

USC Leventhal

School of Accounting

SYLLABUS
ACCT 571T – TAXATION OF BUSINESS OWNERS AND
HIGH NET WORTH INDIVIDUALS
3.0 Units
Spring 2019 / Jan 7 – May 8
JKP 102 / 12:30 p.m. – 1:50 p.m. Mon/Wed

This course offers concepts and principles concerning the taxation of business owners and high net worth individuals. This course will focus on applying tax law in the areas of compensation planning, investment planning, tax shelters, and current developments applicable to these individuals.

PREREQUISITES: ACCT 550T

INSTRUCTOR: Gregory M. Kling, CPA, MST
Lecturer of Accounting
Leventhal School of Accounting, Room 232B
Phone: 213-740-5004
Email: gkling@marshall.usc.edu

OFFICE HOURS: Mondays and Wednesdays 11:00 a.m. – 12:00 p.m.
Mondays and Wednesdays 2:00 p.m. – 4:00 p.m.
And by appointment

EMERGENCY INFO: 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 (no cost to student):

Bittker, McMahon & Zelenak, *Federal Income Taxation of Individuals* WG&L Federal online treatise
(Available on-line through RIA Checkpoint)

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

COURSE LEARNING OUTCOMES:

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

1. Recognize and analyze tax issues relating to individual taxation, by a review of the law, relevant cases and current literature;
2. Evaluate the tax differences between various alternative scenarios; and
3. Integrate the knowledge learned in this course to identify planning opportunities.

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	100 points
Individual Homework Problems (see syllabus – 75 points each)	225 points
Exam Modules 1 – 5	225 points
Exam Modules 7 – 11	225 points
Final Case Study Project	<u>225 points</u>
Total	<u>1000 points</u>

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. All classroom behavior is expected to be professional and respectful. These elements are all part of your preparation and participation grade.
2. Certain problems will be assigned as individual homework problems, and must be submitted as a 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 sessions may be recorded by USC Marshall and posted on Blackboard. The recordings are for study purposes or approved absences only. Attendance in all classes is expected.
6. Cell phones and laptops should not be in use during lectures unless specifically approved and cell phones 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) from all your courses 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. Also see the links posted in Blackboard.

STUDENTS WITH DISABILITIES:

USC is committed to making reasonable accommodations to assist individuals with disabilities in reaching their academic potential. If you have a disability which may impact your performance, attendance, or grades in this course and require accommodations, you must first register with the Office of Disability Services and Programs (www.usc.edu/disability). DSP provides certification for students with disabilities and helps arrange the relevant accommodations. **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 accommodations 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 GFS (Grace Ford Salvatori Hall) 120 and is open 8:30 a.m. – 5:00 p.m. Monday through Friday. The phone number for DSP is (213) 740-076. Email: ability@usc.edu.

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

USC Emergency Information

Provides safety and other updates, including ways in which instruction will be continued if an officially declared emergency makes travel to campus infeasible. <https://Emergency.usc.edu>

USC Department of Public Safety – UPC: (213) 740-4321; HSC: (323) 442-1000 – 24-hour emergency or to report a crime. Provides overall safety to USC community. <https://dps.usc.edu>

Discrimination, sexual assault, and harassment are not tolerated by the university. You are encouraged to report any incidents to the Office of Equity and Diversity <http://equity.usc.edu> or to the Department of Public Safety, <http://capsnet.usc.edu/department/department-public-safety/online-fimrs/contact-us>

This is important for the safety of the whole USC community. Another member of the university community – such as a friend, classmate, advisor, or faculty member – can help initiate the report or can initiate the report on behalf of another person. The Center for Women and Men <http://www.usc.edu/student-affairs/cwm> provides 24/7 confidential support, and the sexual assault recourse center webpage <https://sarc.usc.edu/reporting-options/> describes reporting options and other resources.

