

CORPORATE TAXATION – General Information and Syllabus

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University of Baltimore
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Tuesday, 6:15 to 9:00 pm
AL 608

Course Description

Federal income taxation of corporations and their shareholders with emphasis on the formation of the corporation, capital structure, operational alternatives, distributions, partial and complete liquidations, personal holding companies, and the accumulated earnings tax. Formation, operation, and liquidation of S-corporations are also covered.

Required Materials

Schwarz & Lathrope, Fundamentals of Corporate Taxation (Eighth Edition) (“Schwarz”)
Internal Revenue Code (“Code”)
Regulations (“Regs”)

With regard to the Code and the Regs, **you may use either the complete versions of these authorities or a selected sections version**, the latter being Bank and Stark, Corporate and Partnership Income Tax Code and Regulations: Selected Sections (2015-2016 Edition). Please note that while this selected sections version contains nearly all of the Code and Regs sections that are assigned for the course, some sections, or parts of sections, are missing. Consequently, if you decide to use the selected sections version of the Code and Regs, on occasion you will need to go outside of this publication (*e.g.*, on the internet, library) in order to review certain sections.

TWEN Site

You are required to register for this course on TWEN, and you must use your UBALT address as your TWEN e-mail address as per University Policy. You are responsible for all information posted on or disseminated from TWEN.

Class Preparation

This course involves difficult tax rules and concepts, and thus it is very important that you prepare for class, which includes working through the assigned problems in the textbook. Moreover, it is

important to keep your class preparation current. Much of the course will be built on subjects previously discussed, and the various Code and Regs sections work in conjunction with one another. If you miss and/or do not prepare for one class, the next class may use terms and concepts you do not understand, which will compound the difficulty of understanding this complex area of the tax law. Moreover, as discussed below, part of your grade will be based on class participation.

Please be sure to raise any unaddressed questions you still have after class or by appointment, or through e-mail: fbrown@ubalt.edu or by phone: 410-837-4537. In addition, as we will be actively using TWEN to address and discuss issues students raise outside of class, posting your query on TWEN will serve a very useful contribution. I will be monitoring and responding to queries on TWEN on a regular basis.

Exams/Grading

There will be one open book, time pressured, three hour exam given at the end of the semester. Ninety percent of your grade will be based on the final exam, and ten percent of your grade will be based on class participation.

Attendance Policy for J.D. Students

Class attendance is a primary obligation of each J.D. student whose right to continued enrollment in the course and to take the examination is conditioned upon a record of attendance satisfactory to the professor. A J.D. student who exceeds the maximum allowed absences may be compelled to withdraw from the course, or may be barred from sitting for the final exam. J.D. students who are forced to withdraw for exceeding the allowed absences may receive a grade of FA (failure due to excessive absence). In this course, J.D. students are allowed a maximum of two absences. Attendance will be taken at the beginning of each class.

While LL.M. and M.S. students should endeavor to attend each class, there is no attendance policy applying to these students.

Computers

Students may use laptop computers for class related purposes, as well as on the exam (with the School-provided exam software).

Class Cancellation

If I must cancel a class, notices will be sent to students via the University of Baltimore e-mail system and posted on the classroom door. If there is inclement weather, students should visit the University of Baltimore web page or call the University's Snow Closing Line at (410) 837-4201. If the University is not closed, students should presume that classes are running on the normal schedule.

Academic Integrity

LL.M. and M.S. students must adhere to the University of Baltimore's Academic Integrity Policy, which can be found at

http://www.ubalt.edu/campus-life/student-handbook.cfm#Academic_Integrity.

J.D. students must adhere to the School of Law Honor Code, which can be found at

http://law.ubalt.edu/academics/policiesandprocedures/honor_code/index.cfm.

Disability Policy

If you are a student with a documented disability who requires an academic accommodation, please contact Leslie Metzger, Director for Student Support in the Office of Academic Affairs at 410-516-5623 or via email at lmetzger@ubalt.edu.

Learning Outcomes

- Obtain knowledge and understanding of the Federal income tax rules covered in this course that relate to the tax treatment of corporations and shareholders
- Obtain knowledge and understanding of policy underlying these rules.
- Develop proficiency in reading, analyzing, and applying Code and Regs provisions.
- Develop proficiency in Code and Regs “mechanics,” *i.e.*, working with, and applying, verbal formulas that make up the tax rules.
- Develop proficiency in problem solving.

First Class Assignment

Please do the assignments under topic I and topic II of the Syllabus (below).

Syllabus

I. Introduction

Code: §§ 11, (*skim 63(a), 1211(a), 1212(a)(1), 199, 170(b)(2), 267(a), 53, 55, 56(a)(1)(A), (c), (g)(1), (2), (3), (4)(A)-(C)(ii), (6), 57(a)(5), (6), 280H, 441, 444, 448, 1501, 1502, 1503, 1504(a), (b), 1561, 1563*).

Schwarz: pp. 2-27 (before “C. Corporate Classification”), 39 (starting with “E. Tax Policy Issues”) -53.

II. Corporate Classification

Code: §7701(a)(3), *skim § 7704*

Regs: § 301.7701-1(a)(1), (a)(2), -2(a), (b)(1)-(7), (c)(1), (c)(2)(i), -3(a), (b)(1).

