This course offers concepts and principles governing Federal taxation of flow-through entities, including partnerships, S corporations, limited liability partnerships (LLPs), and limited liability companies (LLCs).

COURSE STRUCTURE:

This course is being offered simultaneously as both an on-campus lecture-based course and as an online course. While both courses will have access to the same materials, recordings, exercises, and lectures, some of the grading elements will differ. This syllabus applies to those who are registered for the on campus section of the course. Students are asked not to switch sections after the semester has started so that each section may function as a cohesive unit, allowing for team projects, study groups, and different grading for participation and preparation.

INSTRUCTOR: Patricia Hughes Mills, J.D., LL.M.
Professor of Clinical Accounting
Leventhal School of Accounting
University of Southern California
3660 Trousdale Pkwy, Room 111
Los Angeles, CA 90089

Phone 213-740-5007
Email: pmills@marshall.usc.edu

OFFICE HOURS: Tuesdays & Thursdays: 12:00 – 2:00 p.m.
Tuesdays 5:30 – 6:30 p.m.

EMERGENCY NUMBERS:
USC Emergencies: 213-740-4321
USC Public Safety- Non Emergencies: 213-740-6000
USC Emergency Information Line: 213-740-9233
USC Information Line 213-740-2311
KUSC Radio 91.5
REQUIRED READINGS:
See Blackboard for instructions to access free online:

Applicable Internal Revenue Code and Treas. Reg. Sections
(Available online through RIA Checkpoint or CCH IntelliConnect)

Federal Taxation of Partnerships and Partners
(Available online through CCH IntelliConnect; CCH Expert Treatise Library)

Federal Income Taxation of S Corporations
(Available online through RIA Checkpoint; WG&L Treatises)

COURSE LEARNING OBJECTIVES:
Upon successfully completing this course, the student will be able to:

1. Identify the tax and legal aspects of different business entities;
2. Calculate the tax consequences of forming, operating, and terminating a partnership, LLC, or S corporation;
3. Compare the taxation of an S corporation with that of an entity taxed as a partnership;
4. Evaluate the pros and cons of the different pass-through taxation systems; and
5. Apply the knowledge learned to analyze specific flow-through taxation and choice of entity issues.

PROGRAM LEARNING OUTCOMES:
The following are the five Student Learning Outcomes developed for this program by the USC Leventhal faculty and administration and filed with the AACSB, the accrediting body for accounting and business schools. This course will deal primarily with learning outcomes #1 and #3, and to a lesser extent with learning outcomes #2 and #4.

1. Technical, Conceptual, Problem-Solving
Students will be competent in and be able to apply discipline-specific knowledge and skills in the fields of accounting or taxation. This learning outcome includes the development of critical thinking and problem-solving skills, as well as an understanding of the strategic role of accounting and taxation in business organizations and society.
   - MBT specific—Apply critical thinking and problem-solving skills related to taxation of individuals, flow-through entities, and corporations. Recognize potential opportunities for tax savings and tax planning.

2. Professional Development
Students will be able to communicate clearly and strategically, after considering the relevant audience, situation, and purpose of the communication. Students will demonstrate the ability to work productively with others to accomplish established goals.
   - MBT specific—Convert complex and technical tax terminology into language that translates to non-technical audiences. Demonstrate strong interpersonal communication skills that build relationships with clients over time. Document exchanges with careful attention to word choice, tone, and accuracy.

3. Research/Life-Long Learning
Students will be able to use relevant research databases and academic/professional literature to gain new knowledge and analyze business situations.
• MBT specific—Use computer-based and paper-based systems to thoroughly research tax codes, tax law, rulings and interpretations. Use knowledge to be able to adjust to changes in tax law over time.

4. Ethical Principles and Professional Standards
Students will be able to apply ethical principles and professional standards in analyzing situations and making informed decisions.
• MBT specific—Demonstrate understanding of and apply consistently the ethical principles and professional standards related to the profession. Show the ability to express and follow rules of independence and the highest sense of professional ethics.

5. Globalization and Diversity
Students will be able to demonstrate an international perspective and appreciation for diversity and cultural differences, along with their significance in global business.
• MBT specific—Explain key differences in taxing policies related to expatriates and the countries they live and work in. Reflect on cultural and ethnic differences in approaches to business and taxation policies.

