

USC Leventhal

School of Accounting

ACCT 569T – ADVANCED PARTNERSHIP TAXATION

Spring 2014 / Section 14249R / Jan 13 – May 2

BRI 202 / 11:00 a.m. – 12:20 p.m.

Advanced tax concepts involving partnerships and limited liability companies, designed to produce a level of expertise in Subchapter K of the Internal Revenue Code.

Syllabus

PREREQUISITES: ACCT 551T

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And by appointment

EMERGENCY NUMBERS: USC Emergency Info Line: 213-740-9233
USC Emergencies: 213-740-4321
USC Information Line: 213-740-2311 or KUSC Radio (91.5 FM)

TEXTS: See Blackboard for instructions to access online:

Applicable Internal Revenue Code and Regulation Sections
(Available on-line through RIA Checkpoint or CCH IntelliConnect)

Federal Taxation of Partnerships and Partners
(Available on-line through CCH IntelliConnect / CCH Expert
Treatise Library)

PROGRAM LEARNING OUTCOMES:

The following are the five Student Learning Outcomes developed for this program by the USC Leventhal faculty and administration and filed with the AACSB, the accrediting body for accounting and business schools. This course will deal primarily with learning outcomes #1 and #3 and to a lesser extent with learning outcomes #2 and #4.

1. *Technical, Conceptual, Problem-Solving Requirement*
Students will be competent in and be able to apply discipline-specific knowledge and skills in the fields of accounting or taxation. This learning outcome includes the development of critical thinking and problem solving skills, as well as an understanding of the strategic role of accounting in business organizations and society.
2. *Professional Development Requirement*
Students will be able to communicate clearly, and strategically, after considering the relevant audience, situation, and purpose of the communication. Students will develop the ability to work productively with others to accomplish established goals.
3. *Research/Life-Long Learning Requirement*
Students will be able to use relevant research databases and academic/professional literature to gain new knowledge and analyze business situations.
4. *Ethical Principles and Professional Standards Requirement*
Students will be able to apply ethical principles and professional standards in analyzing situations and making informed decisions.
5. *Globalization Requirement*
Students will be able to demonstrate an international perspective and appreciation for diversity and cultural differences, along with their significance in global business.

COURSE LEARNING OUTCOMES:

Upon taking this course, the student will be able to:

1. Apply the Subchapter K rules to various complex partnership transactions, including the receipt of a partnership interest for services, distributions from partnerships, sales of partnership interests, and the death or retirement of a partner;
2. Design partnership profit and loss allocations to comply with the rules of Code § 704(b) and (c), including constructing capital accounts;
3. Evaluate the benefits and detriments of optional and mandatory basis adjustments;
4. Compare the consequences of the sale of a partnership interest with the liquidation of a partnership interest;
5. Analyze the Subchapter K rules throughout for tax planning opportunities; and
6. Integrate the knowledge learned to determine the tax consequences of various transactions engaged in by a fictional case study client.

GRADES:

Individual Homework Problems (see syllabus)	150 points
Exam Modules 1 – 5	200 points
Exam Modules 6 – 8	200 points
Participation & Discussion Problems	100 points
Final Case Study Project	<u>350 points</u>
Total	1000 points

GRADING POLICIES:

1. Class attendance and participation is important in developing a coherent view of the materials covered in the course. Students should be prepared to discuss the materials assigned for each class. Study groups will be formed and called upon to present answers to the discussion problems. All group members will be graded on the preparedness of their group in presenting the solutions to these discussion problems. This is part of your participation grade.
2. Certain problems will be assigned as individual homework problems, and must be submitted as a Word or Excel file under the "Assignments" tab in Blackboard. Cooperation with other students, including study group members, is not allowed on these individual homework problems. Due dates are indicated in the syllabus.
3. There are two exams, both of which will be "open book" (Code, Regs, text, and assigned readings only). Make up examinations will generally not be given, except in the case of a well-documented emergency, and arranged for in advance with the instructor.
4. The final case study project will be evaluated based on content as well as on the effectiveness of your communication. This includes grammar, spelling, organization, and other essentials of effective communication. One case study will be submitted for each assigned group. The topic and instructions will be posted on Blackboard.
5. The class lecture will be recorded and posted on Blackboard. The recordings are for study purposes only. Attendance in all classes is expected.
6. We adhere to the USC Leventhal School of Accounting and Marshall School of Business grading standards for graduate programs. In general, final course grades at the graduate level in a core course average approximately B+ (3.3), but may vary based on class performance. For elective courses, the class average is usually higher--approximating 3.5, which is between a B+ and an A-. You must receive a C or better to pass a required class, and you must have an overall B average (3.0 minimum) in order to graduate from USC.

