

**GSA 548**  
**Advanced Individual Income Taxation and Tax Planning**  
**Fall Quarter 2015 - Course Outline**

**Instructor:** Herbert G. Hunt III, PhD (see biographical sketch below)  
**Office:** 03-452 (Business 452)  
**Office Hours:** Monday & Wednesday 12:45-2:00 PM (and by appt.)  
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**Meeting Times:** Mondays and Wednesdays, 2:10 PM – 4:00 PM  
**Room:** Business 300A (03-300A)  
**Prerequisite:** OCOB graduate standing

**Required:** (1) *Fundamentals of Federal Income Taxation: Cases and Materials*, 17<sup>th</sup> Edition (2013, Foundation Press. ISBN: 978-1-60930-357-1-0) by Freeland, Lathrope, Lind and Stephens.  
(2) Current edition of the **Internal Revenue Code** with selected Treasury Regulations.  
(3) **IRS Publication 17 – Your Federal Income Tax** (for 2014 returns) (provided by instructor).

**Course Description and Objectives:**

This course involves a close examination of advanced tax topics for the individual taxpayer. While there will be some overlap with the topics covered in the typical introductory tax course, most of the topics covered in this course involve more complex parts of the law and include areas not covered at the undergraduate level due to time constraints. Furthermore, the legalistic approach taken in this course does not use a textbook, but rather focuses on the primary law sources found in legislative, administrative and judicial law. As such, students will add to their tax knowledge by learning to de-cipher the technical language of the *Internal Revenue Code*, *Treasury Regulations* (and other sources of administrative law) and court cases. Keep in mind that, although this course focuses on the individual taxpayer, many of the concepts and topics that we will cover have applicability to other taxable entities as well (e.g., rules for business deductions and property transactions).

There are three primary learning objectives for GSA 548. Specifically, students who successfully complete the course will be able to:

- (1) Demonstrate competency in tax research and identify potential solutions to tax issues,
- (2) Analyze and solve tax compliance issues through the application of analytical/critical thinking skills, and
- (3) Professionally communicate in writing.

Also, due to the importance of ethics and appropriate professional behavior and responsibility in professional accounting and tax practice, these topics will be discussed throughout the course and students will be challenged to think about the correct path to take in (sometimes ambiguous) tax situations. In this regard, make sure that you are familiar with the professional standards contained in both *IRS Circular 230* and the *AICPA Statements on Standards in Tax Practice*.

(Copies of these documents are posted on PolyLearn for your reference.)

### **Class Format:**

As indicated above, we will be using a “casebook” rather than a textbook. The casebook contains redacted portions of actual court cases, and extensive references to Internal Revenue Code (IRC) sections, treasury regulations and revenue rulings relevant to the topics addressed in each chapter. The casebook also includes editorial commentary, legislative history of some tax statutes, and other materials such as revenue rulings and treasury regulations that supplement the case studies and assist in understanding the law.

The learning process in a course such as this one requires that you carefully **read all the assigned readings** for a particular class, including IRC sections, treasury regulations, revenue rulings, etc., **work the assigned problems, write out the answers** to said problems and then **come to class fully prepared** to discuss the assigned readings and written problems. Although there may be exceptions, the class format will generally not include lectures by the instructor (lucky you!), but rather a quasi-Socratic approach in which **everyone** is expected to participate. (Please note: class participation constitutes 10% of the course grade.) This approach is a form of inquiry and discussion among individuals, based on asking and answering questions to stimulate critical thinking and to illuminate ideas. It should be obvious that preparing for every class is essential to making the best use of class time and that the learning experience in the class will be greatly enhanced through **active class participation**. In addition to discussion of the cases and the related law, we will spend considerable time going over the assigned problems from the text and additional problems posted on PolyLearn. Since we will be using the casebook and IRC on a regular basis, **you should have both available for every class**.