GRADING:

<table>
<thead>
<tr>
<th></th>
<th>POINTS</th>
<th>DUE DATES</th>
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</thead>
<tbody>
<tr>
<td>Preparation and Participation</td>
<td>200</td>
<td></td>
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<tr>
<td>Quiz # 1</td>
<td>75</td>
<td>Sept 19</td>
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<tr>
<td>Midterm Exam</td>
<td>300</td>
<td>Oct 17</td>
</tr>
<tr>
<td>Quiz # 2</td>
<td>75</td>
<td>Nov 14</td>
</tr>
<tr>
<td>Final Exam</td>
<td>350</td>
<td>Dec 6</td>
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<tr>
<td>Total</td>
<td>1,000</td>
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</tbody>
</table>

CLASSROOM POLICIES:

1. Class attendance and participation is important in developing a coherent view of the materials covered in the course. Attendance is expected and students should be prepared to discuss the materials assigned for each class. Lack of advance preparation will impact your preparation and participation grade.

2. Homework problems will be presented and discussed at the beginning of the class session following the lecture on that topic. Homework problems will not be collected, but your preparation and participation grade is based on advance preparation of the problems and effective presentation when called upon.

3. Two quizzes (similar to the homework problems) will be given during the course, as well as a midterm and final exam, as indicated in the syllabus. Quizzes may be discussed in class immediately after they are taken, and must be completed prior to the class discussion to receive credit for the quiz.

4. All quizzes and exams will be “open book” (Code, Regs, slides, notes, and assigned readings). Please note that you may not be online during quizzes or exams and therefore will not have access to the online treatises. You may print applicable materials to have with you during quizzes and exams.

5. Make up quizzes and exams will generally not be given, except in the case of a documented medical problem.
6. Laptops should not be used during the class sessions.

7. Class sessions will be recorded. These recordings are intended for review purposes only. Attendance is expected at all sessions.

GRADING POLICIES:
This course adheres to the USC Leventhal School of Accounting and Marshall School of Business grading Standards for graduate programs. In general, final course grades at the graduate level in a core course average approximately B+ (3.3) but may vary based on class performance. For elective courses, the class average is usually higher (approximately 3.5), which is between a B+ and an A-. You must receive a C or better to pass a required class, and you must have an overall B average (3.0 minimum) in order to graduate from USC. The graded elements of this course are listed in this syllabus along with information about how they will be evaluated.

ACADEMIC CONDUCT
Students enrolled in any class offered by the Leventhal School of Accounting are expected to uphold and adhere to the standards of academic integrity established by the Leventhal School of Accounting Student Honor Code. Students are responsible for obtaining, reading, and understanding the Honor Code System handbook. Students who are found to have violated the Code will be subject to disciplinary action as described in the handbook. For more specific information, please refer to the Student Honor Code System handbook, available in class or from the receptionist in ACC 101.

PLAGIARISM
Plagiarism – presenting someone else’s ideas as your own, either verbatim or recast in your own words – is a serious academic offense with serious consequences. Please familiarize yourself with the discussion of plagiarism in SCampus in Section 11, Behavior Violating University Standards. Other forms of academic dishonesty are equally unacceptable. See additional information in SCampus and university policies on scientific misconduct.

SUPPORT SYSTEMS
Student Counseling Services (SCS) – (213) 740-7711 – 24/7 on call
Free and confidential mental health treatment for students, including short-term psychotherapy, group counseling, stress fitness workshops, and crisis intervention. https://engemannshc.usc.edu/counseling/

National Suicide Prevention Lifeline - 1-800-273-8255
Provides free and confidential emotional support to people in suicidal crisis or emotional distress 24 hours a day, 7 days a week. http://www.suicidepreventionlifeline.org

Relationship & Sexual Violence Prevention Services (RSVP) - (213) 740-4900 - 24/7 on call
Free and confidential therapy services, workshops, and training for situations related to gender-based harm. https://engemannshc.usc.edu/rsvp/

Sexual Assault Resource Center
For more information about how to get help or help a survivor, rights, reporting options, and additional resources, visit the website: http://sarc.usc.edu/

Office of Equity and Diversity (OED)/Title IX compliance – (213) 740-5086
Works with faculty, staff, visitors, applicants, and students around issues of protected class. https://equity.usc.edu/
Bias Assessment Response and Support
Incidents of bias, hate crimes and microaggressions need to be reported allowing for appropriate investigation and response. [https://studentaffairs.usc.edu/bias-assessment-response-support/](https://studentaffairs.usc.edu/bias-assessment-response-support/)

Student Support & Advocacy – (213) 821-4710
Assists students and families in resolving complex issues adversely affecting their success as a student EX: personal, financial, and academic. [https://studentaffairs.usc.edu/ssa/](https://studentaffairs.usc.edu/ssa/)

