

San José State University
College of Business
Accounting and Finance Department

Taxation of Business Entities

BUS 223G
Fall 2015

Instructor:	Joel Busch
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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: To identify, understand and resolve complex and multijurisdictional tax issues within the context of our global economy and society.

CLO 6: To 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: To appreciate tax policy issues and foundations of the tax law.

CLO 8: To understand the ethical implications of tax practice.

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

Required Texts/Readings

Textbook

No formal textbook is required for this course.

Readings

Note – Please see the detailed reading instructions in the class session calendar below as only certain pages may have to be read for certain portfolios/publications.

[All materials available online or via your online SJSU library account]

- Primary reading for this course is Federal and California statutes, regulations and case law.
- BNA Portfolio 1550 – Choice of Entity – An Overview of Tax and Non Tax Considerations

- IRS Publication 334 (Tax Guide for Small Businesses):
<http://www.irs.gov/pub/irs-pdf/p334.pdf>
- IRS Publication 541 on Partnerships: <http://www.irs.gov/pub/irs-pdf/p541.pdf>
- IRS Publication 542 on Corporations: <http://www.irs.gov/pub/irs-pdf/p542.pdf>
- IRS Publication 598 (Tax on Unrelated Business Income of Exempt Organizations):
<http://www.irs.gov/pub/irs-pdf/p598.pdf>
- IRS Business Structures website - <http://www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Business-Structures>
- IRS S Corporation Stock and Debt Basis Shareholder Loss Limitations Overview:
<http://www.irs.gov/Businesses/Small-Businesses-&Self-Employed/S-Corporation-Stock-and-Debt-Basis>
- 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>
- Manual for Preparing the Form 571-L (San Mateo County):
http://smcare.org/assessor/documents/Manual%20571L%20Feb%202010_2.pdf
- Your California Seller's Permit (California Sales/Use Tax) – (BOE Pub. 73):
<http://www.boe.ca.gov/pdf/pub73.pdf>
- Instructions for Completing a California Sales/Use Tax Return:
<http://www.boe.ca.gov/pdf/boe401inst.pdf>
- California FTB – 2014 Partnership Tax Booklet:
https://www.ftb.ca.gov/forms/2014/14_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 Distributions to Non-California Partners and LLC Members:
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 – 2014 Corporation Tax Booklet:
https://www.ftb.ca.gov/forms/2014/14_100bk.pdf
- California FTB – 2014 S Corporation Tax Booklet:
https://www.ftb.ca.gov/forms/2014/14_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/tfpreguide%20-%20compbusent.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): <http://www.cbo.gov/sites/default/files/cbofiles/attachments/43750-TaxingBusinesses2.pdf>
- Additional materials may be delivered in class or posted on Canvas
- Use of RIA, CCH and BNA for research and background reading to supplement above readings, in-class assignments and research projects

Library Liaison

Ann Agee is the library liaison at the main campus. Her e-mail address is: ann.agee@sjsu.edu

Classroom Protocol

Attending class is very important as we will cover a substantial amount of material each session and some of the class material is not from the assigned reading materials. If you know you are unable to attend class in advance, you should contact me to help ensure that you are up to date on what was covered in class. In addition, you should contact another class member to obtain class notes.

You should do your best to on time to class. If you are late to class, please minimize the disruption for other class members.

MST Program Administrative Guidelines

- Please see the Fall 2015 MST New Student Handbook at:
http://www.sjsu.edu/lucasgsb/docs/MST-New%20Student%20Handbook%20Fall%202015_Final_Updated.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.

In-Class Assignments: Throughout the course time will be allocated for in-class assignments that will be worked on either in groups or individually. The assignments will be written or informal presentations. The format and details of each in-class assignment will be provided in class. You must be present and complete the in-class assignment in order to receive the applicable points. Make up / late in-class assignments may only be done with permission from the instructor and are subject to a deduction of points.

Take-Home Projects: There will be four take-home projects due during this course. Each project is worth 20 points. You may use any tax resources necessary to complete the projects.

The projects will be graded on written content by the students and may either be turned into class on paper or by e-mail to the professor no later than 6:00 p.m. on the date it is due.

