

# American Taxation Association

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Ken Milani, Editor  
University of Notre Dame

## Ken's Corner

### EDITOR'S NOTEBOOK

Art Buchwald pokes fun at *it*, H&R Block profits from *it* and graduate programs prosper from the study of *it*. *It*, of course, is income and other types of taxes.

Myron Lubell and Barry Broden provided us with valuable information in their January, 1975, *ACCOUNTING REVIEW* article, "The Master's Degree in Taxation: An Academic Survey." Then, Vic Tidwell and Bob Wyndelts combined to describe "Graduate Tax Education in AACSB Schools: Where We Stand Today" (*ACCOUNTING REVIEW*, October 1977). And "The Master's Degree in Taxation: An Academic Explosion" (Lubell and Broden's paper at the 1978 Southeastern AAA Regional Convention) makes it evident that the "orphan of accounting education" (to use Ray Sommerfeld's 1966 description) has grown into a contributing and robust member of the household.

This issue of the ATA Newsletter has graduate education in taxation as its special focus. Steve Dilley and Gene Seago offer us an interesting overview of a noteworthy symposium. Charlie Calhoun's approach to teaching taxes to MBA students provides readers with some potentially useful ideas. The DePaul University M.S.T., one of the pioneer programs, is described by Ed Foth. And the usual *Doctoral Research in Taxation* is included.

In future issues, we hope to feature other tax programs, different approaches to teaching tax and other information that will help keep you abreast of what's occurring in tax education. Another theme that we will pursue is the remarkable growth in the availability of tax textbooks. We've already contacted users of several textbooks and are in the process of gathering their experiences that will be shared with you through the Newsletter.

— Ken Milani

### TEACHING THE MBA INTRODUCTION TO TAX COURSE: SOME PERSONAL OBSERVATIONS & SYLLABUS

Charles H. Calhoun  
University of Miami

This is, I suppose, in some fashion a follow-up to the survey report of Jim Hasselback and Marion Posey that appeared in the Fall issue of the ATA newsletter. Rather than dealing with the types of questions they addressed, I would like to discuss teaching aspects, the results I have had and the opinions I have formed while teaching this type of course.

I have had the benefit of teaching the course at two institutions (South Carolina and Miami) and have used three different texts (Raby, 3rd Edition; Sommerfeld-Irwin, '74 Edition; and Sommerfeld, Anderson, and Brock, '78 Edition). Each class has been somewhat different in makeup, each used a different text, and as a result I feel I also have been educated through this "experimentation process."

The reason for mentioning the background of the class is because I have found that unless one is careful, what is intended to be an introductory course for MBAs, can wind up as a more specialized course for graduate accounting majors. This usually results in having to more or less abandon the selected text, the creation of many special projects, and the ultimate restructuring of the course to a selected topics, research course for Master of Accountancy students. The unwary MBA student who finds himself as a minority in this type class is usually not only

### V-P FORD DIRECTS ATA ATTENTION TO 1979-80

It is time to start making plans for the 1979-80 year with respect to ATA activities. Do you have ideas about activities, projects, etc., which would be appropriate for ATA during the upcoming year? Do you wish to serve on an ATA committee during the 1979-80 year? If you do have ideas about possible ATA activities or would like to serve on a committee, please contact: Allen Ford, School of Business, University of Kansas, Lawrence, Kansas 66045 (913-864-4500).

### PROFILE

At the annual ATA meeting last August, Boyd C. Randall was elected to the office of Secretary-Treasurer. Boyd is an Associate Professor in the Institute of Professional Accountancy at Brigham Young University (BYU).

The University of Minnesota (Ph.D.) and the University of Utah (B.S., M.B.A. and J.D.) are Boyd's alma maters. In addition, he served both universities as a member of the faculty (i.e., Visiting Professor at Minnesota and Teaching Assistant at Utah). A two-year stint as an Assistant Professor at the University of Oregon preceded Boyd's move to his current position at BYU.

Several journals have included articles written or co-authored by Boyd. Included in this list would be *The Journal of Corporate Taxation*, *TAXES—The Tax Magazine*, *Taxation for Lawyers* and the *BYU Law Review*.

