

Taxes and Business Strategy (B30118)
and Tax Strategies (20170 - undergraduate section) – Fall 2024
University of Chicago Booth School of Business
Professor Erickson

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Please do not email me through Canvas – email me directly at the email address above.

Teaching Assistant: Ivy Chen
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Office Hours: To be determined

Course Materials:

- 1) There are extensive handouts each week, which are available online on my Canvas page at: <https://canvas.uchicago.edu/courses/58115>.
- 2) ***Required*** -- Taxes and Business Strategy, ***6th edition*** (Erickson, Hanlon, Maydew and Shevlin; a.k.a. EHMS). You can order the hard copy of the book from the publisher or the eBook. The publisher is Cambridge Publishers and the publisher's website is: <https://cambridgepub.com>. You can also purchase the book through Amazon, or in campus bookstores.
- 3) ***Required*** - Cases in Tax Strategy ***9th edition*** (Erickson). The casebook is in electronic form and is available for online purchase through study.net. I will provide instructions on how to purchase the casebook from study.net in an email to the class list after the first class meeting. The casebook must be purchased separately from the textbook.

Course Objective:

This course is designed to give you the tools to identify, understand, and evaluate tax planning opportunities. To maximize the lasting benefit you will get from this course, we begin by developing a conceptual framework for thinking about how tax rules affect business decisions. Once developed, the framework is brought to life by application to a variety of settings of particular interest to MBA students (e.g., mergers and acquisitions, executive compensation, organizational form for a new venture). Many applications are U.S. based, but the underlying tax strategies are applicable in many other jurisdictions.

Prerequisites:

You don't need any prior knowledge of taxation to take this class. The only prerequisite is a B30000-level understanding of accounting. Some knowledge of elementary finance is useful, but not required.

Lecture Notes:

Lecture notes will be on the course Canvas page (link is above) prior to class each week. I suggest downloading and printing these outlines prior to class. You may want to use a 3-ring binder for lecture notes. I will scan the lecture notes after I have written on them during class and will provide the "completed" version of the lecture notes on the Canvas website.

Lectures:

All meetings will be in person, the review session on 12/7 may be on Zoom.

Tardiness and Missed Classes:

I understand that occasionally students are unable to arrive to class on time due to professional commitments such as interviews and/or meetings. Please do not hesitate to come to class late when you are delayed for these reasons. When arriving late, please be considerate of your fellow classmates. If you miss a class, please have a classmate get a copy of any materials handed out in class. To the extent possible, also make arrangements to turn in assignments in a timely fashion.

Class Communication:

I frequently use the Booth e-mail system to distribute pertinent class information. Please make arrangements to access your Booth e-mail (or uchicago email system), or have a classmate notify you of the information disseminated.

Grades:

Your grade is based on your score out of a possible 360 points. You may take this class pass/fail. 195 points are required to pass. The points are allocated as follows:

One problem set	20
Six Cases	120
Class Participation	20
Final exam	200

Problem Set:

Students are *encouraged to work in groups*, and you should turn in the problem set as a group (1 problem set per group). I recommend that you do all assignments on a spreadsheet or a word processor. I will make arrangements so assignments can be turned in electronically through Canvas. Specifics to be announced as the quarter begins.

Cases:

We will do six cases this quarter: Tax Effects of Elon Musk's 2021 Exercise of Tesla Stock options, Seagram's sale of 25% of Du Pont back to Du Pont for \$9 billion, Evaluation of the Scottish Power Cross-Border Financing Transaction, Valuation of AirTran's NOLs in Southwest's acquisition of Airtran, Quaker Oats' divestiture of Snapple and Triarc's subsequent sale of Snapple, and the Jade Trading "tax shelter" case. Case grades will be based on written answers to questions associated with each transaction (in "*Cases in Tax Strategy, 9th edition*"). Students are *encouraged to work in groups*, and students should turn in 1 case per group (maximum of 4 people per group). Cases also will be submitted through Canvas. Specifics to be announced as the quarter begins.

Guest Speakers:

We will have a guest speaker, an international tax lawyer from McDermott, Will & Emery, who will discuss international tax planning and recent developments in international tax law. The guest speaker will speak on the Saturday afternoon November 23rd, at the Gleacher Center (Starting at 1 p.m.). I will videotape the talk in the event you cannot attend in person that morning. Some basic material covered during the guest speaker lecture will be on the final exam.

Final Exam:

The final exam is closed book and closed note. Numerous old final exams (with solutions) are on my Canvas page. The final exam will be taken through Canvas at the scheduled final exam time, and will not be in person. Details on the logistics of the final exam will be provided later in the quarter.

Participation:

Participation grades will be based on student's ability to answer basic questions about the material, in particular case questions.

Use of AI:

In this course, we will be developing skills and knowledge that are important to discover and practice on your own. Because use of AI tools inhibits development of these skills and knowledge, students are not allowed to use any AI tools, such as ChatGPT or Dall- E 2, in this course. Students are expected to present work that is their own without assistance from others, including automated tools. If you are unclear if something is an AI tool, please check with Prof. Erickson. Using AI tools for any purposes in this course will violate the University's academic integrity policy. I treat potential academic integrity violations by assigning a zero score to the assignment and consider this behavior a violation of the Booth Honor Code.

