

# American Taxation Association

Volume 7, June 1981

Ed Foth, Editor  
DePaul University

Letter From Raby

## PRESIDENT'S REMARKS

### The Tax Partners of 1995!

Some of the students taking Accounting I this fall of 1981 will or should be candidates for promotion to tax partner in the larger firms in 1995. How many of your students will be in that "Class of '95"? What kinds of people will they be? What will have been their training and experience? What contribution can tax professors make to guiding people with potential into a CPA firm tax practice career? Will being a tax partner in a large CPA firm even be a worthwhile goal for which to strive by '95?

In a sense, none of these questions can be answered definitively. But firms do plan ahead, as do students and professors. And planning requires "best effort" or "most likely" projections of the future.

The successful tax partner candidates of 1995 will be bright (650 or better on either or both GMAT and the "old" LSAT) and professionally aggressive. They will relate to clients as financial consultants with a special expertise in taxes and financial reporting. Spotting and resolving problems, and quarter-backing major transaction planning and implementation, will be their fortes. They will be adept at using the skills of others—tax technicians, client legal and financial personnel, outside legal counsel, audit people, MAS people, etc.—but their major skill will be in maintaining client relationships and producing results for clients (which is to be distinguished from client decisions).

They will be likely to have a CPA, but will not have spent much time on the audit staff. They will often have a J.D. but will not be likely to have worked for a law firm. They will have gone into public accounting without a firm intention of making it a career—and will have fallen into a love-hate relationship with the pleasures and pains of public tax consulting practice.

Clearly, the tax partners of the Class of '95 will be people who could succeed in a wide variety of endeavors. Those who go the route of graduate tax or accounting education will do so because they will be pragmatic and materialistic. Law will look crowded, journalism has always been a gamble, and even medicine will have lost some of its economic health. So what else is there? You will have communicated to them that one of the alternatives is professional tax practice. Few large firm tax partners will earn less than \$60,000 in 1981. Many will earn over \$100,000. A few will earn over \$200,000. To a pragmatic materialist who has the personality plus the intellectual capability, the chance to do something significant and exciting while producing that type of financial bottom-line should be irresistible.

Further, the options unfolded by a tax career are attractive. If public accounting tax practice isn't to be one's ultimate cup of tea, there are always careers with in-house tax departments, opportunities to go into more general financial management careers (controller, financial vice president, etc.), government tax work, tax shelter development and promotion (real estate syndication, motion picture financing, etc.), and even teaching. The people who leave large firm tax departments almost always are moving on to higher pay. So it's a good deal whether you go or stay.

Nor do I think the situation will change substantially by 1995. Tax people who are also general financial consultants will find themselves in heavy demand for any foreseeable future. (For some discussion on the future of CPAs in tax practice, see *Proceedings of the Touche Ross Foundation Graduate Tax Education Symposium of 1980*, Warren Gorham & Lamont, New York, 1981.)

## Roscoe L. Egger, Jr. to Address ATA at Annual Luncheon



Roscoe L. Egger, Jr., Commissioner of Internal Revenue, will be the speaker at the ATA Luncheon to be held Thursday, August 6, at the Hyatt Regency Chicago Hotel.

A native of Jackson, Michigan, Mr. Egger received a B.S. degree in 1942 from Indiana University and a doctor of law degree from George Washington University Law School in 1950. He began his career as a tax specialist for a small accounting firm and then practiced law for about six years. He joined Price Waterhouse in 1956, serving as partner-in-charge of the firm's Washington tax practice. In 1973 he assumed responsibility for Price Waterhouse's Office of Government Services, also managing the firm's tax policy and technical tax department.

Mr. Egger has been a member of the board of directors of the U.S. Chamber of Commerce and active in Chamber committees on taxation and government. A member of the American Institute of Certified Public Accountants and former chairman of the AICPA's federal government executive committee, he is also affiliated with the District of Columbia Institute of CPAs and the American and D.C. Bar Associations.

Tickets for the luncheon may be obtained by completing the AAA's Annual Meeting Registration Form (enclosed in the Accounting Education News), or by returning the form contained in this Newsletter

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# Doctoral Research In Taxation

## INFLATION AND THE TAXATION OF INCOME AND CAPITAL WITHIN THE NONFINANCIAL CORPORATE SECTOR: AN EMPIRICAL STUDY

by Mark L. Frigo  
Ph.D., Northern Illinois University  
Assistant Professor, DePaul University

The purpose of the dissertation research was to identify the effects of inflation upon the taxation of income and capital within the nonfinancial corporate sector. A partial equilibrium approach was used to address two areas: (1) to identify the magnitude and variation of the effects of inflation upon the taxation of corporate income and capital, given the existing nominal income tax system, and (2) to identify the effects of using a price-level-adjusted taxable income measure upon the aggregate magnitude and distribution of corporate income tax payments.

