INCOME TAX ACCOUNTING
Georgetown University Law Center
Spring 2017

Instructors:
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Spring 2017 Class Schedule
Classes will be held Mondays from 5:45 pm – 7:45 pm in McDonough Room 201. To the extent it is necessary to cancel a class, an announcement will be sent out via email to all students in the class.

Jan. 16, 2017    Martin Luther King Holiday: No classes
Jan. 23, 2017
Jan. 30, 2017
Feb. 6, 2017
Feb. 13, 2017
Feb. 20, 2017    No class – Presidents Day
Feb. 23, 2017    (THURSDAY) – Monday classes meet instead of Thursday classes
Feb. 27, 2017
Mar. 6, 2017
Mar. 13, 2017    No class – Georgetown Spring Break
Mar. 20, 2017
Mar. 27, 2017
Apr. 3, 2017
Apr. 10, 2017
Apr. 17, 2017
Apr. 24, 2017    Last class

Class Format & Final Exam
Each class will be a mixed format of a lecture covering fundamental principles as well as a (hopefully interactive) discussion based on various fact patterns of the topics outlined in the syllabus. Generally, class attendance is not taken nor required; however, students who attend classes regularly typically gain a better understanding of the subject matter.

The final exam for the class will be on Tuesday, May 09, 2017 at 6:00 pm. It will be a three (3) hour, open book exam with a mix of both essays and short answer questions. A student who does not complete a final exam will not be eligible to pass the course.

Class Recordings
Recordings of class discussions will only be made available in response to a student request that meets one of the limited circumstances set forth in the University’s Recording Policy for Students.

Course Materials and Additional Resources
The reading and reference materials for this course are listed in the attached syllabus. Please note that some items are marked as required reading while other items are denoted as optional reading material. An optional, additional resource is the WG&L treatise Federal Tax Accounting by Stephen F. Gertzman. This treatise is available online through Westlaw/LexisNexis.
Syllabus:

I. Introduction and Overview

II. Methods of Accounting
   A. Definition of “Method of Accounting”
   B. Requirements governing methods of accounting
   C. Discretion in choosing methods of accounting

Required Reading
IRC §446, §448
Treas. Reg. §1.446-1
Hallmark Cards, Inc. v. Commissioner, 90 T.C. 26 (1988). (skim)

Optional Material
Tate & Lyle, Inc. v. Commissioner, 103 T.C. 656 (1994).

III. Cash Method
   A. General principles of inclusion
   B. Constructive receipt
   C. Cash equivalency
   D. Economic benefit
   E. Eligibility for the cash method
   F. General principles of deduction

Required Reading
IRC §448, §451(a)
Treas. Reg. §1.451-1(a), §1.451-2
Treas. Reg. §1.448-1 (skim), §1.448-1T (skim)

Optional Material
Rev. Rul. 60-31, 1960-1 C.B. 174
Cowden v. Commissioner, 289 F.2d 20 (5th Cir. 1961)
Warren Jones Co. v. Commissioner, 524 F.2d 788 (9th Cir. 1975)
Sproull v. Commissioner, 16 T.C. 244 (1951)

IV. Accrual Method - Income Recognition
   A. Introduction
   B. Is it income?

Required Reading
IRC §61
Treas. Reg. §1.61 (skim)

Optional Material
Highland Farms Inc. and Subsidiary v. Commissioner, 106 TC 237
Erickson Post-Acquisition Inc. v. Commissioner, T.C. Memo 2003-218 (July 22, 2003)
Karns Prime & Fancy Foods v. Commissioner, 494 F.3d 404 (July 20, 2007)
Pittsburgh Milk Co. v. Commissioner, 26 TC 707 (1956)
The Seven-Up Company v. Commissioner, 14 T.C. 965 (May 31, 1950)
Smarthealth Inc. v. Commissioner, T.C. Memo 2001-145 (June 20, 2001)

C.  General principles of inclusion

Required Reading
IRC §451(a), §448(d)(5)
Treas. Reg. §1.451-1(a)
Rev. Rul. 74-607, 1974-2 C.B. 149
Rameau A. Johnson, et al. v. Commissioner, 184 F.3d 786 (8th Cir. 1999). (skim)

Optional Material
Spring City Foundry Co. v. United States, 292 U.S. 182.

