

San José State University
College of Business
Accounting and Finance Department

Taxation of Business Entities

BUS 223G
Fall 2016

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.

Workshops and Tutorial Sessions with Bill Abel (*Highly Recommended*)

Through the semester Bill Abel, a SJSU MST graduate and experienced tax practitioner, will be available to provide tutorial and workshop sessions that will provide opportunities for learning advancement on the various topics we will be covering in this course. These sessions will be available outside of regular class hours. Additional details and times of these sessions will be provided in class and/or posted on Canvas.

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]

Note: The *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://www.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 – 2015 Partnership Tax Booklet:
https://www.ftb.ca.gov/forms/2015/15_568bk.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 – 2015 Corporation Tax Booklet:
https://www.ftb.ca.gov/forms/2015/15_100bk.pdf
- California FTB – 2015 S Corporation Tax Booklet:
https://www.ftb.ca.gov/forms/2015/15_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/comparison%20of%20business%20entities.doc>
- 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): <https://www.cbo.gov/sites/default/files/112th-congress-2011-2012/reports/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

MST Program Administrative Guidelines

- Please see the Fall 2016 / Spring 2017 MST New Student Handbook at:
<http://www.sjsu.edu/lucasgsb/docs/MST-New%20Student%20Handbook%20Fall%202016.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 two graded 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 must be turned into class on paper and 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 four (4) 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. **The online quizzes must be undertaken on an individual basis – they are not group quizzes. It is against MST and University policy to share answers among students (current, former or future).**

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 (2)	40 points	(20 points each)
In-Class Assignments	40 points	
Canvas Online Quizzes (4)	40 points	(10 points each)
Final Exam	<u>180 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 (rounded) of the grade breakpoint.

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

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](http://www.sjsu.edu/gup/syllabusinfo/) at: <http://www.sjsu.edu/gup/syllabusinfo/>

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.

Taxation of Business Entities

Bus. 223G – Fall 2016

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	9/28	<p>Introduction to the course and topic</p> <p>What is a business entity / key elements of the definition</p> <p>Reasons for variety of forms</p> <p>Overview of history and tax differences among entities</p> <p>Formation of business entities – legal perspectives</p> <p>Finding the federal tax rules for each entity form</p> <p>Trends in usage of entity types</p> <p>Introduction to Property Tax and Sales/Use tax in California.</p>	<p>1) AICPA Comparison of Business Entities</p> <p>2) Skim links on IRS Business Structures website</p> <p>3) Joint Committee on Taxation, <i>Selected Issues Relating To Choice Of Business Entity</i></p> <p>4) Congressional Budget Office, <i>Taxing Businesses Through the Individual Income Tax:</i></p> <p>5) California Franchise Tax Board’s Guide to Forms of Ownership</p> <p>6) California Property Tax – An Overview (BOE Pub. 29) {Through Pg. 17 – <u>skip</u> Timber & Yield Tax}</p> <p>7) Your California Seller’s Permit (California Sales/Use Tax – BOE Pub. 73)</p>	

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	10/5	<p>Sole Proprietorships – formation, operation, termination, special rules, tax compliance; tax planning, tax policy considerations</p> <p>Self-employment tax; Clarification of Schedule C vs. Schedule E real estate activities; Spousal Joint Venture</p>	<p>1) IRC §§162; 469(h); 1401 & 6041</p> <p>2) Treas. Reg. §§ 1.6041-1; 1.6041-3 & 1.183-2(b)</p> <p>3) <i>IRS v. Robert P. Groetzinger</i> (87-1 USTC ¶ 9191)</p> <p>4) IRS Publication 334: Tax Guide for Small Businesses (Chapters 1 and 10; Chapter 5 – Real Estate Rents section only)</p> <p>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)</p> <p>6) Supplemental reading posted on Canvas</p>	
3	10/12	<p>Partnerships and LLCs – formation, operation, restructuring, termination, special rules, tax planning, tax policy considerations</p>	<p>1) IRC §§ 465; 469; 701-709; 721-722; 731; 734; 741; 751-752; 754; 761; 6063 & 6698</p> <p>2) Treas. Reg. §§1.6031(a)-1(a) and –(e)</p> <p>3) Rev. Proc. 84-35</p> <p>4) IRS Publication 541 on Partnerships</p> <p>5) Supplemental reading posted on Canvas</p>	Canvas Online Quiz #1

