

SJSU MST Program
TAXATION OF BUSINESS ENTITIES
Business 223G – Early Spring 2017
Kenneth Guilfoyle, CPA, MBA

Class Dates	Thursdays January, 5, 12, 26 February 2, 9, 16, 23 6:00pm to 10:00pm Saturdays February 11; 9 am to 5 pm + Feb 18; 9:00am to 1:00pm
Classroom Location	Lucas School Silicon Valley Site 2933 Bunker Hill Lane, #120, Santa Clara
Office hours	20 minutes before and after class AND by appointment + available by email
Office	Office hours to be held at Bunker Hill (unless scheduled by appointment). On campus office is Business Tower 955.
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Catalog 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. Corequisite: BUS 223A

Course Objectives: Upon completion of this course students will be able to:

1. Explain federal tax differences and similarities of business entities.
2. Apply basic tax rules on operation and formation of business entities for tax compliance and planning purposes.
3. Explain the historical, operational and policy reasons for the basic federal tax rules governing business entities.
4. Explain key California income tax rules applicable to business entities.

MST Program Learning Objectives:

1. To identify, understand and resolve complex and multijurisdictional tax issues within the context of our global economy and society.
2. 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.
3. To develop conceptual and critical analytic skills with real world applications.
4. To appreciate tax policy issues and foundations of the tax law.
5. To understand the ethical implications of tax practice.
6. To develop skills for effective tax practice including keeping current, interacting with others, and career advancement.

Class preparation and study materials

Note: Bring a laptop or iPad (or similar device) with you to class each session so you can access primary and secondary authorities we will use in class.

- Internal Revenue Code*
- Income Tax Regulations *
- Selected IRS rulings and court cases*
- Reading and online materials may be assembled by Ken Guilfoyle and available in pdf format, and other materials – to be posted on Canvas as needed.
 - <https://idp01.sjsu.edu/idp/Authn/UserPassword>
- BUY ONLINE - Chapter 20, Corporations and Partnerships of South-Western Federal Taxation 2016: Individual Income Taxes, 39th edition, \$13.49 NOTE – you are just to buy the one chapter in E-chapter format. <http://tinyurl.com/o5swq8m>
- Recommended: BNA portfolios on topics covered in class.
- BNA Portfolio 700-4th: Choice of Entity (library access)
- BNA Portfolio 701-1st Choice of Entity operational issues (library access)
- BNA Portfolio 1550, Choice of Entity – An Overview of Tax and Non-Tax Considerations (available online via your library access) Note: This is a state tax portfolio.
- Selected California Revenue & Taxation provisions (reading list if needed posed on Canvas website)

* You can obtain the sections you need from RIA Checkpoint or CCH.

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 let your instructor know via email and be sure you get notes and announcements from a classmate.

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

Grading

Class Participation	80
Presentations	50
Homework questions**	50
Final exam	<u>120</u>
Total	300

Grades will be assigned based on 90% and above is an A, 80% and above a B and 70% and above is a C, etc. Plus and minus (+/-) will be used as well.

* Quiz due dates noted on Canvas

** The set of questions will be delivered in class and posted on the website. The due dates and point values will be indicated on each assignment.

Reading and Assignment Due Dates

- See the 223G Canvas website for the reading, quizzes and other course materials. Be sure to read the materials before class – that is how you will get the most out of this course. You need to be as prepared as you expect your instructor to be.
- You will get more out of this course if you participate in class and group discussions. You should also find ways to engage with the materials outside of class – discuss them with colleagues; consider forming a study group with some classmates.
- Take your time on the research questions. You will not get much out of this work if you rush. The purpose of the assignments is to give you an opportunity to really think about what the rules and concepts mean and to apply them.

