-face meetings during office hours are better for these communications. If you cannot come to my office hours or locate me outside of office hours, please leave a message on my office phone (I always call or email back).

13. **Conduct:** My specific expectations of you are:

1. **Arrive at class on time.** It is very disruptive to me and other students when you enter the classroom after class has begun. A search for a vacant seat interrupts the flow of the discussion, and it wastes my time and the time of other students. Punctuality is an extremely valuable professional habit that will benefit you throughout your career.

2. **Turn off electronic devices (except those used for note taking).** Communication media are to be turned off during class time because using electronic communication (email, texting, or for web surfing) during class is unnecessary, disruptive, and disrespectful. There are two exceptions to this expectation:
   1. Electronic devices (e.g., ipads) can be used exclusively for note taking, and
   2. accessing web materials is allowed and encouraged on workshops days.

3. **Avoid unnecessary personal breaks during class.** Of course, from time to time you might find it unavoidable to leave class. However, students leaving and returning during class is very disruptive, so please keep these disturbances to an absolute minimum.

4. **Minimize unnecessary conversations during class.** Multiple conversations are distracting and are very disrespectful of the speaker.

5. **Notify us if problems arise.** Learning problems often arise unexpectedly and even a consummate professional cannot anticipate every possibility in a complex and dynamic environment. Timing of assignments and the speed of content coverage can become especially acute problems in a fast-paced survey class. Hence, I encourage you to contact a teaching assistant or me when you have difficulty comprehending the material or keeping up with assignments. We can adjust content coverage if we know there are problems.

6. **Bring a calculator to exams.** Calculators can be used during exams but smartphones are not acceptable substitutes for calculators. Smartphones must be placed aside (inside backpacks or purses) during exams.
Important Notifications

Students with Disabilities
Students with disabilities may request appropriate academic accommodations from the Division of Diversity and Community Engagement, Services for Students with Disabilities, 512-471-6259, http://www.utexas.edu/diversity/ddce/ssd/.

Religious Holy Days
By UT Austin policy, you must notify me of your pending absence at least fourteen days prior to the date of observance of a religious holy day. If you must miss a class, an examination, a work assignment, or a project in order to observe a religious holy day, you will be given an opportunity to complete the missed work within a reasonable time after the absence.

Policy on Scholastic Dishonesty
The McCombs School of Business has no tolerance for acts of scholastic dishonesty. The responsibilities of both students and faculty with regard to scholastic dishonesty are described in detail in the BBA Program’s Statement on Scholastic Dishonesty at http://www.mccombs.utexas.edu/BBA/Code-of-Ethics.aspx. By teaching this course, I have agreed to observe all faculty responsibilities described in that document. By enrolling in this class, you have agreed to observe all student responsibilities described in that document. If the application of the Statement on Scholastic Dishonesty to this class or its assignments is unclear in any way, it is your responsibility to ask me for clarification. Students who violate University rules on scholastic dishonesty are subject to disciplinary penalties, including the possibility of failure in the course and/or dismissal from the University. Since dishonesty harms the individual, all students, the integrity of the University, and the value of our academic brand, policies on scholastic dishonesty will be strictly enforced. You should refer to the Student Judicial Services website at http://deanofstudents.utexas.edu/sjs/ to access the official University policies and procedures on scholastic dishonesty as well as further elaboration on what constitutes scholastic dishonesty.

Campus Safety
Please note the following recommendations regarding emergency evacuation from the Office of Campus Safety and Security, 512-471-5767, http://www.utexas.edu/safety:

- Occupants of buildings on The University of Texas at Austin campus are required to evacuate buildings when a fire alarm is activated. Alarm activation or announcement requires exiting and assembling outside.
- Familiarize yourself with all exit doors of each classroom and building you may occupy. Remember that the nearest exit door may not be the one you used when entering the building.
- Students requiring assistance in evacuation should inform the instructor in writing during the first week of class.
- In the event of an evacuation, follow the instruction of faculty or class instructors.
- Do not re-enter a building unless given instructions by the following: Austin Fire Department, The University of Texas at Austin Police Department, or Fire Prevention Services office.
- Behavior Concerns Advice Line (BCAL): 512-232-5050
- Further information regarding emergency evacuation routes and emergency procedures can be found at: http://www.utexas.edu/emergency.
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UNIT 1 - FUNDAMENTALS