### **Written Assignments:**

As you will note from the syllabus, for most class days, there are problems assigned from the casebook (highlighted in **bold**). Also, from time to time, I may post extra problems on PolyLearn for a particular class day. Based on the reading assignment for the day, the solutions to these problems should be written out with **appropriate support for your answer**. In other words, get into the habit of indicating what authority (e.g., IRC section, treasury regulation, revenue ruling, court case, etc.) you are basing your answer on. When you are (randomly) called on in class to provide your answer/solution to a particular problem, support must be provided. This approach to working the problems will get you accustomed to providing the type of information that is required in practice. It also helps you to remember why or how you arrived at an answer which can easily be forgotten at some later point when you are reviewing your work. While the written homework will usually not be collected and graded, *I reserve the right to collect homework on any given day without notice and factor it into the course grade.*

In addition to the regular homework assignments discussed above, there are three additional types of assignments which will be factored into the course grade. One of these is a **tax research case** which will require the use of the tax research resources available in the campus library. In writing this up, students should follow the tax file memorandum format Professor Mock required in GSA 546 which included sections for facts, issue(s), conclusion and support (appropriately documented and cited). Second, you will be required to do an **ethics-based tax case** which involves both tax issues and ethical issues that must be addressed. Both of these case

assignments will be graded on **correctness and quality of writing** and will constitute approximately 12% of the course grade. The third type of assignment is **tax compliance problems** involving computing the correct tax result for a fictitious taxpayer. At least one of these will require the use of IRS forms and these assignments will constitute approximately 20% of the course grade.

### **Exams:**

There will be one midterm exam and a final exam during finals week. Failure to show up for an exam will result in a grade of **zero** unless: (1) I am contacted in advance of the scheduled exam, and (2) you have a legitimate reason (of which there are very few) for missing the exam.

For both the midterm exam and the final exam, students will be allowed to refer to the Code, the casebook and a self-prepared outline (typed or written: 3 pages, single-sided, for the midterm, 6 pages for the final). Except for material from the casebook used in the course, no other materials protected by copyright laws may be used such as study guides, test banks, etc. The self-prepared outlines must contain your name and must be turned in at the end of the exam (these will be returned after the exams are graded). These sheets may not be shared during an exam. Any violation of these rules will result in a failing grade for the course.

### **Grading** (subject to minor revision as quarter progresses):

	<u>Points</u>	<u>%</u>
Midterm	250	25
Final exam	330	33
Tax cases (2)	120	12
Tax compliance problems (3)	200	20
Class participation/HW prob.	<u>100</u>	<u>10</u>
Total	<u>1000</u>	<u>100</u>

### GENERAL COMMENTS:

1. Students are responsible for ***all assigned material***, whether covered in class or not. As always, class time is limited and will be used to address the more difficult topical areas.
2. Be prepared (with questions, if necessary) ***before*** coming to class. Class time is best spent reinforcing the learning that takes place outside of class and clarifying difficult and misunderstood concepts. This approach requires that you ***stay on schedule***.
3. Class attendance is expected and encouraged. Attendance will be taken each class day and a small deduction will be made from the participation/attendance grade for missed classes. **Active** class participation will be rewarded with an increase in this part of the grade.
4. Treat your classmates and instructor with the level of respect appropriate for professional business colleagues. Among other things, that means showing up to class on time, paying attention in class, and not being disruptive by socializing with others and talking out of

turn. **All cell phones and other communication devices should be turned off upon entering the classroom** and should remain off during the entire class. This means no texting during class! ***Under no circumstances may cell phones or any other type of communication device be used during an examination;*** transgressions will result in a failing grade for the course. Laptops may be used during class for note-taking only, ***not for web surfing!***

5. Withdrawals from the course will be allowed without a serious and compelling reason only during the first two weeks of instruction. After that, students must formally request a withdrawal and this request must be supported by a **“serious and compelling”** reason. While poor time management on your part or the desire for a better grade in the course might seem serious to you, neither reason is considered serious nor compelling enough to justify withdrawal after the second week of classes.
6. ***Academic dishonesty will not be tolerated in the Orfalea College of Business.*** If you are unfamiliar with the University policy in this area, see Section 684 Campus Administrative Manual (CAM). Violations may result in a failing grade for a particular assignment, for an exam or for the course, as appropriate.
7. It is the responsibility of students with disabilities to inform the instructor within the first week of the quarter of the need for reasonable accommodation of their disabilities. Students are advised to seek assistance from the Disability Resource Center (Students Services Building 124; phone: 756-1395). As soon as the need for accommodation is determined and communicated to the instructor by DRC, reasonable accommodation will be made.

