

Assignments
Corporate Tax – LAWS 636 – Fall 2024
 Prof. Clint Wallace – Updated Aug. 9, 2024

Assignment	Topic	E&E and Other Reading	Problems
Topic A: Introduction and Corporate Tax Policy Issues			
1	Introduction to Corporate Tax & Choice of Entity	Ch. 1, pp. 3-18, Ch. 2 pp. 19-27 – Introduction and Choice of Entity (read up to start of S Corporations)	<i>Problem:</i> Shane, an individual, runs a business, Train Corporation, which is operates in South Carolina as a C Corporation. In 2024, the business collects \$1,500,000 of gross income, spends \$450,000 on reasonable employee compensation (\$200,000 of which is paid to Shane), buys real property for \$125,000, make \$100,000 of interest payments, incurs \$50,000 of lobbying expenses, makes \$150,000 of charitable contributions, and distributes \$25,000 of cash to Shane as the corporation's sole shareholder. What is Train Corp's gross income and taxable income, and what is Train Corp.'s federal tax liability? What is Shane's gross income (assuming he has no income from any other sources)? Be prepared to explain your thought process and research process.
Topic B: Formation -- § 351			
2	Introduction to Section 351	Chapter 4, pp. 67-82	Example 1, p. 124, and Explanation pp. 127-28
3	Operating Rules	Ch. 4, pp. 82-83, 89-92 (skip boot and loss limitations for now)	<i>Problem:</i> Austina, Bryan, Clint, Dewey and Everleigh form All Good Books Corporation. AGB issues 100 shares of common stock. Austina transfers \$25,000 of cash for 25 shares. Bryan transfers inventory with a value of \$10,000 with a basis of \$5,000 for 10 shares. Clint transfers real property with a value of \$20,000 and a basis of \$25,000 for 20 shares. Dewey transfers business equipment with a basis of \$5,000 and a value of \$25,000 (with \$20,000 of previously taken depreciation deductions) for 25 shares. Everleigh transfers a \$20,000 installment note for 20 shares. Everleigh received the note in exchange for land with a basis of \$2,000 that she sold last year; it is payable over five years beginning in two years, at \$4,000 per year plus market rate interest. What are the tax consequences to each of the transferors, and to AGB?

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4	Operating Rules & Boot	Ch. 4, pp. 84-89, Rev. Rul. 68-55 (handout)	Example 6(a), p. 126, and Explanation p. 134-36
5	Complications: Liabilities	Ch. 4, pp. 100-122, Perracchi case (handout)	Example 6(b), (c), p. 126, and Explanation p. 137
Topic C: Distributions & Redemptions -- §§ 301, 302, 304, 305			
6	Introduction to Distributions, Earnings and Profits	Ch. 5, pp. 141-42, 151-57	Example 4, p. 170, and Explanation p. 174
7	Section 301	Ch. 5, pp. 142-151, 160-68	Examples 1-3, p. 169, and Explanations pp. 172-74 AGB Property Distribution Problem (handout)
8	Attribution Rules and Redemptions	Ch. 6, pp. 181-207, CRS--Stock Buybacks Excise Tax (handout)	Examples 1 through 6 and Explanations pp. 226-233
9	Redemptions Through Related Corporations	Ch. 6, pp. 216-225	Related Corporation Transaction (handout)
10	Stock Dividends	Ch. 7., pp. 237-49	Example 1, p. 264 and Explanation p. 267 (and peak at Example 2 re: § 305(b))

Tentative: Wed. 10/9 - Midterm Exercise due and we will discuss (based on material through Topic C)

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Topic D: Liquidations -- §§ 331, 332			
11	Taxable Liquidations	Ch. 8, pp. 275-92 (skim the anti-stuffing rules)	<p>Examples and Explanations pp. 292-300, and problem:</p> <p>AGB Corp. owned by Clem (60 shares) and Ben (40 shares), who are unrelated. AGB has no liabilities and three assets: a building (AB \$100k, FMV \$400k), a parking lot (AB \$800k, FMV \$400k), and cash (AB and FMV \$300k).</p> <p>(1) AGB distributes each of its assets to Clem and Ben as tenants-in-common in proportion to their stock interests (Clem takes 60% and Ben takes 40%).</p> <p>(2) AGB distributes the parking lot and cash to Clem and the building to Ben.</p> <p>(3) AGB distributes the building and cash to Clem and the parking lot to Ben.</p> <p>(4) AGB distributes the building and cash to Clem and the parking lot to Ben, but now the parking lot was recently transferred to AGB by Clem and Ben in a section 351 transaction at a time when the parking lot had a fair market value of \$700,000 and an adjusted basis of \$800,000.</p>
12	Parent-Subsidiary Liquidations	Ch. 9, pp. 301-310	
Topic E: Taxable Acquisitions -- §§ 1060, 338			
13	Taxable Acquisitions	Ch. 10, pp. 321-33	AGB Asset Sale Problem (handout)
14	Section 338	Ch. 10, pp. 335-60	Asset Sale with 338 Election Example (handout)
Topic F: Tax-Free Reorganizations -- § 368			
15	Tax-Free Reorganizations (Types A, B, and C)	Ch. 11, p. 373-86, 427-48	<p>Example 1(a), 3(a), pp. 422-23, and Explanations, pp. 423-25</p> <p>Examples 1-3, pp. 474-75, and Explanations pp. 478-84</p>

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Topic A Revisited: Choice of Entity			
16	S Corporations and Choice of Entity	Ch. 1, pp. 27-39, Treas. Reg. § 301.7701-3(g)	Examples 1-3, pp. 39-40, and Explanations pp. 40-42
<i>Review Session – TBD</i>			
<i>Exam – December 2 at 9am, 4 hours</i>			