

San José State University
Lucas College of Business
Accounting and Finance Department

Tax Factors of Business and Investment Decisions
Business 123A – Section 3
Fall 2018

Instructor: Prof. Joel Busch

Office Location: Business Tower 861

Telephone: (408) 924-3494

Email: Via Canvas Email

Office Hours: Tuesdays and Thursdays – 6:00 p.m. to 7:00 p.m.
and by appointment

Class Days/Time: T and Th - 3:00 p.m. to 4:15 p.m.

Classroom: BBC 106

Prerequisites: BUS 20 with a minimum grade of "C" and declared Accounting, Accounting Information Systems or Corporate Accounting Finance Major. Upper division standing. Lower Division Business Pool.

Supplemental Instructor Leader: Liwei Bi

Supplemental Instructor Leader's Email: Via Canvas E-mail

Canvas Course Website

Course materials such as syllabus, handouts, PowerPoint slides, notes, assignment instructions, etc. may be found on the Canvas Learning Management System course login website at <http://sjsu.instructure.com>. You are responsible for regularly checking Canvas to learn of any course updates – including new messages, readings and assignments.

Course Description

Introductory course in taxation with emphasis on certain themes that pervade the federal income tax system and its impact on business. Property transactions, deferral techniques, accounting periods, accounting methods and research techniques with emphasis on corporations.

Prerequisite: BUS 20 with a minimum grade of "C", and declared Accounting, Accounting Information Systems or Corporate Accounting Finance Major. Upper division standing. Lower Division Business Pool, declared Accounting, AIS or CAF Major.

Meet Your Course Supplemental Instructor Leader – Lewei Bi

This semester, our course will include a Supplemental Instructor Leader!

Liwei Bi is a current SJSU MST student who has been trained to assist you as you work to achieve and master the learning goals in this course. She will be available to support you in two ways:

1. Liwei will attend classes on a regular basis and will be working with me to assist during in-class group projects.
2. Liwei will reserve times each week (dates and times to be posted in Canvas) to assist students in group sessions with topics and materials that we cover throughout the semester through study groups and review sessions.

These Supplemental Instruction (SI) sessions are an additional resource to aid in learning difficult materials and topics that are part of the U.S. tax system and this course. These sessions will be led outside of class by Liwei. I will not have any information as to which students are attending the SI group study and review sessions. It is a safe place for you to voice your concerns, work with others, ask technical tax questions, develop better study skills, and do the practice that is necessary to gain mastery in Bus. 123A

Liwei is someone who has been in your shoes, knows a lot, and has access to the resources SJSU has to offer.

Course Learning Outcomes (CLO)

Upon successful completion of this course, students will be able to:

CLO 1: Understand the legislative creation, judicial interpretation and administrative ruling processes and their interrelationships to Federal taxes

CLO 2: Recognize major sources of economic and financial accounting income and expense that are and are not includible as taxable income and tax-deductible expenses – including the public policy rationale behind the inclusion / exclusion of certain items for Federal tax purposes

CLO 3: Calculate taxable income and total tax liability for particular tax periods given certain applicable taxpayer items including property sales and exchanges, cost recovery allowances, preferential tax rates and other items of taxable income and deductions

CLO 4: Detail the fundamental ethical issues surrounding the tax profession – including required and optional licensing requirements and knowing the difference between legal tax avoidance and illegal tax evasion

CLO 5: Explain the tax determination impacts between deductions and credits – including the detailed calculations and requirements of certain tax credits

CLO 6: Understand and apply Federal tax rules specific to subchapter C corporations – including corporate distributions

CLO 7: Prepare an intermediate-level corporate Federal income tax return

CLO 8: Understand various ethical and legal impositions on tax professionals and their work product

Required Texts/Readings

Textbook

You **must** have the required (*current* version) textbook (see below) for the course and bring it to class every session as many in-class questions, graded quizzes and exercises will utilize the textbook materials.

New Option for Purchasing the Required Textbook – Cengage’s “Unlimited” Plan

[Option #1] The textbook required for this course, Maloney/Raabe/Hoffman/Young's South-Western Federal Taxation **2019: Comprehensive, 42nd edition** with the REQUIRED LMS version of the CengageNow (v2) online homework system is included in Cengage Unlimited, a subscription service providing access to ALL Cengage ebooks and digital learning products—over 22,000—for **\$119.99 per term** (extended subscriptions also available). One Cengage Unlimited subscription can be used across all courses where Cengage products are assigned, at no additional cost. You can purchase access to Cengage Unlimited in the bookstore, or at www.cengage.com. For additional details of this new Cengage Unlimited option, please refer to the Cengage Unlimited Information posted in Canvas.

