

# USC Leventhal

## School of Accounting

### ACCT 570T – State and Local Tax Concepts 6:30-9:30 PM M BRI 202 Spring 2018

#### Course Syllabus

This course covers state income taxes; property tax; other state and local taxes; the effect of state and local taxes on multistate operations.

PREREQUISITES: ACCT 550T; ACCT 560T or LAW 600

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USC Information Line: 213-740-2311 or KUSC Radio (91.5 FM)

REQUIRED TEXT: **State and Local Taxation: Principles and Planning**, 2<sup>nd</sup> Ed.  
Gupta, Karayan, Neff and Swenson  
J. Ross Publishing (2003/2016)  
(Note: updated chapters will be posted to Bb)  
[www.jrosspub.com](http://www.jrosspub.com)

OPTIONAL TEXT: **Bender's State Taxation: Principles and Practice**, Vol. 1 & 2.  
Mathew Bender

(Note: free copies of relevant chapters will be posted on Bb;  
no need to purchase this treatise)

[www.lexisnexis.com](http://www.lexisnexis.com)

## 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.

### ***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.

**COURSE LEARNING OUTCOMES:**

By the end of this course, students will be able to:

1. Successfully argue a position on issues that are open to interpretation
2. Demonstrate when a client needs to collect or to pay sales taxes on a state-by-state basis
3. Compute multi-state corporate taxes
4. Calculate tax exposure in mergers and acquisitions
5. Conduct a valuation of property taxes
6. Identify key issues in local taxes
7. Recognize components of employment taxes

**GRADES:**

Participation (weekly class sessions)	100 points
Midterm	450 points
Final	450 points
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Total Points	1,000 points

**GRADING POLICIES:**

All course elements are required to successfully complete this course. You must complete all modules in order to complete and pass this class, regardless of total points earned.

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.

**EXAMS**

- The mid-term and final exam will be delivered in class. Students are expected to work independently of one another and to keep all of their own work to themselves. They will be held to the same code of conduct as they would be if they were taking the exam on site (see *Student Conduct Code* below). No make-up exam will be given unless arranged in advance with the instructor and for substantiated medical reasons.

## RETENTION OF GRADED PAPERS:

Final exams and other graded work that affected the course grade will be kept for one year. Other papers or work that are handed back but that students fail to pick up will be held for one month. Discussion forums and other online work will be deleted at the end of the course.

## STUDENT CONDUCT CODE:

Students are subject to the Leventhal School of Accounting student honor code and to the USC student conduct code, which states: *General principles of academic integrity include and incorporate the concept of respect for the intellectual property of others, the expectation that individual work will be submitted unless otherwise allowed by an instructor, and the obligations both to protect one's own academic work from misuse by others as well as to avoid using another's work as one's own. All students are expected to understand and abide by these principles.*

For more information, go to: <http://scampus.usc.edu/university-student-conduct-code>  
Or visit: <http://www.marshall.usc.edu/faculty/leventhal/honor>.

## STUDENTS WITH DISABILITIES:

Any student requesting academic accommodations based on a disability is required to register with Disability Services and Programs (DSP) each semester. A letter of verification for approved accommodation can be obtained from DSP. Please be sure the letter is delivered to me as early in the semester as possible. DSP is located in STU 301 and is open 8:30 a.m. – 5:00 p.m., Monday through Friday. The phone number for DSP is (213) 740-0776. For more information, go to: [http://sait.usc.edu/academicssupport/centerprograms/dsp/home\\_index.html](http://sait.usc.edu/academicssupport/centerprograms/dsp/home_index.html).

