

CORPORATE TAXATION

LAW 783, SEC. 1, RM 210

SPRING SEMESTER 2018

(UPDATED JANUARY 4, 2018)

PROFESSOR AITSEBAOMO

3100 CLEBURNE STREET | HOUSTON, TEXAS 77004

TELEPHONE: 713.313.1127

| FAX: 713.313.1049

TABLE OF CONTENTS

About The Professor	3
Hierarchy of Authority for IRS Guidance and Other Information Sources	4
Course Books and Material.....	5
Spring 2018 Academic Calendar	6
Course Description.....	Error! Bookmark not defined.
Reading Assignments	9

ABOUT THE PROFESSOR



NAME: GABRIEL AITSEBAOMO

CERTIFIED PUBLIC ACCOUNTANT

MASTER OF LAWS (LL.M) IN TAXATION

ASSOCIATE DEAN FOR ACADEMIC AFFAIRS

TELEPHONE: 713-313-1127

EMAIL: gaitsebaomo@tmslaw.tsu.edu

LOCATION: 223D

OFFICE HOURS: MTR, 3:15PM to 5:00 PM
(All other times by appointment only)

NOTES FROM THE PROFESSOR:

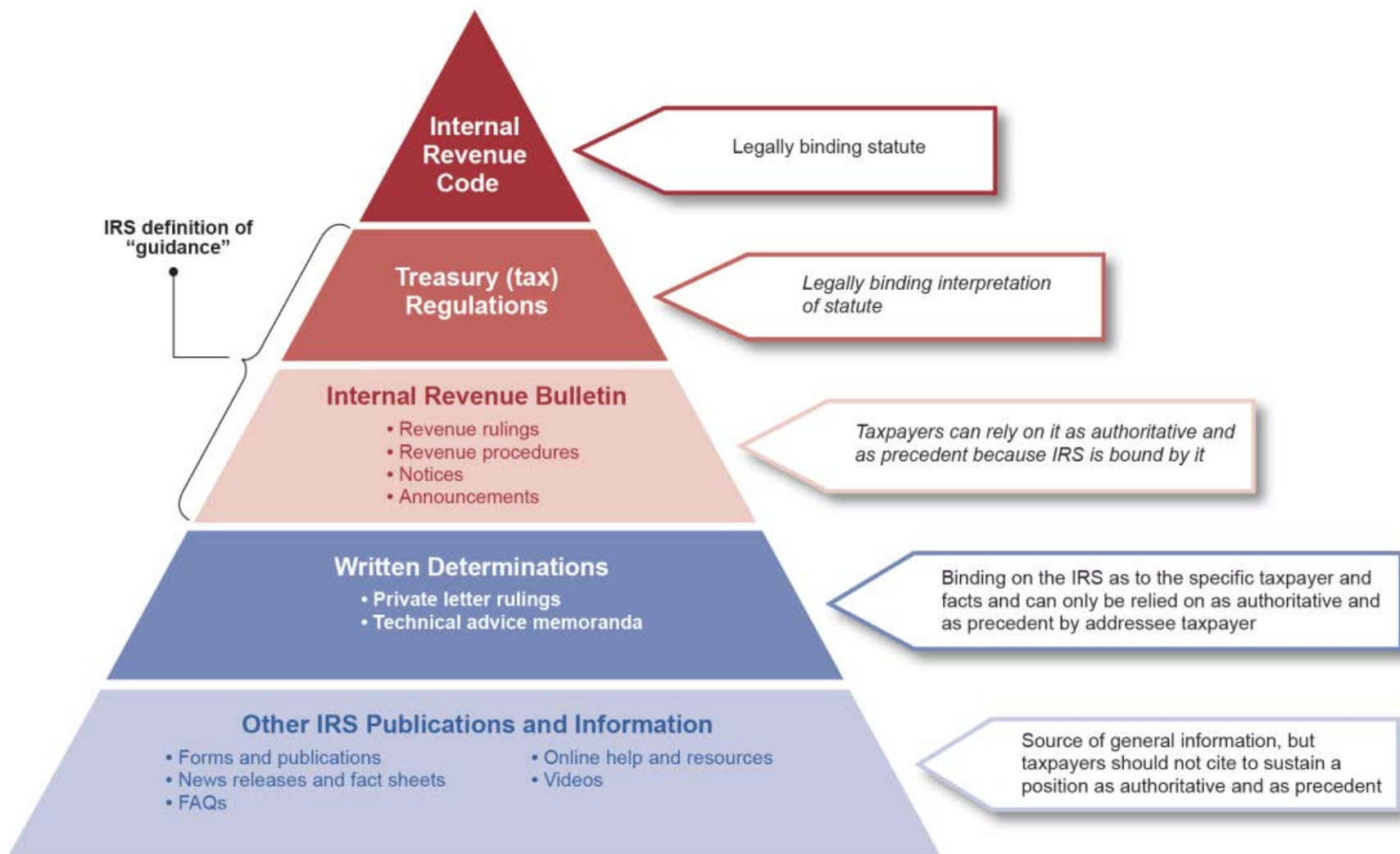
ACKNOWLEDGMENT

By attending this class, you acknowledge that you have read and understood the content of this syllabus. If you have not or have any questions, please visit with me at your earliest convenience.

NOT A CONTRACT

This syllabus is not a contract. Accordingly, it is subject to change at any time with or without notice.

Hierarchy of Authority for IRS Guidance and Other Information Sources



Source: GAO analysis of IRS documents. | GAO-16-720

COURSE BOOKS & MATERIAL

CASEBOOK:

Fundamentals of Federal Corporate Taxation, Cases & Materials, Stephen Schwarz;
Daniel Lathrope[9th ed.] (available at TSU Bookstore).



TAX CODE:

Selected Federal Income Taxation: Statutes & Regulations, Selected and Edited by
Daniel J. Lathrope [2018 or Latest]



SPRING 2018 ACADEMIC CALENDAR

SPRING SEMESTER 2018 (SEVENTY DAYS OF CLASSES)

Law School Opens	Tuesday	January 2, 2018
First Day of Class	Monday	January 8, 2018
Last Day to ADD/DROP	Wednesday	January 10, 2018
M L K Holiday (No Classes)	Monday	January 15, 2018
