

# USC Leventhal

## School of Accounting

### SYLLABUS – ACCT 569T – ADVANCED PARTNERSHIP TAXATION

Spring 2018 / Section 14247R / Jan 8 – May 9

JKP 202 / 2:00 p.m. – 3:20 p.m. Tues/Thurs

**PREREQUISITES:** ACCT 551T

**INSTRUCTOR:** Patricia Hughes Mills, J.D., LL.M.  
Professor of Clinical Accounting  
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**OFFICE HOURS:** Tuesdays and Thursdays 12:00 – 2:00 p.m.  
And by appointment

**EMERGENCY NUMBERS:** USC Emergencies: 213-740-4321  
USC Public Safety—Non Emergencies: 213-740-6000  
USC Emergency Info Line: 213-740-9233  
USC Information Line: 213-740-2311 or KUSC Radio (91.5 FM)

**TEXTS:** See Blackboard for instructions to access online:

Applicable Internal Revenue Code and Regulation Sections  
(Available on-line through RIA Checkpoint or CCH IntelliConnect)

*Federal Taxation of Partnerships and Partners*  
(Available free on-line through CCH IntelliConnect / CCH Expert  
Treatise Library)

**COURSE LEARNING OUTCOMES:** Upon taking this course, the student will be able to:

1. Apply the Subchapter K rules to various complex partnership transactions, including the receipt of a partnership interest for services, distributions from partnerships, sales of partnership interests, and the death or retirement of a partner;
2. Design partnership profit and loss allocations to comply with the rules of Code § 704(b) and (c), including constructing capital accounts;
3. Evaluate the benefits and detriments of optional and mandatory basis adjustments;
4. Compare the consequences of the sale of a partnership interest with the liquidation of a partnership interest;
5. Analyze the Subchapter K rules throughout for tax planning opportunities; and
6. Integrate the knowledge learned to determine the tax consequences of various transactions engaged in by a fictional case study client.

## GRADUATE PROGRAM STUDENT LEARNING OUTCOMES:

Five Student Learning Outcomes for the Master of Accounting and Master of Business Taxation programs were developed by the USC Leventhal faculty and administration and filed with the AACSB, the accrediting body for accounting and business schools. These outcomes were included in your fall semester syllabi. In brief, these Student Learning Outcomes are as follows:

1. Technical, Conceptual, Problem-Solving
2. Professional Development
3. Research/Life-Long Learning
4. Ethical Principles and Professional Standards
5. Globalization and Diversity

This course will deal primarily with Outcome #1 (Technical, Conceptual, Problem Solving) and Outcome # 3 (Research / Life-Long Learning). To a lesser extent, this course will help you meet Learning Outcomes #2 and #4.

## GRADES:

Preparation and Participation	150 points
Individual Homework Problems (see syllabus)	150 points
Exam Modules 1 – 5	200 points
Exam Modules 7 – 11	200 points
Final Case Study Project	<u>300 points</u>
Total	1000 points

## COURSE POLICIES:

1. Class attendance and participation is important in developing a coherent view of the materials covered in the course. Students should be prepared to discuss the materials assigned for each class. Study groups will be formed and called upon to present answers to the discussion problems. All group members will be graded on the preparedness of their group in presenting the solutions to these discussion problems. This is part of your preparation and participation grade.
2. Certain problems will be assigned as individual homework problems, and must be submitted as a Word or Excel file under the “Assignments” tab in Blackboard. Cooperation with other students, including study group members, is **not** allowed on these individual homework problems. Due dates are indicated in the syllabus.
3. There are two exams, both of which will be “open book” (Code, Regs, text, and assigned readings only). Make up examinations will generally not be given, except in the case of a well-documented emergency, and arranged for in advance with the instructor. Extra credit assignments will not be available.
4. The final case study project will be evaluated based on content as well as on the effectiveness of your communication. This includes grammar, spelling, organization, and other essentials of effective communication. One case study will be submitted for each assigned group (which may or may not include your study group members). The topic and instructions will be posted on Blackboard.

5. The class lecture will be recorded and posted on Blackboard. The recordings are for study purposes or approved absences only. Attendance in all classes is expected.
6. Laptops should not be in use during lectures and will not be available at all during exams.

### **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/>

*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/>

*Diversity at USC – <https://diversity.usc.edu/>*

Tab 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.

