

Tax Policy & Tax Reform

Bus 225R

Spring 2012

January 3 to April 17, 2012

Professor Annette Nellen

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Description: Overview to principles and policies that underlie and shape tax systems and reforms. Students will gain a broader appreciation of the tax law beyond its technical application, as well as how tax, economic, social and environmental policies interact.

Prerequisites: Bus 223A, 223B, 223C, 223F (or concurrently) and be currently enrolled in the MST program or working on the Advanced Certificate in Taxation. Students must have the necessary hardware and software to complete this course which is completely online.

Dates: Students need to set their schedule for completing the lessons, readings, project and final exam for this course. Due dates are specified for Quiz #1, the group project, the individual project and final exam. Students must review the course materials and create their own schedule to be on a pace that allows for timely completion of all course requirements. It is highly advisable to set aside specific times each week to read, watch, listen, take quizzes, and do homework, just as you would for a face-to-face class.

Learning Objectives: Students should –

- Gain a broader sense and appreciation of tax law design and its effect beyond the technical aspects of the law and the determination of the amount owed.
- Be able to analyze and critique tax rules and systems using the principles of good tax policy.
- Be able to understand and gain an appreciation of the multitude of policy and design considerations inherent in key types of tax.
- Be able to understand how taxes affect decision-making directly and indirectly and the relevance of this to design of a tax system.
- Be able to understand the relationship and effect of tax rules on economic, social and environmental policies and situations.
- Be able to understand why major reform of the federal tax system is discussed regularly and the nature of the types of reform proposals and the issues they raise.

Tips:

- Proceed in the order suggested – Modules 1 - 11 (don't skip around)
- Create a schedule for yourself so you can see that you will get everything completed and be prepared to take the final exam during the scheduled time. Be sure to note the due dates for the first quiz, project segments, the online discussion (you must participate in one of them) and the date options for the final exam.
- There are several audio files in this course. You can listen either on your computer or an mp3 player. You likely will not want to listen while driving since there are Powerpoint files accompanying most podcasts and videos.

- There are 11 modules to complete. The first few and the very last one are a bit shorter than the others so factor that in when creating your schedule for completing the course. The Course Plan indicates the estimated time for listening, watching and reading for each module.
- Be sure you click through to the links on the schedule for each module so you get all of the course materials that are in addition to the Powerpoint files, videos and podcasts of Professor Nellen.
- Take notes as you read and listen/watch the presentations. You may want to print the Powerpoint files prior to listening to the accompanying podcasts or webcasts.

University Policies:

Academic integrity

Your own commitment to learning, as evidenced by your enrollment at San José State University, and the University's Academic Integrity Policy requires you to be honest in all your academic course work. Faculty members are required to report all infractions to the Office of Student Conduct and Ethical Development. The policy on academic integrity can be found at http://sa.sjsu.edu/student_conduct.

Campus Policy in Compliance with the American Disabilities Act

If you need course adaptations or accommodations because of a disability, or if you need special arrangements in case the building must be evacuated, please make an appointment with me as soon as possible, or see me during office hours. Presidential Directive 97-03 requires that students with disabilities requesting accommodations must register with DRC to establish a record of their disability.

Reading Materials:

All of the reading materials are available online at the course website (below) and the course Desire2Learn site. There is also information about this course at:

http://www.cob.sjsu.edu/nellen_a/bus225R_reading.html

Grading:

Quizzes	180	9 @ 20 points*
Group Policy Analysis	25	
Blog entries (2)	30	
Hearing Analysis	30	
Project	75	
Final exam	<u>100</u>	
Total	440	

* There are 11 quizzes; your 2 lowest scores will be dropped.

Assignments:

1. Quizzes (take online in the order noted)

Most of the reading and presentations are followed by a quiz. You take the quizzes online. Be sure you have completed the readings and listening/viewing noted for the particular module or portion of the module before taking the quiz. The quizzes are timed as noted when you start the quiz. There are 11 quizzes, your lowest two scores will be dropped.

The first quiz is introductory and also helps Professor Nellen understand your interests. So, there is a due date specified for this quiz (see D2L for that date). All other quizzes must be completed before taking the final exam.

