Overview of Corporate Taxation
Fall, 2005
Professor Deborah Schenk

Course Content

This course is intended to be a basic introductory course to corporate taxation. There is no syllabus as such. The following are the topics we will cover this semester.

Unit I: A short recap of some basic federal income tax principles that will be used throughout the course, including basis, realization, characterization, depreciation recapture, and installment sales.

Unit II: Corporate distributions, starting with an introduction to the double tax system and the stakes involved; contrasting the treatment of individuals and corporations. Then we will look in some detail at distributions of cash, property, and debt instruments. Finally we will focus on the corporate dividend received deduction, including limitations.

Unit III: Redemptions. Because the stakes are not high for individuals we will not spend a lot of time on the tax treatment of the redemption of corporate stock by individuals but we will cover the basics. We will look at redemptions by corporations, including bootstrap acquisitions, where the stakes are still important. We will also look at 304 transactions, but only at brother-sister transactions, not parent-sub purchases.

Unit IV: Stock Dividends. We will at a number of types of stock dividends to discern which are taxable and which are not. We will also look at section 306 bailouts (nontaxable stock dividend followed by sale or redemption of the stock).

Unit V: Corporate organizations and transfers to corporations. We will focus on the tax consequences of transfers by a group of controlling shareholders, looking at the differences relating to various types of transfers and the tax consequences to both the transferors and the corporation. This unit will also look at the overlap between section 351 and other sections we have previously reviewed.

Unit VI: The rest of the course is devoted to corporate reorganizations. In this unit we look at taxable acquisitions and sales. We will look at the rules for corporate liquidations as well as the special rules for liquidation of a subsidiary and will contrast them with taxable asset sales.

Unit VII: Nontaxable corporate reorganizations. Here we will focus on corporate mergers and acquisitions. We will examine
Type A, B, and C reorganizations, as well as drop-downs and triangular reorganizations. We will examine the various tests for successfully completing a nontaxable reorg as well as the tax consequences.

VIII: Our last unit is on Type D reorganizations and section 355 transactions: corporate spin-offs, split-ups, and split-offs.

Materials
There is no getting around the fact that this is a highly detailed course that concentrates on the Internal Revenue Code and regulations. You must own a copy—if you used an abridged copy in your basic tax class, that will do for this class as well, but it should be no more than a year old. We will use the Code and Regs in every class. There is no coursebook. Instead I have posted the readings/materials on Blackboard, which you can pull down for each unit. That there is no coursebook reflects the fact that the primary resource is the Code and regs. I can recommend two treatises, however if you want something to read. The "bible" is Boris I. Bittker & James S. Eustice, Federal Income Taxation of Corporations and Shareholders (WG&L), known to tax lawyers everywhere as B&E. If it is not in B&E, it is not known. That makes for an extremely hefty (and expensive book), which is why I am not asking you to buy it. It is on reserve in the library. I think the best "nutshell" type book is Cheryl D. Block, Corporate Taxation, Examples and Explanations (3d ed. 2004). There are others but most are dated and do not reflect recent changes to the law. That is also on reserve but there are copies available at the bookstore.

Office Hours
My official office hours are 10-11 on Tuesday and 9-10 on Thursday (i.e. right before class). Since I am most always here feel free to come look for me or e-mail me at deborah.schenk@nyu.edu to make an appointment. I am happy to meet with you at a time that is convenient for you. I strongly prefer that questions be posted to the discussion group on Blackboard rather than sent to me by e-mail. Everyone should benefit from what I have to say. But if you feel that your question is highly specialized or embarrassing in some way or personal, e-mail me or come see me or call me (x86163).

Final Exam and Grading
There will be a completely open book 3-hour in-class final exam. You will need a Code and regs for the exam.

My grading policy is as follows: I take class participation into account in the following way. I grade the exams and hit the bottom of the recommended curve. If you have participated in
class in a regular and meaningful way, I will bump your exam grade up one notch (e.g. B+ to A-). I make the top of the recommended curve by raising the grades of anyone in the top half of a grade group who has participated in class to some extent (e.g. anyone in the top half of those who received B+ will get an A- if s/he participated in class). If you do not participate in class discussion, your grade will be your final exam grade. I generally take volunteers in class but reserve the right to call on people.

Assignments
There is an assignment posted for each unit on Blackboard and they contain the assigned reading and problems. We will do the problems in class. I do not lecture. Fair warning--you will have difficulty following the class if you have not done some preparation in advance. I will explain my approach further in the first class.