1. Tax law
   Topics: Tax authorities and professional responsibilities
   Text Readings: Chapter 2: pp. 2-17, 23-27
                 Chapter 7: pp. 37-41
   Text Problems: Chapter 2: 43-44, 48, 8-10, 60-61, 37, 40-42
                 Chapter 7: 43-44
   Supplemental: Reading day 1
   Specific Learning Objectives:
   1. The operation of the federal income tax system
   2. The sources and hierarchy of tax authorities
   3. Overview of professional responsibilities and penalties

2. Economics of taxation
   Topics: Tax Formula, tax rates,
   Text Readings: Chapter 1: pp. 3-11
                   Chapter 4: pp. 2-11
                   Chapter 6: pp. 38
                   Chapter 7: pp. 2-9
   Homework Exercise 1
   Text Problems: Chapter 1: 13, 16, 34-35, 39, 45-46
                   Chapter 4: 1, 3, 8, 27-29, 31
                   Chapter 6: 65
                   Chapter 7: 1-4, 50-52
   Supplemental: Reading day 2
   Specific Learning Objectives:
   1. Adjustments to income to calculate taxable income
   2. Calculating income tax using the tax rate schedules
   3. Calculating income tax with income subject to preferential tax rates
3. Tax planning
   Topics: Tax planning, alternative minimum tax, self employment tax, kiddie tax
   Text Readings: Chapter 3: pp. 1-19
                  Chapter 7: pp. 9-26
   Homework     Exercise 2
   Text Problems: Chapter 3: 3, 25, 5, 8, 13, 19, 32, 48, 51
                  Chapter 7: 8, 12-13, 16-18, 21, 23, 25, 28, 63, 67
   Supplemental: Reading day 3
   Specific Learning Objectives:
      1. Different ways to measure marginal tax rates
      2. Three general methods of reducing income taxes and limits on each
      3. Understand the types and purposes of additional taxes on income

4. Revenue / Gross Income
   Topics: Realization, recognition, exclusions, and deferred compensation
   Text Readings: Chapter 5: pp. 1-17, 21-30
   Homework     Exercise 3
   Text Problems: Chapter 5: 1, 6-7, 10-13, 19-21, 50, 42-45, 65-69, 72, 74
   Supplemental: Reading day 4
   Specific Learning Objectives:
      1. What is the NPV of a tax deferred investment?
      2. What is the rationale for various exclusion provisions?
      3. Describe fringe benefits and how these impact compensation tax planning.

5. Expense / Deductions
   Topics: Business deduction requirements and prohibitions
                  Chapter 8: pp. 1-11, 13-15
   Homework     Exercise 4
   Text Problems: Chapter 6: 1-3, 36-41, 59, 8-17, 43-44, 60-61
                  Chapter 8: 3-6, 45-47, 52, 7-13, 48-49, 51, 53-54
   Supplemental: Reading day 5
   Specific Learning Objectives:
      1. Distinguish between deductions “for AGI” and “from AGI” (itemized deductions).
      2. Distinguish a “trade or business” activity from an investment activity.
      3. Understand the requirements for and prohibitions on business expense deductions.
6. Workshop #1
Topics: The individual tax formula
Homework: Exercise 5
Supplemental: Reading day 6
Specific Learning Objectives:
1. Explain how personal or mixed-use expenditures affect deductions.
2. Illustrate how a phase out limitation affects the marginal tax rate.
3. Describe how a gross income limitation operates to reduce the value of a business deduction.

7. Review
Key Points Unit 1 & Unit 1 Practice Questions

8. Exam #1

UNIT 2 – PROPERTY TRANSACTIONS

9. Overview of property transactions
Topics: Gain or loss realized, adjusted basis, and MACRS
Text Readings: Chapter 10: pp. 2-5
Chapter 9: pp. 2-17, 28-37
Supplemental: Reading day 9
Text Problems: Chapter 10: 2-5, 32-34
Chapter 9: 2-7, 38, 8-9, 11-12, 30, 66
Specific Learning Objectives:
1. Describe the calculation of realized gain or loss.
2. Illustrate when expenditures should be capitalized
3. Describe how amortization for intangibles is determined.
4. Explain whether accelerated recovery is always preferred to straight-line.