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 571T – SPRING 2019

DATE	TOPICS / READINGS / ASSIGNMENTS
Jan 7	<p>MODULE 1: Gifts, Bequests, Devises and Inheritances; Annuities and Life Insurance</p> <p>Learning Outcomes:</p> <ol style="list-style-type: none"> 1. Compare and contrast the tax impact of receipt of gifts, bequests and inheritances. 2. Demonstrate the tax consequences of the receipt of life insurance proceeds. 3. Analyze the impact of the receipt of annuity payments. <p>Readings: Text Chapters 5.01 to 5.04, 29.03, 29.04. Text Chapter 6.01 to 6.04.</p> <p>Code §§ 1014, 1015. Code §§ 72(a), (b), (c), 101(a), (c), (d), (g), 102.</p> <p>Regs §§ 1.1001-1(e), 1.1015-4. Reg § 1.101-1, -3, -4(a)(1)(i), (b) to (h), -7.</p> <p>Skim Regs §§ 1.72-4, -5, -9.</p>
Jan 9	Prepare: MODULE 1 Discussion Problems to present in class

Jan 14	<p>MODULE 2: Prizes and Awards; Damages; Medical Expenses</p> <p>Learning Outcomes:</p> <ol style="list-style-type: none"> 1. Analyze the tax consequences of the receipt of a prize, award or scholarship. 2. Identify tax-free versus taxable damage awards. 3. Determine the extent to which medical expenses are deductible. <p>Readings: Text Chapters 5.05 to 5.06, 8.05 to 8.06, 13.04. Text Chapter 7.01, 7.02[3], 7.03[1] to [5]. Text Chapter 26.01, 26.02[1] to [4], 26.04.</p> <p>Code § 74, 117, 127, 274(j). Code § 104. Code §§ 213, 223.</p> <p>Reg § 1.74-1. Skim Reg § 1.213-1.</p>
---------------	---

Jan 16	<p>MODULE 3: Employment Related Expenses</p> <p>Learning Outcomes:</p> <ol style="list-style-type: none"> 1. Describe the aspects of a cafeteria plan. 2. Identify what is included in employee fringe benefits. 3. Calculate the non-taxable portion of fringe benefits pursuant to various scenarios. 4. Determine which employment related expenses are tax deductible. <p>Readings: Text Chapters 8.01 to 8.04, 8.07 to 8.11. Text Chapters 11.01[5], 11.02, 11.03, 13.01 to 13.03, 13.06.</p> <p>Code §§ 105, 106, 119, 132, 262.</p> <p>Skim Code §§ 79, 125, 129, 137.</p> <p>Regs §§ 1.119-1(a), (b), (c), (e), 1.132-1 to -7, -9.</p>
---------------	---

Jan 21	Holiday, No Class
---------------	--------------------------

Jan 23	Prepare: MODULES 2 & 3 Discussion Problems to present in class
---------------	---

Jan 28	<p>MODULE 4: Stock Options and Property for Services</p> <p>Learning Outcomes:</p> <ol style="list-style-type: none"> 1. Determine the general tax consequences of the receipt of property for services. 2. Compare the taxation of the receipt of statutory vs. non-statutory stock options. 3. Identify the requirements for incentive stock options. 4. Discuss the pros and cons of a Section 83(b) election. <p>Readings: Text Chs 40.03. 40.04.</p> <p>Code §§ 83, 421, 422.</p> <p>Regs §§ 1.83-1 through -7, 1.421-1; 1.421-2(a), (b).</p> <p>Rev. Proc. 2006-31, 2006-2 C.B. 13; Rev. Proc. 2012-29, 2012-1 C.B. 49.</p> <p>CA Employment Development Department summary table indicating that disqualifying ISO sales are not subject to payroll taxes.</p>
---------------	---

Jan 30	<p>Prepare: MODULE 4 Discussion Problems to present in class</p> <p>Submit: Individual Homework Problem for Module 4 (DUE SUNDAY FEB 3rd)</p>
Feb 4	<p>MODULE 5: Buying and Selling Personal Residence</p> <p>Learning Outcomes:</p> <ol style="list-style-type: none"> 1. Identify the treatment of mortgage points paid on personal residences. 2. Analyze the limitations on the deductibility of personal residence interest. 3. Determine the gain or loss recognized on the disposition of a personal residence. 4. Calculate the impact of prior depreciation taken on a personal residence. <p>Readings: Text Chapters 9.08, 18.01; 18.02(3)(a), 22.01, 22.02, 22.03[1], 30.02[8].</p> <p>Code §§ 121, 163(a), (h), 461(g). Regs § 1.163-10T(o)(5).</p> <p><i>Voss v. CIR</i>, 796 F3d 1051 (9th Cir 2015).</p> <p>Skim Code §§ 453, 1031. Skim Regs §§ 1.121-1, -2, -3, 1.163-9T, 1.163-10T(b), (c), (j), (p). Skim PLR 200931001, Rev Proc 2005-14, Rev Proc 2008-16.</p>
Feb 6	<p>Prepare: MODULE 5 Discussion Problems to present in class</p>
Feb 11	<p>MODULE 6: Review and Exam Prepare: Review Discussion Problems</p>
Feb 13	<p>EXAM MODULES 1 – 5</p>