<i>Purge of all unpaid course selections</i>	Wednesday	February 7, 2018
President's Day Holiday (No Classes)	Monday	February 19, 2018
Mid Term Examinations	Mon – Fri	March 5– 9, 2018
Spring Break	Mon – Fri	March 12 – 16, 2018
Good Friday (No Classes)	Friday	March 30, 2018
Last Day of Classes	Wednesday	April 25, 2018
Last Day to Drop a Class	Wednesday	April 25, 2018
First Year Professors' Grades due	Wednesday	April 25, 2018
Reading Period (No Classes)	Thur. – Sun	April 26 - 29, 2018
Final Examinations	Mon- Fri	April 30 – May 11, 2018
Hooding Ceremony	Friday	May 11, 2018
University Commencement	Saturday	May 12, 2018

Please note that the calendar events and /or dates are subject to change.

TMSLAW ACADEMIC AFFAIRS

May 2017

PROFESSOR AITSEBAOMO

Spring Semester 2018 Corporate Taxation, MTR 2.00PM-2.50PM

CASEBOOK: Fundamentals of Corporate Taxation, Cases & Materials
Stephen Lind, Stephen Schwarz & Daniel Lathrope [9th ed]
(available at TSU Bookstore)

CODE Selected Federal Income Taxation: Statutes & Regulations,
Selected and Edited by Daniel J. Lathrope [Latest ed]

COURSE OBJECTIVES At the conclusion of this course, students should be able to determine: the specific tax consequences of transfers of property to newly formed or existing corporations; the basis and holding periods of the transferor and transferee; tax treatment of boot associated with any transfers and how boot is allocated; tax treatment of corporate assumption of transferor liabilities associated with the transferred property and other collateral issues; capital structure of a corporation and the tax distinction between equity and debt financing; tax consequences of non-liquidating corporate distributions; calculation of earnings per share; tax consequences of cash and property distributions; tax consequences of stock redemptions, partial liquidations, and complete termination of a shareholder's interest.