10. Cost recovery
Topics: Conventions, bonus depreciation, §179 election, and listed property
Text Readings: Chapter 9: pp. 17-28
Homework: Exercise 6
Supplemental: Reading day 10
Specific Learning Objectives:
1. Describe how asset costs are segregated and cost recovery deductions calculated.
2. Explain when and how to boost or decelerate cost recovery.
3. Explain how autos and listed property are depreciated.
11. Gain and loss deferral

Topics: Installment sales, involuntary conversions, and like-kind exchanges

Text Readings: Chapter 10: pp 20-35

Homework: Exercise 7


Supplemental: Reading day 11

Specific Learning Objectives:
1. Identify the various rationales for nonrecognition.
2. Describe the operation of deferral for involuntary conversions and installment sales.
3. Describe the operation of deferral for like-kind exchanges.

12. Workshop #2

Topics: wash sales and related party sales

Text Readings: Chapter 10: pp. 21-23
Chapter 11: pp. 35-36

Homework: Exercise 8

Text Problems: Chapter 10: 31, 42
Chapter 11: 22-23, 66

Supplemental: Reading day 12

Specific Learning Objectives:
1. Explain how boot alters the present value from tax deferral.
2. Describe how taxpayers are limited in wash sales and related party sales.

13. Capital gain netting

Topics: Capital gain netting and taxation of net capital gains

Text Readings: Chapter 10: pp. 6 to 8
Chapter 11: pp. 6 to 14, 21-25
Chapter 7: pp. 4 to 6

Homework: Exercise 9

Text Problems: Chapter 10: 6, 8
Chapter 11: 11, 24-25, 56, 61, 65, 17-19
Chapter 7: 52

Supplemental: Reading day 13

Specific Learning Objectives:
1. Identify capital assets and determine holding period.
2. Explain the netting of capital gains.
3. Describe the circumstances in which long-term capital losses are preferred to short-term.
14. **Section 1231**

Topics: Section 1231 assets, net section 1231 gain or loss, net long-term capital gain

Text Readings: Chapter 10: pp. 8 to 14, 16-18

Homework: Exercise 10

Supplemental: Reading day 14

Text Problems: Chapter 10: 7, 9-10, 18, 35, 11-13, 15, 39-41

Specific Learning Objectives:

1. Distinguish §1231 assets from capital assets.
2. Explain purpose of depreciation recapture and distinguish §1250 from §291.
3. Explain the netting of capital gains and §1231.

15. **Workshop #3**

Topics: Depreciation recapture and the lookback rule

Text Readings: Chapter 10 pp. 18 to 20

Homework: Exercise 11

Supplemental: Reading day 15

Text Problems: Chapter 10: 19-21, 52-53 (ignore tax calculation)

Specific Learning Objectives:

1. Describe the purpose and operation of the section 1231 lookback rule.
2. Illustrate how the section 1231 lookback rule interacts with capital gains and losses.

16. **Review**

Key Points Unit 2 & Unit 2 Practice Questions

17. **Exam #2**

UNIT 3 – CORPORATE TAX ACCOUNTING

18. **Accounting methods**

Topics: Accrual accounting, fixed and determinable test, economic performance

Text Readings: Chapter 8 pp. 15 to 34

Text Problems: Chapter 8: 19-23, 25, 27, 29-31, 35, 61, 65, 75

Supplemental: Reading day 18

Learning Objectives:

1. Understand the choice of taxable year and accounting method.
2. Distinguish between cash and accrual methods for measuring taxable income.
3. Apply economic performance to determine period to claim accrual deductions.
19. Choice of organization form
Topics: Double taxation of dividends, flow-thru entities, check-the-box
Text Readings: Chapter 15 pp. 4 to 15
Homework Exercise 12
Text Problems: Chapter 15: 1, 4-5, 9-10, 14-15, 52-53
Supplemental: Reading day 19
Specific Learning Objectives:
   1. Contrast flow-thru taxation of partnerships with double taxation of corporate income.
   2. Apply check-the-box election to flow-thru entities.