The study used financial statement data from the annual industrial COMPUSTAT tapes. A subset of 864 nonfinancial corporations was selected for the study within 26 two-digit standard industry classifications. An algorithm was developed to perform the following: (1) to estimate taxable income, (2) to estimate

price-level-adjusted pre-tax income and price-level-adjusted taxable income, and (3) to estimate the tax payments based upon historical cost taxable income and price-level-adjusted taxable income. Real and nominal tax rates were computed for each firm and capital maintenance conditions were used to determine the incidence of capital erosion and the degree of capital maintenance within each industry group. The analysis was cross-sectional and encompassed the years 1976, 1977 and 1978.

The results indicate that the real tax rate was significantly greater than the nominal tax rate for most firms and industries in the study. The exceptions to this general finding were explained by using a form of sensitivity analysis. The results also indicate that there was a substantial variation in the real tax rate among firms and industry groups. In addi-

## Profile Of A Program:

### Master of Business Taxation Program: The University of Southern California

by Jack Barcal, Associate Director

Located in the heart of Los Angeles, USC enjoys a stimulating and progressive environment. Close relations with the business community make USC a prime location for the tax student.

### The School of Accounting

USC has established one of the

tion, it was found that the use of a price-level-adjusted taxable income measure would alter the magnitude and the distribution of tax payments within the corporate sector.

It was concluded that the effects of inflation upon corporate income taxation have resulted in intersectoral and intrasectoral misallocations of capital. In particular, the most obvious economic effect of the increase in the real corporate tax rate is a reduction in the rate of corporate capital formation. Moreover, the substantial variation of the real tax rate implies a source of capital misallocation within the corporate sector. It was also concluded that the use of a price-level-adjusted taxable income measure would result in some serious problems for income tax policy formulation. In particular, the policy change would result in a reduction in the tax revenue obtained from the corporate sector. In addition, the policy change would cause a shifting of tax payments among firms and industries.

## PRESIDENT'S REMARKS

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Part of your obligation to your qualified students is to help them understand that tax practice may be an attractive career option for them. Encourage them to develop communication skills as well as a broad technical competence. Urge your school to use adjunct faculty effectively in enriching your professional tax courses. Seize your own opportunities to obtain tax consulting experience. Support the creation of tax return preparation clinics in which students can gain that type of experience, but also bring into existence tax clinics in which tax majors can work with taxpayers in handling IRS examinations.

In my previous letters, I have tried to communicate why I am proud to think of myself as a tax teacher and practitioner. We do something essential. But it is also fun. We do what we do in a competitive world. The CPA tax practitioners deservedly dominate tax practice in the U.S. today—just as the New York Yankees once dominated baseball.

Like an athletic team, a profession is only as good as its best people. We need the athletes if we are going to remain the tax champs! The colleges and universities are our farm system just as the minor leagues and college teams provide a source for professional baseball players. The CPA firms owe something to you who teach taxes. Many recognize that and try to provide support for tax teachers. But we who teach taxes also owe something. Do those things where we are that will attract top accounting and finance majors to an interest in a tax career. Some of those students taking Accounting I this fall of 1981 ought to be CPA firm tax partners of the Class of '95. Whether they will be many is up to you. Do them a favor, yourself a favor, the profession a favor, the entire country a favor—make sure that they understand the opportunity and have your help in preparing for it.

William L. Raby

### GEORGIA JOURNAL OF ACCOUNTING

The Spring, 1981 issue of the Georgia Journal of Accounting is devoted to the theme: "Problems in Tax Compliance."

Any individual or organization may receive this issue free of charge upon written request as long as supplies last.

Address requests to: Editor, Georgia Journal of Accounting; School of Accounting; University of Georgia; Athens, Georgia 30602.



first professional schools of accounting in the nation. One of the chief missions of USC's School of Accounting is to improve the quality of tax practice. This objective is achieved through offering an advanced tax program that is a rigorous and relevant educational experience.