#### ABOUT YOUR INSTRUCTOR:

Professor Hunt joined the Cal Poly Faculty in September 2013 after holding Faculty positions at Pennsylvania State University (4.5 years), The University of Vermont (14.5 years) and Cal State University, Long Beach (11.5 years). He received a BA degree in Psychology and an MBA degree from The University of Vermont and a Ph.D. in Accounting (with a minor in Tax Law) from the University of Colorado. Professor Hunt's teaching and research interests are primarily in the areas of financial accounting, financial analyst behavior, federal income taxation and environmental accounting. His research papers have appeared in both academic accounting journals and professional business journals. Professor Hunt also holds an inactive CPA license from the state of Colorado.

**GSA 548**  
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**Fall Quarter 2015 - Course Syllabus**

<u><b>Date</b></u>	<u><b>Topic/Chapter</b></u>	<u><b>Reading/Writing Assignment*</b></u>
9/21 (1)	Course Orientation – Ch.1 Review of Tax Formula-Ch.27 Review of Important Tax Doctrines and Tax Concepts	<b>Read:</b> Entire chapter except Part B (pp. 6-10) <b>Read:</b> Sec. A (pp. 859-871)
9/23 (2)	Gross Income: Scope of § 61-Ch.2  Exclusions: Gifts & Inheritances-Ch.3	<b>Read:</b> pp. 39-57 <b>Problems:</b> 1-5 (p. 54), 2 (p.57) <b>Read:</b> pp.59-70, <i>Wolder v. Commissioner</i> (pp. 75-77) <b>Problems:</b> 2 (p. 69), 1(a-i) (pp. 77-78)
9/28 (3)	Assignment of Income-Ch.12	<b>Read:</b> pp. 227-234, pp. 238-250, first three paragraphs of note starting on p. 251 and IRC § 7701(o) (economic substance) <b>Problems:</b> 1 (p. 238); 1(a-d,g,h), 2 (p.255) <b>Tax Comp. Problem #1 due (by 11:00 PM)</b>
9/30 (4)	Employee Benefits-Ch.4 A. Fringe Benefits B. Meals and Lodging Damages-Ch.9	<b>Omit:</b> IRC sections and Regs listed on p. 79 <b>Read:</b> pp. 79-87 <b>Read:</b> IRC §§ 107, 119(a) and Reg. § 1.119-1 <b>Read:</b> pp. 165-175 <b>Problems:</b> 1(a-g), 2(a-c) (pp. 175-176)
10/5 (5)	Discharge of Indebtedness-Ch.8	<b>Read:</b> pp. 147-162 <b>Problems:</b> 1,2 and 3(a,b only) (pp. 162-163) and others TBA
10/7 (6)	Below-Market Interest Rate Loans-Ch.16 Property Transferred in Connection With Services-Ch.24	<b>Read:</b> pp. 437-453 (start with <i>Rev. Rul. 69-188</i> , stop at “Disallowance of Interest.”); IRC § 7872 <b>Read:</b> Sec. D (pp. 801-807) and related IRC and Reg. sections <b>Problem:</b> 1(a,b only) (p.807) and <b>Prob. 1-4</b> posted on PolyLearn <b>Tax Research Case due (by 11:00 PM)</b>