Accommodation and Accessibility Policy – Undergraduate Students:

The University of Chicago is committed to ensuring equitable access to our academic programs and services. Students with disabilities who have been approved for the use of academic accommodations by Student Disability Services (SDS) and need a reasonable accommodation(s) to participate fully in this course should follow the procedures established by SDS for using accommodations. Timely notifications are required in order to ensure that your accommodations can be implemented. Please meet with me to discuss your access needs in this class after you have completed the SDS procedures for requesting accommodations.

To contact SDS: website: <https://disabilities.uchicago.edu/> phone: (773) 702-6000 email: disabilities@uchicago.edu

Honor Code:

Students in my class are required to adhere to the standards of conduct in the Booth Honor Code and the Booth Standards of Scholarship. On the final exam, I also require students to sign the following Booth Honor Code pledge; "I pledge my honor that I have not violated the Honor Code during this examination."

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Tentative Course Schedule

Week 1 (10/3 and 10/5):

Introduction; Tax planning for investments

Background

Reading: Erickson, Hanlon Maydew and Shevlin (**EHMS**) Chapters 1-3

Practice Homework Problems: -- Fall 2013 Final #15, Fall 2014 Final, # 23, Fall 2015 Final # 13, Winter 2018 Final #23.

Week 2 (10/10 and 10/12):

Tax planning for investments; Compensation planning

Background

Reading: EHMS Chapter 3
EHMS Chapter 8

Practice Homework Problems: -- Fall 2013 #14, Fall 2014 #21, Fall 2015 #12, Fall 2016 #18, Winter 2018 #10.

Week 3 (10/17 and 10/19):

Taxation of corporations and their alternatives; Capital structure, Corporate Distributions

Background

Reading: EHMS Chapter 4

Due: ***Elon Musk's Tesla Employee Stock Option Related Tax Costs***

Practice Homework Problems: -- Fall 2010 #12, Fall 2014 # 15, Fall 2016 #19, Winter 2018 #13 & #15.

Week 4 (10/24 and 10/26):

Introduction to Tax planning for mergers, acquisitions, and divestitures

Background Reading: EHMS (Chapter 11)

Due: ***Seagram/Du Pont Case***

Week 5 (10/31 and 11/2):

Tax planning for acquisitions of freestanding C corporations

Background

Reading: EHMS (Chapter 12)
EHMS (Chapter 14)

Due: **Problem Set**

Practice Homework Problems Taxable M&A: -- Fall 2015 #3, part a, c & e, Fall 2016 #6, part a, c & e, Winter 2018 #6 part a, c & e.

Practice Homework Problems Tax-Free M&A: -- Fall 2012 #21, Fall 2015 #16 & #17, Fall 2016 #1, Winter 2018 #17.

Week 6 (11/7 and 11/9):

Tax planning for divestitures

Background

Reading: EHMS (Chapter 15)

Due: ***Scottish Power Case***

Practice Homework Problems - Divestitures: -- Fall 2015 #4, Fall 2016 #7 & #13, Winter 2018 #11 and #20.

Week 7 (11/14 and 11/16):

***Tax planning for divestitures cont'd;
Pricing and structuring the acquisition of a conduit entity (S corporations)***

Background

Reading: EHMS (Chapter 15)

Due: ***Southwest/Airtran NOL valuation Case***

Week 8 (11/21 and 11/23):

Pricing and structuring the acquisition of a conduit entity (S corporations)

Review: EHMS (Chapter 13)

Due: **Snapple Divestiture Case I and II**

Practice Homework Problems – S corporation acquisitions: -- Fall 2016 #4 & #6,
Winter 2018 #6 & #14.

Practice Homework Problems – Summary Review of M&A Issues: -- Fall 2016 #8,
Winter 2018 #5.

11/28 and 11/30 – No Class Meetings – Thanksgiving Week

Week 9 (All Three Sections Meet on the **AFTERNOON** of 11/23): – Gleacher Center Room 200 (1-4 p.m.)

First Half of Class: Guest Speaker - International Tax Lawyer from McDermott, Will & Emery. Topics Include International Tax Planning and Recent Developments in International Tax Law and discussion of implications of election results on these tax policies (speech will be videotaped and available at the course Canvas page).

*Second half of class: **Tax Arbitrage & Tax Shelters** (Class lecture and case discussion will be recorded and available on course canvas page)*

Due: **Jade Trading Case (10 points)**

Practice Homework Problems: -- Fall 2014 #14 & #22, Fall 2015 #22, Fall 2016 #9 & #12.

Week 9: (12/5 and 12/7 class meeting): rescheduled to afternoon of November 23rd - Guest Speaker at Gleacher Center.

Saturday 12/7 - Final Exam Review Session for All Sections (Optional, and will be recorded, Session May be on Zoom): Starting at 9 a.m.

Final Exam **Section 81 – Taken Remotely through Canvas on 12/14 at scheduled exam time.**
 Details to be provided the first few weeks of class.
 Section 01 – Taken Remotely through Canvas 12/12 at scheduled exam time.
 Details to be provided the first few weeks of class.
 20170 (undergraduate) – Taken Remotely through Canvas on 12/12 (or on the day
 and time as specified by the University). Details to be provided when the Registrar
 specifies the final exam time/schedule.

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