Introduction to Income Taxation  
ACCT 355/ACCT 380K.11  
Uniques: 71080, 71100  
SUMMER 2017

Professor  Ryan Hess, CPA
Office Hours  Thursday/Friday 9:30-10:30 am or by appointment, CBA 1.310C
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Course Meet  WTHF 12:30-3:00 pm in GSB 5.153
Course Web Page  via Canvas http://canvas.utexas.edu

Course Objectives
◆ Gain an understanding of the theory and “language” of taxation.
◆ Establish a broad understanding of the tax policy framework from which we can make informed decisions as voters. Identify tax policy issues suggested by or underlying particular provisions of the tax law.
◆ Show how taxation affects the economic decisions of multiple parties to a transaction. Build an appreciation for the importance of tax considerations in financial transactions.
◆ Teach sufficient detail about tax laws to provide a basic knowledge for all the students who are future taxpayers and the subset of students who become tax advisors. Apply basic tax rules and regulations to compute the taxable income and federal income tax liability for individual and corporate taxpayers.

Required Materials
● Principles of Taxation for Business and Investment Planning, Jones and Rhoades-Catanach. I will be using the 2017 version with McGraw-Hill Connect. The bookstore is ordering the loose-leaf edition w/Connect access as ISBN# 9781259994661. You can also purchase the Connect-only access, which includes the full e-book, for around $135 direct from McGraw-Hill.
● Other required readings and resources to be posted on Canvas or provided to students in class.

Course Requirements and Grading
Your grade in the course will be determined as follows:

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Points</th>
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<tbody>
<tr>
<td>Exam 1 in class</td>
<td>100</td>
</tr>
<tr>
<td>Exam 2 in class</td>
<td>100</td>
</tr>
<tr>
<td>Exam 3 Comprehensive Final</td>
<td>200</td>
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<tr>
<td>McGraw-Hill Connect SmartBook (complete 12 out of 16 x 5 pts each)</td>
<td>60</td>
</tr>
<tr>
<td>Individual tax return project</td>
<td>40</td>
</tr>
<tr>
<td><strong>Total (standard)</strong></td>
<td><strong>500</strong></td>
</tr>
</tbody>
</table>

Grades will be based on mastery of the material. We use plus/minus grading for all sections of the course. I expect to award a few B-’s and C’s, many B’s, and some B+/A-/A’s with an overall course GPA around 3.3.

The exams will be administered during the times outlined in this syllabus calendar. Please reserve these times in advance so that you do not have a conflict during a scheduled exam. You must sit for the exams on the dates and times scheduled. 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 holiday, you will be given an opportunity to complete the missed work within a reasonable time after the absence. If an extraordinary event (death in immediate family, illness requiring hospitalization, etc.), contact me before the exam and I will resolve on an individual basis.
Description of Requirements
The exams will be a combination of multiple choice/matching questions (which may be theoretic or numeric), short essay questions, and problems. The exams will test the material covered since the last exam; however, due to the integrated nature of tax law, there may be a comprehensive element to each exam. The final exam will be comprehensive.

I believe that this difficult material often requires repeat exposure to master, and life throws unexpected hurdles. Thus, I will evaluate your final course grade substituting your final exam percentage score (if better) for your lowest midterm score. For example, if your midterms were 82% and 60%, and you scored an 85% on the final exam, I would evaluate your final grade based on 82% and 85% midterms and 85% final exam. Because I substitute the final exam for a poor midterm, I offer no midterm makeup exams, except for mandatory UT excused absences (e.g. athletic events). Choose to come or not, as your adult schedule permits. Note that most students do not do better on the final exam than on their midterms. I recommend that you study hard and take all exams. Regrade requests for the midterm exams must be submitted to me in writing within three business days after exams are returned in class.

One 4-inch x 6-inch notecard full of notes (two-sided front and back) will be allowed for each exam. Use of the card is optional and not required. I will ask you to hand in your notecard with your exam. I will provide any present value, MACRS, or tax rate information needed to solve the problems on the exam. You will not be allowed to use your book or any other notes during exams.

I have evaluated the Connect LearnSmart materials – they provide great “active learning” tools to engage you with the reading material, to help you with conceptual and definitional material, and to increase retention of the numerous small details in taxation. Your using these tools outside class will help us spend more time in class reinforcing the framework to hang these details on, then on solving more difficult problems together.