Schwarz: pp. 27-34 (before “D. Recognition of the Corporate Entity”)

III. Corporate Formation

Code: §§ 351(a), (b), (d)(1)-(2), (*skim (g)*), 358(a), (b)(1), (d); 362(a), (d)(1), (e)(2); 368(c); 1032(a); 1223(1), (2), 1245(b)(3), 83(a)-(c), 453(a)-(d), (i), 357, 118(a), (*skim 248*)

Regs: §§ 1.351-1(a), (b) 1.351-2(a), Prop. Reg. § 1.351-2(b), 1.358-2(b), -3, 1.1032-1(a), (d), 1.357-1, -2,

Schwarz: pp. 56--112 (skip all cases except *Intermountain Lumber* (p.62) and *Hempt Brothers* (p 99), but read revenue rulings)

Problems: pp. 60; 69-70; 79; 98, #1; 108-109

IV. Capital Structure

Code: §§ 385, 165(g), 166 (a), (d), (e), 1244

Schwarz: pp. 114-146

Problems: pp. 142-143; 147

V. Nonliquidating Distributions

Code: §§ 243(a), (b)(1), (c), 301(a)-(d), (f)(4), 316(a), 317(a), 312(a)-(c), (f)(1), (k)(3), 311, (*skim 312(n), (o), 1272(a)(1), 1273(a)(1), 7872(a), (c)(1)(C), 482, 246(a)(1), (b)*), 246(c), 246A, 1059(a)-(d), (*skim 1059(e)*), 1(h)(11)

Regs: §§1.301-1(c), 1.316-1(a)(1)-(2), 1.312-6(a), (b), (d) (first sentence), 1.312-7(b)(1), 1.301-1(a), (b), 1.316-2(a)-(c), 1.312-3, 1.301-1(d)(1)(ii), 1.301-1(j) (first sentence)

Schwarz: pp. 148-193 (skip cases except *TSN Liquidating Corp.* (p. 181), but read revenue rulings)

Problems: pp. 158; 162-163; 167-168 (skip “e”); 181; 193

VI. Redemptions and Partial Liquidations

Code: §§ 302, 317(b), 318, 311, 312(n)(7), 304 (except (b)(3)(C), (D), (b)(4)-(6)), 303(a), (b)(1)-(3), (*skim 6166*)

Regs: §§ 1.318-1(a), (b), -2, -3(a), (b), -4, 1.302-2, -3, -4, Prop. Reg. § 1.302-5(a)(1), (a)(3), (b)(4)(i)

Schwarz: pp. 194-257, 274- 279 (before *Nidermeyer*), 287-288

Problems: pp. 200, #2; 204, #1; 222, #2; 235, #1; 240; 246; 251; 286-287, #2

VII. Stock Dividends and Section 306 Stock

Code: §§ 305(a)-(d), 306(a)-(e), (g), 317(a), 307, 312(d)(1)(B), 1223(4)

Regs: §§ 1.305-1, -2, -3(a)-(c), (e) Examples (1)-(4), (8), (10), (11), -4, -5(a), -6, -7(a), 1.307-1, 1.306-3(a)-(c), (e), 1.306-1, -2,

Schwarz: pp. 290-309

Problems: pp. 303-304, #1; 316, #1 (skip (f), (h), (i))

VIII. Complete Liquidations

Code: §§ 331, 334(a), 346(a), 453(h)(1)(A), (B), 336(a)-(d), (*skim 267(a)(1), (b), (c)*), 332(a), (b), 334(b), 1223(2), 337(a), (b)(1), (c), (*skim 381(a)(1), (c)(2), (3), 453B(d), 1245(b)(3), 1250(d)(3)*)

Regs: §§ 1.331-1(a), (b), (e), 1.332-1, -2 (skip (d) and (e)), -5, -7

Schwarz: pp. 318-346 (skip cases)

Problems: pp. 322-323; 335 (skip (f), (g)); 347, #1

IX. Anti-Avoidance Provisions

Code: §§ 7701(o), 531, 532, 533(a), 534(a)-(c), 537(a), (b)(1), 535(a), (b) (skip (5) through (10)), (c), 561, 562(a), (b), (c), 563(a), (b), 565(a)-(d), (f), 541, 542(a), (c), 544(a), (*skim 543*), 545(a), (b), 316(b)(2), (*skim 564, 547*)

Regs: §§ 1.537-1(a), (b), -2, -3

Schwarz: pp. 610-658 (skip *United Parcel Service of America, Inc. v. Commissioner* (p. 612))

Problems: pp. 644, #1; 658, #1

X S-Corporations

A. Introduction, Eligibility

Code: §§ 1361

Schwarz: pp. 662-670

Problem: pp. 670-671

B. Election, Revocation and Termination

Code: §§1362 (omit (e) (5), (6)), 1378, (*skim 444, 7519*)

Schwarz: pp. 671-675

Problem: pp. 675-676

C. Treatment of the Shareholders

Code: §§1363(b), (c), 1366(a)-(d), 1367, (*skim 248, 1371(b), 1377, 1366(f)*), 362(e)(2), 1(h)

Schwarz: pp. 676-688

Problems: 688-689, ## 1, 3

D. Distributions to Shareholders

Code: §§1368, 1371(a), (c), (e), 311(a)(2), 311(b)(1), (*skim 301(a), (b), (c) and (d), 453B(h)*)

Schwarz: pp. 690-692

Problems: pp. 692, #1

E. Taxation of the S-Corp.

Code: §§1363, 1374, 1375, (*skim 1366(f)(2), (3)*)

Schwarz: pp. 693-698

F. Coordination with Subchapter C/Compensation Issues

Code: §§ 1371, 1372

Schwarz: pp. 700-709