2. Group Policy Analysis

To allow you to interact with fellow students, two draft tax policy analyses will be posted to D2L (in the same section where the syllabus is posted). You will review one or both and then participate in a conference call (details to follow) where we will discuss application of each of the 10 principles of good tax policy for the proposal. Following the conference call, you'll need to submit a write up of one of the principles assigned to you on the call. There will be two different opportunities and dates for this activity (you only need to participate in one; let Professor Nellen know which one you'll join). The proposal to be analyzed will be different for each call.

- Saturday February 25 from 9 – 10 am
- Monday March 19 from 7 – 8 pm

3. Entries on 21st Century Taxation Blog

To allow for some interaction with classmates (and others) and to practice one technique used for tax policy discussions today, you'll comment on two blog posts:

<http://www.21stcenturytaxation.blogspot.com>

This is Professor Nellen's tax policy blog, first set up in May 2007. Former 225R students had a separate course blog to post on, but there was no other activity from anyone not in the class. Since Professor Nellen already blogs on tax policy and the blog gets over 1,400 hits per month, this blog should be fine for our class needs. So, check the blog regularly and comment on at least two posts you find of interest to you. Your comments should be thoughtful, clearly written and refer to concepts covered in class. You should also have at least one link (you can just paste in the URL) to support your comments. Please be sure to also check the blog regularly to see what classmates and others are writing. Feel free to make more than two comments. Just let your instructor know which two you want graded.

4. Hearing Analysis

You will select one hearing of the Senate Finance Committee or House Ways and Means Committee from the following list, after receiving approval for the selection from Professor Nellen (send an email indicating your top two preferences). You will watch the hearing and complete the worksheet about it which you can download from D2L (in the same section as the syllabus). These will be posted to D2L to share with classmates.

- A. 10/18/11 - SFC - [Tax Reform Options: Incentives for Charitable Giving](#)
- B. 10/6/11 - SFC - [Tax Reform Options: Incentives for Homeownership](#)
- C. 9/20/11 - SFC - [Tax Reform Options: Incentives for Innovation](#)
- D. 9/15/11 - SFC - [Tax Reform Options: Promoting Retirement Security](#)
- E. 9/14/11 - SFC - [Tax Reform Options: Marginal Rates on High-Income Taxpayers, Capital Gains and Dividends](#)
- F. 7/26/11 - HWM - [Tax Reform and Consumption-Based Tax Systems](#)
- G. 6/23/11 - HWM - [Tax Reform and Foreign Investment in the United States](#)
- H. 6/2/11 - HWM - [How Business Tax Reform Can Encourage Job Creation](#)
- I. 3/3/11 - HWM - [Small Business and Tax Reform](#)

5. Individual Project

We will cover many tax policy and reform topics in class, but we cannot cover all of them as there are so many. This project provides you an opportunity to select a tax policy and/or reform topic of interest to you. It will also allow you to think more thoroughly about topics covered in class and apply them to a specific issue. You must get your topic approved by your professor

prior to starting it. You'll want to have selected and obtained approval for your topic soon after completing Module 6 (or earlier). The details and format for the project, as well as the submission instructions and dates are provided later in this syllabus.

6. Final

The final exam is an opportunity to review what you've learned in this class and let your instructor know. The exam is open book and notes so be sure you are taking notes while you are reading and watching/listening to lectures. Those notes should primarily be for studying. You won't have time during the final to look everything up. The exam will be taken online and will be timed (2 hours). The final exam must be taken during two continuous time blocks (one for the multiple choice questions and the other for the short answer questions). If you want to take the final exam before the period noted below (and have finished all quizzes), let your instructor know. **DO NOT** open the exam unless you plan to take it because once you click on it, the timer starts running and it will be your sole opportunity to take the exam.

Take final exam anytime between:

Thursday April 12 at 7 am and Tuesday April 18 at 4 pm (extra day given due to April 17 tax filing date)

If you want to take it earlier, ask Professor Nellen.