20. Corporate tax formula
Topics: Corporate formula, special deductions, tax calculation
Text Readings: Chapter 16 pp. 1, 12 to 22
Homework Exercise 13
Text Problems: Chapter 16: 17-18, 22-23, 25-28, 55-58, 59(a), 63-64
Supplemental: Reading day 20
Specific Learning Objectives:
   1. Illustrate the corporate income tax formula.
   2. Identify corporate special deductions.

21. Workshop #4
Topics: Special deductions, dividend stripping, portfolio limits
Homework Exercise 14
Supplemental: Reading day 21
Specific Learning Objectives:
   1. Illustrate the interactions between corporate special deductions and loss limits.
   2. Understand the purpose and effect of NOL and net capital loss carryovers.

22. Book-tax differences (BTDs)
Topics: Permanent and temporary BTDs
Homework Exercise 15
Text Readings: Chapter 16 pp. 3 to 22 Text Problems: Chapter 16: 4-7, 59, 10-11, 16, 24
Supplemental: Reading day 22
Specific Learning Objectives:
   1. Reconcile differences between book and taxable income.
   2. Distinguish between temporary and permanent differences.
23. Tax expense accruals
Topics: Accrued income tax expense, taxable and deductible differences, DTAs and DTLs
Text Readings: Chapter 17 pp. 1 to 12
Homework Exercise 16 Text Problems: Chapter 17: 2, 4, 41-43, 45-46, 49, 52, 54
Supplemental: Reading day 23
Specific Learning Objectives:
1. How and why does accrued income tax expense differ from income taxes paid?
2. How are permanent differences distinguished from temporary differences?
3. What is the purpose of a temporary scheduling template?

24. Workshop #5
Topics: DTAs and DTLs, Scheduling cumulative differences
Homework Exercise 17
Supplemental: Reading day 24
Specific Learning Objectives:
1. Why isn’t the “back of the envelope” a reliable method for calculating income tax expense?
2. The balance sheet approach and cumulative BTDs.

25. Uncertainty
Topics: Valuation allowances (VA) and unrecognized tax benefits (UTB)
Text Readings: Chapter 17 pp. 18 to 27
Homework Exercise 18
Text Problems: Chapter 17: 59-62, 66-67
Supplemental: Reading day 25
Specific Learning Objectives:
1. What sources of evidence can be consulted when determining the need for a VA?
2. How does a VA differ from a UTB?
3. Describe the two step process of applying FIN48 to a tax position.

26. Tax disclosures
Topics: Balance sheet classification, tax footnote, and tax rate reconciliation
Text Readings: Chapter 17 pp. 27 to 34
Homework Exercise 19
Text Problems: Chapter 17: 59-62, 66-67
Supplemental: Reading day 26
Specific Learning Objectives:
1. Describe the information that can be gleaned from the income tax footnote.
2. Explain how the effective tax rate is reconciled to the statutory tax rate.
27. **Evaluating tax disclosures**
   
   **Topics:** International taxes and the double Dutch-Irish sandwich
   
   **Homework** Exercise 20
   
   **Supplemental:** Reading day 27
   
   **Specific Learning Objectives:**
   1. Describe how firms avoid paying US taxes on foreign income.
   2. Describe how firms avoid accruing taxes on foreign income.
   3. How do international taxes affect tax uncertainty?

28. **Workshop #6**
   
   **Topics:** Incorporating taxes into financial statement analysis
   
   **Homework** Exercise 21
   
   **Supplemental:** Reading day 28
   
   **Specific Learning Objectives:**
   1. Describe how the tax footnote information can be used in analyzing financials.
   2. How do the disclosures regarding VAs and UTBs affect firm risk?
   3. What can’t tax disclosure tell us about DTAs and DTLs and tax uncertainty?

29. **Review** Key Points Unit 3 & Unit 3 Practice Questions

30. **Final exam**