Diversity at USC – [https://diversity.usc.edu/](https://diversity.usc.edu/)
Tabs for Events, Programs and Training, Task Force (including representatives for each school), Chronology, Participate, Resources for Students

STATEMENT ON RETENTION OF PAPERS FROM THE CURRICULUM OFFICE

According to the Guidelines on Documents Retention, University policy requires that final exams and all other grade work which affected the course grade be kept for one year. Other papers or work that instructors hand back but that students fail to pick up can be held for one month.
<table>
<thead>
<tr>
<th>Orientation Week</th>
<th>Introduction to Course</th>
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</thead>
</table>
| Learning Outcomes | 1. Access Blackboard Course Materials  
 | 2. Introduce yourself using Blackboard Discussion Forum |
| Readings | Course Syllabus (found in Blackboard course pages) |
| Activities | Review at least three of the Module Introduction Pages for this course. Note: This course contains 12 modules of instruction. Each module includes an introduction or "landing" page, with the instructor’s message for the week as well as the learning outcomes for the week.  
 **Blackboard Discussion Forum** (found in Blackboard course pages)  
 Post your bio or introduction in the Blackboard Discussion Board. In approximately 100 words, describe:  
  - who you are  
  - what you do for a living  
  - where you are located  
  - what partnership or S corporation tax experience you have  
 **Respond to at least one of your peers’ posts!** |
<table>
<thead>
<tr>
<th>Date</th>
<th>Module Description</th>
<th>Learning Outcomes</th>
<th>Readings</th>
<th>Advance Preparation</th>
<th>Assignment for next week:</th>
</tr>
</thead>
</table>
| Aug 22   | MODULE 1: Definition of Entities / Check-the-Box Regulations                        | 1. Identify attributes of different legal entities  
2. Apply the "check the box" regulations to entities  
3. Analyze the difference between a partnership and a co-ownership of property | CCH Partnership Treatise: ¶¶ 1.01, 2.04, 2.07[A], 3.01, 3.05[A], 3.05[C][1], 3.06  
Code: §§ 7701(a)(1), (2), (3); 761(a) – (c)  
Regs: § 301.7701-1, -2, -3  
Read:  
• Rev. Proc. 2002-22  
• Rev. Rul. 75-374  
• Rev. Rul. 2004-77  
• Rev. Proc. 2002-69 | Complete the reading assignment                                                                 | Prepare Module 1 homework problems and discussion scenario to discuss in class next week. No need to hand in. |
| Aug 29   | MODULE 2: Formation and Funding of the Partnership / Partnership Tax Year            | 1. Analyze the aggregate vs. the entity theory of partnership taxation  
2. Calculate the tax consequences of partnership formation  
3. Determine the required tax year for partnership entities | CCH Partnership Treatise: ¶¶ 1.02, 4.01, 4.02, 4.03[A], 4.04[A], 4.05[A] & [B], 4.06, 8.01, 8.02, 10.01 Intro, [C], [D], & [E]  
Code: §§ 706(b); 721; 722; 723; 724  
Regs: §§ 1.706-1(b)(1), (2), (3), (7), (8); 1.721-1(a); 1.722-1; 1.723-1 | Complete the reading assignment                                                                 | Complete Module 2 homework problems to be discussed in class next week. No need to hand in. |
<table>
<thead>
<tr>
<th>Sept 5</th>
<th><strong>MODULE 3: Partnership Taxation / Allocations / Basis</strong></th>
</tr>
</thead>
</table>
| **Learning Outcomes** | 1. Apply the scheme of flow-through taxation  
2. Define limitations on allocations  
3. Calculate partners' basis |
| **Readings** | **CCH Partnership Treatise:** ¶¶ 8.04[A] & [B], 8.06, 12.01[A], 13.01[A], 17.01, 17.02, 17.03 Intro, 17A.01 Intro & 17A.01[A]; 20.01; 20.03[A] intro; 20.03[A][3]  
**Code:** §§ 701; 702; 703; 704; 705; 706(a), (c), (d)  
**Regs:** §§ 1.701-1; 1.702-1; 1.703-1; 1.704-1(a), (d); 1.705-1(a); 1.706-1(c) |
| **Advance Preparation** | • Complete the reading assignment |
| **Assignment for next week:** | Complete Module 3 homework problems to be discussed in class next week. No need to hand in. |