Project – Details

For this project, you'll select a legislative proposal or existing rule, research it and write about it covering the elements noted in the chart below. Examples of positions include (1) the charitable contribution deduction should be replaced with a tax credit, (2) Unicap should be repealed. You can find legislative proposals at <http://thomas.loc.gov>.

Be sure to use footnotes for any data you are using or other information sources. Each reference should include a URL (if you found your data online), author, title, date and a page number. That is, **simply giving a URL is not a sufficient reference.**

A grading rubric is included in the syllabus. Be sure your paper is well researched, positions and statements are clear, it flows logically, is well organized (with headings to indicate the sections noted below) and it reflects strong critical thinking.

Your project should be of high quality appropriate to publish in the MST Program's The Contemporary Tax Journal and it is hoped that you'll want to have your project published in this journal. For examples of student work, see the journal at <http://www.sjsumstjournal.com>.

Format and due dates: (if you want a different due date schedule, propose it to Professor Nellen before January 31)

Due	What	Length
By January 31	<ol style="list-style-type: none"> Title page Explain the basics of your topic (the proposal or existing tax rule you are analyzing) 	2 - 3 paragraphs
By March 21	<ol style="list-style-type: none"> Apply and explain the ten principles of good tax policy and what it means (is your position good or flawed; what are its strengths and weaknesses in terms of these tax principles) 	2 - 3 pages

By April 9	4. Your complete package with any changes to parts 1 – 3 you deem appropriate based on comments received and what you have learned in the class. This should be in a publishable format and state of readiness.	1 page
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Submission –You must submit your complete/final paper electronically to the Turnitin.com website before submitting it to your instructor on (or before) April 9. This website will review it for how well you have paraphrased and cited authority for statements in your paper. It will produce a report with the results. Be sure to review it carefully and make any necessary changes before emailing your final report to your instructor. To access Turnitin.com, go to the following website and if you do not already have an account, create one (click “new users” in the upper right corner of the website). To access this class, use the code and password below.

<http://www.turnitin.com/>

Class code = 2686323

Password – policy

Websites useful for your project or obtaining additional information on course topics, in addition to Google, RIA Checkpoint and CCH (not a complete list):

- House Ways & Means Committee – you may find a hearing on your topic
 - <http://waysandmeans.house.gov/>
- Senate Finance Committee – you may find a hearing on your topic
 - <http://finance.senate.gov/>
- Joint Committee on Taxation – you may find a report on your topic (use the search box)
 - <http://www.jct.gov>
- Congressional Budget Office – you may find a report or data about your topic
 - <http://www.cbo.gov>
- Government Accountability Office (GAO)
 - <http://www.gao.gov>
- Congressional Research Service (CRS) – you may find a report on your topic. You can also look using a Google search “CRS [topic name]”
 - <http://digital.library.unt.edu/govdocs/crs/index.tkl>
 - <http://openocrs.com/>
- California Legislative Analyst’s Office
 - <http://www.lao.ca.gov/laoapp/>
- Primer on California Taxes from the Legislative Analyst’s Office
 - http://www.lao.ca.gov/2007/tax_primer/tax_primer_040907.aspx
- California Board of Equalization
 - <http://www.boe.ca.gov/>
- California Franchise Tax Board
 - <http://www.ftb.ca.gov/>
- California Department of Finance
 - <http://www.dof.ca.gov/>

Grading Rubric for 225R Project

0 = not present 1 = weak 2=not clear enough 3=satisfactory 4=good 5=outstanding

Each part timely submitted		0	1	2	3	4	5
Clarity of statement and explanation of your position	X2	0	1	2	3	4	5
Clarity – does paper need to be reread; does it cause confusion for the reader, is it well-organized?	X2	0	1	2	3	4	5
Application of the ten principles of good tax policy and what it means (is your position good or flawed) – correct application	X3	0	1	2	3	4	5
Application of the ten principles of good tax policy and what it means (is your position good or flawed) – thoroughness	X3	0	1	2	3	4	5
Proper citing of references		0	1	2	3	4	5
Used Turnitin.com		0	1	2	3	4	5
Grammar, spelling and sentence structure	x2	0	1	2	3	4	5

Course Outline

The following information is also at the online course website (Desire2Learn) with links to the readings, podcasts, videos and quizzes. Since this class is not tied to specific meeting times, there are no dates in the course outline. Use the version of this course outline on Desire2Learn as that is the one that is updated for any changes in URLs.

