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# ***PwC Case Studies in Taxation***

## ***2017 Edition***

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We are pleased to provide the PwC Case Studies in Taxation for 2017. The series was introduced in 1989 and now includes almost sixty cases.

The case studies in this series were developed under the guidance of editor William A Raabe, PhD, CPA, formerly the Wisconsin Distinguished Professor of Taxation. Previous editors in the series include Betty R Jackson, PhD, University of Colorado at Boulder, and Sally Morrow Jones, PhD, University of Virginia. In preparing the case studies, we endeavored to provide tax educators and students with “true-to-life” situations based on actual experiences of PwC tax practitioners, involving knowledge of the tax law, intermediate tax research skills, and professional uses of word and excel software.

The accompanying “Index” document charts the current list of cases, by topic and by date added to the collection. All cases have been reviewed and modified, as appropriate, due to revisions in the Internal Revenue Code, Regulations, and Revenue Rulings through June 2017.

Please contribute to the series editor any pedagogical techniques you have found to be successful or unsuccessful. Any additional comments, ideas for new cases, or other contributions are welcomed. [Contact](#) Bill Raabe with these contributions.

Good luck with these materials. We are happy to support the academic side of the profession in this way.

**PwC Foundation**



### ***Notes to Instructor***

The PwC Case Studies in Taxation provide students with realistic fact situations in which a number of tax problems and opportunities can be identified. The cases include prospective as well as completed business transactions, so that students can incorporate a certain amount of tax planning into their solutions. The case studies cover various topical areas, summarized in the index, typically encountered in a second university tax course, or in a business-school graduate tax program. Law-school and LLM-Taxation students also find the cases to be a useful integrative exercise, although they often take a different approach to the issues and deliverables than do their business-school counterparts.

### ***Student skills required***

To develop solutions to the case studies, students must be able to locate, understand, and apply the correct source of authority. Sources of authority used in these cases include the Internal Revenue Code, Treasury Regulations, revenue rulings, judicial decisions, and various tax services and treatises. A number of the issues have no “right” answer, either because there is no specific authority on point, or because there is conflicting authority.

Facility with Excel functions also is needed for most of the cases. The instructor should encourage that the students apply Excel “best practices” in constructing their spreadsheets, to improve their professional skills, but also to allow you to have more fruitful debriefing sessions for the cases, ie in applying sensitivity analysis.

### ***Features for the instructor***

Many of the cases and solutions employ Excel spreadsheets embedded in Word documents. This feature allows the instructor to cut-and-paste both text and numerical materials so as to tailor the case and its requirements as needed, and to retain the integrity of the case and solution material.

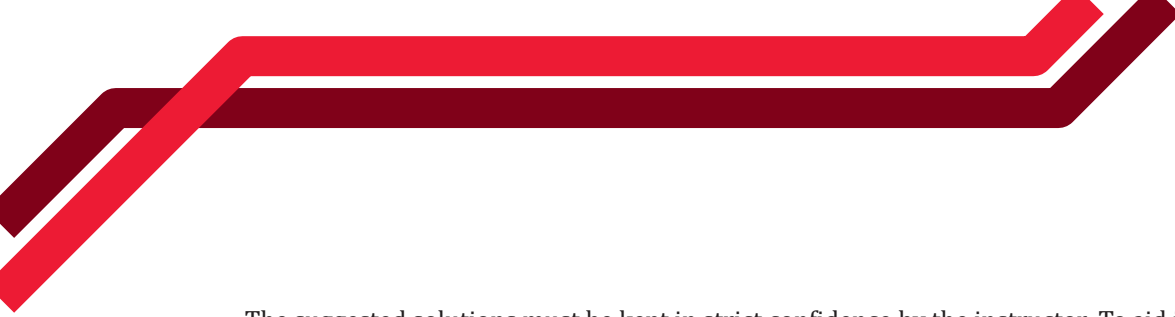
The case studies do not specify any specific format in which the solution is to be presented. Often, though, a template for presenting the solution is suggested; this template may be distributed to the student. Most solution files also include suggested teaching notes and ideas for student submissions.

### ***Using the cases in your course***

Deliverables by the student can take many forms. Possible written formats are a letter to the client identified in the case study, a memo to the client file, or preparing a ruling request for the IRS. Some case study users require oral presentations. These may take the form of a straight presentation or role-play in the setting of a client meeting, resolution of an audit, or representation of a client in a court.

A role-play with the IRS or a court can involve outside practitioners playing the role of appeals officer or judge. These presentations may be videotaped to provide feedback to the student or to be used in other classes where you want to demonstrate the process to students who are familiar with the case, but may not have done the research. Video clips also might be submitted by students in a role play, eg to a client or tax partner.

The suggested case solutions provided to the case studies include citations to relevant authority, and they address both the major and minor tax issues suggested by the facts. The instructor should use discretion as to the depth and breadth of coverage of the issues required by the students in their solutions.



The suggested solutions must be kept in strict confidence by the instructor. To aid in keeping the solutions secure, many of the cases are modified in the annual update process to change the data set and thereby the solutions.