Date	Topics	Primary Authority
Session 1 January 5	Introduction to Course and Topic <ul style="list-style-type: none"> • History, Policy introduction • What is a business entity / key elements of the definition • Reasons for variety of forms / tax policy relevance • 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 	IRC §1402(a)-(d) IRC §195 Reg. 1.195-1 IRC §7701(a)(2) & (3)
Session 2 January 12	Sole Proprietorships <ul style="list-style-type: none"> • Formation, operation, and termination • Special rules • Tax compliance • Tax planning • Tax policy considerations • Self-employment tax • Schedule C vs. Schedule E real estate activities • Spousal Joint Venture 	<i>Groetzing</i> (USSC, 1997) IRC §183 Reg 1.183-2 IRC §6041 Reg. 1.6017-1, 1.6041 and 1.6041-3

<p>Session 3 January 26</p>	<p>Partnerships and LLCs</p> <ul style="list-style-type: none"> • Formation, operation, termination • Special rules • Form 1065 and Schedule K-1; due dates • Entity versus aggregate theories and application • Tax planning • Tax policy considerations 	<p><i>Culbertson</i> (USSC 1949) IRC §§701 – 709, 721, 722, 723, 731, 741, 751, 752, 761, 6031, 6063, 6698 Rev. Proc. 84-35 CCA 201436049</p>
<p>Sessions 4 February 2nd</p>	<p>C Corporations</p> <ul style="list-style-type: none"> • Formation, operation, termination • Special rules including penalty taxes, DRD, §291 • Tax compliance – Form 1120 and key schedules; due dates • Tax planning • Tax policy considerations 	<p>IRC §§11, 243, 248, 301, 316(a), 318, 331, 351, 531, 532, 541, 3121(d)(1) Reg. 1.248-1, 301-7701-2, 301-7701-3, 31.3121(d)-1(b), 31.3401(c)-1(f) <i>Vanney Associates</i>, TC Memo 2014-184 <i>Welle</i>, 140 TC No. 19 (2013)</p>
<p>Session 5 February 9th</p>	<p>S Corporations</p> <ul style="list-style-type: none"> • Formation, operation, termination • Tax compliance – Form 1120S and key schedules • Special rules, including reasonable comp • Tax planning • Tax policy considerations 	<p>IRC §§1361, 1362, 1366, 1367, <i>Sean McAlary Ltd. Inc.</i>, TC Summary Opinion 2013-62</p>
<p>Session 6 February 11 All day Saturday Class</p>	<p>Student Presentations</p>	

<p>Session 7 February 16</p>	<p>California and Basic State Tax Considerations in Taxation of Business Entities –</p> <ul style="list-style-type: none"> • Property Tax and Sales/Use Tax in California. • California reporting for partnerships, S and C corporations – including California withholding and California LLC, LP and LLP taxes and fees, franchise tax and California withholding 	<p>P/S-LLC – CA R&T §§17851, 17935-17936, 17941, 17948, 18633(a)&(b), 18633.5 CA Reg 23028(b)-1, 23028(b)-3 Corp - CA R&T §§18601(a), 23101, 23114, 23151, 23153, 23800-23802, 24451</p>
<p>Session 8 February 18</p>	<p>Comparison of Business Entities Related and Review Topics</p> <ul style="list-style-type: none"> • Introduction to tax-exempt organizations and UBTI • Introduction to international tax issues • Basic examination considerations • Review of employment taxes for entities and owners • Due diligence review • Ethical considerations of representing entities and their owners <p>Tax Planning and Entity Conversions for Businesses</p> <p>Tax Reform and Business Entities</p> <p>Review</p>	<p>IRC §§448, 465, 469(a), 482, 511-513, 6072</p> <p>Reg. 1.513-1, 1.511-2(a)(2), 1.513-2(a)</p> <p>Circular 230, §10.22, 10.29, 10.34</p>
<p>Session 9 February 23</p>	<p>Final Exam</p>	

University Policies

Academic integrity

Students should know the University's Academic Integrity Policy that is available at <http://www.sjsu.edu/senate/docs/F15-7.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.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 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.

Be sure to read the following additional information on academic integrity and avoiding plagiarism from Professor Nellen at:

<http://www.sjsu.edu/people/annette.nellen/website/ClassInfo.html#Integrity>

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.