

Taxation of International Transactions I BUS 225C

**SCHEDULE, ASSIGNMENTS AND
AN INTRODUCTION
1st Edition**

**SAN JOSE STATE UNIVERSITY
MASTERS OF TAXATION PROGRAM
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Instructor:

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Taxation of International Transactions I

Introduction

San Jose State University

Monday 5:30-9:30 p.m.

Fall Quarter: September 21 – November 23, 2009

1. Generally

This class will focus on topics pertaining to the taxation of international transactions. The emphasis will be upon transactions of U.S. multinational corporations.

2. Materials

The materials include:

B. Bittker & L. Lokken, "Fundamentals of International Taxation, 2008/2009 Edition"
("Bittker & Lokken") and

Fundamentals of International Taxation Study Problems (a separately purchased companion to the text)

Internal Revenue Code and Treasury Regulations

Handout Problems (provided by me)

We will review cases and work through the questions and problems contained in the study problems and handouts. You should read the relevant Code provisions and review the regulations thereunder. We will work through the problems in class together. Thus, you should read the material and answer the problems and questions in advance of each class. I may hand out additional problems as the course progresses. Specific cases and problems will be assigned to students. I may also provide handouts.

I expect to spend the first half of each class discussing the study problems, cases and materials assigned that week. I expect to spend the second half of each class presenting the subject matter assigned for the next week.

3. Grading and Exams

There will be one "take home" final exam consisting one or more essay questions. The questions will involve planning exercises in which you will be asked to comment on business proposals to management and/or a board of directors. You may use whatever source materials you deem appropriate for guidance. Consultation with other class members will be permitted. Citations will be important. The questions will be based on the materials discussed in class. Class participation will consist of discussion of cases, materials and study problems. The grading will be as follows:

Exam	-	80%
Class Participation	-	20%

University Policies

Academic integrity

Students should know the University's Academic Integrity Policy that is available at http://www.sa.sjsu.edu/download/judicial_affairs/Academic_Integrity_Policy_S07-2.pdf

Your own commitment to learning, as evidenced by your enrollment at San Jose State University and the University's integrity policy, require you to be honest in all your academic course work. Faculty members are required to report all infractions to the office of Student Conduct and Ethical Development. The website for Student Conduct and Ethical Development is available at http://www.sa.sjsu.edu/judicial_affairs/index.html.

Instances of academic dishonesty will not be tolerated. Cheating on exams or plagiarism (presenting the work of another as your own, or the use of another person's ideas without giving proper credit) will result in a failing grade and sanctions by the University. For this class, all assignments are to be completed by the individual student unless otherwise specified. If you would like to include in your assignment any material you have submitted, or plan to submit for another class, please note that SJSU's Academic Policy F06-1 requires approval of instructors.

Campus Policy in Compliance with the American Disabilities Act

If you need course adaptations or accommodations because of a disability, or if you need to make special arrangements in case the building must be evacuated, please make an appointment with me as soon as possible, or see me during office hours. Presidential Directive 97-03 requires that students with disabilities requesting accommodations must register with the DRC (Disability Resource Center) to establish a record of their disability.

Tentative Schedule and Reading Assignments
Taxation of International Transactions I
BUS 225C

Week

1. Sept 21 Overview of Key International Tax Issues; Subpart F Part I

Discussion

- ◆ International tax principles
- ◆ Fundamentals of taxing jurisdiction
- ◆ Issues confronting technology companies
- ◆ Overview of Anti-deferral Rules and Foreign Tax Credit
- ◆ Basic Subpart F Concepts

Assignment: See Reading for September 28.