STATEMENT FOR STUDENTS WITH DISABILITIES:

Any student requesting academic accommodations based on a disability is required to register with Disability Services and Programs (DSP) each semester. A letter of verification for approved accommodation can be obtained from DSP. Please be sure the letter is delivered to me as early in the semester as possible. DSP is located in STU 301 and is open 8:30 a.m. – 5:00 p.m., Monday through Friday. The phone number for DSP is (213) 740-0776. More information about USC Disability Services & Programs may be found at:

http://sait.usc.edu/academicsupport/centerprograms/dsp/home_index.html

STATEMENT ON RETENTION OF PAPERS FROM THE CURRICULUM OFFICE

According to the *Guidelines on Documents Retention*, University policy requires that final exams and all other grade work which affected the course grade be kept for one year. Other papers or work that instructors hand back but that students fail to pick up can be held for one month.

SCHEDULE – ACCT 569T – SPRING 2014

DATE	TOPICS / READINGS / ASSIGNMENTS
Jan 14	<p>MODULE 1: Receipt of Partnership Interest for Property or Services</p> <p>Learning Outcomes:</p> <ol style="list-style-type: none"> 1. Recall the key issues of the taxation of partnership formation. 2. Identify the difference between a capital interest and a profits interest. 3. Explore the reasoning behind the proposed changes to the taxation of a partnership interest for services. 4. Demonstrate and calculate the tax consequences when either a capital or profits interest is issued for services under both current and proposed rules. <p>Readings:</p> <p>IRC: §§ 721, 722, 723, skim § 83</p> <p>Regs: § 1.721-1(b); Prop. Reg. § 1.721-1(b); Prop. Reg. § 1.83-3(l)</p> <p>CCH Treatise: Review ¶¶ 4.01 – 4.06; 5.02 Study ¶¶ 6.01 – 6.06</p> <p>Other: Rev. Proc. 93-27, Notice 2005-43, 2005-24 IRB 1221</p>
Jan 16	<p>Prepare: MODULE 1 Discussion Problems to present in class</p>

Jan 21	<p>MODULE 2: Partner's Distributive Share - § 704(b)</p> <p>Learning Outcomes:</p> <ol style="list-style-type: none"> 1. Construct capital accounts using the capital account maintenance rules. 2. Interpret the basic principles and mechanics of the § 704(b) allocation rules, and discuss the concept behind the substantial economic effect safe harbor. 3. Calculate capital accounts and the impact of special allocations in a given scenario. <p>Readings:</p> <p>IRC: § 704(a) & (b)</p> <p>Regs: § 1.704-1(b)(1)(i) § 1.704-1(b)(2)(i), (ii)(a), (b), (c) § 1.704-1(b)(2)(iv)(a) thru (h) § 1.704-1(b)(5) Examples 1(i), 4(i)</p> <p>CCH Treatise: ¶¶ 17.01, 17.02, 17.03 intro and [A], 17.03[B][1], 17.03[D]</p>
Jan 23	<p>Prepare: MODULE 2 Discussion Problems to present in class</p>