## Class Schedule and Assignments

<b>Module 1: 8 Jan.</b>	<b>Introduction to State and Local Taxes (SALT)</b>
<b>Learning Outcomes</b>	1. List the most common types of taxes imposed by state and local governments 2. List the sources of state and local tax laws 3. Articulate the significant differences in effective overall rates of tax across the state
<b>Readings</b>	<b>Chapter 1 From JRoss text; read article on effective tax rates posted on Bb.</b>

<b>Module 2: 22 Jan.</b>	<b>Sales and Use Taxes</b>
<b>Learning Outcomes</b>	<ol style="list-style-type: none"> <li>1. Identify which states have sales/use taxes</li> <li>2. Describe the difference between a sales and a use tax</li> <li>3. Articulate the types of transactions which are subject to a sales tax</li> <li>4. List and explain the common transaction types which are exempt from sales/use taxes</li> <li>5. Explain the common state sales tax treatment of software</li> </ol>
<b>Readings</b>	<b>Sales tax chapter from JRoss text; read sales tax chapter from Bender treatise (posted on Bb)</b>

<b>Module 3: 29 Jan.</b>	<b>Taxation of e-Commerce</b>
<b>Learning Outcomes</b>	<ol style="list-style-type: none"> <li>1. List and explain the general rules in the Internet Tax Freedom Act and its subsequent amendments</li> <li>2. Explain the general sales and income tax aspects related to taxation of sales using third party affiliates, and the “Amazon tax”</li> </ol>
<b>Readings</b>	<b>Read Taxation of eCommerce chapter from JRoss text; read Lexis-Nexis article posted on Bb</b>

<b>Module 4: 5 Feb.</b>	<b>Constitutional Law Limitations</b>
<b>Learning Outcomes</b>	<ol style="list-style-type: none"> <li>1. Explain the concept of “nexus”</li> <li>2. Explain how the Due Process and Commerce Clause amendments to the U.S. Constitution are important in determining a state’s ability to tax a multistate business enterprise</li> <li>3. Describe the differences between taxes and fees</li> <li>4. Describe and explain the following types of nexus: physical; agency; affiliate; economic</li> <li>5. Describe the important findings of the following Supreme Court cases: <i>Tyler Pipe</i>; <i>Quill</i>; <i>Miller Bros</i>; <i>Complete Auto Transit</i></li> </ol>
<b>Readings</b>	<b>Read constitutional law chapter from JRoss text; read Federal constitutional law chapter from Bender treatise (posted on Bb); skim State constitutional law chapter from Bender treatise (posted on Bb)</b>

<b>Module 5: 12 Feb.</b>	<b>Location Based Incentives</b>
<b>Learning Outcomes</b>	<ol style="list-style-type: none"> <li>1. Describe difference between a credit and an incentive</li> <li>2. Describe and be able to determine amount of Federal credits for WOCT, Empowerment Zones, and renewal Communities</li> </ol>

	3. Describe the general requirements for businesses to receive enterprise zone tax benefits in a state
<b>Readings</b>	<b>Read credits and incentives chapter from JRoss text; read PPT slides from PwC posted on Bb</b>

<b>Module 6: 26 Feb.</b>	<b>Income Taxation of Employees and Sole Proprietorships</b>
<b>Learning Outcomes</b>	<ol style="list-style-type: none"> <li>1. List the states which have a personal income tax</li> <li>2. Explain how a person with multistate activities and/or residence will be taxed by the various states</li> </ol>
<b>Readings</b>	<b>Read JRoss chapter on taxation of individuals; Read Bender treatise chapter on taxation of individuals (posted on Bb)</b>
<b>Module 7: 5 Mar.</b>	<b>Property Taxes</b>
<b>Learning Outcomes</b>	<ol style="list-style-type: none"> <li>1. Explain what types of assets are subject to a property tax</li> <li>2. Calculate property tax using the common three methods of valuation: market; income; and replacement value</li> <li>3. Explain how cost segregation can reduce property tax bills</li> </ol>
<b>Readings</b>	<b>Read JRoss chapter on property taxation of individuals; Read Bender treatise chapters on property taxation(posted on Bb)</b>

