

**University of Florida**  
**Fisher School of Accounting**  
**TAX 6877**  
**State and Local Taxation**  
**Fall 2016, Module 2**

**Instructor**

V. Luke Watson, Ph.D., C.P.A.  
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**Class Meeting Days and Location**

Mondays and Wednesdays  
229 Gerson Hall

Exam: Monday, December 12

Course Website:

<https://lss.at.ufl.edu/> (UF e-Learning on Canvas)

**Office Hours**

Tuesdays and Thursdays, 1:40pm-3:10pm  
or by appointment

321 Gerson Hall

**Course Description**

Credits: 2; Prerequisite: TAX 6105 with a minimum grade of C, and AC standing.  
State and local tax principles and planning. Legal bases for state and local taxation; corporate income tax nexus, allocation, and apportionment; group filing methods; non-income taxes; state and local tax planning.

**Communication with Instructor**

E-mail is the best way to reach me outside of office hours. Please be professional (and coincidentally, readable) and use proper spelling, grammar, and capitalization in your email communication with me. Bear in mind that email is best for yes/no questions; complex questions are better suited to office visits. Do not send me messages through the course website as I do not check them regularly. I prefer email to voicemail and I check my email much more frequently than I check my voicemail. I typically check and reply to email at least daily during the week; however, if you email me on the weekend, I may or may not reply before Monday.

## Course Materials

There is no required textbook in this course.

### *Recommended:*

McGraw-Hill's Taxation of Individuals and Business Entities by Spilker *et al.* We will occasionally use materials from and related to Chapter 23, State and Local Taxes. Any recent edition will work for our purposes. If you do not already have a copy, do not purchase one for purposes of this course (it's an expensive book, and we will only use Chapter 23). Instead, borrow/share a copy with a friend as needed. Many students who have taken tax courses with Professors Garvin, Mayberry, or Watson will have a recent copy of this book.

If you would like an additional resource, you might check out State and Local Taxation: Principles and Planning by Swenson, Gupta, Karayan, and Neff.

## Learning Activities

We will cover complex material at a relatively fast pace, and as such, preparation is the key to success in this course. Involvement in both in-class and out-of-class activities is vital to the learning process. Every student will have the opportunity to participate in class discussions, applied problem discussions, and small group discussions. To prepare for such discussions and to facilitate learning, students should prepare for each class session by reading the assigned chapter in the textbook and attempting practice problems.

## Course Objectives

This course provides a broad introduction to state and local taxation and tax planning for students of accounting. Knowledge and skills gained in this course will help students prepare for a successful career in accounting in several ways. First, this course shall sharpen students' analytical abilities and business decision-making skills. Second, this course will help prepare students for a career in tax compliance and/or planning. Third, this course will aid students in their own personal tax compliance and planning. Students who are successful in this course will be able to:

1. Define nexus for imposition of state and local income taxes and distinguish between economic and physical presence.
2. Understand basic adjustments to compute state taxable income.
3. Understand federal case law and its effect on states' ability to tax.
4. Apportion and allocate business income to appropriate jurisdictions.
5. Differentiate single company state tax filing from unitary filing.
6. Explain various types of tax and nontax revenue sources available to state and local governments.
7. Incorporate the aforementioned concepts into tax planning.

## **Student Assessment Process**

Overall Grade Calculation:

Assignments	25%
Presentation and Paper	25%
<u>Exam</u>	<u>50%</u>
Total	100%

*Course Grade:* Final grades will be based on obtaining the following percentage of total course points: 93-100% = A; 90-92% = A-; 87-89% = B+; 83-86% = B; 80-82% = B-; 77-79% = C+; 73-76% = C; 70-72% = C-; 67-69% = D+; 63-66% = D; 60-62% = D-; 0-59% = E. Required percentages may be reduced based on a course curve.