Boyd was employed by Coopers & Lybrand for several years before beginning his academic career. Presently he is involved in instructing tax training courses for Peat, Marwick, Mitchell & Co., as well as the American Group of CPA Firms.



short-changed educationally, but perhaps "bankrupted" by the competition. Carefully controlling admission to this type course is a must if it is really to be an introductory tax course for MBAs.

Another major decision in arranging the course is the selection of texts. This is obviously left to the choice of the instructor and his selection will be based on his evaluation of the text material, its arrangement, and accompanying problems and cases. I shall not debate the merits or shortcomings of all of the possible textbook selections. However, I do feel strongly about two things:

- 1) the text should be as current as possible
- 2) any text selected should be supplemented

Students seem to have difficulty comprehending tax literature. The problem is compounded when the student is asked to use supplements to substitute for sections of the text that have become obsolete. Because of the frequent changes in tax law it is almost impossible to avoid this problem to some extent, but it should be minimized.

What is used to supplement the text is again a matter of instructor discretion. If the instructor desires students to seek more detailed explanations, he may require the Master-Tax Guide as a supplemental text for example. If he desires a more general, "current state of the arts," approach, he may require readings from the *Journal of Taxation*, the *Wall Street Journal*, *Newsweek*, or any local newspaper. A combination of these is also possible, and probably desirable. The authors of certain texts have already developed a supplemental reading list. Again, the currency of these supplemental readings sometimes is in question.

There are at least three other points that I should mention in explaining my approach to teaching this type of course:

- 1) some exposure to tax research techniques is a must
- 2) individual (personal) tax topics should be avoided as much as possible
- 3) the use of tax practitioners as speakers is desirable

All of us know that many tax topics do not lend themselves to identification as purely business or purely personal in nature. The taxation of partnerships or Sub-Chapter S Corporations overlap the personal return, for example. Moving expenses, educational deductions, HR-10s or IRAs, or employee business expenses are other examples. However, such topics as personal medical expense deductions, or charitable contribution deductions should be avoided. This is not to say that such basic concepts as deductions for, or from, adjusted gross income should be entirely omitted, but they should be covered only as a part of the explanation of the overall concept of taxation.

The use of practitioners seems to have at least two valid points in its favor. The first is that people who deal daily with tax planning and related problems can often relate these "real world" problems and experiences in a better manner than can academicians. Secondly, their discussions seem to lend credibility to the course in the eyes of the student. Finding out that what one is learning can actually be useful seems to be a great stimulus to student learning.

Having provided some personal observations, let me now provide a sample syllabus and make some comment about it.

#### SAMPLE SYLLABUS

Textbook: *An Introduction to Taxation*, Sommerfeld, Anderson & Brock, Harcourt Brace Jovanovich, 1978 Ed.

- |         |   |
|---------|---|
| Class 1 | <i>Organization and Introductory Discussion</i> (end of Chapter 28, "Taxation: a Dynamic Process")                |
| Class 2 | <i>Chapter 4 &amp; 2</i> — "A Brief History of the United States Income Tax" & "The Tax Base"                     |
| Class 3 | <i>Chapter 1 &amp; 3</i> — "Taxation Defined" & "Tax Rates"   |
| Class 4 | <i>Chapter 5 &amp; 6</i> — "Gross Income: General Concepts" & "Deductions: General Concepts"                      |
| Class 5 | <i>Chapter 10</i> — "Tax Planning: Fundamentals," Tax Partner, national accounting firm                           |
| Class 6 | <i>Chapter 28 &amp; 30</i> — "Taxation: a Dynamic Process" & "The Future?," Tax Partner, national accounting firm |

## GRADUATE TAX SYMPOSIUM

Steven Dille  
and  
W. E. Seago

The Touche Ross Foundation sponsored a symposium on graduate tax programs at Virginia Polytechnic Institute, May 8 and 9. The program provided a forum for tax practitioners and educators to discuss what was being done in graduate tax programs. The symposium was to serve as an initial step in the development of model programs, or a common body of knowledge in graduate tax.