D.  Advance payments

Required Reading
IRC §451(a), §448(d)(5)
Treas. Reg. §1.451-1(a), §1.451-5
Artnell v. Commissioner, 400 F.2d 981 (7th Cir. 1968) (skim)

Optional Material
Rev. Rul. 74-607, 1974-2 C.B. 149
Automobile Club of Michigan v. Commissioner, 353 U.S. 180 (1957)
Tampa Bay Devil Rays, Ltd v. Commissioner, TC Memo 2002-248
Boise-Cascade Corp. v. United States, 530 F.2d 1367 (Ct. Cl. 1976)
V. Accrual Method - Deductions
A. General principles of deduction
B. The all-events test
C. Economic performance
D. Exceptions

Required Reading
IRC §461(a), (h) and (f)
Treas. Reg. §1.446-1, §1.461-1, §1.461-4 and §1.461-5
Rev. Rul. 2007-3

Optional Material
Ford Motor Co. v. Commissioner, 71 F.3d 209 (6th Cir. 1995)
Burnham Corp. v. Commissioner, 878 F.2d 86 (2nd Cir. 1989)
Giant Eagle, Inc. v. Commissioner, 822 F.3d 666 (3d Cir. 2016)

VI. Special Rules Relating to Deductions
A. Capital expense v. ordinary expense
B. Capitalization of tangible property
C. Capitalization of intangible property
D. Miscellaneous deduction principles

Required Reading
IRC §263(a); §263A(a) – (c), (g); skim §195
Treas. Reg. §1.162-3 and -4; §1.263(a)-1; skim §1.263(a)-2 and -3; skim §1.263A-1
Treas. Reg. §1.263(a)-4 and -5 (skim)

Optional Material
Rev. Rul. 94-12, 1994-1 C.B. 36
Rev. Rul. 81-150, 1981-1 C.B. 119
PNC Bankcorp v. Commissioner, 212 F.3d 822 (3d Cir. 2000)
Wells Fargo & Company v. Commissioner, 224 F.3d 874 (8th Cir. 2001)
VII. Specialized Methods of Accounting & Certain Elective Treatments

A. Depreciation and amortization

Required Reading
IRC §167, §168, §197
Treas. Reg. §1.167(a)-1 through -10 (skim)
Rev. Proc. 87-56 (skim)
Whiteco Industries Inc. v. Commissioner, 65 T.C. 664 (1975) (skim)

Optional Material
Rev. Rul. 89-25, 1989-1 C.B. 79
Rev. Rul. 76-238, 1976-1 C.B.55
Arkla, Inc. v. United States, 765 F.2d 487 (5th Cir. 1985)
Hospital Corporation of America v. Commissioner, 109 T.C. 21 (1997)
Sears Oil Co. v. Commissioner, 359 F.2d 191 (2d Cir. 1966)

B. Treatment of long-term contracts
C. Installment method
D. Certain costs with optional capitalization

Required Reading
IRC §460
IRC §453 (except (h)); skim §453A, skim §453B(a) and (b)
IRC §195
IRC §174

Optional Material
Treas. Reg. §1.460-6
Treas Reg §15a.453-1(a), (b) and (d)
Treas. Reg. §1.195-1T
Treas. Reg. §1.174-1, -2

VIII. Inventories

A. General principles
B. Inventory costing
C. Write-down of ending inventory

Required Reading
IRC §471
Treas. Reg. §1.61-3(a), skim §1.471-1 through -4

Optional Material
Galedridge Construction, Inc. v. Commissioner, TC Memo 1997-485
Smith v. Commissioner, TC Memo 2000-353

D. Dollar-value LIFO
E. Pooling
F. Conformity
IX. Change of Accounting Method and Accounting Periods

A. Change of Accounting Method
   a. Definition
   b. Correction of error distinguished
   c. Procedures for change
   d. Section 481 adjustment

B. Accounting Periods
   a. General rules for taxable years
   b. Required taxable years for certain entities
   c. Election of taxable year other than required taxable year
   d. Adoption and change of taxable year
   e. Short period returns

X. IRS Focus on Accounting Methods Issues