**SCHEDULE – ACCT 569T – SPRING 2017**

DATE	TOPICS / READINGS / ASSIGNMENTS
Jan 9	<p><b>MODULE 1: Receipt of Partnership Interest for Property or Services</b></p> <p><b>Learning Outcomes:</b></p> <ol style="list-style-type: none"> <li>1. Recall the key issues of the taxation of partnership formation.</li> <li>2. Identify the difference between a capital interest and a profits interest.</li> <li>3. Explore the reasoning behind the proposed changes to the taxation of a partnership interest for services.</li> <li>4. Demonstrate and calculate the tax consequences when either a capital or profits interest is issued for services under both current and proposed rules.</li> </ol> <p><b>Readings:</b>  <b>IRC:</b> §§ 721, 722, 723, skim § 83  <b>Regs:</b> § 1.721-1(b); Prop. Reg. § 1.721-1(b); Prop. Reg. § 1.83-3(l)  <b>CCH Treatise:</b> Review ¶¶ 4.01 – 4.06; 5.02  Study ¶¶ 6.01 – 6.06  <b>Other:</b> Rev. Proc. 93-27, Notice 2005-43, 2005-24 IRB 1221</p>
Jan 11	<p><b>Prepare:</b> MODULE 1 Discussion Problems to present in class</p>

Jan 16	<p><b>MODULE 2: Partner's Distributive Share - § 704(b)</b></p> <p><b>Learning Outcomes:</b></p> <ol style="list-style-type: none"> <li>1. Construct capital accounts using the capital account maintenance rules.</li> <li>2. Interpret the basic principles and mechanics of the § 704(b) allocation rules, and discuss the concept behind the substantial economic effect safe harbor.</li> <li>3. Calculate capital accounts and the impact of special allocations in a given scenario.</li> </ol> <p><b>Readings:</b>  <b>IRC:</b> § 704(a) &amp; (b)  <b>Regs:</b> § 1.704-1(b)(1)(i)  § 1.704-1(b)(2)(i), (ii)(a), (b), (c)  § 1.704-1(b)(2)(iv)(a) thru (h)  § 1.704-1(b)(5) Examples 1(i), 4(i)  <b>CCH Treatise:</b> ¶¶ 17.01, 17.02, 17.03 intro and [A], 17.03[B][1], 17.03[D]</p>
Jan 18	<p><b>Prepare:</b> MODULE 2 Discussion Problems to present in class</p>

<p><b>Jan 23</b></p>	<p><b>MODULE 3: Working with Profit and Loss Allocations</b></p> <p><b>Learning Outcomes:</b></p> <ol style="list-style-type: none"> <li>1. Interpret and apply the alternate test under the § 704(b) Regulations</li> <li>2. Evaluate which allocations fail the “substantiality” requirement</li> <li>3. Apply the principles of the § 704(c) allocation rules to asset sales</li> <li>4. Analyze non-safe harbor allocations</li> <li>5. Calculate the consequences of special allocations</li> </ol> <p><b>Readings:</b>  <b>IRC</b> § 704(c)(1)(A)  <b>Regs.</b> §§ 1.704-1(b)(2)(ii)(d); 1.704-1(b)(2)(iii); 1.704-3(a)(1) – (5), (b)(1)  <b>CCH Treatise:</b> ¶¶ 17.03[B][2]; 17.03[C][1], [2]; 17.04; 17.06[B]; 17A.01 intro and [A]</p>
<p><b>Jan 25</b></p>	<p><b>Prepare:</b> MODULE 3 Discussion Problems to present in class</p>

<p><b>Jan 30</b></p>	<p><b>MODULE 4: Working with Book-Tax Differences</b></p> <p><b>Learning Outcomes:</b></p> <ol style="list-style-type: none"> <li>1. Identify the use of “reverse” § 704(c) allocations</li> <li>2. Interpret and apply the principles of § 704(c) to depreciable property</li> <li>3. Apply the use of remedial and curative allocations and understand their practical application</li> <li>4. Compare the relationship between § 704(b) and § 704(c)</li> </ol> <p><b>Readings:</b>  <b>IRC</b> § 704(c)(1)(A)  <b>Regs.</b> §§ 1.704-3(b); skim Treas. Reg. § 1.704-3(c), (d)  <b>CCH Treatise:</b> ¶¶ 17.03[A][3]; 17A.01[B]; 17A.02[A]; 17A.03[A]; 17A.03[B]; 17A.03[F] intro  Suggested Reading: Treas. Reg. § 1.704-3(d)(7) Ex 1</p>
<p><b>Feb 1</b></p>	<p><b>Prepare:</b> MODULE 4 Discussion Problems to present in class</p> <p><b>Submit: Individual Homework Problem for Module 4 (DUE SUNDAY FEB 4<sup>TH</sup>)</b></p>