LearnSmart registration link: https://connect.mheducation.com/class/r-hess-summer-2017

There is assigned reading in the text for each class meeting and you are expected to come prepared to discuss the material. Discussion questions and problems are assigned from the text at the end of each covered chapter. These problems will not be collected or graded, but are designed to assist you in learning the material that will be tested. The solutions to these problems will be provided and I strongly suggest you take advantage of these.

A Federal Individual income tax return (Form 1040) will be assigned and can be worked together in groups, but each student should submit their own project. There will be a quiz on the assignment to deter free-riding. All information will be provided for you to prepare the return, but you will not be provided with the tax forms. These forms are available at www.irs.gov in fill-out and print format. Tax preparation software is NOT permitted.

Class Participation
Group sharing and problem-solving activity will be an integral component of your in-class experience. You contribute to the class learning environment in the following ways:
♦ helping classmates solve recommended out-of-class problems,
♦ expressing your opinion in class discussions and volunteering answers to problems worked in class,
♦ posting questions, solutions, or current events links and summaries to the class web site,
♦ asking questions during class or posting questions to the class web site. I (and the rest of the class) appreciate the student who says “slow down, I’m confused.”

Class Web Site and Student Privacy
Password-protected class sites will be available for all accredited courses taught at The University. Syllabi, handouts, assignments and other resources are types of information that may be available within these sites. Site activities could include exchanging email, engaging in class discussions and chats, and exchanging files. In addition, class email rosters will be a component of the sites. 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. For information on restricting directory information, see: http://www.utexas.edu/student/registrar/catalogs/gi02-03/app/appc09/html.
Privacy in Canvas: Information in Canvas is protected by your UTEID login. Please be aware that I will use a merged Canvas site for all sections of the course that I am teaching this semester. This will allow students in other sections to see that you are enrolled in the course and send you email from within Canvas. However, they will not actually learn your email address and no other personal data will be revealed through Canvas. If you have any concerns, please contact the ITS Help Desk at 475-9400 for help removing your name from view of other students.

Students with Disabilities
Upon request, the University of Texas at Austin provides appropriate academic accommodations for qualified 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/ssp/ Please notify me of any such needs within two weeks of the first exam.

McCombs Classroom Professionalism Policy
The highest professional standards are expected of all members of the McCombs community. Faculty are expected to be professional and prepared to deliver value for each and every class session. Students are expected to be professional in all respects.

The Texas MPA classroom experience is enhanced when:
- Students arrive on time.
- Students display their name cards.
- Students minimize unscheduled personal breaks.
- Students are fully prepared for each class.
- Students respect the views and opinions of their colleagues.
- Laptops and other wireless devices are used only for class engagement. Non-class use distracts you and your classmates.

Academic 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.

I owe it to you to set rules that I can enforce, so that you don’t worry that you are honest but that other classmates gain an advantage from dishonesty.

Exams: Each student must complete the exams independently during the designated exam period. Do not refer to other students’ exam solutions or discuss the exam with other students during the exam period. Do not send text messages or access prohibited materials during the exam. Students who have taken an exam are prohibited from discussing the exam with students who have not yet taken the exam. To help deter cheating, there will be multiple versions of each exam.

Electronic assignments/quizzes and tax return projects: On outside assignments, you may obtain outside help and work with others, including classmates, former students, finding copies of solutions, etc. Because I permit collaboration, I do not make outside work a large component of the grade.
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 their 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.
- Further information regarding emergency evacuation routes and emergency procedures can be found at: www.utexas.edu/emergency.

CAVEAT: This syllabus includes policies and plans for the course that may require adjustment as the course progresses. The instructor reserves the right to make changes at any time during the semester with notice to the class.
### July 12
#### Introduction: Types of taxes, Tax policy issues, NPV review

| Learning Objectives | Course overview  
| What types of taxes exist and what jurisdictions use them?  
| What are standards for a good tax system?  
| What influences tax policy?  
| Review intuition behind and calculation of NPV, FV |

| Book | Chapter 1, Taxes and Taxing Jurisdictions  
| Chapter 2, Policy Standards for a Good Tax |

| Assignment | Chapters 1 and 2 complete LearnSmart on Connect |

| Recommended | CH1: AP: 3, 6, 12, 14; IRP 4, 6; TPC2  
| CH2: AP: 4, 6, 8, 10 |

### July 13
#### Tax Planning

| Learning Objectives | Transaction cost perspective  
| Fundamentals of tax planning |

| Book | Chapter 3, Taxes as Transaction Costs  
| Chapter 4, Maxims of Income Tax Planning |

| Assignment | Chapters 3 and 4 complete LearnSmart on Connect |

| Recommended | CH3: AP 2, 4, 6, 12, 18, 20; TPC 1  
| CH4: QPD 2, 6, 7, 8, 9, 11, 13; AP 6, 8, 13, 14, 19, 24; TPC 1, 2 |