Feb 18	Holiday, No Class
Feb 20	<p>MODULE 7: Mixed-Use Property</p> <p>Learning Outcomes:</p> <ol style="list-style-type: none"> 1. Determine when an activity constitutes a hobby and the resulting tax impact. 2. Analyze the requirements for a home office deduction and determine the proper deduction. 3. Calculate the net income from a vacation home rental. <p>Readings: Text Chs 13.09, 13.10.</p> <p>Code §§ 183, 212, 280A.</p> <p>Regs § 1.183-1, -2, 1.280A-1, -2, -3.</p> <p>Bolton v CIR, 694 F2d 556 (9th Cir 1982).</p> <p>Rev. Proc. 2013-13, 2013-6 IRB 478.</p>
Feb 25	<p>MODULE 8: Business and Personal Losses</p> <p>Learning Outcomes:</p> <ol style="list-style-type: none"> 1. Compare and contrast the treatment of business and non-business losses. 2. Determine how the related party rules apply to intrafamily transactions when a loss is realized. 3. Determine the applicability of the excess business losses provision and calculate the resulting limitation. <p>Readings: Text Chapters 16.01, 16.02, 16.03[1], 16.03[3], 16.03[4], 16.03[8], 16.04, 16.06[2], 16.06[5], 17.01 through 17.05, 31.02[3].</p> <p>Code §§ 165, 166, 267(a), (b), (d), (g), 461(l), 1211(b).</p> <p>Regs §§1.165-1, -8, 1.166-1, -2(a), (b), (c), -5, 1.267(a)-1, (b)-1, (d)-1. Reg § 1.165-7.</p>
Feb 27	<p>Prepare: MODULES 7 & 8 Discussion Problems to present in class</p> <p>Submit: Individual Homework Problem for Module 8 (DUE SUNDAY MARCH 3rd)</p>

Mar 4	<p>MODULE 9: Flow-Through Business Income</p> <p>Learning Outcomes:</p> <ol style="list-style-type: none"> 1. Analyze the law as it applies to qualified business income. 2. Compute the deduction pursuant to the qualified business income rules. 3. Discuss how a receipt of a partnership interest is taxed to the recipient. <p>Readings: Code §§ 199A, 1061.</p>
Mar 6	Prepare: MODULE 9 Discussion Problems to present in class

Mar 11	Holiday, No Class
Mar 13	Holiday, No Class

Mar 18	<p>MODULE 10: Executive Compensation</p> <p>Learning Outcomes:</p> <ol style="list-style-type: none"> 1. Analyze the tax law as it applies to deferred compensation. 2. Identify planning opportunities with deferred compensation. <p>Readings: Text Ch 40.01, 40.02, 40.05 to 40.08. IRC §§ 219, 408A, 529, 529A, 530. Skim Code § 409A.</p>
Mar 20	Prepare: MODULE 10 Discussion Problems to present in class

<p>Mar 25</p>	<p>MODULE 11: Investment Limitations</p> <p>Learning Outcomes:</p> <ol style="list-style-type: none"> 1. Apply the at-risk rules for an individual investor in a partnership or S corporation. 2. Apply the passive loss rules for an individual investor in a partnership or S corporation. 3. Determine the tax issues involved regarding an individual's investment in an oil/gas partnership. 4. Apply the limitations applicable to investment interest. <p>Readings: Text Chs 15.03[3] to [5], 15.05, 18.04[2], 19.04, 19.05, 45.02[2].</p> <p>Code §§ 57(a)(1), (2), 57(b), 59(e)(1), 59(e)(2)(C), 59(e)(4), 163(d), 263(c).</p> <p>Treas Reg §1.612-4(a).</p> <p>Skim Code §§ 465, 469, 611 to 613A, 1254.</p>
<p>Mar 27</p>	<p>Prepare: MODULE 11 Discussion Problems to present in class</p> <p>Submit: Individual Homework Problem for Module 11 (DUE SUNDAY MARCH 31st)</p>
<p>Apr 1</p>	<p>MODULE 12: Review and Exam Prepare: Review Discussion Problems</p>
<p>Apr 3</p>	<p>EXAM MODULES 7 – 11</p>
<p>Apr 8</p>	<p>MODULE 13: Charitable Contributions</p> <p>Learning Outcomes:</p> <ol style="list-style-type: none"> 1. Identify the requirements for charitable contribution deductions. 2. Compute the deductible amount of a charitable contribution of property. 3. Determine the appropriate substantiation required for various types of charitable contributions. 4. Apply the charitable contribution limitation and carryover rules to determine the allowable deduction pursuant to various scenarios. <p>Readings: Text Ch 25.</p> <p>Code §§ 170, 1011(b).</p>