There were thirty-four participants — sixteen practicing CPAs, sixteen tax professors, a representative from the AICPA and a representative from the Tax Executives Institute. All of the CPAs were involved in their firms' professional development programs.

The symposium began with a presentation by Myron Lubell and Barry Broden on the current state of graduate tax programs. They concluded that there are two distinct types of programs (see Table 1). Recognition of the differing objectives of these two types of programs, the group concluded, is essential and it follows that model programs for the two will differ.

Next there was a panel discussion on "The Role of the Firm and the University in Graduate Tax Education." The panel was chaired by Bill Raby of Touche Ross. An important point brought out in the discussion was the manner in which the firms are integrating the products of the graduate tax programs into their offices. Often the graduates are able to directly enter the tax departments and skip the first one or two levels of training. Thus, there is little overlap between their university and employer-supplied training.

The program then was followed by a series of professor and practitioner panel discussions on individual courses. The courses discussed were the tax research course, the corporations course, the partnerships course, the estate and gift course, and the practice and procedures course.

(CONTINUED ON PAGE 6)



- Class 7 *Chapter 7 & 9* — "Credits and Prepayments: General Concepts" Other than individual, & "Other Entities: Basic Rules"
- Class 8 *Exam #1* Chapters 1-6, 7, 9, 10, 28 & 30
- Class 9 *Research in Federal Taxation* — Sample problem & solution, basic sources. The Problem Solving Process.
- Class 10 *Research in Federal Taxation* — Tour of tax library and introduction to the use of materials. Demonstration of Lexis Computer for research
- Class 11 *Exam Review*
- Class 12 *Chapter 16* — "Depreciation Policy: A Basic Incentive"
- Class 13 *Chapter 17* — "The Investment Credit and Other Incentives"
- Class 14 *Chapter 18* — "Incentives for the Extractive Industries"  
*Spring Break*
- Class 15 *Chapter 12 & 13* — Selected provisions applicable to business. "Taxes, Contributions, and Interest" & "Medical Expenses and Casualty Losses"
- Class 16 *Chapter 14* — Business expenses & related ideas. "Expenses of Earning Income"
- Class 17 *Chapter 15* — "Retirement Plans" (omit Tax Credit for Elderly)
- Class 18 *Review & Catch up*
- Class 19 *Exam #2* — Chapters 12-18 & Research
- Class 20 *Chapters 19-24* — "Capital Gains & Losses" (Special emphasis to Business/Corporate) "A Brief History of the Capital-Gain Concept," "Capital Gain and Loss Today: The Pure Case," "Capital Gain and Loss Today: The Pure Case—Concluded," "Capital Gain and Loss Today: Modifications to the Pure Case," "Capital Gain and Loss Today: Modifications to the Pure Case—Concluded," "Capital-Gain Taxation: A Brief Perspective"
- Class 24 *Chapter 25-26* — "The Realization Criterion" & "Recognition Postponed: The Common Nontaxable Exchanges"
- Class 25 *Chapter 27* — "Recognition Postponed: Corporate-Shareholder Transactions"
- Class 26 *Chapter 29* — "The Problem of Tax Reform" (Limited coverage of income averaging)
- Class 27 *Paper presentation* — (Short presentations)
- Class 28 *Paper presentation* — (Short presentations)

The student's grade will consist of:

- Exam #1 — 25%: Questions will be a combination of short answer, essay, and problem
- Exam #2 — 25%: Questions will be a combination of short answer, essay, and problem
- Final — 40%: Multiple choice questions similar to those on the CPA exam
- Research Paper — 10%: The research paper is to be of 8-10 typed pages, double-spaced, and in good form.

The topic should be selected by the student and cleared with the instructor. The paper should be appropriately footnoted, indexed, and include a bibliography. In the last two classes you will be asked to make a short presentation to the class. Emphasis should be placed on research methodology, problems encountered, and a general description of your findings. Additionally, two short research problems are a requirement of the course, but will be used in grading only for settling borderline grades.

