INCOME TAX ACCOUNTING  
Georgetown University Law Center  
Spring 2016

Instructor:  

Guest Lecturer:  

Spring 2016 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. 25, 2016 First class  
Feb. 1, 2016  
Feb. 8, 2016  
Feb. 15, 2016 No class – Presidents Day  
Feb. 18, 2016 (THURSDAY) – Monday classes meet instead of Thursday classes  
Feb. 22, 2016  
Feb. 29, 2016  
Mar. 7, 2016 No class – Georgetown Spring Break  
Mar. 14, 2016  
Mar. 21, 2016  
Mar. 28, 2016  
Apr. 4, 2016  
Apr. 11, 2016  
Apr. 18, 2016  
Apr. 25, 2016 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 10, 2016 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)
   Korns 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**
   - Burnham Corp. v. Commissioner, 878 F.2d 86 (2nd Cir. 1989)

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. §1.162-4; §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)

**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)
- *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**
- *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