### July 14
#### Taxable Income from Business Operations

| Learning Objectives | Apply the cash method to measure taxable income  
| Apply the accrual method to measure taxable income  
| Understand choices for taxable year and accounting methods  
| Understand what types of inflows are considered taxable  
| Understand what types of outflows are considered deductible  
| Understand present value effects of NOLs  
| Incentives to forego NOL carryback |

| Book | Chapter 6, Taxable Income from Business Operations |

| Assignment | Chapter 6 complete LearnSmart on Connect  
(Optional Chapter 5 LearnSmart on Connect, will not count towards required LearnSmart assignments or grade) |

| Recommended | CH6: QPD 1, 3, 6, 12; AP 3, 6, 9, 12, 13, 17, 18, 20, 22, 23, 26, 31, 32, 34 |

### July 19
#### Property Acquisitions

| Learning Objectives | Decide if expenditures should be expensed or capitalized  
| Understand how cost recovery reduces tax  
| Explain how leverage can reduce the after-tax cost of assets  
| Property classifications: planning with cost segregation  
| Understand the MACRS framework  
| Section 179 expense, bonus depreciation  
| Incorporate depreciation into NPV computations  
| Cost recovery of intangibles and natural resources |

| Book | Chapter 7, Property Acquisitions and Cost Recovery Deductions |

| Assignment | Chapter 7 complete LearnSmart on Connect |

<p>| Recommended | CH7: AP 1, 5, 6, 18, 24, 26, 29, 32, 34, 35, 37; TPC 1, 4 |</p>
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<tr>
<th>July 20</th>
<th>Property Dispositions</th>
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| **Learning Objectives** | Distinguish between gain or loss realization and recognition  
| | Apply the installment method of accounting  
| | Identify capital gains and losses  
| | Identify and plan for Section 1231 assets  
| | Nonrecognition for related party losses and wash sales  
| | Recapture of prior depreciation and prior year 1231 losses  
| | Netting and capital loss limitations  
| **Book** | Chapter 8, Property Dispositions  
| **Assignment** | Chapter 8 complete LearnSmart on Connect  
| **Recommended** | CH8: QPD 1, 3, 6, 7, 9, 11, 12, 14; AP 1, 3, 6, 7, 14, 16, 17, 20, 23, 26, 28, 29, 30, 31, 35, 38, 46, 48; TPC 3  

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<tr>
<th>July 21</th>
<th>Nontaxable exchanges</th>
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| **Learning Objectives** | Generic framework for nonrecognition and basis substitution  
| | Exceptions for receipt of nonqualified property  
| | Like kind exchanges, casualties, corporate and partnership formation  
| | Limit losses under the wash sales provisions  
| **Book** | Chapter 9, Nontaxable Exchanges  
| **Other reading** | example of 1031 facilitator: [http://www.1031exchangecorp.com/](http://www.1031exchangecorp.com/)  
| **Assignment** | Chapter 9 complete LearnSmart on Connect  
| **Recommended** | CH9: QPD 3; AP 5, 6, 7, 8, 12, 17, 22, 28  

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<tr>
<th>July 26</th>
<th>Midterm Exam #1 in Class (100 pts)</th>
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| This is exam will cover Chapters 1-4 & 6-9 and topics discussed in class.  

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<tr>
<th>July 27</th>
<th>Sole Proprietorships, Partnerships, LLCs and S Corporations</th>
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| **Learning Objectives** | Understanding the nature of flow-through entities generally  
| | Reporting requirements for sole proprietorships  
| | Computing payroll and self-employment taxes  
| | Differentiating between share of partnership income and cash flows  
| | Basic rules for basis computation  
| | Limitations on losses arising from at-risk basis  
| | Determining eligibility for S Corporation status  
| | Contrasting partnership, LLC and S Corporations  
| **Book** | Chapter 10, Sole Proprietorships, Partnerships, LLCs, and S Corporations  
| **Assignment** | Chapter 10 complete LearnSmart on Connect  
| **Recommended** | CH10: AP1, 2, 4, 11, 12, 16, 19, 24, 32; IRP14  