2. Sept 28 Subpart F Part II

- ◆ Foreign Base Company Income
- ◆ Exceptions to Subpart F
- ◆ Computation of Subpart F
- ◆ Section 956
- ◆ Introduction to PFIC

Assignment: Subpart F Part I

Code Sections: 951-954

Regulations: 1.951-1, 3; 1.952-1,2; 1.954-0,1,2,3 & 4; 1.957-1-4; 1.958-1 & 2;

Bittker & Lokken: Chapters 69.1, 69.2, 69.4, 69.5

Study Problems: VIII A2, 3; 4, 5 & 6

3. Oct 5 Discussion – Foreign Tax Credit

- ◆ Creditability of Foreign Taxes
- ◆ Direct and Indirect Credit
- ◆ Foreign Tax Credit Limitation

Assignment: Subpart F Part II

Code Sections: 951-964,1248;1291-1297

Regulations: 1.951-1, 3; 1.952-1,2; 1.954-0,1,2,3 & 4; 1.956-1, 2, 2T & 3T; 1.957-1-4;
1.958-1 & 2; 1.959-1-3; 1.964

Bittker & Lokken: Chapters 69.9 – 69.14 & 70.1

Study Problems: VIII B 2 & 3; C1, 2, 3 & 4 and X 1

Handout Problems: 6(a) & (b)

4. Oct 12 Source of Income
- Assignment: Foreign Tax Credit
Code Sections: 27(a), 164(a)(3), 275(a)(4), 901, 902, 903, 904, 905 and 960
Regulations: 1.901-1,2 & 2A; 1.902-1,2 & 3; 1.903-3; 1.904-1-6
- Bittker & Lokken: Chapter 72 except for 72.10 72.8 & 72.11
Study Problems: Unit VII A1, 3 & 4; B2-4 & 6; C1-5; and D1, 4, 5, 6, 7, 8, & 9.
5. Oct 19 Discussion – Allocation and Apportionment of Deductions and Overall Foreign Loss
- Assignment: Source of Income
Code Sections: 861, 862, 863, 865, 871, 1441, 1442, 1461, 1462, 1463, 1464,
Regulations: 1.861-1,2,3,4,5,6 & 7; 1.863-3;
- Bittker & Lokken: Chapters 73.1-9
Study problems: Unit XI A & B
Handout problem 1
6. Oct 26 Continue Allocation and Apportionment, Foreign Currency
- Assignment: Allocation and Apportionment of Deductions and Overall Foreign Loss
Code Sections: 864(e), 864(f), 882(c), and 904(f)
Regulation Sections: 1.861-8, Lightly 9T, 10, 10T, 11T,
1.904(f)-1, 2 and 3, 1.1502-9
- Bittker & Lokken Chapter ¶ 73.10 (except 73.10.3 & 73.10.4) & 72.8
Study Problems: Unit IX A1-7
Handout Problem: 7
7. Nov 2 Discussion – Setting up the Foreign Operation
- ◆ Entity Classification
 - ◆ Joint Venture Considerations
 - ◆ Section 367(a)
 - ◆ Branch Loss Recapture,
 - ◆ Dual Consolidated Losses
- Assignment: Foreign Currency
Code Sections: 985-989 and related Regulations
- Bittker & Lokken: Chapter ¶ 74
Study problems: Unit XIV 1-6
8. Nov 9 Discussion – Income Tax Treaties, Treatment of Software
- Assignment: Setting Up the Foreign Operation
Code Sections: 351; 367(a),(b),(c) & (d); 1503(d)
Regulation Sections: 1.367(a)-1T, 2T, 4T, 5T, 6T; 1.367(d)-1T; 1.6038B-1T; 301.7701-1, 2 & 3; 1.441-1(b)(2)(iii); 1.1441-6(b)(2); 1.1503-2; Prop Reg. 1.7701-3(g)(2)

Bittker & Lokken: Chapter 71.1-71.2 & 65.3
Handout: Dual Consolidated Loss Article
Study Problems: Unit XV A1-9
Handout Problem: 4

9. Nov 16 Examination Handed Out

U.S. International Tax Compliance, International Tax Planning, Traps & Techniques

Assignment: Income Tax Treaties, Treatment of Software

Code Sections: 894, 6114 and 7852(d)

Regulations: 1.894-1; Prop. Reg. 1.894-1 (d)(2), 301.6114-1; 1.881-3 & 4; 1.861-18;
1.441-6; 1.1441-1(e); 1.1441-7(f)

Bittker & Lokken: Chapters ¶¶65.3.6, 65.4, 65.5.1, 66.4 and 67.3

U.S.A. Model Income Tax Convention All articles except 6,8,16,17,18,19,20, 27, 28
and 29

10. Nov 23 TBD

11. TBD Examination Due