

Taxation II
Spring 2012
Professor Gary T. Steele

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SYLLABUS

MATERIALS

The text is FUNDAMENTALS OF CORPORATE TAXATION by Lind, Schwarz, Lathrope and Rosenberg 7th Edition. You must also bring to class your copy of SELECTED FEDERAL TAXATION STATUTES and REGULATIONS, preferably 2011 Edition.

SUGGESTED READING

Burke's Federal Income Taxation of Corporations & Stockholders in a Nutshell, 6th (Nutshell Series) by Karen C. Burke (West, 2008)
Lederman, Understanding Corporate Taxation, 2nd ed. (Lexis Publishing, 2006)
Block, Corporate Taxation: Examples & Explanations, 4th ed. (Aspen, 2009)

ATTENDANCE POLICY

I will take attendance. The Law School has a Class Attendance Policy. The policy calls for students to attend a minimum of 75% of class sessions in a course or be administratively withdrawn from the course. Faculty **may not** excuse an absence. No absences beyond 25% are permitted, whether or not there is a good excuse. Faculty may, however, certify that a particular student was in fact in attendance, even though that attendance is not reflected on the attendance roster for that class, as long as certification is made to the Attendance Monitor within 24 hours.

Introduction to the Corporate Tax Course

Basic Federal Income Tax covered a variety of aspects of the tax treatment of tax payers who are individuals. The Corporate Tax course applies many of the basic principles you learned in Basic Federal Income Tax to the dealings of corporate taxpayers, both "C" corporations and "S" (small business) corporations, and the shareholders (who may be individuals). We will begin the study of corporate tax with an overview and then cover the life cycle of a C corporation (from "cradle to grave"), taxable acquisitions of corporations, the basics of corporate mergers and acquisitions, and Subchapter S.

The first week will be devoted to the review of the key income tax principles that reappear throughout corporate tax law. The review will provide an important foundation for the remainder of the semester. If you miss this session, please read the assignment, work through the problems, get the notes from a classmate, and contact me if you are unsure of any of the answers or material covered. If you miss any other class please contact a classmate to receive notes and/or other information disseminated in class.

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The Lind, Schwarz book is quite good, but the material is difficult. **It is important to read the assignments in advance of class and to do the problems in the assigned pages, in order to participate in and benefit from the class discussion.** The problems and cases will be an important focus of each class session. If you are unprepared for class, email me (prior to 4 p.m.) a written “unprepared” note that includes your name and the date.

The assignments on the syllabus are organized by topic. We will proceed through the syllabus, taking **approximately** one class session to cover each lettered assignment. We will cover most, but probably not all, of the material listed in the following syllabus for this course. For purposes of the final examination, you will be responsible only for the parts that we do cover in the course. Please keep slightly ahead in the reading so that you do not fall behind; class discussion will be very hard to follow if you are unprepared.

The Code and Regulation sections at the beginning of most major sections of the book are assigned even though they are not separately listed on the syllabus. **Make sure to read them** because analysis and resolution of the assigned problems, as well as class discussion, typically will require application of the assigned sections. **The problems included in the assigned pages also are assigned, unless otherwise specified.**

GRADING POLICY

Your grade in class will be based on your grade on the final examination, with possible adjustment for a substantial number of absences or unprepared for class. An excessive number of absences may preclude you from taking the final examination. I reserve the right to grant positive or negative discretion.

EXAM

The examination will be four hours. The format will be problems and short essay. It will be open book. You may bring in (1) the Selected Sections of Code and Regulations, which may be annotated; (2) any outline; (3) any handouts that were made available to the class; (4) your class notes; and (5) a basic calculator. You may bring into the exam the casebook, commercial outlines and other secondary sources. I think you will find that the examination will require you to integrate and apply the material covered in class. The problems we work on in class throughout the semester should assist you in preparing for the exam. The final class session depending on time constraints may be a review and a discussion of exam expectations.