NOTE: The modules are not of equal length. The first five and last two are much shorter than the rest. The links below are all on the Desire2Learn course website. The D2L site includes some items in addition to those noted below.

Topic	Module	Format (minutes)	Est. Time (minutes)	Points
Overview to Tax Policy & Reform Class	1	<ul style="list-style-type: none"> ▪ Listen (20) ▪ NPR, "Tax Code Overhaul As Tough As Doing Your 1040," 9/9/10 (5) 	20	--
Quiz on Overview (course pretest)	1	Short answer/online	60- 90	20
Examples of Tax Policy Encounters	2	<ul style="list-style-type: none"> • Listen: Nellen overview (20) • Watch: Deloitte webcast – The Tax Legislative Process — A Little Knowledge Goes a Long Way (44 minutes; need to register) (good review of legislative process and realities of enacting tax changes) 	65	--
Data on Our Tax System	3	<p>Read: What's Your Tax System IQ? by Nellen (3/08)</p> <p>Read: The Tax Policy Briefing Book from the Tax Policy Center (excerpts):</p> <ol style="list-style-type: none"> i. Federal Sources of Revenue ii. Federal Spending iii. International comparisons iv. Distribution and progressivity v. Federal tax gap <p>Read: Federation of Tax Administrators, State tax sources and comparisons (how does California compare to other states and the national averages?)</p> <p>Read: Tax Foundation, Where Do State and Local Governments Get Their Tax Revenue?</p> <p>Read: Nellen, Data on different types of business entities</p>	100 - 130	--
Quiz on Tax System Data	3	MC/online	30 - 60	20
Why Do We Have Taxes?	4	<ul style="list-style-type: none"> • Watch video (25) • Powerpoint • GAO, Understanding the Tax Reform Debate (9/05), text pages 1 - 23 	50 - 90	--
Introduction to Principles of Good Tax Policy + Tax Policy People	5	<ul style="list-style-type: none"> • Watch (70) • Powerpoint • Read: AICPA Tax Policy Concept Statement 1 • Read: NCSL, Principles of a High-Quality State Revenue System (2007) 	140 - 180	--

		<ul style="list-style-type: none"> Read: Policy Approach to Analyzing Tax Systems 		
Quiz on Introduction to Principles	5	Short answer/ online	40 - 60	20
Types of Taxes and Their Policy Issues - Overview	6	<ul style="list-style-type: none"> Listen (80) Powerpoint 	170 - 210	--
Income Taxes – Structure and Selected Policy Issues	6	<ul style="list-style-type: none"> Read: Oakland and Testa, "State-local business taxation and the benefits principle" (1996) Read: Tax Foundation, The Popular Definition of Income and Its Implications for Tax Policy (1997) Read: Nellen, Gross Receipts Taxes (4/08) Read: Nellen, Gross Receipts Taxes - Panacea or mistake? (5/08) <p>Note: The two short articles by Nellen on gross receipts taxes replace a webcast noted in the audio for this lesson. While a GRT is not an income tax, the GRT is referenced in this lesson as an example of structure considerations and figuring out tax incidence (who really pays).</p>		
Quiz on Types of Taxes – Overview + Income Taxes	6	Quiz - MC/Online	60 - 90	20
Consumption Taxes – Structure and Selected Policy Issues	6	<ul style="list-style-type: none"> Listen (65) Powerpoint Read: Nellen, Pyramiding in the Sales Tax Read: Nellen, New Taxes and Tax Policy (unusual types of consumption taxes and their analysis under the principles of good tax policy) 	100 – 120	--
Wealth/Valuation Taxes – Structure and Selected Policy Issues	6	<ul style="list-style-type: none"> Listen (70) Powerpoint AICPA Study of the Estate Tax (2001) – Executive Summary only 	140 – 160	--
Head Taxes – Structure and Selected Policy Issues	6	<ul style="list-style-type: none"> Senate Finance Committee hearing on the federal estate tax (11/14/07): <ul style="list-style-type: none"> Statements (2) of Baucus, Rhoads Optional: watch the hearing Tax Foundation, Executive Summary (6/2/06) USA Today, “Opposing groups ready for estate tax fight” (8/28/05) OPTIONAL: JCT, Background on Estate/Gift Tax for the 11/14/07 hearing (JCX-108-07) (if you want more background information on estate and gift taxes, you may want to skim this helpful report) NYT article (4/28/90) – “Thatcher Said to Weigh Changes in Disputed Tax” 		
Quiz – Consumption, Wealth/Value, Head Taxes	6	MC/Online	40 - 60	20
Tax Policy, Budget and Other Government Policies - Tax expenditures as	7	<ul style="list-style-type: none"> Listen: Part 1 (82) Part 2 (65) Powerpoint Read: Nellen, background and position 	300 - 360	