<b>Feb 6</b>	<p><b>MODULE 5: Allocation of Liabilities - § 752</b></p> <p><b>Learning Outcomes:</b></p> <ol style="list-style-type: none"> <li>1. Identify which partners are subject to an economic risk of loss with respect to partnership debt</li> <li>2. Compare the allocation of recourse debt with the allocation of non-recourse debt</li> <li>3. Demonstrate how debt is allocated in various situations</li> </ol> <p><b>Readings:</b>  <b>Code:</b> § 752  <b>Regs:</b> § 1.752-1;  § 1.752-2(a) – (c), (f) Ex 1, 2, 4  § 1.752-3(a), (c) Ex 1;  <b>CCH Treatise ¶¶</b> 9.01 intro &amp; [A], 9.03[A][1], [2]; 9.03[B]; 9.05[A], [B]</p>
<b>Feb 8</b>	<b>Prepare:</b> MODULE 5 Discussion Problems to present in class

<b>Feb 13</b>	<p><b>MODULE 6: Review and Exam</b>  <b>Prepare:</b> Review Discussion Problems</p>
<b>Feb 15</b>	<p><b>EXAM MODULES 1 – 5</b></p>

<b>Feb 20</b>	<p><b>MODULE 7: Distributions of Property</b></p> <p><b>Learning Outcomes:</b></p> <ol style="list-style-type: none"> <li>1. Explain the tax consequences of partnership distributions</li> <li>2. Apply the basis rules for the distribution of multiple assets</li> <li>3. Compare distributions of contributed property</li> </ol> <p><b>Readings:</b>  <b>IRC</b> §§ 731(a), (b), (d); 732(a), (b), (c); 733; 737; 704(c)(1)(B)  <b>Regs:</b> § 1.732-1(a) – (c); 1.761-1(d); § 1.737-1; 1.704-4(a), (b), (e)  <b>CCH Treatise:</b> ¶¶ 21.01; 21.07; 21.08 intro, 21.08[E]</p>
<b>Feb 22</b>	<p><b>Prepare:</b> MODULE 7 Discussion Problems to present in class</p>

<b>Feb 27</b>	<p><b>MODULE 8: Distributions of Hot Assets</b></p> <p><b>Learning Outcomes:</b></p> <ol style="list-style-type: none"> <li>1. Demonstrate the consequences of “hot assets” on distributions</li> <li>2. Assess the effectiveness of IRC § 751(b)</li> </ol> <p><b>Readings:</b>  <b>IRC</b> § 751(b)  <b>Regs:</b> § 1.751-1(b), (g) Ex 2  <b>CCH Treatise:</b> ¶¶ 23.01 – 23.03; skim 23.04  <b>Other:</b> See posted material; Watch “Bill Woods Perspective”</p>
<b>Mar 1</b>	<p><b>Prepare:</b> MODULE 8 Discussion Problems to present in class</p> <p><b>Submit: Individual Homework Problem for Module 8 (DUE SUNDAY MARCH 4<sup>TH</sup>)</b></p>



<b>Mar 6</b>	<p><b>MODULE 9: Sale or Exchange of Partnership Interest</b></p> <p><b>Learning Outcomes:</b></p> <ol style="list-style-type: none"> <li>1. Analyze the impact of the sale of a partnership interest on all parties</li> <li>2. Identify “hot” assets in a partnership and their treatment upon sale of a partnership interest</li> <li>4. Calculate the amount and character of gain on the sale of a partnership interest</li> <li>5. Identify the issue of a disguised sale of a partnership interest</li> </ol> <p><b>Readings:</b>  <b>Code:</b> §§ 741, 742, 752(d), 751(a), (c), (d)  <b>Regs:</b> §§ 1.704-3(a)(7); 1.704-1(b)(2)(iv)(I); 1.741-1; 1.751-1(a), (c), (d)(2), (g) Ex 1  <b>CCH Treatise:</b> ¶¶ 24.01 – 24.03; 25.01 – 25.04</p>
<b>Mar 8</b>	<b>Prepare:</b> MODULE 9 Discussion Problems to present in class