In the final requirement the student is asked to interpret a short problem situation and

- 1) the question at issue
- 2) provide the answer
- 3) state the authority (ies)
- 4) outline the research steps taken

In conclusion, since it appears that more and more MBA tax courses will be offered across the country, it behooves us all to seek an optimum manner of presentation. I hope this discussion will assist in the endeavor.

## MEMBERS DISCOURAGE OTHERS FROM RE-INVENTING TAX WHEELS

The ATA Case Writing Committee requests the contribution by ATA members of tax cases which they use in their tax courses. It is the Committee's intent to reproduce these cases and make them available to members upon request. Attaching basic points to look for in answers would be extremely helpful. Please send cases and solutions to:

Kevin M. Misiewicz  
Department of Accountancy  
College of Business Administration  
University of Notre Dame  
Notre Dame, Indiana 46556

### ATTENTION!! ATTENTION!!

The new journal to be introduced by the American Taxation Association during 1979 is seeking submissions. Please send your articles to:

Fred Streuling  
Box 22 — 153 FOB  
Brigham Young University  
Provo, Utah 84602

### ATA BRIEFS

Al Mitchell, President of ATA, has accepted a position (as of January 1, 1979) with Arthur Young & Co., as Director, National Tax Training. Al's new address is Arthur Young & Co., 11800 Sunrise Valley Drive, Reston, Virginia 22091 . . . Larry Crumbley, editor of "Oil & Gas Tax Quarterly," would like to invite ATA members to submit articles to him for publication. For a list of potential topics contact Larry at Department of Accounting, Texas A&M University, College Station, Texas 77843 . . . The newsletter is always seeking input from members. If you have an item you would like considered for publication, an announcement, etc., please send it to Ken Milani, 230 Hayes-Healy Center, University of Notre Dame, Notre Dame, Indiana 46556.



**PROFILE OF A PROGRAM:  
DePAUL'S MST**

by Ed Foth, DePaul University

From its earliest years, DePaul University has introduced innovative programs to meet what it has recognized as specialized educational needs. Accordingly, DePaul in 1970 became the first school in the Midwest to offer a program leading to the degree of Master of Science in Taxation. The MST program is designed to produce a person of professional stature in taxation. In its emphasis on planning and decision making as the role of the professional in taxation, it is the purpose of the program to integrate a sound technical competence, an appreciation of the social and governmental aspects of taxation, and an awareness of other relevant functional areas of business and the contributions they make to professional competence.

The MST program consists of twelve courses (48 quarter hours) in two categories; eight courses in taxation and four non-tax courses. Of the eight tax courses, four are required, leaving the student four tax electives for self-development in areas of personal interest. The program covers a wide variety of tax subjects as is evident by the list of courses shown in Table A.

One course, 558—Tax Research, is a prerequisite to the MST program and cannot be counted toward fulfilling the twelve-course degree requirements. However, it may be waived based on experience or prior course work in tax research. Classes meet weekday evenings and Saturday mornings; one three-hour meeting a week for ten weeks. Two courses constitute a full load for part-time students, while some full-time students take three or four courses per quarter. Since approximately fourteen MST courses are offered per quarter, accelerated progress can be made toward a degree.

The MST courses are taught by both full-time faculty and a select group of adjunct faculty who are distinguished practitioners and specialists in particular areas of taxation. Together they bring to the classroom a practical, as well as a theoretical dimension, drawing on

**Table A — Course Offerings — DePaul MST**

No.	Course Name
558	TAX RESEARCH
560T	TAXATION OF CORPORATE SHAREHOLDERS
561T	CORPORATE REORGANIZATIONS
562T	CONSOLIDATED RETURNS
563T	PARTNERSHIPS
564T	TRANSACTIONS IN PROPERTY
565T	TAX ACCOUNTING, PERIODS AND METHODS
566T	FEDERAL INCOME TAX PROCEDURES
567T	INTERNATIONAL ASPECTS OF UNITED STATES TAXATION
568T	TAXATION OF CLOSELY HELD CORPORATIONS
569T	CONCEPTS OF DEFERRED COMPENSATION
570T	CONCEPTS OF STATE AND LOCAL TAXATION
571T	ESTATE AND GIFT TAXATION
573T	INCOME TAXATION OF ESTATES, TRUSTS, AND DECEDENTS
574T	ESTATE PLANNING
576T	VALUATION CONCEPTS
590T	TAXATION AND NATURAL RESOURCE DEVELOPMENT
591T	TAX EXEMPT ORGANIZATIONS
598T	SEMINAR IN CURRENT PROBLEMS IN TAXATION

their education and varied practice experience as partners and managers in public accounting firms, attorneys, corporate tax directors, and individuals within the Internal Revenue Service.