Jan 28	<p>MODULE 3: Working with Profit and Loss Allocations</p> <p>Learning Outcomes:</p> <ol style="list-style-type: none"> 1. Interpret and apply the alternate test under the § 704(b) Regulations 2. Evaluate which allocations fail the “substantiality” requirement 3. Apply the principles of the § 704(c) allocation rules to asset sales 4. Analyze non-safe harbor allocations 5. Calculate the consequences of special allocations <p>Readings: IRC § 704(c)(1)(A) Regs. §§ 1.704-1(b)(2)(ii)(d); 1.704-1(b)(2)(iii); 1.704-3(a)(1) – (5), (b)(1) CCH Treatise: ¶¶ 17.03[B][2]; 17.03[C][1], [2]; 17.04; 17.06[B]; 17A.01 intro and [A]</p>
Jan 30	<p>Prepare: MODULE 3 Discussion Problems to present in class</p>

Feb 4	<p>MODULE 4: Working with Book-Tax Differences</p> <p>Learning Outcomes:</p> <ol style="list-style-type: none"> 1. Identify the use of “reverse” § 704(c) allocations 2. Interpret and apply the principles of § 704(c) to depreciable property 3. Apply the use of remedial and curative allocations and understand their practical application 4. Compare the relationship between § 704(b) and § 704(c) <p>Readings: IRC § 704(c)(1)(A) Regs. §§ 1.704-3(b); skim Treas. Reg. § 1.704-3(c), (d) CCH Treatise: ¶¶ 17.03[A][3]; 17A.01[B]; 17A.02[A]; 17A.03[A]; 17A.03[B]; 17A.03[F] intro Suggested Reading: Treas. Reg. § 1.704-3(d)(7) Ex 1</p>
Feb 6	<p>Prepare: MODULE 4 Discussion Problems to present in class</p> <p>Submit: Individual Homework Problem for Module 4 (DUE SUNDAY FEB 9TH)</p>

Feb 11	<p>MODULE 5: Allocation of Liabilities - § 752</p> <p>Learning Outcomes:</p> <ol style="list-style-type: none"> 1. Identify which partners are subject to an economic risk of loss with respect to partnership debt 2. Compare the allocation of recourse debt with the allocation of non-recourse debt 3. Demonstrate how debt is allocated in various situations <p>Readings: Code: § 752 Regs: § 1.752-1; § 1.752-2(a) – (c), (f) Ex 1, 2, 4 § 1.752-3(a), (c) Ex 1; CCH Treatise ¶¶ 9.01 intro & [A], 9.03[A][1], [2]; 9.03[B]; 9.05[A], [B]</p>
Feb 13	Prepare: MODULE 5 Discussion Problems to present in class

Feb 18	<p>REVIEW</p> <p>Prepare: Review Discussion Problems</p>
Feb 20	EXAM MODULES 1 – 5

Feb 25	<p>MODULE 6: Distributions (Part I)</p> <p>Learning Outcomes:</p> <ol style="list-style-type: none"> 1. Explain the tax consequences of partnership distributions 2. Apply the basis rules for the distribution of multiple assets 3. Compare distributions of contributed property <p>Readings: IRC §§ 731(a), (b), (d); 732(a), (b), (c); 733; 737; 704(c)(1)(B) Regs: § 1.732-1(a) – (c); 1.761-1(d); § 1.737-1; 1.704-4(a), (b), (e) CCH Treatise: ¶¶ 21.01; 21.07; 21.08 intro, 21.08[E]</p>
Feb 27	<p>Prepare: MODULE 6 (Part I) Discussion Problems to present in class</p>

Mar 4	<p>MODULE 6: Distributions (Part II)</p> <p>Learning Outcomes:</p> <ol style="list-style-type: none"> 1. Demonstrate the consequences of “hot assets” on distributions 2. Assess the effectiveness of IRC § 751(b) <p>Readings: IRC § 751(b) Regs: § 1.751-1(b), (g) Ex 2 CCH Treatise: ¶¶ 23.01 – 23.03; skim 23.04 Other: Notice 2006-14, 2006-1 CB 498; Watch “Bill Woods Perspective”</p>
Mar 6	<p>Prepare: MODULE 6 (Part II) Discussion Problems to present in class</p> <p>Submit: Individual Homework Problem for Module 6 (DUE SUNDAY MARCH 9TH)</p>