spending		paper on California tax expenditures		
Tax Policy, Budget and Other Government Policies - EITC as social program	7	<ul style="list-style-type: none"> • Read: CBPP, EITC (2005) • Read: Mankiw, "Does the EITC reduce the poverty rate?" (9/4/06) • Read Nellen, Goodbye State Tax Deduction (5/08) 		
Tax Policy, Budget and Other Government Policies - State tax deduction and federal/state relations	7	<ul style="list-style-type: none"> • Read through p 13: CRS, Energy Tax Policy: History and Current Issues (2/08) • Read: Nellen, Warming Up to a Carbon Tax (11/07) 		
Tax Policy, Budget and Other Government Policies - Energy and environmental policies	7	<ul style="list-style-type: none"> • Read: Nellen, Policy Considerations of a Carbon Tax (12/07) • Read: JCT, U.S. Int'l Tax Rules: Background ... Competitiveness (7/03), text pages 2-7, 16-24 		
Tax Policy, Budget and Other Government Policies - International competitiveness	7	<ul style="list-style-type: none"> • Read: CRS, Taxes and International Competitiveness (2006) 		
Quiz – Tax Policy, Budget and Other Government Policies	7	MC/Online	15 - 25	20
Principles of Good Tax Policy – Digging Deeper	8	<ul style="list-style-type: none"> • Listen (97) • Powerpoint • Read: AICPA Statement 2 - Guiding Principles for Tax Simplification • Read: AICPA Statement 3 – Guiding Principles for Tax Law Transparency • Read: AICPA Statement 4 – Guiding Principles for Tax Equity and Fairness • Read: GAO, Understanding the Tax Reform Debate (9/05), text pages 24 - 53 	150 - 190	--
Quiz – Principles of Good Tax Policy	8	MC/Online	10 - 20	20
Major Tax Reform <ul style="list-style-type: none"> ▪ Reasons ▪ Income versus Consumption Taxes 	9	<ul style="list-style-type: none"> • Watch video (50) • Powerpoint slides to accompany video • Watch/Read: House Small Business Committee hearing of 4/10/08 <ul style="list-style-type: none"> • Opening member statements video (10) • AICPA testimony video (5) • Examples of committee member questioning of those who testified before the committee video (3) • video (7) • Committee Report <p>This hearing provides an insight into what a Congressional hearing can look like (some are in much nicer rooms though). The hearing highlights some of the reasons why major reform of the federal tax system is frequently discussed.</p> <ul style="list-style-type: none"> • Read: OECD, "The income taxes you still pay." <i>OECD Observer</i> July 2010 • Read: Nellen, Data-Driven Corporate Tax Reform Perspectives (3/10) • Read: Nellen, The Future of the Corporate Income Tax (10/07) 	170 - 220	--