If you wish to purchase the textbook without the new “unlimited” plan, here are two options for you at the at the SJSU bookstore:

[Option #2] A **loose-leaf** version of the textbook (with the REQUIRED LMS version of the CengageNow (v2) online homework system) – Maloney/Raabe/Hoffman/Young's South-Western Federal Taxation **2019: Comprehensive, 42nd edition** can be purchased at the SJSU bookstore, or

[Option #3] An **electronic-only** version of the textbook: South-Western Federal Taxation Maloney/Raabe/Hoffman/Young's South-Western Federal Taxation **2019: Comprehensive, 42nd edition** (with the REQUIRED LMS version of the CengageNow (v2) online homework system) can be purchased at the SJSU bookstore.

- Do NOT purchase this textbook WITHOUT the CengageNOW (v2) option (i.e., as a standalone textbook – either printed or electronic).

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 exams.

All homework assignments must be taken and submitted using the online CengageNow (v2) 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.

Reading Assignments: For the assigned pre-class readings "Chapter" and "Sections" refer to your textbook. Other supplemental reading assignments will be posted on Canvas and/or given out in class.

Group Tax Return Project: A tax return project is required for this course. This is a group project. The project is designed to give students practical experience in preparing a Federal tax return. Online tax research may also be required. A substantial amount of points may be deducted for late submissions of the research project. You must work only with your group members on this project. The project must be submitted both electronically (via e-mail) and in printed form by the beginning of class on the assigned due date.

Quizzes: There will be six (6) in-class quizzes during the semester. The four highest quiz scores during the semester will be counted. Unlike the exams, the quizzes will be open book. Unless stated otherwise, quiz exam answers will require the use of a Scantron form (Version 882-E). As such, you must have a Scantron form for every class session in the event a quiz is administered that day. No quiz work is to be completed after the quiz period has ended. Any student undertaking quiz work (including filling-in scantron boxes) after the quiz period has ended is subject to a zero score for the quiz and additional disciplinary actions pursuant to University policies.

Exams: Three midterms and a final examination will be given. Only one 8.5" x 11" page of notes may be brought into the class for all examinations. You may handwrite or type (or a combination thereof) your notes on both sides of the single page. The page of notes must be turned in with your exam. No other materials may be utilized. You must use the calculator provided to you by the instructor unless prior arrangements are made. The scantron, exam pack, calculator and page of notes are required to be turned in at the end of the examination.

No exam work is to be completed after the examination period has ended. Any student undertaking exam work (including filling-in scantron boxes) after the exam period has ended, or does not turn in their page of notes, is subject to a zero score for the exam and additional disciplinary actions pursuant to University policies.

Unless stated otherwise, all submitted exam answers will require the use of a Scantron form (Version 882-E)

Grading Policy: 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 | | |
|---------------------------------|--------------------------|--|
| Assignments (16) | 160 points | (10 points each) |
| Quizzes | 60 points | (15 points each for the four highest) |
| Group Tax Return Project | 80 points | |
| Midterm Exams | 200 points | (100 points each for the two highest) |
| Final Exam | <u>150 points</u> | |
| Total Possible Points | 650 points | |

Because the lowest score of your three midterm exams are dropped, under almost all circumstances there are no make-up exams. On rare occasions and at my discretion, students may be allowed to make up an exam. Students must give advance notification with documentation in order for me to make a decision regarding a make-up exam. If an exam is missed without prior consent, the exam grade is zero under almost all circumstances. All exams must be taken on the scheduled date and time detailed on the assignment schedule unless approved in the advance by the instructor.

The final exam score cannot be dropped and must be taken.

Extra credit is not available for this course.

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.

Classroom Protocol

Lucas College and Graduate School of Business: Program Goals and Class room policy:
<http://www.sjsu.edu/cob/Students/policies/index.html>

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>. Make sure to review these university policies and resources.

Success in this course is based on the expectation that students will spend, for each unit of credit, a minimum of 45 hours over the length of the course (normally three hours per unit per week) for instruction, preparation/studying, or course related activities, including but not limited to internships, labs, and clinical practica. Other course structures will have equivalent workload expectations as described in the syllabus.

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.

Tax Factors of Business and Investment Decisions

Bus. 123A – Section 3 – Fall 2018

Tuesdays and Thursdays 3:00 p.m. to 4:15 p.m.