*Grade Values:* The grade-point value per credit hour associated with each letter grade is assigned by the Office of the University Registrar: A = 4.0, A- = 3.67, B+ = 3.33, B = 3.0, B- = 2.67, C+ = 2.33, C = 2.0, C- = 1.67, D+ = 1.33, D = 1.0, D- = .67, E = 0.0. For more information visit:

<http://gradcatalog.ufl.edu/content.php?catoid=8&navoid=1493#grades>

### *Examinations*

Exam Absence/ Make-Up: Absence from an exam will count as a zero grade, and no opportunity will be given to make-up that grade unless there is a valid excuse for the student's absence.

University Regulations will be followed in determining valid excuses for absence from examinations. Medical excuses must document that you were medically unable to take the exam (a student's mere appearance at a medical care facility does *not* constitute a valid excuse). The following are *not* valid excuses: employment interviews, employer events, weddings, vacations, leaving campus before the final exam.

A make-up exam will be given when the student has a valid verifiable reason for not taking the exam during the scheduled time. Barring a documented emergency, the request must be made a minimum of ten days prior to the scheduled exam. Exceptions are made if the policy conflicts with UF attendance requirements. More detail on acceptable reasons for absence and UF policies on attendance are found at:

<http://gradcatalog.ufl.edu/content.php?catoid=8&navoid=1493#attendance>

### *Assignments*

You may work on the projects by yourself, with a partner, or in a group of three students total. If you work with others, submit one deliverable with all group members' names on it.

Collaborating with anyone other than your group members on projects is an Academic Honor violation. Projects are due at the beginning of class. Late projects will receive half credit, but no projects will be accepted for credit after the beginning of the final exam.

### *Group Presentation*

Within your assigned group, find a state or local tax or revenue issue that interests you. Gather related news articles and any relevant tax information. Meet with Prof. Watson before finalizing topic. Prepare a document (7 page limit, double spaced) concisely summarizing the issue, with special focus on the revenue implications. Evaluate the tax or other revenue generation related to the issue using the following tenets of taxation: sufficiency, equity, certainty, convenience, and economy. Explain the arguments both in favor of, and against, the activity. Present the issue and your evaluation to the class (15 minutes).

### *Participation / Professionalism*

In the business world, attendance, participation, and professionalism are critical. In this course, you will be treated as a business professional, with the expectation that you attend, participate, and are professional with respect to all related activities. Your communication and deliverables should reflect this sense of professionalism. Moreover, your engagement in the class-- by raising comments, asking questions, and responding to questions-- will help both you and your classmates learn.

Although attendance may not be taken at every class, students are expected to attend and participate in every class. Students should prepare for all classes even if they miss and are responsible for material covered in their absence. Students may not attend a class unless they are officially registered for the course. The Fisher School of Accounting does not approve requests to audit its courses. Students who do not attend at least one of the first two class meetings of a course or laboratory in which they are registered, and who have not contacted the School to indicate their intent, may be dropped from the course. The instructor adheres to all UF attendance policies.

### **Academic Integrity**

As a student enrolled in this course, you agree to adhere to both the University of Florida Student Conduct & Honor Code and the Fisher School Honor Statement. The importance of integrity cannot be understated, particularly for accounting students in matters related to taxation. Please conduct yourself accordingly. If you have a concern related to academic integrity, please bring it to my attention. It is always better to be more transparent rather than less. Violations of academic integrity will be addressed on a case-by-case basis.

UF students are bound by The Honor Pledge which states, “We, the members of the University of Florida community, pledge to hold ourselves and our peers to the highest standards of honor and integrity by abiding by the Honor Code. On all work submitted for credit by students at the University of Florida, the following pledge is either required or implied: “On my honor, I have neither given nor received unauthorized aid in doing this assignment.” The Honor Code (<http://www.dso.ufl.edu/sccr/process/student-conduct-honor-code/>) specifies a number of behaviors that are in violation of this code and the possible sanctions. Furthermore, you are obligated to report any condition that facilitates academic misconduct to appropriate personnel.