Most of the case studies involve several distinct issues, designated by Roman numerals in both the case and the suggested solution. Often, one or more of these separate issues can be deleted from a case without damaging the integrity of the remaining material. Thus, an instructor can adjust the length or difficulty of any particular case by selecting the specific issues to be included. If needed, background outlines of pertinent tax law are presented for some of the cases.

The time required of the student to complete the case requirements will vary greatly, depending upon the level of tax knowledge of the individual student, their software skills, and the number and type of issues in each case. As a very general guideline, each case study, with all issues included, should require not less than 10 hours of issue formation, research, and analysis by a graduate tax student, before the final deliverable(s) are developed.

### **Alternative Uses**

Many professors have provided us with feedback on the ways in which they have successfully used these cases. Although most responses suggest that the cases in general are used as they were designed, others have written to pass on information regarding alternative uses. Even in graduate tax classes, the professor may assign some cases as issue identification cases to conserve time and cover more territory. Students can work on the cases in groups, to identify and develop issues, conduct the necessary tax research, or present the required deliverables.

The collection is designed for students with developed technical and research skills, but some of the cases have been designed so that issues can be carved out and assigned to undergraduate students.

- **Flatirons** involves various tax issues. The first part deals with taxable transfers of property and services to an existing corporation by new shareholders. The fact pattern can be used to point out requirements of §§351 and 357 and to focus on the meaning of each requirement. The second part of the case explores the deductibility of home office expenses and travel expenses while temporarily away from home. It also examines employer-reporting requirements for reimbursed business expenses. This part requires reading relevant authorities as well as the statute.
- Part 1 of the case **Hawaiian Memories** concerns qualification requirements for an S corporation, curing non-qualifying shareholders, and the deductibility of fringe benefits for 2% shareholders. Undergraduate students probably can find in their textbooks a discussion of the types of shareholders who qualify and the fringe benefit limitations. However, most beginning tax students would not yet have the knowledge to deal effectively with the issue of curing the problem of having non-qualifying S shareholders.
- The requirements of the **Chosen** case include a computation of regular tax and AMT liabilities for a C corporation. Adequate information is found in undergraduate tax textbooks to work with this case.
- The **Peachtree** case applies the principles of entity choice for a small business. Most undergraduate tax textbooks will allow the student to analyze whether the entity should incorporate, or be structured as a partnership or a limited liability company.

- The **Wise Holland** case addresses the applicability of various constraints of the behavior of the taxpayer and the tax professional, in the context of tax penalties and ethical standards. This is appropriate for many who have access to undergraduate courses and textbooks. Similarly, **Beach Time** and **Singh** examine the application of taxpayer penalties and the means by which to minimize their impact.
- Estate, gift, and retirement planning issues for high-income and –wealth individuals are examined in **Benoit, Lopez, Moore, Pyle, and Scholz**. These cases used in concert can make up a free-standing module for those students who do not plan to work in the corporate tax sector.

Early in one’s career, a tax professional often is assigned to compute corporate quarterly estimated federal income tax payments, and to assist on an “E&P study” for a C corporation whose computed E&P balance is not current. The **Happy Ways** and **Yellow Springs** cases may be useful in developing the student’s skills in this regard.

The instructor can put together a package of cases that is appropriate to the students’ knowledge in the important area of Accounting for Income Taxes. The course could use only one of the cases, or it could build a knowledge base by using more than one of them in sequence.

- The entry-level **Extra** case has the student convert a trial balance to the income tax provision. Book-tax differences are classified as permanent or temporary, current or non-current. The journal entry is constructed to record the tax deferrals.
- The **Wood** case involves the preparation of a consolidated corporate Schedule M-3, showing book-tax differences of various sorts. The **Wylie** case requires that the student prepare a Schedule UTP to reflect certain tax position disclosures.
- The **Yost** case applies the Schedule M-3 requirements for a US partnership.
- The **Edgewood** case uses more detailed data to require the application of ASC 740 / FAS 109 rules to identify book-tax differences from a trial balance, then to compute the tax provision and related journal entries and rate reconciliation.
- The **Estabrook** case uses data similar to Edgewood but introduces ASC 740-10 / FIN 48 aspects to the fact pattern, and it asks for completion of a Schedule M-3 for the taxpayer.

### **Distribution**

Access to an index to the cases and supporting material is available at all times at the editor’s [web site](#). An instructor obtains copies of the related files through [a request](#) to the editor.

You may only request copies of the PwC Case Studies in Taxation (including Case Files, Solution Files, and Supporting Materials) if you are a college/university professor. PwC hereby grants professors permission to distribute hard copies or electronic versions of the Case Files and Supporting Materials to students solely for educational use. For purposes of security, professors are not permitted to distribute Solution Files to anyone, including students. Except where expressly stated otherwise, you are not permitted to copy, broadcast, download, store (in any medium), transmit, show or play in public, adapt or change in any way any of the content of the PwC Case Studies in Taxation, or use any part of it for any commercial purposes without the prior written permission of PwC, obtained through the series editor.