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

Course Schedule

| Session | Date | Special Projects Due | Class Topic | Reading Due Before Class | Homework and Other Activities to Complete Before Class |
|---------|----------------|----------------------|--|---|---|
| 1 | 8/21 T | | Introduction to course Introduction to CengageNow Introduction to Taxes | Section 1-1 (Approaching the Study of Taxation) <i>Skim</i> Section 1-2 and Section 1-3a (History of U.S. Taxation and Legal Foundations) Section 1-3b (The Important Core Tax Formula) <i>Skim</i> Section 1-3c (Tax Principles) Section 1-4 (Different Types of Taxes) | |
| 2 | 8/23 Th | | Introduction to Different Types of Business Entities Federal Tax Law Hierarchy Introduction to IRS Audits; Statute of Limitations and Challenging IRS Assessments in Court | Sections 15-1a; 15-1b and 15-1c (only through Example 4) and Concept Summary 15.1 Sections 2-1a through 2-1b (focus on <i>Proposed</i> , <i>Temporary</i> and <i>Final</i> Regulations and <i>Letter Rulings</i> in Sect. 2-1b; <i>Skim</i> the Remainder of Sect. 2-1b) Sections 1-5a to 1-5c. <i>Skim</i> Section 1-5d | 1) Register for CengageNow 2) Register your online account with CengageBrain |

| Session | Date | Special Projects Due | Class Topic | Reading Due Before Class | Homework and Other Activities to Complete Before Class |
|---------|------------|----------------------|--|--|--|
| | | | | <p>Sect. 2-1(c) – Only the Trial Court Section (up to the Appellate Courts Section) - Focus on <i>Jurisdictions of the Tax Court, District Court and Court of Federal Claims and Payment of Deficiency</i> in the Trial Courts section.</p> <p>(<i>Skip</i> the remainder of Sect. 2-1(c))</p> | |
| 3 | 8/28 T | | Gross Income – Including Periods and Methods | Sections 4-1 through 4-2 | |
| 4 | 8/30 Th | | Gross Income – Continued | <p>Sections 4-3a through 4-3c (<i>Skip</i>: Services of a Child in Sect. 4-3a and the FBAR in Sect. 4-3b)</p> <p><i>Skim</i> Section 5-2a</p> <p>Sections 5-3a; 5-10, 5-15 and 5-16 (only item nos. two, three and five in Sect. 5-16)</p> | |
| 5 | 9/4 T | | Business Deductions | <p>Section 6-1c (<i>skip</i> references to IRC §212)</p> <p>Sections 6-2a to 6-2d;</p> | CengageNow Assignment #1 |
| 6 | 9/6 Th | | Business Deductions (Continued) | <p>Sections 6-3a through 6-3d;</p> <p><i>Skim</i> Section 6-3i</p> | CengageNow Assignment #2 |

| Session | Date | Special Projects Due | Class Topic | Reading Due Before Class | Homework and Other Activities to Complete Before Class |
|---------|------------|----------------------|--|--|--|
| | | | | Sections 6-3j through 6-3m | |
| 7 | 9/11 T | | Business Deductions (Continued) – Including Depreciation and Cost Recovery; Meals and Entertainment, Club Dues and Business Gifts | Sections 8-1a through 8-3d; Section 8-4 (<i>skip</i> Schedule C references in Section 8-4) Section 8-5 <i>Skim</i> depreciation exhibits 8.3 and 8.8 in Section 8-7c Section 9-6c | CengageNow Assignment #3 |
| 8 | 9/13 Th | | Losses and Loss Limitations – Including Bad Debts and Worthless Securities | Sections 7-1 to 7-2a; 7-3 (<i>Skip</i> Personal Use Loss Reductions in Sect. 7-3d) | CengageNow Assignment #4 |
| 9 | 9/18 T | | Losses and Loss Limitations – NOLs and Excess Business Losses | Sections 7-5a; 7-5b and 7-6 (note: read Section 7-6 <i>first</i> and <i>then</i> read sections 7-5a and 7-5b). | CengageNow Assignment #5 |
| 10 | 9/20 Th | | Exam #1 Review | | Cengage Now Assignment #6 |
| 11 | 9/25 T | | Exam #1: Applicable materials and topics covered in assigned readings, in-class materials, and materials posted in Canvas for Chapters 1, 2, 4, | | |