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<tr>
<th>July 28</th>
<th>Corporations</th>
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| **Learning Objectives** | Basic rules for taxing corporations  
Comparing partnership and corporation investments  
Reconciling book-tax differences: Schedules M-1 and M-3  
Overview of Alternative Minimum Tax (AMT)  
Taxation of corporate distributions  
Credits that reduce tax |
| **Book** | Chapter 11, The Corporate Taxpayer |
| **Assignment** | Chapter 11 complete LearnSmart on Connect |
| **Recommended** | CH11: QPD 10: AP 3, 5, 6, 13, 19, 21, 23 |

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<tr>
<th>August 2</th>
<th>Entity Choice, Taxable Income from Business Operations</th>
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| **Learning Objectives** | Recap trade-offs in entity choice,  
Entity choices for and limitations on income-shifting/sheltering |
| **Book** | Chapter 12, The Choice of Business Entity |
| **Assignment** | Chapter 12 complete LearnSmart on Connect |
| **Recommended** | CH12: AP 5, 9, 10, 13, 23 |

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<tr>
<th>August 3</th>
<th>Overview of Multijurisdictional Taxation</th>
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| **Learning Objectives** | Compare worldwide vs. territorial taxation schemes  
Define nexus |
| **Book** | Chapters 13, Jurisdictional Issues in Business Taxation |
| **Assignment** | Chapter 13 complete LearnSmart on Connect |
| **Recommended** | Ch 13: AP 1, 4, 5, 19, 20, 24, 28, 29 |

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<tr>
<th>August 4</th>
<th>Midterm Exam #2 in Class (100 pts)</th>
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<tbody>
<tr>
<td><strong>Learning Objectives</strong></td>
<td>This is exam will cover Chapters 10-13 and topics discussed in class.</td>
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<tr>
<th>August 9</th>
<th>The Individual Tax Formula</th>
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| **Learning Objectives** | Review structure of individual taxation:  
Filing status, income, deductions |
| **Book** | Chapter 14, The Individual Tax Formula |
| **Assignment** | Chapter 14 complete LearnSmart on Connect |
| **Recommended** | CH14: AP 2, 4, 6, 9, 15, 18, 23, 28, 34 |

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<tr>
<th>August 10</th>
<th>Compensation and Retirement Planning</th>
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| **Learning Objectives** | Distinguishing employees from contractors  
Executive compensation limits and reasonable compensation  
Identify common fringe benefits  
Compare benefits of nonqualified versus qualified plans  
Distinguish between defined benefit plans and various defined contribution plans  
Understanding the use of deferred compensation  
Planning for retirement and college savings  
Describe the tax consequences of stock options |
| **Book** | Chapter 15, Compensation and Retirement Planning |
| **Assignment** | Chapter 15 complete LearnSmart on Connect |
| **Recommended** | CH15: QPD 2, 5, AP 1, 3, 4, 6, 7, 8, 11, 14, 18, 22, 23, 24, 25, 30, 32, 38 |
**August 11**

**Investment and Personal Financial Planning and Tax Consequences of Personal Activities**

**Learning Objectives**
- Understanding different ways financial instruments are taxed: Interest, dividends, insurance, annuities
- Computing tax on capital gains and losses
- Changing tax policy for capital income
- Planning for passive investments
- Combining at-risk basis and passive loss limits
- Taxation of rental real estate, partial personal use of rental property
- Estate and gift taxation

**Book**
- CH16: 1, 12, 14, 16, 17, 21, 26, 27, 32, 34, 35, 39, 42, 47
- Chapter 17, Tax Consequences of Personal Activities

**Assignment**
- **Chapter 16 and 17 complete LearnSmart on Connect**
  - *Individual tax return project AND quiz due (Aug 12)*
  - Hardcopy handed in during class or to my office by 6:00pm

**Recommended**
- CH16: 1, 12, 14, 16, 17, 21, 26, 27, 32, 34, 35, 39, 42, 47
- CH17: 1, 2, 4, 7, 10, 14, 15, 18, 20, 22, 24, 29, 31, 36

**FINAL EXAM mandatory & comprehensive. (200 points)**
- As soon as the university assigns this time, I will let you all know. Per university recommendations, please do not schedule any travel until finals are all officially completed.