SYLLABUS

- I. Chapter 1
Overview
 - A. Introduction
Pages 1-10
Corporation as a Separate Taxable Entity
Pages 14-25, 34-45
Problem pages 24-25 for the problem, see IRC §103(a), 243(a)(1) (use 70% rate), 469(e)(2), 1211(a). Ignore §199 for the problem. We will not discuss in detail pp.20-23 (top) (the corporate AMT and multiple corporations); you do not need to read the Code sections assigned for those sections in the reading.
 - B. Corporate Tax Shelters
Pages 10-14, 25-34
Corporate Classification Pages 45-52
Recognition of the Corporate Entity Pages 52-57
- II. Chapter 2
Formation of a Corporation
 - A. Introduction
Pages 60-64
Problem page 64: Assume individual E transferred \$20,000 of cash, not a note. The Code and Regulation Sections mentioned in part (a) of the problem are not assigned.
 - B. Non-recognition
Pages 64-73
Problem pages 73-74:1.(a), (b) & (d), 2.(a)-(d)
 - C. Treatment of Boot
Pages 75-80 skip section 2
Problem page 83: (a) Assume C elects out of the installment method of accounting §453(d). Skip part (b)

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- D. Assumption of Liabilities
Pages 83-102
Problem pages 112-113: (a) and (b)
 - E. Incorporation of a Growing Business
Pages 103-112
Problem pages 112-113: (a) and (b)
 - F. Collateral Issues
Pages 123-130
Problem pages 130-131: (a) – (c)
- III. Chapter 3
The Capital Structure of a Corporation
- A. – C.
Pages 132-153
Problem pages 153-154
- IV. Chapter 4
Non-liquidating Distributions
- A. – B.
Pages 159-169
Problem page 169
 - C. Distributions of Cash
Pages 169-172
Problem page 173
 - D. Property
Pages 173-177
Problem pages 177-178 Skip (e)
 - E. Constructive Distributions
Pages 180-187
 - F. Anti-Avoidance Limitations and the DRD
Pages 187-190
Problem pages 193-194 (a-d)

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- V. Chapter 5
Redemptions and Partial Liquidations
- A. – B.
Pages 208-213
Problem 213
 - C. Redemptions Tested at Shareholder Level
 - 1. Substantially Disproportionate Distributions
Pages 214-217
Problems 217-218
 - 2. Complete Terminations
Pages 218-235
Problems 235-236 (skip problem 2 and 3(b)-(e))
 - 3. Not Essentially Equivalent to a Dividend
Pages 236-249
Problem 249
 - D. Partial Liquidations.
Pages 249-252 (Stop at Rev. Rul.)
Problem 253-254 (Skip (g) and (h))
 - E. Corporations
Pages 254-260
Skip problem
 - F. Redemption Planning
Pages 263-265
Problem 265
- VI. Chapter 6
Stock Dividends
- A. – B.
Pages 303-313
Problems 313-314 (Skip part I of problem 1)

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- VII. Chapter 7
Complete Liquidations
- A. – B.
 - Pages 332-335 skip section 453 discussion
 - Problem 336-337 (Skip parts c-e)
 - Pages 337-349
 - Problems 349-350 (Skip parts d, f-g)
 - C. Liquidation of Subsidiary
 - Pages 350-361
 - Problem 361-362 (Skip problem 2)
- VIII. Chapter 9
Acquisitive Reorgs.
- A. – B.
 - Pages 413-438
 - Problem 438-439 (only 1(a)-(d), (f))
 - Pages 439-454
 - Problem 454-455 (only 1(a)-(e))
 - B. – D.
 - Pages 456-459
 - Problems 459 (only 1(a)-(d))
 - Pages 472-477
 - Problem 477 (only part a)
 - Pages 478 484 Problem (only 1(a)-(b))
- IX. Chapter 10
Corporate Divisions
- A. – B.
 - Pages 499-526
 - Problems 526-527 (only 1(a)-(e) and 2(a))
 - C. Pages 528-539
 - Problems 539-540 (only 1(a)(c)(f))
 - C. Pages 541-542

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- X. Chapter 15
Taxation S. Corporations
 - A. – B.
Pages 686-694
Problem 694-695 (Skip parts f, i, and j)
 - C. Election Revocation and Termination
Pages 695-699
Problem 699-700 (only 1 (a)(b)(d)-(f))
 - D. Treatment of Shareholders
Pages 700-712
Problems 712-713 (only 1 (a)-(c), 2 and 3(a)-(b))
 - E. Distributions to Shareholders
Pages 714-716
Problems 716 (only 1(a) – (b))
 - F. Taxation of the S Corporation
Pages 717-722
Problems 722-723 (only 1)
 - G. Coordination
Pages 724-728