Although work experience is not a criteria for admission, the MST Program is especially attractive to persons who are currently working in taxation and have already established career objectives for advancement within the tax profession. Approximately 90 percent of the students are employed full-time and attend school on a part-time basis. About 50 percent are CPA's and some 15 percent have academic degrees beyond the baccalaureate. The typical student is 25 years old and employed in some type of tax capacity. The current enrollment of

311 MST students categorized by employer is summarized in Table B.

Applicants for admission to the MST Program must possess a baccalaureate degree from an accredited school. Each applicant is considered on an individual basis and must demonstrate above average academic achievement or ability as indicated by his or her academic record and GMAT scores.

Further information concerning the Master of Science in Taxation Program may be obtained by contacting:

Edward C. Foth,  
MST Coordinator  
Department of Accountancy  
DePaul University  
25 East Jackson Blvd.  
Chicago, Illinois 60604

**Table B — DePaul Student Body**

Employer	Percent of Students
Public Accounting	
Big 8	23%
Non-Big 8	22
Corporations	30
Government	10
Full-time students	10
Financial institutions	5
	<u>100%</u>



# DOCTORAL RESEARCH IN TAXATION

As a regular feature in the newsletter, we attempt to provide continuous reporting of doctoral dissertations in progress and completed.

## "INFLATION AND CORPORATE TAXATION: AN ECONOMIC ANALYSIS" BY LOWELL DWORIN, UNIVERSITY OF MICHIGAN

In this study a microeconomic model is developed and used to estimate the impact upon corporate investment and employment which would have resulted from the adoption of inflation accounting for corporate taxation in 1962. The model is a synthesis of the Hickman-Coen and Gould-Wand models. As in the Hickman-Coen model, a Cobb-Douglas production function is assumed to adjust to the desired values at a constant geometric rate.

Unlike the Hickman-Coen model, in which output and prices are taken to be exogenous variables, expected demand is taken to be a function of expected real GNP and relative product price. However, because the future costs of capital, labor, and materials are assumed to increase with expected inflation, the expected change in demand simply reflects the expected change in real GNP. The parameters of the model are obtained from a simultaneous constrained generalized least squares regression analysis of the percentage change in capital stock and employment using the expected percentage change in real GNP, the current percentage change in the relative cost of capital with respect to the cost of labor, and the expected rate of inflation as independent regressors for a sample of nine major manufacturing firms. The descriptive accuracy of the resulting model exceeds that of the Hickman-Coen model with respect to investment, but is less satisfactory with respect to the percentage change in employment. In large part this is due to the model's inability to predict

significant downturns in the economy (particularly in 1967, 1970, and 1975). Because actual output is taken as given in the Hickman-Coen model, this problem does not arise.

The model was rerun assuming that three different methods of inflation accounting had been adopted for tax purposes in 1962—general price level accounting (GLP), replacement cost accounting (RRC), and unrestricted replacement cost accounting (URC). For comparison, the effect of the adoption in 1962 of a 10% investment tax credit on all capital acquisitions was also examined. In each case the reduction in corporate tax liability resulting from the change in tax policy was obtained, and the efficacy of the alternative tax policies (defined as the ratio of the cumulative change in investment to the cumulative decrease in tax revenue) calculated.