| Session | Date | Special Projects Due | Class Topic | Reading Due Before Class | Homework and Other Activities to Complete Before Class |
|---------|-------------|----------------------|---|--|--|
| | | | 5, 6, 7, 8, 9 and 15 and on any Supplemental Readings and Topics | | |
| 12 | 9/27 Th | | Property Transactions – Advanced General Basis Rules and Gains/Losses | Sections 13-1; 13-2a; 13-2d; 13-2e (<i>skip</i> sections 13-2b and 13-2c) | |
| 13 | 10/2 T | | Property Transactions – §1031 Like-Kind Exchanges | Sections 13-3 and 13-4 | CengageNow Assignment #7 |
| 14 | 10/4 Th | | Property Transactions | Section 14-1 to 14-4 (<i>Skip</i> IRC §1237 real property subdivided for sale in Sect. 13-2b; <i>Skip</i> 14-3a and 14-4b) <i>Skim</i> Section 14-4c Section 14-5 Section 14-6 | CengageNow Assignment #8 |
| 15 | 10/9 T | | Property Transactions – §1231 Assets and Depreciation Recapture | Sections 14-7 to 14-9 | CengageNow Assignment #9 |
| 16 | 10/11 Th | | Property Transactions - Including Depreciation Recapture (Continued) | Sections 14-10; 14-12a, 14-13 and 17-1e | CengageNow Assignment #10 |
| 17 | 10/16 T | | Tax Information Returns | Section 4-5b and Supplemental Reading | |

| Session | Date | Special Projects Due | Class Topic | Reading Due Before Class | Homework and Other Activities to Complete Before Class |
|---------|-------------|----------------------|--|--|--|
| 18 | 10/18 Th | | Exam #2 Review | | |
| 19 | 10/23 T | | Exam #2: 4, 13, 14 and 17 and on any Supplemental Readings and Topics | | |
| 20 | 10/25 Th | | Taxation of C Corporations – Including the Dividends Received Deduction | Section 17-1f (<i>skip</i> : Floor Plan Financing Interest and Other Rules in Sect. 17-1f) Sections 17-1h; 17-1i; 17-1j; 17-1k | |
| 21 | 10/30 T | | Taxation of C Corporations (Continued) | Sections 17-2a through 17-2d (up to Computing Consolidated Taxable Income) Sections 17-3a through 17-3e (up to “Part I” in Section 17-3e) | |
| 22 | 11/1 Th | | Taxation of C Corporations (Continued) | Sections 18-1 and 18-2 (<i>skip</i> Thin Capitalization Problem section in 18-2b) Section 18-4 | CengageNow Assignment #11 |
| 23 | 11/6 T | | Corporations: E&P and Corporation Distributions – Including Dividends | Sections 19-1 to 19-3 (<i>skip</i> Stock Rights in Sect. 19-3e) | CengageNow Assignment #12 |
| 24 | 11/8 Th | | Corporations: E&P and Corporation Distributions – Including Dividends (Continued) | Sections 20-1, 20-2a and 20-3 | CengageNow Assignment #13 |

| Session | Date | Special Projects Due | Class Topic | Reading Due Before Class | Homework and Other Activities to Complete Before Class |
|---------|-------------|----------------------|--|--|--|
| 25 | 11/13 T | | Ethics – Including Representation of Clients and Regulation of the Tax Profession; Best Office Practices and Research Techniques | Sections 1-5e; 2-4c; 26-2a to 26-2c; and Supplemental Reading Posted on Canvas <i>Skim</i> Sections 2-2 and 2-3 and 26-2d | CengageNow Assignment #14 |
| 26 | 11/15 Th | | Exam #3 Review | | |
| 27 | 11/20 T | | Exam #3: Chapters 1, 2, 17-20, 26 and any Supplemental Reading and Topics | | |
| | 11/22 | | No Class - Thanksgiving | | |
| 28 | 11/27 T | | Business Tax Credits and R&D expenditures | Section 7-4 (<i>Skip</i> : Taxable Years Beginning After 12/31/21 section in Sect. 7-4b) Sections 12-1; 12-2b; 12-2c; 12-3b; 12-3c; 12-3h and supplemental reading | |
| 27 | 11/29 Th | | Key concepts for Partnerships, S Corporations and LLCs | Sections 15-1 (including Concept Summary 15.1) and 15-2 Sections 21-1 and 21-2a Sections 22-1 and 22-2a | CengageNow Assignment #15 |

| Session | Date | Special Projects Due | Class Topic | Reading Due Before Class | Homework and Other Activities to Complete Before Class |
|----------------|-----------------------|-------------------------------|--|---|---|
| 28 | 12/4 T | Tax Return Project Due | Employee vs. Independent Contractor; Self-Employment and Payroll Taxes | Section 9-1 – with a focus on Concept Summary 9.1 Section 12-5b (Self-Employment Tax section only) Supplemental Reading and Video | |
| 29 | 12/6 Th | | Final Exam Review | | CengageNow Assignment #16 |
| 30 | 12/17 Mon. | 2:45 to 5:00 pm | Final Exam: Cumulative | | |