	Notice 2017-10.
Apr 10	Prepare: MODULE 13 Discussion Problems to present in class

Apr 15	<p>MODULE 14: Tax Determination Issues Parts I and II</p> <p>Learning Outcomes:</p> <ol style="list-style-type: none"> 1. Determine who qualifies as a taxpayer’s dependent for tax purposes. 2. Compare the requirements involved to determine the appropriate filing status. 3. Explain the state/local tax deduction limitation rule. 4. Compare and contrast the regular tax and alternative minimum tax liabilities 5. Explain the application of the Net Investment Income Tax and planning opportunities. 6. Calculate the Net Investment Income Tax liability pursuant to various scenarios. <p>Readings: Text Ch 21, 44.02[1] to [6]. Text Chs 2.02[2], 45.</p> <p>Code §§ 1, 68, 151, 152, 164(b)(6). Code §§ 55 to 57, 1411.</p> <p>Regs § 1.1411-1, -2, -4, -5.</p> <p>Supplemental reading on NIIT.</p>
Apr 17	Prepare: MODULE 14 Discussion Problems for Part I to present in class
Apr 22	Prepare: MODULE 14 Discussion Problems for Part II to present in class

Apr 24	MODULE 15: Review and Comprehensive Case Study
---------------	---

May 1	CASE STUDY DUE PRIOR TO MIDNIGHT WEDNESDAY MAY 1st
--------------	--

SUMMARY OF DELIVERABLES:

Assignment	Module	Due Date
Individual Homework	Module 4	2/3/19
Exam	Modules 1 - 5	2/13/19
Individual Homework	Modules 8	3/3/19
Individual Homework	Module 11	3/31/19
Exam # 2	Module 7 - 11	4/3/19
Case Study	Modules 1 - 14	5/1/19

IMPORTANT DATES:

Jan 7	First day of classes
Jan 21	USC holiday – Martin Luther King, Jr.
Jan 25	Last day to add/drop class (with refund)
Feb 18	USC holiday – Presidents’ Day
Feb 22	Last day to drop class without W (no refund)
Mar 10-17	Spring Break
Apr 5	DROP DAY – Last day to drop a class with mark of “W”
Apr 26	Last day of classes
May 1-8	Finals week (see syllabus for exact date/time for this course)
May 10	Commencement

**Appendix I. USC LEVENTHAL STUDENT LEARNING OUTCOMES FOR
MASTER OF ACCOUNTING AND MASTER OF BUSINESS TAXATION PROGRAMS**

How ACCT 571T Contributes to Leventhal Graduate Program Learning Goals

Marshall Graduate Program Learning Goals	ACCT 571T Objectives that support this goal	Assessment Method*
<p><i>Learning Goal #1: Technical, Conceptual, Problem-Solving</i> 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.</p> <ul style="list-style-type: none"> • 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. 	1 to 3	Class Participation, Exams, and Final Case Study Project
<p><i>Learning Goal #2: Professional Development</i> 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.</p> <ul style="list-style-type: none"> • 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. 	1 to 3	Class Participation and Final Case Study Project
<p><i>Learning Goal #3: Research/Life-Long Learning</i> Students will be able to use relevant research databases and academic/professional literature to gain new knowledge and analyze business situations.</p> <ul style="list-style-type: none"> • 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. 	1 to 3	Class Participation, Exams, and Final Case Study Project
<p><i>Learning Goal #4: Ethical Principles and Professional Standards</i> Students will be able to apply ethical principles and professional standards in analyzing situations and making informed decisions.</p> <ul style="list-style-type: none"> • 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. 	1 to 3	Class Participation and Final Case Study Project