ATTENDANCE: Mandatory. Class meets 2PM-2.50PM, MTR. A student who misses more than 5 classes will receive a letter grade reduction. You do not have to inform me of your absences or give any explanations for them. I may give no other notice to you that you are in danger of a letter grade reduction.

Note: 5 percent of your final letter grade is based on your class attendance record. To earn the 5 percentage points, you must miss no more than 5 classes. Thus, if you miss 6 classes, for example, you get zero points out of the 5 percentage attendance points.

EXAMINATIONS: There will be two examinations in this course - a mid-term, valued at 30 percent and a cumulative final examination, valued at 60 percent.

CLASS PARTICIPATION

Class participation is mandatory. 5 percent of your final grade will be based on your class participation record. You accumulate class participation points pro rata throughout the semester by being prepared for every class so that you are able to effectively discuss the materials assigned when called upon or you volunteer to brief a case and answer follow-up questions. You earn zero class participation points during a particular class when you are not prepared for that class and this unable to correctly brief cases assigned and respond to questions asked; in that case, you may also be deemed absent for that particular class at the discretion of the professor.

IN-CLASS CONDUCT

All cell phones and/or electronic pages must be turned off during class. No side talk of any kind is permitted during class session unless prior authorization is sought from and granted by the Professor. You must not access the internet while class is in session unless prior authorization is sought from and granted by the Professor. You must not leave the classroom while class is in session (except for restroom leave) unless prior authorization is sought and granted by the Professor.

OFFICE HOURS:

MTWR, 3:20:00PM to 4:30 PM, or by appointment. My office is located in RM 223 D, Dean Suite, TMSL. Tel. 713-313-1127. My e-mail address is: gaitsebaomo@tmslaw.tsu.edu

READING ASSIGNMENTS

Note: Except as otherwise provide, you are to read the following reading assignments and work related problems before coming to class.

- #1 **An overview of the taxation of corporations and shareholders**
Pg. 3-18.
- #2 **The corporation as a separate taxable entity, pg 18-25**
- a. IRC §§11(a), (b)(1) & (2). 63(a) Browse over §§199(a), (b), (c); 243(a); 1201(a); 1211(a); 1212(a)(1); **Omit Pages 24-27, dealing with corporate alternative minimum tax**
 - b. Multiple Corporations. Pgs. 27-31 Look over §1501-1503; 1504(a), (b) 1561; 1563
 - c. Work the Boots Inc. problem on 31
- #3 **Corporate Classification**
- a. Corporate classification pg. 32-33; IRC §7701(a)(3).
 - b. Corporations vs. Partnerships; Pg. 34-38. Check the box Regulations. Treas. Reg. §§301.7701-1(a)(1) & (2); -2(a); (b)(1)-(3); (c)(1) & (2); -3(a), (b)(1).
 - c. Recognition of Corporate Entity. *Commissioner v. Bollinger* pg. 39-52
- #4 **Formation of a Corporation**
- a. Introduction IRC §351, pg. 55-59
 - b. IRC §§351(a); (c), (d)(1) – (2); 358(a); (b)(1); 362, (e); 368(c); 1032(a); 1223(1); (2); 1245(b)(3).
 - c. Treas. Reg. §§1.351-1(a); (b); 1.358-1(a); -2(b)(2); 1.362-1(a); 1.1032-1(a); (d).
 - d. Work Problems (a) – (d) pg. 59-60.