4	10/19	<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 – 2015 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> <p>8) Supplemental reading posted on Canvas</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	10/26	<p>C Corporations – formation, operation, termination, special rules, tax compliance; tax planning, tax policy considerations</p>	<p>1) IRC §§1(h)(11); 11; 301; 312; 316(a); 331; 351; 448; 531 & 3121(d)(1)</p> <p>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)</p> <p>3) <i>Eberl’s Claim Service, Inc. v. IRS</i> (2001-1 USTC ¶50,396)</p> <p>4) IRS Publication 542 on Corporations</p> <p>5) Joint Committee on Taxation, <i>Selected Issues Relating to Choice Of Business Entity</i> (Pages 19-21)</p> <p>6) Supplemental reading posted on Canvas</p>	Canvas Online Quiz #2
6	11/2	<p>C Corporations (Continued) – Introduction to corporate reorganizations; California taxation of C corporations</p> <p>S Corporations – formation, operation, termination, special rules, tax planning, tax policy considerations</p>	<p>1) IRC §§243; 246; 354; 361; 368; 381; 1361 & 1362</p> <p>2) Treas. Reg. §§1.368-1; 1.368-2</p> <p>3) Calif. Rev. & Tax. §§18601(a); 23101; 23114; 23151; 23153 and 24451</p> <p>4) California FTB 2015 Corporation Tax Booklet</p> <p>5) BNA Portfolio 750, Section VIII</p> <p>6) <i>Louangel Holding Corp., v. Anderson</i>, 15 AFTR 1 (9 F. Supp. 550), DC-NY (1934)</p> <p>7) Supplemental reading posted on Canvas</p>	

7	11/9	<p>S Corporations – formation, operation, termination, special rules, tax planning, tax policy considerations (Continued);</p> <p>California reporting – including franchise tax and California withholding</p>	<p>1) IRC §§1366 – 1367</p> <p>2) Calif. Rev. & Tax §§23800-23802</p> <p>3) IRS S Corporation Stock and Debt Basis Shareholder Loss Limitations Overview</p> <p>4) IRS S Corporation Compensation and Medical Insurance Issues</p> <p>5) California FTB – 2015 S Corporation Tax Booklet</p> <p>6) Supplemental reading posted on Canvas</p>	Canvas Online Quiz #3
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8	11/16	<p>Income-Splitting</p> <p>Introduction to tax-exempt organizations and UBTI</p> <p>Introduction to international tax issues</p> <p>Ethical considerations of representing entities and their owners</p> <p>California Business Property Tax Compliance</p> <p>California Sales/Use Tax Compliance</p>	<p>1) IRC §§ 482 & 511-513</p> <p>2) Treas. Reg. §§ 1.513-1; 1.511-2(a)(2) and 1.513-2(a)</p> <p>3) BNA Portfolio 1550 – Sections 1550.04.A.1(a) and (b); and 1550.04.A.2</p> <p>4) IRS Publication 598 (UBTI)</p> <p>5) Manual for Preparing the Form 571-L (San Mateo County)</p> <p>6) Instructions for Completing a California Sales/Use Tax Return</p> <p>7) Supplemental reading posted on Canvas</p>	Canvas Online Quiz #4
	11/23	No class – Thanksgiving		
9	11/30	<p>Tax Planning and Entity Conversions for Businesses</p> <p>Review for Final Exam</p>	BNA Portfolio 1550 – Section 1550.05	
10	12/7	Final Exam		