10/12 (7)	Gains from Dealing in Property-Ch.6 Computation of Gain, Basis Determination, Amount Realized	<b>Read:</b> pp. 103-120, Regs §§1.1001-1(e),1.1015-4 <b>Problems:</b> <b>1(a-h)</b> and <b>2(a,b)</b> (pp. 106-107), <b>1(a,b)</b> and <b>2(a,b)</b> (pp. 113-114), <b>1(a-e)</b> (pp. 115-116), <b>1</b> (p. 118)
10/14 (8)	Amount Realized-Ch.6 (cont.) 1. <i>Crane v. Commissioner</i> 2. <i>Commissioner v. Tufts</i>	<b>Read:</b> pp. 121-135 <b>Problems:</b> <b>1(a-i)</b> and <b>2</b> (pp. 135-136)
10/19 (9)	Gross Income Timing Issues-Ch.24 1. Installment Sales 2. OID and Imputed Interest	<b>Read:</b> pp. 769-778 (stop at “Related Party Sales”) <b>Read:</b> Sec. C (pp. 793-801) <b>Problems:</b> TBA
10/21 (10)	<b>MIDTERM EXAM</b>	
10/26 (11)	Capital Gains and Losses-Ch.21 Introduction and Mechanics	<b>Read:</b> Sections A-C (pp. 635-651) <b>Problems:</b> <b>1-3</b> (pp. 646-647) and <b>1</b> (p. 651)
10/28 (12)	Capital G/L-Ch.21 (cont.) 1. Meaning of Capital Asset 2. Sale or Exchange Requirement 3. Holding Period	<b>Read:</b> Sections D-F (pp. 652-672) <b>Problems:</b> <b>1</b> (p. 666), <b>1(a-g)</b> and <b>3</b> (pp. 671-72) <b>Ethics Case due (by 11:00 PM)</b>
11/2 (13)	Capital G/L-Ch.21 (cont.) 1. Judicial Gloss 2. 1231 Re-characterization	<b>Read:</b> Section G (pp. 672-691) and Section H.2. (pp. 696-705) <b>Problems:</b> <b>1,2,3(a-d)</b> (p. 683), <b>1(a-i)</b> and <b>3</b> (pp. 705-706)
11/4 (14)	<b>Guest Speakers: Kyle Gotcher (Senior Associate) and Matt Watson, CPA (Partner), both with C&amp;D LLP, will discuss like-kind exchanges.</b> Nonrecognition Provisions-Ch.26 Like-Kind Exchanges	<b>Read:</b> Sections A & B (pp. 823-841) <b>Problems:</b> TBA
11/9 (15)	Nonrecognition Prov.-Ch.26 (cont.) 1. Like-Kind Exchanges (cont.) 2. Involuntary Conversions	<b>Read:</b> Section C (pp. 843-851) <b>Problems:</b> <b>2,3,5</b> (pp. 841-843) and <b>2,4,5</b> (pp. 851-852) <b>Tax Comp. Problem #2 due (by 11:00 PM)</b>
11/11	<b>VETERANS DAY – NO CLASS</b>	
11/16 (16)	Business Deductions-Ch.14 1. Ordinary and Necessary Req. 2. Capitalize vs. Expense 3. Business Losses 4. Review of Depreciation Rules	<b>Read:</b> pp. 289-310, pp.366-368, and pp. 368-378 (stop before “The Related Concept of Depletion”) <b>Problems:</b> <b>1</b> (p. 310), <b>1(a-c)</b> (p. 368) and TBA

11/18 (17)	Business Deductions-Ch.14 (cont.) 1. Depreciation (cont.) Characterization on the Sale of Depreciable Property-Ch.22	<b>Read:</b> pp. 394-405 (start at “Section 168(k) Additional Depreciation”) <b>Read:</b> pp. 707-720 <b>Problems:</b> <b>1(a,b,d)</b> (p.712), <b>1(a-g)</b> (pp. 717- 718), and <b>1,2,3(a,b)</b> (pp. 720-721)
11/23 (18)	Deductions for Profit-Making, Nonbusiness Activities-Ch.15	<b>Read:</b> pp. 407-433 <b>Problems:</b> <b>1(a-f)</b> (p. 425) and <b>3(a-c)</b> (p. 434)
11/25	<b>THANKGIVING HOLIDAY – NO CLASS</b>	
11/30 (19)	Restrictions on Deductions-Ch.17 1. At-Risk Rules 2. Passive Loss Limitations 3. Illegality and Impropriety	<b>Read:</b> Sections A,B (pp.471-477), Section E (pp. 491-502) and Section F (pp. 504-509) <b>Problems:</b> <b>1(a-e)</b> (p. 477), <b>1(a-g)</b> , <b>5(a,b)</b> , and <b>7(a-c)</b> (pp. 502-504)
12/2 (20)	The Alternative Minimum Tax-Ch.27  Net Operating Losses (Individuals)	<b>Read:</b> Section C (pp. 879-889) <b>Problems:</b> <b>1</b> (pp. 889-890) <b>Read:</b> IRC §§172(a), 172(b)(1)(A), 172(b)(2),(3), 172(c), (d)(1-4) and 630-632 of casebook (additional readings and problems TBA) <b>Tax Compliance Problem #3 due (by 2:10 PM)</b>
12/9	<b>FINAL EXAM 1:10 AM – 4:00 PM</b>	

**\*Please note:** Unless otherwise indicated in the reading assignments, read *all* IRC sections and Treasury Regulations (or other administrative law) listed in the case book at the beginning of each assigned chapter or chapter section.