The Fisher School's Honor Statement can be found at:

[http://warrington.ufl.edu/accounting/docs/fsoa\\_honor.pdf](http://warrington.ufl.edu/accounting/docs/fsoa_honor.pdf)

Academic dishonesty will not be tolerated. Students are required to know and comply with the university's policy on academic honesty. This policy is detailed in the Undergraduate Catalog and by reference is included in this course syllabus. For more information visit:

<https://www.dso.ufl.edu/sccr/process/student-conduct-honor-code/>

**Civility:** This course will be conducted in a courteous and professional manner. Inappropriate classroom behavior of any form will not be tolerated. At the instructor's discretion, students acting in an uncivil manner will receive a grade reduction commensurate with the infraction. Students can be withdrawn from the course for excessive unacceptable behavior.

**Disabilities:** Students requesting classroom accommodations must first register with the Dean of Students Office. Support services for students with disabilities are coordinated by the [Disability Resource Center](#) in the [Dean of Students Office](#). All support services provided for University of Florida students are individualized to meet the needs of students with disabilities. To obtain individual support services, each student must meet with one of the support coordinators in the Disability Resources Program and collaboratively develop appropriate support strategies. Appropriate documentation regarding the student's disability is necessary to obtain any reasonable accommodation or support service. The Dean of Students Office will provide documentation to the student who must then provide this documentation to the instructor a minimum of ten days prior to the requested accommodation.

Students who are registered with the DRC are responsible for submitting their Accommodated Test Requests (ATR) online at the DRC site at least seven (7) business days before an exam/quiz date. If the student misses this deadline, he or she will have to take the exam with the class without accommodations. This must be done by the student for each and every exam/quiz.

**Evaluation:** Students are expected to provide feedback on the quality of instruction in this course based on 10 criteria. These evaluations are conducted online at <https://evaluations.ufl.edu> Evaluations are typically open during the last two or three weeks of the semester, but students will be given specific times when they are open. Summary results of these assessments are available to students at <https://evaluations.ufl.edu/results/>

## Course Schedule (subject to change)

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**Monday, October 24**

**Introduction**

*Read:*

Pages 23-1 to 23-4 in Spilker et al.

<http://www.census.gov/content/dam/Census/library/publications/2015/econ/g14-stc.pdf>

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**Wednesday, October 26**

**Individual Income Taxes**

*Read:*

The Jock Tax Contest:

<http://www.cluteinstitute.com/ojs/index.php/JABR/article/view/2202/2179>

Failure to file: [http://espn.go.com/mens-college-basketball/story/\\_/id/10121347/ex-north-carolina-state-coach-sidney-low-pleads-guilty-tax-charges](http://espn.go.com/mens-college-basketball/story/_/id/10121347/ex-north-carolina-state-coach-sidney-low-pleads-guilty-tax-charges)

Is Flacco the NFL's highest-paid player? [http://taxprof.typepad.com/taxprof\\_blog/2013/03/tax-bite-leaves-.html](http://taxprof.typepad.com/taxprof_blog/2013/03/tax-bite-leaves-.html)

Dwight Howard: <http://www.forbes.com/sites/anthonymitti/2013/05/23/could-state-taxes-cause-dwight-howard-to-flee-l-a-for-houston/2/>

Constitutionality of athlete taxes: <http://afpconsultingllc.com/news/tennessees-tax-on-nhl-and-nba-athletes-unconstitutional/>

Athlete taxes, part 2: <http://afpconsultingllc.com/news/unsportsman-like-conduct/>

**Assignment Due:**

<http://www.yummymath.com/wp-content/uploads/Jock-tax.pdf>

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**Monday, October 31**

**Jurisdiction and Nexus**

*Read:*

23-5 to 23-14 in Spilker et al.

Interstate Taxation and the Commerce Clause:

<http://law2.umkc.edu/faculty/projects/ftrials/conlaw/interstatetax.htm>

The Due Process Clause and State Taxation: <http://www.cbiz.com/page.asp?pid=10446>

Public Law 86-272:

[http://www.cpa2biz.com/Content/media/PRODUCER\\_CONTENT/Newsletters/Articles\\_2008/CorpTax/Public\\_Law032708.jsp#.U4y1ligqNI0](http://www.cpa2biz.com/Content/media/PRODUCER_CONTENT/Newsletters/Articles_2008/CorpTax/Public_Law032708.jsp#.U4y1ligqNI0)

Limitations on PL 86-272: <http://www.gilaberttax.com/2013/09/24/public-law-86-272/>