<table>
<thead>
<tr>
<th>Sept 12</th>
<th><strong>MODULE 4: Partnership Liabilities / Disguised Sales</strong></th>
</tr>
</thead>
</table>
| **Learning Outcomes** | 1. Explain why liabilities are included in a partner’s outside basis  
2. Determine the appropriate allocation method for partnership liabilities  
3. Identify disguised sales and calculate the resulting tax consequences |
| **Readings** | **CCH Partnership Treatise:** ¶¶ 9.01 intro, [A], and C]; 9.03[A][1]; 27.02[D][2] – [4]  
**Code:** §§707(a); 752  
**Regs:** §§ 1.707-3; -4; -5; 1.752-1(a); -2(a), (b)(1) |
| **Advance Preparation** | • Complete the reading assignment |
| **Assignment for next week:** | Complete Module 4 homework problems to be discussed in class next week. No need to hand in.  
Prepare for Quiz # 1 on Modules 2 – 4 to be taken in class next week. |
<table>
<thead>
<tr>
<th>Date</th>
<th>Module</th>
<th>Learning Outcomes</th>
<th>Readings</th>
<th>Advance Preparation</th>
<th>Assignment for next week:</th>
</tr>
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</table>
| Sept 19 | **MODULE 5:** Distributions from Partnerships | 1. Distinguish distributions from other transactions  
2. Calculate tax consequences of basic partnership distributions | **CCH Partnership Treatise:** ¶¶ 21.01, 22.01  
**Code:** §§ 731(a), (b); 732; 733; 735  
**Regs:** §§ 1.731-1; 1.732-1(a), (b), (c); 1.733-1; 1.735-1  
**Read:**  
- Rev. Rul. 94-4  
- Rev. Rul. 87-120 | Complete the reading assignment | Complete Module 5 homework problems to be discussed in class next week.  
No need to hand in. |
| Sept 26 | **MODULE 6:** Termination of Partnership | 1. Define events causing a partnership termination  
2. Explain the tax consequences of technical terminations  
3. Identify ways to avoid negative tax consequences upon terminations  
4. Compare conversions of types of entities | **CCH Partnership Treatise:** ¶¶ 33.02 Intro, [A], [B][1][a], [b], 33.02[C] intro,  
33.03 Intro, [A], [B], [C], 33.05[A] – [E]  
**Code:** §§ 706(c); 708; 741  
**Regs:** §§ 1.706-1(c); 1.708-1(a), (b); 1.761-1(d)  
**Read:**  
- Rev. Rul. 81-38  
- Rev. Rul. 87-110  
- Rev. Rul. 99-5  
- Rev. Rul. 99-6 | Complete the reading assignment | Complete Module 6 homework problems to be discussed in class next week.  
No need to hand in. |
<table>
<thead>
<tr>
<th>Oct 3</th>
<th>MODULE 7: Passive Loss and At-Risk Limitations for Partners</th>
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</thead>
</table>
| **Learning Outcomes** | 1. Identify the at-risk limitation as applied to partners  
2. Identify the passive loss limitations as applied to partners |
| **Readings**  | CCH Partnership Treatise: ¶¶ 18.01, 18.02, 18.06 intro, [A], [B], 19.01[A]  
Code §§ 465, 469  
Read: AM 2014-003 (posted) |
| **Advance Preparation** | • Complete the reading assignment |
| **Assignment for next week:** | Complete Module 7 homework problems to be discussed in class next week.  
No need to hand in. |

<table>
<thead>
<tr>
<th>Oct 10</th>
<th>Partnership Tax Review</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Learning Outcomes</strong></td>
<td>1. Confirm outcomes of Modules 1 through 7</td>
</tr>
</tbody>
</table>
| **Advance Preparation** | • Complete Review Problems posted under “Course Materials” in  
Blackboard to discuss in class  
○ No need to hand in |
| **Assignment for next week:** | Study for Midterm Exam |

| Oct 17        | MIDTERM EXAM in class                                      |
**Oct 24**  | **MODULE 8: S Corps: Eligibility and Election**

| Learning Outcomes | 1. Define restrictions on S corporation eligibility  
|                   | 2. Explain election requirements  |

| Readings | **WG&L S Corp Treatise:** ¶¶ 3.01; 3.03[1], [6], [7], [8], skim [9], skim [11], skim [12], [13], [14], [15]; 3.04; 3.07[1], [2], [3]; 3.08[1], [2], [3][a]; 3.09[1]; 3.10[1][a]; 4.01; 4.02; skim 4.03; 4.06[1][a], [2], [3]; 4.07; 4.08; 4.09  
| Code: | §§ 1361; 1362(a), (b), (c), (f), (g)  
| Regs: | §§ 1.1361-1, 1.1362-1, 1.1362-1, -6, 1.1367-1, -4(a)(1) & (2)  
| Read: | • Rev. Rul. 94-43  
|       | • Rev. Proc. 2013-30  
|       | • IRS Form 2553 and Instructions  

| Advance Preparation | • Complete the reading assignment  

| Assignment for next week: | Complete Module 8 homework problems to be discussed in class next week. No need to hand in.  