#5 **Requirements for nonrecognition of gain or loss under §351**, pg 60-70

Control Immediately After The Exchange, IRC §351(a); 368(c). Treas. Reg. §1.351-1(a)(1)

Pg. 65-66.

Intermountain Lumber Co. v. Commissioner, pg. 61-66

Work Prob. (a) – (d) Pg. 66

Transfer of “Property” and Services, Treas. Reg. §1.351-1(a)(1), (2).

Pg. 66-68.

Solely for “Stock”. Browse over IRC §351(g). Pg. 68-69. Wk problems pg. (a) – (f) 69-70

#6 **Treatment of Boot**, pg 75-77

IRC §§351(b); 358(a); (b)(1); 362(a); glance over 351(g)

Treas. Reg. §§1.351-2(a); 1.358-1, -2; 1.362-1

Prop. Reg. §1.351-2(b)

Revenue Ruling 68-55, pg. 73-76.

Timing of Section 351(b) Gain

Proposed Reg. §1.453-1(f)(1)(iii), -(f)(3)(i), (ii), (iii) Ex. 1.; pg. 76-79

Work problems (a) – (b) pg. 79.

#7 **Assumptions of liabilities**, pg 80-84

IRC §§ 357(a)-(c); 358(d), glance over 357(d)

Treas. Reg. §§ 1.357-1, -2, 1.358-3.

Peracchi v. Commissioner pg 84-98

Work problems 1 & 2 pg. 98 – 99.

#8 a. **Incorporation of a going business**; *Hempt Brothers, Inc. v. United States*. pg 99-103.

b. Revenue Ruling 95-74, pg. 103-108.

c. Work problems pg. 108-109.

#9 **Collateral Issues**

Contributions to Capital, 110-111

IRC §§118(a); 362(a)(2), (c)

Treas. Reg. §1.118-1

Intentional Avoidance of Section 351. Pg. 111

Organizational and Start-up Expenses pg. 112.

IRC §195; 212(3); 248

Treas. Reg. §1.248-1(b).

Work problems (a) – (d), pg. 113-114.

#10

The Capital Structure of a corporation

Introduction, pg 115-117

Tax Advantage of Debt vs. Equity, pg 117-126

Indmar Products Co., v. Commissioner, pg 126-137

Hybrid Instruments/ Tax Treatment of Business Debt. pg. 137 - 141

#11

The Section 385. pg 141-144

IRC §385

Work problems 1 & 2 on pg 145.

#12

Character of gain or loss on corporate investment, pg 146-149.

IRC §§165(g)(1), (2); 166(a), (d), (e); 1244(a)-(c); glance over 1045, 1202

Treas. Reg. §§1.165-5(a)-(c); 1.166-5; 1.1244(a)-1(a), (b).

Work problems pg. (a) – (h) on pg 149-150

#13

Nonliquidating distributions

Dividends: In general, pg 151-154

IRC §243(a), (b)(1); 301(a), (c); 316(a); 317(a)

Treas. Reg. §§1.301-1(c); 1.316-1(a)(1)-(2)

Qualified Dividends

IRC §1(h)(11)., pg 154-155.

Economic Impact of Dividend Rate Reductions, pg 156-158.

#14

Earnings and Profits, pg 158-161

IRC §§312(a), (c), (f)(1), (k)(1)-(3); 316(a)

Treas. Reg. §§1.312-6(a), (b), (d) (first sentence), 1.312-7(b)(1) (first sentence)

Work problems pg 161.