		<ul style="list-style-type: none"> • Read: Nellen, Corporate Tax Under the Microscope (1/08) • Read: AICPA, Tax Reform Alternatives for the 21st Century; Chap 1 & 3 		
Quiz – Major Tax Reform Reasons and Basics	9	MC/Online	40 - 60	20
Type of Reform – Revamp Existing Income Tax	9	<ul style="list-style-type: none"> • Watch (40) • Powerpoint • Read: AICPA, Tax Reform Alternatives for the 21st Century; Chap 4 	70 – 90	--
Type of Reform – Retail Sales Tax and VAT	9	<ul style="list-style-type: none"> • Watch (50) • Powerpoint • Read: AICPA, Tax Reform Alternatives for the 21st Century; Chap 5, 6 & 7 • Read: Nellen, Consumption Tax Information • Listen – Fair Tax Pro and Con (some opinions in the tax reform debate) <ul style="list-style-type: none"> • Tax Foundation - Laurence J. Kotlikoff (15) • Tax Foundation – Bruce Bartlett (22) 	160 – 200	--
Type of Reform – The Flat Tax and Other Consumption Taxes	9	<ul style="list-style-type: none"> • Watch (30) • Powerpoint • Read: AICPA, Tax Reform Alternatives for the 21st Century; Chap 8 & 9 		--
Quiz – Types of Taxes Considered in Reform	9	MC/Online	40 - 60	20
Major Tax Reform – Issues	9	<ul style="list-style-type: none"> • Listen (55) • Powerpoint • Read: AICPA, Tax Reform Alternatives for the 21st Century; Chap 10 & 11, Appendix A • Read: GAO, Understanding the Tax Reform Debate (9/05), text pages 54 – 87 • Nellen, Strategy for Major Tax Reform (11/07) • Watch: House Small Business Committee hearing on Proposed Electronic Payments Tax Reporting (6/12/08). This hearing provides an example of the challenges of tax reform – here, an idea for reducing the tax gap. NOTE: this proposal was enacted as part of the Housing and Economic Recovery Act of 2008 (PL 110-289; July 2008) which created IRC §6050W. <ul style="list-style-type: none"> • Overview • Videos of the hearing. Watch the ones of Committee members Chairwoman Velazquez and Ranking Member Chabot + a few of the witnesses – enough to get an idea of the concerns and possible solutions. (45) 	145 - 175	--
Quiz – Major Tax Reform Issues	9	Short answer/Online	20 - 60	20

Recent Tax Reform Activity and Issues	10	<p>An overview of activities by Presidents Bush and Obama and the congressional tax-writing committees and related information.</p> <ul style="list-style-type: none"> • Listen (TBD) • Powerpoint • Read: Remembering Forgotten Tax Issues, (1/09) • Skim: President Obama's Tax Panel report on Tax Reform Options (8/10) • Read: Final Report of President Obama's Deficit Commission (12/10) page 28 - 34 <p>Examples of areas where reforms might be piecemeal or part of a more comprehensive reform plan:</p> <ul style="list-style-type: none"> • Listen • Read: Nellen, Small Business Tax Reform (8/08) • Read: Nellen, Rethinking IRAs (7/08) • Read: Nellen, Closing the Tax Gap (8/08) • Read: Nellen, Self-Employment Tax Policy Considerations (6/10) • Read: Nellen, Overlooking Tax Policy: A Decade in Review (1/10) 	200 - 240	--
Quiz – Recent Tax Reform Activity	10	MC/Online	15 - 45	20
California Tax Reform	10	<ul style="list-style-type: none"> • Listen (50) • Nellen, Short list of California tax problems • LAO, Reforming California's Tax System (1/04) 	70 - 100	--
Summary and Review	11	<ul style="list-style-type: none"> • Listen (17) • Powerpoint 	20	--
Final Exam	--	<ul style="list-style-type: none"> • Online test 	120	100

Additional Assignments (to complete as you proceed through the course)	Format (minutes)	Est. Time (minutes)	Points
Group policy analysis	See assignment and question set to be given to your group after class begins	6 - 8 hours	25
2 blog comments	http://21stcenturytaxation.blogspot.com	1 – 2 hours	30
Hearing analysis		5 – 8 hours	30
Project – see above for due dates	See explanation in this syllabus	12 - 16 hours	75