Late take-home projects may only be done with permission from the instructor and are subject to a deduction of points.

The projects will be graded on content and professional appearance (spelling, grammar, and word usage).

Details of each project will be provided in class or via Canvas.

Quizzes: There will be 6 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.

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:

Take-Home Projects (4)	80 points	(20 points each)
In-Class Assignments	40 points	
Canvas Online Quizzes (6)	60 points	(10 points each)
Final Exam	<u>120 points</u>	
Total Possible Points	300 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 of the grade breakpoint.

All students have the right, within a reasonable time, to know their academic scores, to review their grade-dependent work, and to be provided with explanations for the determination of their course grades. See University Policy F13-1 at <http://www.sjsu.edu/senate/docs/F13-1.pdf> for more details.

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

University Policies

Academic integrity

Your commitment as a student to learning is evidenced by your enrollment at San Jose State University. The University's Academic Integrity policy S07-2, located at <http://www.sjsu.edu/senate/S07-2.htm>, requires 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 Student Conduct and Ethical Development website is available at <http://www.sjsu.edu/studentconduct>.

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 your assignment or any material you have submitted, or plan to submit for another class, please note that SJSU's Academic Integrity Policy S07-2 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 at http://www.sjsu.edu/president/docs/directives/PD_1997-03.pdf requires that students with disabilities requesting accommodations must register with the Accessible Education Center (AEC) at <http://www.sjsu.edu/aec> to establish a record of their disability.

Accommodation to Students' Religious Holidays

San José State University shall provide accommodation on any graded class work or activities for students wishing to observe religious holidays when such observances require students to be absent from class. It is the responsibility of the student to inform the instructor, in writing, about such holidays before the add deadline at the start of each semester. If such holidays occur before the add deadline, the student must notify the instructor, in writing, at least three days before the date that he/she will be absent. It is the responsibility of the instructor to make every reasonable effort to honor the student request without penalty, and of the student to make up the work missed. See University Policy S14-7 at <http://www.sjsu.edu/senate/docs/S14-7.pdf>.

Consent for Recording of Class and Public Sharing of Instructor Material

University Policy S12-7, <http://www.sjsu.edu/senate/docs/S12-7.pdf>, requires students to obtain instructor's permission to record the course.

- Common courtesy and professional behavior dictate that you notify someone when you are recording him/her. You must obtain the instructor's permission to make audio or video recordings in this class. Such permission allows the recordings to be used for your private, study purposes only. The recordings are the intellectual property of the instructor; you have not been given any rights to reproduce or distribute the material."
- Course material developed by the instructor is the intellectual property of the instructor and cannot be shared publicly without his/her approval. You may not publicly share or upload instructor generated material for this course such as exam questions, lecture notes, or homework solutions without instructor consent.
- You may request permission, either in writing or orally, at any time during the semester.
- If students or guests may be on the recording, permission of those students or guests should be obtained as well.

Taxation of Business Entities

Bus. 223G – Fall 2015

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	9/16	Introduction to the course and topic What is a business entity / key elements of the definition Reasons for variety of forms 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) AICPA Comparison of Business Entities 2) Skim links on IRS Business Structures website 3) Joint Committee on Taxation, <i>Selected Issues Relating To Choice Of Business Entity</i> 4) Congressional Budget Office, <i>Taxing Businesses Through the Individual Income Tax</i> : 5) California Franchise Tax Board’s Guide to Forms of Ownership 6) California Property Tax – An Overview (BOE Pub. 29) {Through Pg. 17 – <u>skip</u> Timber & Yield Tax} 7) Your California Seller’s Permit (California Sales/Use Tax – BOE Pub. 73)	Canvas Online Quiz #1

