**Corporate Taxation**

**Professor Christine Hurt**

**Fall 2019**

**Course Information**

Prof. Christine Hurt

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Office Hours: Wednesdays 10:30-12:00; drop-in; or by appointment

1. **Materials:**
2. **Required Materials:**

Cheryl D. Block, Examples & Explanations: Corporate Taxation (4th ed. 2010).

 Bank & Stark, Corporate and Partnership Income Tax Code and Regulations 2019-20 (Foundation Press).

1. **Suggested Course Prerequisites:** Tax I; Business Organizations.

Most students find Corporate Taxation challenging if they are not familiar with the basics of income taxation (basis, realized gain/loss, recognized gain/loss) or the fundamental characteristics and functions of the corporate entity as a business form. Many students gain this knowledge in undergraduate coursework. If you are unsure if you have the general background knowledge to succeed in this course, please come see me.

1. **Course Outcomes**

**Reasons for Taxation:** Understand the reasons for and problems arising from taxation of the income of entities, as well as the different approaches to taxing entity income, and be able to discuss the weaknesses and strengths of the different approaches.

**Policy Arguments:** Understand policy arguments for and against IRS authority to recharacterize the movement of property between business entities and their owners.

**Corporate Taxation:** Understand the basics of corporate taxation in Subchapter C, including how entity operations, contributions, and distributions affect the taxation of the business and its owners.

**Tax Code Interpretation:** Have a better understanding of how to read and interpret the Tax Code and administrative guidance interpreting the Code.

**Critical Thinking Skills:** Have improved their critical thinking skills.

**Broader Understanding:** Enjoy a broader understanding of the overall income tax regime in the United States.

1. G**rading:**

Your grade in this course will be determined by (i) “daily” quizzes and (ii) a final examination. The quizzes will be worth one point each, up to ten points. We will have at least fourteen quizzes, so each student may miss up to four quizzes (or get zero points on each) and still receive the maximum ten points. Quizzes may not be made up for “excused” or “unexcused” absences. Partial credit is not given on daily quizzes.

The final exam will be in a short-answer format and will be worth ninety points and will be discussed later in the semester.

**Student Participation:**

Students are required to prepare for class and participate in class discussion of the assigned materials and problems. The problems and cases, along with the relevant code sections and regulations, will be an important focus of each class session. Additionally, each day we will have one or two class “experts.” Experts are required to (1) discuss in class a current event that touches on the topic of taxation of business entities and (2) be “on call” to assist the professor during the lecture by answering questions about the assigned material. Any student demonstrating consistent and excellent class participation may have their grade increased. Alternatively, students who are consistently unprepared or absent may have their grade reduced. There is no need to alert the professor to explain individual absences unless you are the daily expert.

1. **Disclosures**

**Course Expectations**

This class begins on time and ends on time. Students are expected to be prompt and regular in attendance.

Students are expected to prepare for class each day and participate.

Students should not use class time to check email, check Facebook, play computer or internet games, shop electronically, work on materials for other classes or employment, view websites, or do anything else unrelated to class.

**Honor Code**

In keeping with the principles of the BYU Honor Code, students are expected to be honest in all of their academic work. Academic honesty means, most fundamentally, that any work you present as your own must in fact be your own work and not that of another. Violations of this principle may result in a failing grade in the course and additional disciplinary action by the university. Students are also expected to adhere to the Dress and Grooming Standards. Adherence demonstrates respect for yourself and others and ensures an effective learning and working environment. It is the university's expectation, and every instructor's expectation in class, that each student will abide by all Honor Code standards. Please call the Honor Code Office at 422-2847 if you have questions about those standards.

**Preventing & Responding to Sexual Misconduct**

In accordance with Title IX of the Education Amendments of 1972, Brigham Young University prohibits unlawful sex discrimination against any participant in its education programs or activities. The university also prohibits sexual harassment-including sexual violence-committed by or against students, university employees, and visitors to campus. As outlined in university policy, sexual harassment, dating violence, domestic violence, sexual assault, and stalking are considered forms of "Sexual Misconduct" prohibited by the university.

University policy requires all university employees in a teaching, managerial, or supervisory role to report all incidents of Sexual Misconduct that come to their attention in any way, including but not limited to face-to-face conversations, a written class assignment or paper, class discussion, email, text, or social media post. Incidents of Sexual Misconduct should be reported to the Title IX Coordinator at t9coordinator@byu.edu or (801) 422-8692. Reports may also be submitted through EthicsPoint at <https://titleix.byu.edu/report> or 1-888-238-1062 (24-hours a day).

BYU offers confidential resources for those affected by Sexual Misconduct, including the university's Victim Advocate, as well as a number of non-confidential resources and services that may be helpful. Additional information about Title IX, the university's Sexual Misconduct Policy, reporting requirements, and resources can be found at [http://titleix.byu.edu](http://titleix.byu.edu/) or by contacting the university's Title IX Coordinator.