Several rather interesting conclusions may be drawn from the analysis. The impact of RRC accounting is seen to be rather perverse. For nearly all years under examination the use of straight-line depreciation provided a negative stimulus to investment which could not be overcome by the use of a depreciable basis which reflects the specific price increase for capital goods. Moreover, even in 1975 when the rate of inflation is sufficiently great so as to produce an increase in investment, the tax revenue loss is also rather high (the efficacy in 1975 being only .11). Although by 1975 the efficacy of GPL and URC accounting are nearly the same (.36 for GPL accounting and .30 for URC accounting), the temporal dependence is rather different for the two methods. Both methods result in roughly the same cumulative increase in investment (approximately 5% of capital stock), but the tax revenue loss is significantly less for GPL accounting than for URC in the first few years after adoption. Thus the efficacy of GPL accounting rises more rapidly and reaches a higher value (2.33 in 1963) than the efficacy of URC accounting (1.01 in 1965); the efficacy slowly decreases thereafter for both methods to the

values noted. This behavior is to be contrasted with the effects of a 10% investment tax credit, which results in a somewhat greater increase in investment and a more nearly constant loss in tax revenues. While the efficacy of the 10% investment tax credit never reaches the values obtained in the early years for GPL and URC, the 1975 value of .74 is more than twice that obtained for GPL or URC accounting.

The increased investment resulting from GPL and URC inflation accounting or from a 10% investment tax credit comes at some price in employment, as might be expected in a neoclassical model. For both GPL and URC accounting, the cumulative loss in employment is nearly the same—by 1975 a 14.5% reduction in employment. Not surprisingly, the greater efficacy of the investment tax credit as compared to inflation accounting is accompanied by a greater (32%) reduction in employment by 1975. Because the model is only moderately successful in describing the change in employment, these figures must be regarded as tentative. They do suggest, however, that any policy designed to stimulate investment is likely to do so at the expense of decreased employment by the firms whose cost of capital is thus reduced with respect to the cost of labor.

Members of the American Accounting Association are invited to suggest works for nomination for the AICPA Notable Contributions to Accounting Literature Award. These nominations are restricted to articles published in either regular or irregular periodicals during the calendar year ending December 31, 1978, and books or irregular publications published during the five year calendar years then ending.

The latest date for receiving nominations is March 1, 1979. Please address your suggestions to: Dr. Kenneth S. Most, Chairman, AAA Committee to Nominate Outstanding Contributions to Accounting Literature, Florida International University, Miami, Florida 33199.



(CONTINUED FROM PAGE 2)

Although there was much disagreement as to the relative importance of many of the topics, there seemed to be unanimous agreement among the practitioners that a graduate tax education program needs a rigorous tax research course. This tax research course should precede other graduate tax courses taken by the student. Also, the practitioners felt that entry level tax people do not have a sufficient background in tax accounting—accounting periods and methods and interperiod allocation of income tax.

Proceedings of the conference are being prepared and will be available to ATA members for a nominal charge. Publication is scheduled for early fall.

	Type 1	Type 2
Accreditation:	AACSB at graduate level	No AACSB, or only at undergraduate level
Students:	Full-time, day	Part-time, evening
Faculty:	Full-time, Ph.D., DBA	Part-time/, LLM-CPA
Objectives:	Tax Complement to broad program	Produce tax specialists
Title:	MBA, MS-Accounting (with tax concentration)	MS-Taxation
Enrollment:	< 100	> 100
Location:	College town	Large City

TABLE 1 — GRADUATE TAX PROGRAMS

An all-day tax seminar on "The Ethical Responsibilities of the CPA in Tax Practice" will be held at the Deauville Hotel, Miami Beach, Florida, on April 26, 1979. (The Southeastern AAA Conference will be at the Deauville Hotel on April 27-29, 1979)

Principal speakers:

William Raby, National Tax Partner, Touche Ross  
Leslie Shapiro, Director of Practice, U.S. Treasury Department  
Ray Soll, Former Chairman, AICPA Committee on Responsibilities in Tax Practice

Discussants:

D. Larry Crumbley, Barry C. Broden, and other academic members of the ATA

For additional information regarding registration at this seminar, and hotel reservations, write to:

Myron Lubell  
Accounting Department — SBOS  
Florida International University  
Tamiami Campus  
Miami, Florida 33199

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