<b>Mar 20</b>	<p><b>MODULE 10: Basis Adjustments Upon Transfer of Partnership Interest</b></p> <p><b>Learning Outcomes:</b></p> <ol style="list-style-type: none"> <li>1. Compare the results of making versus not making a Section 754 election.</li> <li>2. Calculate the basis adjustments under IRC § 743 for sales of partnership interests.</li> <li>3. Apply the basis adjustments to partnership transactions.</li> <li>4. Analyze the pros and cons of mandatory basis adjustments.</li> </ol> <p><b>Readings:</b>  <b>IRC:</b> §§ 743(a) – (d); 754; skim 755  <b>Treas. Regs.:</b> §§ 1.743-1(a) – (e), (j); 1.754-1; 1.704-1(b)(2)(iv)(I), (m); skim 1.755-1  <b>CCH Treatise:</b> ¶¶ 37.01 – 37.07</p>
<b>Mar 22</b>	<b>Prepare:</b> MODULE 10 Discussion Problems to present in class

<b>Mar 27</b>	<p><b>MODULE 11: Basis Adjustments Upon Distributions</b></p> <p><b>Learning Outcomes:</b></p> <ol style="list-style-type: none"> <li>1. Compare the results of making versus not making a Section 754 election.</li> <li>2. Calculate the basis adjustments under IRC § 734 for distributions to partners.</li> <li>3. Apply the basis adjustments to partnership transactions.</li> <li>4. Analyze the pros and cons of mandatory basis adjustments.</li> </ol> <p><b>Readings:</b>  <b>IRC:</b> §§ 734; 754; skim 755  <b>Treas. Regs.:</b> §§ 1.734-1; 1.754-1; 1.704-1(b)(2)(iv)(l), (m); skim 1.755-1  <b>CCH Treatise:</b> ¶¶ 37.01 – 37.07</p>
<b>Mar 29</b>	<p><b>Prepare:</b> MODULE 11 Discussion Problems to present in class</p> <p><b>Submit: Individual Homework Problem for Module 11 (DUE SUNDAY APRIL 1<sup>st</sup>)</b></p>

<b>Apr 3</b>	<p><b>MODULE 12: Review and Exam</b>  <b>Prepare:</b> Review Discussion Problems</p>
<b>Apr 5</b>	<p><b>EXAM MODULES 7 – 11</b></p>

<b>Apr 10</b>	<p><b>MODULE 13: Guaranteed Payments / § 707</b></p> <p><b>Learning Outcomes:</b></p> <ol style="list-style-type: none"> <li>1. Distinguish between payments under IRC § 707(a) and § 707(c)</li> <li>2. Evaluate the tax consequences of guaranteed payments</li> <li>3. Apply the self-employment tax rules to LLCs</li> </ol> <p><b>Readings:</b>  <b>IRC:</b> § 707(a), (b), (c)  <b>Treas. Regs.:</b> § 1.707-1(a), (b), (c)  <b>CCH Treatise:</b> ¶¶ 27.01, 27.02[A], [B], [C]; 27.03; 27.04[A][1]; 31.03[B]</p>
<b>Apr 12</b>	<p><b>Prepare:</b> MODULE 13 Discussion Problems to present in class</p>

<b>Apr 17</b>	<p><b>MODULE 14: Death and Retirement of Partner - § 736</b></p> <p><b>Learning Outcomes:</b></p> <ol style="list-style-type: none"> <li>1. Identify whether liquidating payments to a partner are treated under IRC § 736(a) or § 736(b)</li> <li>2. Analyze and calculate the tax consequences of a liquidating distribution to a partner</li> <li>3. Compare the tax consequences of selling versus liquidating a partner's interest</li> </ol> <p><b>Readings:</b>  <b>IRC:</b> § 736  <b>Treas. Regs.:</b> § 1.736-1  <b>CCH Treatise:</b> ¶¶ 35.01, 35.02, 35.03</p>
<b>Apr 19</b>	<b>Prepare:</b> MODULE 14 Discussion Problems to present in class

<b>Apr 24</b>	<b>MODULE 15: Review and Comprehensive Case Study</b>
<b>Apr 26</b>	<b>MODULE 15: Review and Farewell!</b>
	<b>CASE STUDY DUE PRIOR TO MIDNIGHT May 1<sup>st</sup></b>