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Fall 2014
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FEDERAL TAX ACCOUNTING AND TAX TIMING ISSUES
Syllabus

COURSE DESCRIPTION:

An examination of the concepts and principles underlying the annual accounting system of the federal income tax, including: the cash receipts and disbursements method of accounting, the accrual method of accounting, inventory accounting, carryovers, the claim of right doctrine, the tax benefit rule, deferred compensation, capitalization and cost recovery, deferred payment sales, loss limitations, original issue discount, and other time value of money issues. This course will emphasize rigorous analysis of the Internal Revenue Code and Treasury Regulations. It will be assumed that students are generally familiar with the issues covered in a basic Federal Income Taxation course.

REQUIRED COURSE MATERIALS:

Chapter and page references to "Text" in the syllabus are to Lang, Manning & Hymel, Federal Tax Accounting (2nd ed., 2011).

References to "Additional Materials" may be found on the TWEN site for this course.

Internal Revenue Code & Regulations. Sections of the Internal Revenue Code and regulations should be reviewed as they are discussed in the Text. The Code and regulations may be accessed online at http://taxanalysts.com. The username is 81100 and the password is dltax2014.

EXAMINATION AND GRADING:

Your grade will be based on an anonymously graded examination that will be between two and three hours long. The exam is currently scheduled for November 1, 2014, a Saturday. For the exam, you will be allowed to use the course materials and anything prepared by you (including class notes). A simple calculator may be used. I reserve the right to raise or lower your grade by one grade (e.g., from a B to a B+ or B-) for class participation and attendance.

OFFICE HOURS:

Office hours are from 5:00-6:00 p.m. on Mondays at 101 Howard.

FIRST ASSIGNMENT:

For the Text, please read Chapter 1, pp. 1-42, and Chapter 2, pp. 43-45. For Additional Materials, please read I.R.C. § 644. For Problems, please be prepared to discuss Problem 1-6, Problem 1-7, Problem 1-8, and Problem 1-9 on pp. 13-14.

TOPIC	READING ASSIGNMENT AND PROBLEMS
I. Overview A. Introduction B. A Bit of History C. Tax Accounting vs. Financial Accounting II. Cash Receipts and Disbursements Method of Accounting A. Introduction B. Inclusion in Income 1. Cash Equivalents 2. The Economic Benefit Doctrine 3. Constructive Receipt 4. Application to Non-Qualified Deferred Compensation	Text: Chapter 1, pp. 1-42 Chapter 2, pp. 43-45 Additional Materials: I.R.C. § 644 Problems: Problem 1-6 Problem 1-7 Problem 1-8 Problem 1-9
C. Deduction of Payment 1. Cash, Notes, Checks, and Credit Cards 2. Prepaid Expenses 3. Prepayment vs. Deposit	Text: Chapter 2, pp. 45-89 Problems: Problem 2-5 at p. 61 Problem 2-15 at p. 89
III. Accrual Method of Accounting A. Limitations on Use of the Cash Method of Accounting B. Accrual of Income 1. The All Events Test 2. Income Collected in Advance	Text: Chapter 2, pp. 100-109 Chapter 3, pp. 162-163 Chapter 3, pp. 111-141 Problems: Problem 2-25 at p. 109 Problem 3-7 at p. 120 Problem 3-8 at p. 123
C. Accrual of Expenses 1. The All Events Test 2. Economic Performance a. VECO Corp. v. Commissioner, 141 T.C. No. 14 (2013) 3. Contested Liabilities	Text: Chapter 3, pp. 142-160 Chapter 3, pp. 167-192 Additional Materials: Skim VECO Corp. Problems: Problem 3-27 at p. 156 Problem 3-34 at p. 179 Problem 3-46 at p. 192

IV. Inventories A. Taxpayers Required to Use Inventories B. Inventory Accounting C. Thor Power Tool V. Deferred Income Recognition and Deferred Payment Sales A. Long-Term Contracts 1. Shea Homes, Inc. v. Commissioner, 142 T.C. No. 3 (2014) 2. Howard Hughes Co. v. Commissioner, 142 T.C. No. 20 (2014) B. Installment Method 1. In General a. What is Payment? b. Electing Out 2. Related Parties 3. Qualifying Property	Text: Chapter 3, pp. 163-166 Chapter 3, pp. 192-206 Chapter 6, pp. 395-403 Chapter 6, pp. 421-430 Additional Materials: Skim Shea Homes Skim Howard Hughes Problems: Problem 3-47 at p. 194 Problem 3-49 at p. 203 Problem 6-1 at p. 401
VI. Current Deduction Versus Capitalization and Cost Recovery A. Introduction to Current Deductions B. Restrictions on Deductions 1. Deductions Limited to Amount at Risk 2. Passive Activity Limitations C. Capitalization 1. Repair vs. Long-Term Assets a. FedEx Corp. v. United States, 291 F. Supp. 2d 699 (W.D. Tenn. 2003), aff'd, 412 F.3d 617 (6th Cir. 2005) b. Final Repair Regulations at T.D. 9636, 2013-43 I.R.B. 331 2. Idaho Power and Capitalization of Current Expenses 3. Is a Separate Asset Required for Capitalization? 4. Origin of the Claim	Text: Chapter 4, pp. 207-209 Chapter 5, pp. 333-335 Chapter 4, pp. 209-42, 257, 259-61, 263 Additional Materials: I.R.C. §§ 162(a), 165 Skim FedEx Corp Skim Preamble to T.D. 9636. Problems: Problem 4-25 at p. 261 Problem 4-28 at p. 263

D. Depreciation 1. Depreciable Items 2. Depreciable Basis 3. Amount of Depreciation 4. Adjustments to Basis VII. Interest, Original Issue Discount, and Other Time Value of Money Issues A. Interest Income and Deductions B. Prepaid Interest C. Original Issue Discount D. Other Time Value of Money Issues	Text: Chapter 5, pp. 287-89 Chapter 5, pp. 344-46 Chapter 5, pp. 356-94 Chapter 6, pp. 439-43 Problems: Problem 5-28 at p. 357 Problem 5-31 at p. 367 Problem 6-18 at p. 443
VIII. Exceptions to Annual Accounting A. Carryovers B. Claim of Right Doctrine C. Tax Benefit Rule	Text: Chapter 7, pp. 489-543 Problems: Problem 7-5 at p. 500 Problem 7-6 at p. 502
IX. Change of Accounting Method and Change of Accounting Period A. Changes of Accounting Method 1. Voluntary Change a. Automatic Change Request Procedures (Rev. Proc. 2011-14 and successors) b. Advance Consent Request Procedures (Rev. Proc. 97-27 and successors) c. Form 3115, Application for Change in Accounting Method 2. Traditional vs. Cut-Off Method 3. Involuntary Change (Rev. Proc. 2002-18) 4. A Telecommunications Industry Example B. Change in Taxable Year 1. Rev. Proc. 2002-39	Text: Chapter 7, pp. 543-555 Chapter 8, pp. 571-589 Chapter 8, pp. 597-607 Additional Materials: Skim Rev. Proc. 2011-14 Skim Rev. Proc. 97-27 Skim Rev. Proc. 2002-18 Skim Form 3115 Skim 47 C.F.R. part 32 Skim Rev. Proc. 2011-27 Problems: Problem 7-16 at p. 549 Problem 8-1 at p. 578 Problem 8-5 at p. 579