**Assignment Due:** In your own words, define the following and discuss their importance in a state and local taxation context: Commerce Clause, Due Process Clause, and PL 86-272. (one to two pages)

Group 1 Presents

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**Wednesday, November 2**

**Jurisdiction and Nexus**

Read:

*Complete Auto Transit v. Brady* summary: <http://taxfoundation.org/blog/important-tax-cases-complete-auto-transit-v-brady-and-constitutional-limits-state-tax-authority>

*Quill v. North Dakota* summary: <http://taxfoundation.org/blog/important-tax-cases-quill-corp-v-north-dakota-and-physical-presence-rule-sales-tax-collection>

Advising Clients: <http://www.gilaberttax.com/2013/09/17/multi-state-income-tax-compliance/>

Group 2 Presents

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**Monday, November 7**

**Federal Conformity and State Adjustments**

Read:

23-17 to 23-18 in Spilker et al.

Group 3 Presents

*Assignment Due:* Alto Problem

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**Wednesday, November 9**

**Allocation & Apportionment**

Read:

23-19 to 23-25 in Spilker et al.

CBPP Report: <http://www.cbpp.org/archives/3-27-01sfp.htm>

Group 4 Presents

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**Monday, November 14**

**Allocation & Apportionment**

Read:

23-19 to 23-25 in Spilker et al.

ITEP Report: <http://itepnet.org/pdf/pb11ssf.pdf>

Group 5 Presents

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**Wednesday, November 16**

**Economic Effects of Apportionment**

Readings on Canvas

Group 6 Presents

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**Monday, November 21**

**SALT Practitioner Day**

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**Wednesday, November 23**

**NO CLASS**

Thanksgiving Holiday

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**Monday, November 28**

**Group Filing Methods**

Read:

23-15 to 23-16 in Spilker et al.

Filing Methods for Multistate Taxpayers:

[https://www.cpa2biz.com/Content/media/PRODUCER\\_CO NTENT/Newsletters/Articles\\_2011/CorpTax/FilingMethod sforMultistateTaxpayers.jsp#.U4y42igqNI0](https://www.cpa2biz.com/Content/media/PRODUCER_CO NTENT/Newsletters/Articles_2011/CorpTax/FilingMethod sforMultistateTaxpayers.jsp#.U4y42igqNI0)

A Primer: <http://www.itep.org/pdf/pb24comb.pdf>

Additional (not required reading): <http://www.cbpp.org/cms/?fa=view&id=246>

Group 7 Presents

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**Wednesday, November 30**

**Group Filing Methods**

Filing Methods for Multistate Taxpayers:

[https://www.cpa2biz.com/Content/media/PRODUCER\\_CO NTENT/Newsletters/Articles\\_2011/CorpTax/FilingMethod sforMultistateTaxpayers.jsp#.U4y42igqNI0](https://www.cpa2biz.com/Content/media/PRODUCER_CO NTENT/Newsletters/Articles_2011/CorpTax/FilingMethod sforMultistateTaxpayers.jsp#.U4y42igqNI0)

A Primer: <http://www.itep.org/pdf/pb24comb.pdf>

Additional (not required reading): <http://www.cbpp.org/cms/?fa=view&id=246>

Group 8 Presents

*Assignment Due:* Apportionment Exercise

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**Monday, December 5**

**Flow-Through Entities**

Readings TBD

Group 9 Presents

*Assignment Due:* Rocket Problem



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**Wednesday, December 7**

**State and Local Tax Avoidance**

Read:

Corporate Income Tax Avoidance: [Delaware as a Domestic Tax Haven](#)

ITEP Corporate Tax Avoidance Report:

<http://www.itep.org/pdf/CorporateTaxDodgers50StatesReport.pdf>

Sales Tax Avoidance (abstract and introduction):

[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2403952](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2403952)

Excise Tax Avoidance: Cigarettes in Chicago (abstract and introduction)

<http://pubs.aeaweb.org/doi/pdfplus/10.1257/pol.2.2.61>

Group 10 Presents

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**Monday, December 12**

**Exam**