- #15 **Distribution of cash**, pg 161-162
IRC §§301(a), (b), (c); 312(a); 316(a).
Treas. Reg. §§1.301-1(a), (b); 1.316-2(a)-(c)
- Revenue Ruling 74-164, pg 162-165
- Work Problems (a) – (d), pg. 166
- #16 **Distribution of property**
Tax consequences to the distributing corporation, pg 166-170.
IRC §311; 312(a)(2), (3), (b), (c), (f)(1)
Treas. Reg. §§1.312-3; 1.301-1(d)(1)(ii)
- Distributions of a Corporation’s Own Obligations, pg. 170
IRC §311, (b)(1); 312(a)(2); Treas. Reg. §1.301-1(d)(1)(ii)
- Work problems (a) – (e) pg 171
- #17 **Constructive Distributions**, pg 171-177.
Glance over IRC §§7872(a), (c)(1)(C)
Treas. Reg. §§1.301-1(j).
- Nicholls, North, Buse Co. v. Commissioner*, pg 172-177
- #18 **Anti-avoidance limitations on the dividends received deduction**, pg.
177-184
- IRC §§243(a)(1), (3), (c); 246(a)(1), (b)(1), (c); 246A; 1059(a), (b), (c),
(d), (e)(1). Glance over §1059(e)(2), (3), (f).
- Work problems (a) – (f) pg. 184.
- #19 **Use of dividends in bootstrapping sales**
TSN Liquidating Corp v. US, pg. 184-196.
- Work problems, pg 196-97.
- #20 **Redemptions and Partial Liquidations**
Introduction, pg. 199-203
IRC §302, 317(b)
- Prop. Treas. Reg. §§1.302-5(a)(1) (3) –(5)(4)(i)
- #21 **Constructive ownership of stock**, pg 203-204

IRC §§302(c)(1); 318
Treas. Reg. §§1.318-1(a), (b), -2, -3(a), (b), -4

Work problems, 1, 2, pg. 205

#22 **Redemption tested at the shareholder level**, pg 205-207

IRC §302(b)(2)
Treas. Reg. §1.302-3

Revenue Ruling 85-14, pg. 207-209

Work problems 1-2, pg. 209.

#23 **Complete termination of shareholder's interest**

Waiver of attribution family, pg. 210-211
IRC §302(b)(3), (c)
Treas. Reg. §§1.302-4
Lynch v. Commissioner, pg. 211-218.

Rev. Rul. 59-119 pg. 218-220

Rev. Rul. 77-293 pg. 220-221

Waiver of attribution by entities, pg. 225-226

Work Prob. 1-3, pg. 227-228

#24 **Redemption not essentially equivalent to a dividend**

IRC §302(b)(1)
Treas. Reg. §1.302-2
Pg 228-235
United States v. Davis, pg. 229-235.

Revenue Ruling 85-106, pg 235-242

Work Problems 1-3, pg. 242-43

#25 **Redemptions tested at the corporate level: Partial liquidations**

IRC §302(b)(4), (e).
Pg 243-245

Revenue Ruling 79-184, pg. 245-247

Work problems (a) – (h) pg. 247-248.

#26

**Consequences to the distributing corporation
Distribution of appreciated property in redemption**

IRC §311

Pg. 248-249.

Effect on Earnings and Profits, pg 249-250

IRC §312(n)(7)

Work problems pg. 250

Stock Reacquisition Expenses, pg. 251-253

IRC §162(k)

#27

Redemption planning techniques

Bootstrap acquisitions

Revenue Ruling 75-447, Pg 253-255

Work problems pg. 255

Buy-Sell Agreements pg. 256-258

IRC §101(a); 264(a)(1); skim 2703

Constructive Dividend Issues

Revenue Ruling 69-608, pg 258-261

Work Problems (a) – (e) pg. 262

Redemptions Incident to Divorce

Treas. Reg. § 1.1041-2(a), (b), (c), (d).

Arnes v. United States, pg. 262-270

Work prob. (a) – (c), pg. 270.

Charitable Contribution and Redemption

Groove v. Commissioner pg. 271-278

#28

Redemption through related corporations, pg. 279-284

IRC §§ 304(a); (b)(1), (2), (3)(A), & (B); (C)

Treas. Reg. §§ 1.304-2(a), (c) Examples (1) & (3), -3(a)