**Student Disability**

Brigham Young University is committed to providing a working and learning atmosphere that reasonably accommodates qualified persons with disabilities. If you have any disability which may impair your ability to complete this course successfully, please contact the University Accessibility Center (UAC), 2170 WSC or 422-2767. Reasonable academic accommodations are reviewed for all students who have qualified, documented disabilities. The UAC can also assess students for learning, attention, and emotional concerns. Services are coordinated with the student and instructor by the UAC. If you need assistance or if you feel you have been unlawfully discriminated against on the basis of disability, you may seek resolution through established grievance policy and procedures by contacting the Equal Employment Office at 422-5895, D-285 ASB.

**Respectful Environment**

"Sadly, from time to time, we do hear reports of those who are at best insensitive and at worst insulting in their comments to and about others... We hear derogatory and sometimes even defamatory comments about those with different political, athletic, or ethnic views or experiences. Such behavior is completely out of place at BYU, and I enlist the aid of all to monitor carefully and, if necessary, correct any such that might occur here, however inadvertent or unintentional. "I worry particularly about demeaning comments made about the career or major choices of women or men either directly or about members of the BYU community generally. We must remember that personal agency is a fundamental principle and that none of us has the right or option to criticize the lawful choices of another." President Cecil O. Samuelson, Annual University Conference, August 24, 2010 "Occasionally, we ... hear reports that our female faculty feel disrespected, especially by students, for choosing to work at BYU, even though each one has been approved by the BYU Board of Trustees. Brothers and sisters, these things ought not to be. Not here. Not at a university that shares a constitution with the School of the Prophets." Vice President John S. Tanner, Annual University Conference, August 24, 2010

**Syllabus I**:

1. E&E, pp. 3-18 (Intro to Corporate Tax)

E&E, pp. 43-58 (Corporate Capital Structure)

Steven A. Bank, *From Sword to Shield: The Transformation of the Corporate Income Tax, 1861 to Present* **(webpage)**

1. E&E, pp. 19-42 (Choice of Entity)

J. Clifton Fleming, et al., *The Games They Will Play: Tax Games, Roadblocks, and Glitches Under the 2017 Tax Legislation*, 103 Minn. L. Rev. 1439 (2019) (we will focus on Section I, but you are welcome to enjoy the entire article!) **(webpage)**

Victor Fleischer, *Taxing Blackstone*, 61 Tax L. Rev. 89 (2008) **(webpage)**

1. Substance Over Form

*Gregory v. Helvering*, 69 F.2d 810 (2d Cir. 1934), aff’d, 293 U.S. 465

(1935) **(webpage)**

United Parcel Service, Inc. v. Comm’r, (11th Cir. 2001) **(webpage)**

*Coltec Indus., Inc. v. United States*, 454 F.3d 1340 (Fed. Cir. 2006) **(webpage)**

Bret Wells, *Economic Substance Doctrine: How Codification Changes Decided Cases* **(webpage)**

1. E&E, pp. 65-98 (Transfers to Controlled Corporations, Part I)

 *James v. Comm’r,* 53 T.C. 63 (1969)

*Kamborian’s Estate v. Comm’r*, 469 F.2d 19 (1st Cir. 1972)

 **Problem Set #2** (351 Transfers) **(webpage)**

 **Problem Set #3** (351 Transfers) **(webpage)**

1. E&E, pp. 98-121 (Transfers to Controlled Corporations, Part II (Assumption of Liabilities))

*Lessinger v. Comm’r*, 872 F.2d 519 (2d Cir. 1989)

*Coltec Indus., Inc. v. United States*, 454 F.3d 1340 (Fed. Cir. 2006)

 **Problem Set #4** (351 Transfers) **(webpage)**

1. E&E, pp. 141-79 (Nonliquidating Distributions)

*The Progressive Corp. v. U.S., 970 F.2d 188* (6th Cir. 1992)

*General Utilities & Operating Co. v. Helvering*, 296 U.S. 200 (1935)

**Problem Set #5 and #6** (Ordinary Distributions) **(webpage)**

1. E&E 181-235 (Redemptions)

*Lynch v. Comm’r*, 801 F.2d 1176 (9th Cir. 1986)

*U.S. v. Davis*, 397 U.S. 301 (1970)

*Patterson Trust v. U.S.*, 729 F.2d 1089 (6th Cir. 1984)

*Merrill Lynch & Co. v. Comm’r*, 131 T.C. 293 (2008)

**Problem Set #7 and #8** (Redemptions) **(webpage)**

1. E&E, pp. 237-273 (Stock Distributions)

**Problem Set #9 (webpage)**

1. E&E, pp. 277-318 (Taxable Liquidations and Acquisitions)

**Problem Set #10 (webpage)**

1. E&E, pp. 377-479 (Tax-Free Reorganizations)

[Note, we will not cover this material in the same order as the book does, so I’m just giving you the entire reading at the beginning. Sorry!]

*Kass v. Comm’r*, 60 T.C. 218 (1973)

*Seagram Corp. v. Comm’r*, 104 T.C. 75 (Tax Ct. 1995)

*Chapman v. Comm’r*, 618 F.2d 856 (1st Cir. 1980)