**Oct 31**  | **MODULE 9: S Corps: Basis / Allocation of Income and Losses**

| Learning Outcomes | 1. Determine the method and tax consequences of allocations  
|                   | 2. Calculate and apply the stock and debt basis rules  
|                   | 3. Compare S corp debt with the tax result in a partnership or LLC  

| Readings | **WG&L S Corp Treatise:** ¶¶ 7.07[1], [2][a]; 7.13; 9.01[1]; 9.02; 9.03; 9.04; 11.01; 11.02[6]; 11.05  
| Code: | §§ 1366; 1367; 1377(a)  
| Regs: | §§ 1.1366-1, -2(a); 1.1367-1,-2; 1.1368-1(g)(2); 1.1377-1  
| Read: | • Rev. Rul. 64-162  
|       | • Rev. Rul. 68-537  
|       | • Rev. Rul. 74-44  

| Advance Preparation | • Complete the reading assignment  

| Assignment for next week: | Complete Module 9 homework problems to be discussed in class next week. No need to hand in.  

<table>
<thead>
<tr>
<th>Date</th>
<th>Module Title</th>
<th>Learning Outcomes</th>
<th>Readings</th>
<th>Advance Preparation</th>
<th>Assignment for next week:</th>
</tr>
</thead>
</table>
| Nov 7    | MODULE 10: S Corp: Distributions                 | 1. Identify types of S Corp Distributions  
2. Calculate the tax consequences of various S corp distributions  
3. Determine planning opportunities with distributions of property                                                              | **WG&L S Corp Treatise:** 8.01[1], [2]; 8.02[1][a], [2], [4], [5]; 8.03; 8.04[1], [2][a] – [c], [3], [4], [6][a] – [c], [7] [a] – [d], [9]; 9.03[4][b]  
**Code:** § 1368  
**Regs:** §1.1368-1, -2, -3 | • Complete the reading assignment                        | Complete Module 10 homework problems to be discussed in class next week. No need to hand in.  
Prepare for Quiz # 2 on Modules 9 – 10 to be taken in class next week. |
| Nov 14   | MODULE 11: Corporate Level Taxes in S Corporations | **IN CLASS**  
**Take Quiz # 2**                                                                                                                               | **WG&L S Corp Treatise:** ¶¶ 7.06[1], [3], [4][a] through [h]  
**Code:** §§ 1362(d(3); 1363; 1371; 1374; 1375  
**Regs:** §§ 1.1374-1, -2, -3, -4(a), (b) | • Complete the reading assignment                                                                                                               | Complete Module 11 homework problems to be discussed in class next week. No need to hand in. |
<table>
<thead>
<tr>
<th>Nov 21</th>
<th>MODULE 12: Termination of S Corporation Status</th>
</tr>
</thead>
</table>
| **Learning Outcomes** | 1. Identify events leading to the termination of S status  
2. Determine the tax consequences of the termination of S status  
3. Discuss post-termination tax planning considerations |
| **Readings** | WG&L S Corp Treatise: ¶¶ 5.01[1]; 5.02; 5.03[1], [8][a]; 5.04[1][a], [2][a], [b], [3]; 5.07; 5.09; 8.05  
Code: §§ 1362(d), (e), (f); 1377(b); 1371(e); 1366(d)(3)  
Regs: §§ 1.1362-2, -3, -4, -5, review –6; 1.1377-2  
| **Advance Preparation** | • Complete the reading assignment |
| **Assignment for next week:** | Complete Module 12 homework problems to be discussed in class next week. No need to hand in. |

<table>
<thead>
<tr>
<th>Nov 28</th>
<th>MODULE 13: S Corporation Review</th>
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<tbody>
<tr>
<td><strong>Learning Outcomes</strong></td>
<td>1. Review concepts and applications from Modules 8 - 12</td>
</tr>
</tbody>
</table>
| **Advance Preparation** | • Complete Review Problems posted under “Course Materials” in Blackboard to discuss in class  
  ○ No need to hand in |
| **Assignment for next week:** | Study for final exam |

| Wed Dec 6: 6:30 – 9:30 p.m. | FINAL EXAM |