<b>Module 8: 19 March.</b>	<b>In-class Mid-Term</b>
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<b>Module 9: 26 March</b>	<b>Corporate Income/Franchise Taxes I</b>
<b>Learning Outcomes</b>	1. List the states with income taxes; the states with gross receipts taxes; and states with no corporate taxes

	<ol style="list-style-type: none"> <li>2. Reproduce the UDITPA 3 factor formula for multistate income taxation</li> <li>3. Describe the common “adjustments” used in the tax formula</li> <li>4. Describe the difference between business and non-business income and how these two affect the tax calculation</li> <li>5. Explain how non business income is allocated</li> </ol>
<b>Readings</b>	<b>Read JRoss chapter on corporate income taxation ; Read Bender treatise chapters on corporate income taxation(posted on Bb)</b>

<b>Module 10: 2 April</b>	<b>Corporate Income/Franchise Taxes II</b>
<b>Learning Outcomes</b>	<ol style="list-style-type: none"> <li>1. Describe how apportionment works</li> <li>2. Explain the components and measurements of the sales, property, and payroll factors</li> <li>3. Describe the concept of “throwback”, and be able to calculate it</li> <li>4. Calculate a simple 2 state tax liability using apportionment and actual states’ apportionment factors and tax rates</li> </ol>
<b>Readings</b>	<b>Read JRoss chapter on corporate income taxation ; Read Bender treatise chapters on corporate income taxation(posted on Bb)</b>

<b>Module 11: 9 April</b>	<b>Corporate Income/Franchise Taxes III</b>
<b>Learning Outcomes</b>	<ol style="list-style-type: none"> <li>1. Explain the difference between separate accounting and combined/unitary taxation, and the method which each state uses</li> <li>2. Calculate tax liabilities in a 10 state example using actual apportionment factors, method of accounting, and tax rates used by each state.</li> </ol>
<b>Readings</b>	<b>Read JRoss chapter on corporate income taxation ; Read Bender treatise chapters on corporate income taxation(posted on Bb)</b>

<b>Module 12: 16 April</b>	<b>Mergers, Acquisitions, and Restructuring I</b>
<b>Learning Outcomes</b>	<ol style="list-style-type: none"> <li>1. Describe the different Federal tax treatments for taxable and tax-free reorganizations with respect to gain/loss, basis, and carryover attributes</li> <li>2. List the requirements to qualify for tax free reorganizations</li> <li>3. Calculate state/local income, property, employment, and sales/use tax consequences of example of both taxable and tax free reorganization</li> </ol>
<b>Readings</b>	<b>Read JRoss chapter on mergers and acquisitions</b>

<b>Module 13: 23 April</b>	<b>Mergers, Acquisitions, Restructuring II</b>
<b>Learning Outcomes</b>	<ol style="list-style-type: none"> <li>1. Describe the different Federal tax treatments for taxable and tax-free reorganizations with respect to gain/loss, basis, and carryover attributes</li> <li>2. List the requirements to qualify for tax free reorganizations</li> <li>3. Calculate state/local income, property, employment, and sales/use tax consequences of example of both taxable and tax free reorganization</li> </ol>
<b>Readings</b>	<b>Read JRoss chapter on mergers and acquisitions</b>

<b>Module 14:</b>	<b>Employment Taxes/Local Taxes NOTE: this is just FYI. It is not required for the class. However, online materials are posted and readings are available. If you expect to do any SALT work in the future, I highly recommend you at least take a look!</b>
<b>Learning Outcomes</b>	<ol style="list-style-type: none"> <li>1. Describe the various types of employment taxes imposed under both Federal and state laws</li> <li>2. Discuss tax planning techniques to minimize such taxes</li> </ol>
<b>Readings</b>	<b>Read Bender treatise chapter on employment taxes (posted on Bb)</b>



<b>Module 15:</b>	<b>Final Exam. Announcement will be made for this online exam. Exam week is May 3-10</b>
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