Government's view of the economy could be summed up in a few short phrases: If it moves, tax it. If it keeps moving, regulate it. And if it stops moving, subsidize it.

President Ronald Reagan

1. What is the US corporate tax rate on business income and capital gains?
2. Capital gains and losses:
   (a) Can a C corp use capital losses against capital gains?
   (b) Can a C corp use capital losses to offset ordinary (business) income?
   (c) Assume that a C corp has excess capital losses. Can it carry them forward or backward? If so, how many years?
3. What is the effective corporate tax rate on \$100 of dividends received by a C corp from:
   (a) a 5% owned US company?
   (b) a 25% owned US company?
   (c) a 100% owned US company? §243(a)-(c)
4. C corp has operating revenues of \$1,000, operating expenses (not including depreciation and amortization) of \$600, depreciation of \$100, \$200 of interest expense, and \$50 of interest income (all amounts in \$MM). What's C corp's allowable interest deduction? Is there any other information you should ask your client about? §163(j)
5. In 2022, Barbie and Ken, two friends who are law firm associates, have an idea to develop a series of apps that are aimed at the corporate legal compliance market. They form a Delaware corporation (DC) and initially fund it with \$200,000 of seed capital (\$100,000 each) in exchange for all the common stock of DC. The first apps are a success and generate some significant revenue, around \$3MM, but Barbie and Ken realize that they need additional funds to expand the business, e.g., hire additional programmers, rent office space both in NY and Austin. Later that year, they are approached by VC fund and agree to accept additional funding from VC fund in exchange for equity in DC. VC fund invests \$40MM into DC in exchange for shares of DC. Immediately after VC fund's investment, DC has a cash balance of \$42MM on its balance sheet and all of DC's assets, such as Aeron chairs and Apple laptops, have been expensed and do not appear on the balance sheet.
   (a) Is DC a QSB? §1202(d)

(b) Assume that VC fund invested \$55M so that DC's cash balance was \$57MM immediately after the contribution. Is DC a QSB? §1202(d). Suggest a planning alternative to avoid or mitigate this result.

(c) How long must Barbie, Ken, and VC hold the DC stock to potentially benefit from §1202? §1202(a)

(d) Original facts. It's 2028, and DC has been incredibly successful: each year, its cash balance has increased by roughly \$25MM, so that by 2028, it has around \$200MM. Barbie, Ken, and VC receive and accept an offer to sell the company for \$400MM–\$50MM to each Ken and Barbie, and \$300MM to VC.

   i. How much can each exclude under §1202? §1202(b)

(e) If Barbie, Ken, or VC cannot exclude all the gain under §1202 on a sale to VC, suggest a planning alternative to increase the excludable gain. §§1202(b) and 1045

(f) It's 2028. Assume that Barbie and Ken each own two blocks of stock, one block with a basis of \$0 and the other with a basis of \$1MM. They have a received an offer of \$20MM each for all of their shares.

   i. Assume that they sell all their shares in 2028. How much can they exclude under §1202?

   ii. Suggest an alternative to maximize their excludable gain.

6. Describe two ways a shareholder can conduct business through a corporation and reduce or eliminate the double tax burden?