Mar 11	<p>MODULE 7: Sale or Exchange of Partnership Interest</p> <p>Learning Outcomes:</p> <ol style="list-style-type: none"> 1. Analyze the impact of the sale of a partnership interest on all parties 2. Identify “hot” assets in a partnership and their treatment upon sale of a partnership interest 4. Calculate the amount and character of gain on the sale of a partnership interest 5. Identify the issue of a disguised sale of a partnership interest <p>Readings: Code: §§ 741, 742, 752(d), 751(a), (c), (d) Regs: §§ 1.704-3(a)(7); 1.704-1(b)(2)(iv)(I); 1.741-1; 1.751-1(a), (c), (d)(2), (g) Ex 1 CCH Treatise: ¶¶ 24.01 – 24.03; 25.01 – 25.04</p>
Mar 13	Prepare: MODULE 7 Discussion Problems to present in class

Mar 25	<p>MODULE 8: Optional and Mandatory Basis Adjustments (Part I)</p> <p>Learning Outcomes:</p> <ol style="list-style-type: none"> 1. Compare the results of making versus not making a Section 754 election. 2. Calculate the basis adjustments under IRC § 743 for sales of partnership interests. 3. Apply the basis adjustments to partnership transactions. 4. Analyze the pros and cons of mandatory basis adjustments. <p>Readings: IRC: §§ 743(a) – (d); 754; skim 755 Treas. Regs.: §§ 1.743-1(a) – (e), (j); 1.754-1; 1.704-1(b)(2)(iv)(I), (m); skim 1.755-1 CCH Treatise: ¶¶ 37.01 – 37.07</p>
Mar 27	Prepare: MODULE 8 (Part I) Discussion Problems to present in class

Apr 1	<p>MODULE 8: Optional and Mandatory Basis Adjustments (Part II)</p> <p>Learning Outcomes:</p> <ol style="list-style-type: none"> 1. Compare the results of making versus not making a Section 754 election. 2. Calculate the basis adjustments under IRC § 734 for distributions to partners. 3. Apply the basis adjustments to partnership transactions. 4. Analyze the pros and cons of mandatory basis adjustments. <p>Readings: IRC: §§ 734; 754; skim 755 Treas. Regs.: §§ 1.734-1; 1.754-1; 1.704-1(b)(2)(iv)(I), (m); skim 1.755-1 CCH Treatise: ¶¶ 37.01 – 37.07</p>
Apr 3	<p>Prepare: MODULE 8 (Part II) Discussion Problems to present in class</p> <p>Submit: Individual Homework Problem for Module 8 (DUE SUNDAY APRIL 6TH)</p>

Apr 8	<p>Review Prepare: Review Discussion Problems</p>
Apr 10	<p>Exam Modules 6 – 8</p>

Apr 15	<p>MODULE 9: Guaranteed Payments / § 707</p> <p>Learning Outcomes:</p> <ol style="list-style-type: none"> 1. Distinguish between payments under IRC § 707(a) and § 707(c) 2. Evaluate the tax consequences of guaranteed payments 3. Apply the self-employment tax rules to LLCs <p>Readings: IRC: § 707(a), (b), (c) Treas. Regs.: § 1.707-1(a), (b), (c) CCH Treatise: ¶¶ 27.01, 27.02[A], [B], [C]; 27.03; 27.04[A][1]; 31.03[B]</p>
Apr 17	<p>Prepare: MODULE 9 Discussion Problems to present in class</p>

Apr 22	<p>MODULE 10: Death and Retirement of Partner - § 736</p> <p>Learning Outcomes:</p> <ol style="list-style-type: none"> 1. Identify whether liquidating payments to a partner are treated under IRC § 736(a) or § 736(b) 2. Analyze and calculate the tax consequences of a liquidating distribution to a partner 3. Compare the tax consequences of selling versus liquidating a partner's interest <p>Readings: IRC: § 736 Treas. Regs.: § 1.736-1 CCH Treatise: ¶¶ 35.01, 35.02, 35.03</p>
Apr 24	Prepare: MODULE 10 Discussion Problems to present in class

Apr 29	Review
May 1	Review
	CASE STUDY DUE PRIOR TO MIDNIGHT May 6th