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	9/23	Sole Proprietorships – formation, operation, termination, special rules, tax compliance; tax planning, tax policy considerations Self-employment tax; Clarification of Schedule C vs. Schedule E real estate activities; Spousal Joint Venture	1) IRC §§162; 469(h); 1401 & 6041 2) Treas. Reg. §§ 1.6041-1; 1.6041-3 & 1.183-2(b) 3) <i>IRS v. Robert P. Groetzinger</i> (87-1 USTC ¶ 9191) 4) IRS Publication 334: Tax Guide for Small Businesses (Chapters 1 and 10; Chapter 5 – Real Estate Rents section only) 5) Watch IRS Schedule C Small Business Workshop Video (For video - focus on Referenced Forms; Publications as well as the Self-Employment & Estimated Tax Sections)	Canvas Online Quiz #2
3	9/30	Partnerships and LLCs – formation, operation, restructuring, termination, special rules, tax planning, tax policy considerations	1) IRC §§ 465; 469; 701-709; 721-722; 731; 734; 741; 751-752; 754; 761; 6063 & 6698 2) Treas. Reg. §§1.6031(a)-1(a) and –(e) 3) Rev. Proc. 84-35 4) IRS Publication 541 on Partnerships	1) Take-Home Project #1 Due 2) Canvas Online Quiz #3

4	10/7	<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) Calif. Rev. & Tax. §§ 17851; 17935-17936; 17941; 17948; 18633(a) & (b) and 18633.5</p> <p>2) Calif. Regs. 23038(b)-1 and 23038(b)-3</p> <p>3) California FTB – 2014 Partnership Tax Booklet</p> <p>4) California FTB – Limited Liability Company (LLC) Filing Information Publication (FTB 3556)</p> <p>5) <i>IRS v. Culbertson</i> (337 US 733)</p> <p>6) California FTB – Overview of Withholding on Distributions to Non-California Partners and LLC Members</p> <p>7) California FTB – Publication 1017 (Pages 14-17 - Domestic Pass-Through Entities Section: Partnership and LLCs)</p>	
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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	10/14	C Corporations – formation, operation, termination, special rules, tax compliance; tax planning, tax policy considerations	1) IRC §§1(h)(11); 11; 301; 316(a); 331; 351; 448; 531 & 3121(d)(1) 2) 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) 3) <i>Eberl’s Claim Service, Inc. v. IRS</i> (2001-1 USTC ¶50,396) 4) IRS Publication 542 on Corporations 5) Joint Committee on Taxation, <i>Selected Issues Relating To Choice Of Business Entity</i> (Pages 19-21)	1) Take-Home Project #2 Due 2) Canvas Online Quiz #4
6	10/21	C Corporations (Continued) - California taxation of C corporations S Corporations – formation, operation, termination, special rules, tax planning, tax policy considerations	1) IRC §§243; 1361 & 1362 2) Calif. Rev. & Tax. §§18601(a); 23101; 23114; 23151; 23153 and 24451 3) California FTB 2014 Corporation Tax Booklet	Canvas Online Quiz #5
7	10/28	S Corporations – formation, operation, termination, special rules, tax planning, tax policy considerations (Continued); California reporting – including franchise tax and California withholding	1) IRC §§1366 – 1367 2) Calif. Rev. & Tax §§23800-23802 3) IRS S Corporation Stock and Debt Basis Shareholder Loss Limitations Overview 4) IRS S Corporation Compensation and Medical Insurance Issues	1) Take-Home Project #3 Due 2) Canvas Online Quiz #6

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
8	11/4	Income-Splitting Introduction to tax-exempt organizations and UBTI Introduction to international tax issues Ethical considerations of representing entities and their owners California Business Property Tax Compliance California Sales/Use Tax Compliance	1) IRC §§ 482 & 511-513 2) Treas. Reg. §§ 1.513-1; 1.511-2(a)(2) and 1.513-2(a) 3) BNA Portfolio 1550 – Sections 1550.04.A.1(a) and (b); and 1550.04.A.2 4) IRS Publication 598 (UBTI) 5) Manual for Preparing the Form 571-L (San Mateo County) 6) Instructions for Completing a California Sales/Use Tax Return	Take-Home Project #4 Due
	11/11	No class – Veterans Day		
9	11/18	Tax Planning and Entity Conversions for Businesses Review for Final Exam	BNA Portfolio 1550 – Section 1550.05	
	11/25	No Class - Thanksgiving		
10	12/2	Final Exam		