### Master of Business Taxation

This specialized 48-unit program in taxation is offered to both full-time and part-time students, and leads to the Master of Business Taxation degree. Courses meet the requirements of the California State Board of Accountancy and the California Board of Legal Specialization for continuing education. The courses are taught by full-time faculty and outstanding tax professionals. Up to 18 units of business foundation courses may be waived if the student has completed acceptable coursework from an accredited school.

### Juris Doctor/Master of Business Taxation

In addition, USC's School of Accounting, in conjunction with the USC Law Center, has created a unique program leading to the dual degree Juris Doctor/Master of Business Taxation. The purpose of the program is to provide extensive interdisciplinary exposure so that graduates will be well qualified to handle a broad range of legal problems in taxation. The concept of the program grew out of the increasing interdependence of these two professions.

Students enroll in both the School of Accounting and the Law Center. The MBT portion of the program includes 38 units of study while the JD portion includes 10 units. Up to 18 units of business foundation courses may be waived by the School of Accounting if the student has completed acceptable coursework from an accredited school.

### Admission Requirements

The School of Accounting seeks those individuals who have ability and achievement in the field. The Admissions Committee takes into consideration all of the candidate's completed academic work, the Graduate Management Admission Test score, evidence of professional achievement, professional recommendations, and work history. Candidates are reviewed on the merits of their own application and the merits of those applying for each year.

### Courses of Instruction

Courses of instruction include the following:

1. FEDERAL INCOME TAXES — Study of current tax laws in areas of income, franchise, inheritance and gift taxes affecting all types of business organizations.
2. TAX RESEARCH AND PRACTICE — Methods of researching tax rulings and laws; case studies in administration and professional responsibilities of tax practice.
3. INCOME TAXATION OF PARTNERSHIPS — Concepts and principles of partnership taxation, the uses of partnerships for tax planning.
4. SUBCHAPTER S TAXATION — Concepts, theory and practice of corporations electing to be taxed under the small business corporations provisions.
5. TAX THEORY AND ITS BUSINESS APPLICATIONS — Tax theory in the context of business and investment management; the effects of taxation on business organization, capital structure, policies, operation and expansion.
6. INCOME TAX ON CORPORATIONS AND THEIR SHAREHOLDERS — Concepts and principles governing the taxation of corporations and their shareholders; the effect of taxes on corporation formation, capital structure, distributions, liquidations and reorganization.
7. FEDERAL ESTATE AND GIFT TAXES — Taxation of decedents' estates and lifetime gifts; valuation of property subject to estate and gift taxes; estate planning as affected by taxes.
8. ADVANCED ESTATE PLANNING — Analysis of estate planning documents and theories, both federal and California aspects.
9. INCOME TAXATION OF ESTATES AND TRUSTS — Concepts and principles governing the income taxation of estates and trusts; use of trusts for tax planning.
10. TAXATION OF TRANSACTIONS IN PROPERTY — Taxation of gains and losses from sales, exchanges and other transactions involving property; capital gain or loss, tax basis and holding period.
11. TAXATION OF FOREIGN BUSINESS OPERATIONS — Taxation of foreign income of U.S. persons and corporations and of U.S. source income of foreign persons and corporations; planning for organization of foreign operations under the tax laws.
12. TAXATION OF SPECIAL ENTERPRISES — Special tax concepts and principles relating to selected industries and specially-taxed forms of organization.
13. STATE AND LOCAL TAX CONCEPTS — State income, inheritance and gift taxes; property tax; other state and local taxes; the effect of state and local taxes on multistate operations.
14. FEDERAL TAX PROCEDURE — Tax reporting and collection procedures; administrative and judicial procedure governing tax

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#### AMERICAN TAXATION ASSOCIATION LUNCHEON

Hyatt Regency Chicago Hotel  
August 6, Noon to 1:45

Speaker: Roscoe L. Egger, Jr.  
Commissioner of Internal Revenue

Number of tickets \_\_\_\_\_ at \$17.00 each . . .

Amount remitted \$ \_\_\_\_\_

Name \_\_\_\_\_

Mailing Address \_\_\_\_\_

Make checks payable to: *American Accounting Association* and mail with this form to: American Accounting Association, 5717 Bessie Drive, Sarasota, Florida 33583.



# Tax Related Programs For The 1981 Annual Meeting Hyatt Regency Chicago Hotel, August 6, 7, and 8

**Thursday, August 6**

**8:30 a.m. to 10:15 a.m.**

**American Taxation Association Business Meeting**

Presiding, William L. Raby, ATA President, Touche Ross & Co.

