Introduction

This course discusses the basic principles of state and local taxation, focusing primarily on state income and franchise taxes. The emphasis of the course is on major principles, as opposed to exceptions to the general rules. The class discussions will be directed toward state and local tax issues that a federal tax practitioner may face in day-to-day practice. Unlike federal taxes, where one law applies to all taxpayers, state tax laws vary. Therefore, rather on focusing on a single body of law, we will examine general rules that apply in many states and discuss some common differences.

Further, application of a particular principle may produce favorable results to one taxpayer but unfavorable results to another taxpayer. For instance, this situation may arise when one taxpayer is a domestic corporation (incorporated in that state) and the other taxpayer is incorporated out-of-state. Therefore the course will encourage the student to approach an issue with an open mind, disregarding the traditional federal tax notions of "taxpayer position" and "government position."

Although the focus of the course is on corporate income taxes, an overview of the state tax system is also included. The course discusses when a taxpayer may be required to file an income tax return, with emphasis on the limitations of state taxation provided by the U.S. Constitution and federal preemption. The course also introduces the student to the corporate income tax concepts of unitary business principle and formulary apportionment. In addition to corporate tax issues, the course will discuss issues relating to passthrough entities such as partnerships and limited liability companies. Further the course will consider common planning strategies and states authority to challenge a position taken by a taxpayer on a tax return. Finally, the course will discuss the states’ taxation of non-U.S. income and non-U.S. taxpayers.

Objectives

At the conclusion of this course (i.e., for the final exam – hint! hint!) the student should be able to apply basic principles of state and local taxation to identify issues. The student should recognize when a client may have exposure for nonpayment of income taxes and the issues commonly encountered by taxpayers in complying with various state and local income tax laws. The student will NOT be expected to determine precisely the extent of the exposure or calculate the amount of the refund. The focus of the examination is on issue spotting, rather than problem solving.
Reading Materials

Reading material for this year’s course will come from selected cases and excerpts from the leading treatise *State and Local Taxation* (9th ed) by Walter Hellerstein, et al. Additional reading material will be distributed by the professors.

Students will be expected to participate in class discussion regarding these cases and statutes. Students are encouraged to raise questions about course material during class. *The Professors will take class participation into account in determining final grades.* A portion of your grade (up to 10%) will be based on class participation. To receive credit, you should come to class prepared by reading the assignments. Also, you should participate by asking questions in class when you do not understand a concept. You will not receive class participation credit by emailing questions to the professors. We understand that sometimes you do not realize you have a question until you are reviewing your notes after class. Therefore, e-mailed requests to review material covered in class will be addressed during the next class session or in the designated review sessions (i.e., we will not respond individually to questions on course materials submitted via email).

Contacting Us

Please do not hesitate to contact us about questions regarding the class.

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