**10:30 a.m. to Noon**

**"The Teaching of Tax Research in Graduate Taxation Programs"**

Moderator: Dr. Myron S. Lubell, Florida International University

Panel: Dr. Craig Reese, Visiting Professor, University of Texas

John Williams, Dean, Golden Gate University

Dr. Charles Nickerson, Florida International University

**Noon to 1:45 p.m.**

**American Taxation Association Luncheon**

Speaker: Roscoe L. Egger, Jr., Commissioner of Internal Revenue

**Friday, August 7**

**9:00 a.m. to 10:30 a.m.**

**TAXES AND INFLATION—"The Role of Accelerated Cost Recovery in Fighting Inflation"**

Moderator: Robert Rosen, Director of Tax Training, Ernst & Whinney

Panel: James W. Wetzler, Chief Economist—Joint Committee on Taxation

Dr. Ray M. Sommerfeld, University of Texas at Austin

James M. Bahen, Fuqua Industries

**3:30 p.m. to 5:00 p.m.**

**TAX RESEARCH MANUSCRIPTS**

Moderator: Dr. Gary Bulmash, American University

• "Clinical Tax Practice for Accounting Students: A Current Reality" Debra M. White and James W. Giese, North Texas State University

• "The Impact of the Targeted Jobs Credit on the Employment Decision Process," Cherie Jeanne O'Neil, Virginia Polytechnic Institute and State University.

• "The Marriage Penalty: A Tax on the Elderly and Welfare Payment Recipients," Janis Reeder, The Pennsylvania State University, and Karen Fortin, University of Wisconsin, Milwaukee

• "Preparer Penalties Yield Uncertain Problems for the Profession," Edward Schnee and William R. Edwards, University of South Carolina

**Saturday, August 8**

**10:30 a.m. to Noon**

**"Ph.D. DISSERTATIONS IN TAXATION"**

Moderator: Dr. Paul Streer, University of Georgia

• "The Influence of Selected Tax Variables on the Premiums Paid Upon Corporate Combinations," John R. Robinson, University of Michigan

• "The Use Of and Alternatives To The Generation-Skipping Transfer After The Tax Reform Act of 1976," Betty R. Jackson, University of Texas at Austin

• "An Evaluation of the Effectiveness of ERISA, Assessed From the Termination of Defined Benefit Pension Plans in Georgia: 1974-1979," Alice Markwalder, University of Georgia

## PROFILE OF A PROGRAM

(CONTINUED FROM PAGE 3)

controversies; the rights and obligations of the taxpayer.

### 15. CALIFORNIA INHERITANCE AND GIFT TAXATION —

Analysis of concepts, theories and statutes involved with taxation of inheritance and gifts by the state of California.

### 16. CONSOLIDATIONS — Concepts and principles of taxation of companies operating as consolidated groups.

### 17. PENSION AND PROFIT SHARING — Concepts, theory and principles of taxation of employers and participants under retirement plans, especially under ERISA.

### 18. ADVANCED CORPORATE TAXATION — Analysis of reorganizations, net operating losses, and other advanced areas in the field of taxation of corporations.

## Course Enrollments

Approximately 8 courses are offered in each semester—fall, spring and summer. Enrollment in a typical course consists of 25 students. When a course enrollment approximates 40 students, the course is split into two sections of 20 students.

## Student Body

The student body is composed of both full and part-time students. While the majority of the students come from the Southern California area, an increasing number of entering students are from other sections of the nation, such as the Northeast and the South.

Many students (up to one-half) are full-time CPAs working for national public accounting firms. Others are law students attending law school on a full-time basis. Lawyers in private practice constitute up to one-third of

the students in a given course. Graduate, full-time students constitute up to one-third of a given course.

Classes are offered in the daytime and in the evening from 6:00-7:40 P.M. and 8:00-9:40 P.M. on Mondays through Thursdays. Saturday classes are sometimes scheduled from 8:30 A.M. to 12:00 Noon.

## Year-Round Admissions

The MBT Program has a rolling admissions procedure, announcing admission decisions for the fall, spring and summer semesters as soon as an applicant's file is completed and processed.

For additional information about the Master of Business Taxation Program write to: Master of Business Taxation Program, School of Accounting, University of Southern California, Los Angeles, California 90007.