



Taxes and Business Strategy
Winter Term, 2019

Professor: Leslie Robinson
Email: leslie.robinson@tuck.dartmouth.edu
Phone: 603.646.4018 (office)/603.892.0398 (mobile)
Office: Tuck 303 (office hours by appointment)

Course Time and Location:

Mon/Tues 1:15 to 2:45 & 3:00 to 4:30 Shapiro (Except week incl. MLK day)

Course Materials:

- Reading and case materials, including questions to consider upon doing the readings (on Canvas)
- Optional: Scholes, Wolfson, Erickson, Hanlon, Maydew and Shevlin, *Taxes and Business Strategy – A Planning Approach*, Prentice-Hall (referred to as SWEHMS). There are six copies of this textbook on reserve in the Feldberg library.

We will use problem sets and cases to gain hands-on experience analyzing tax strategies, linking the tax strategies with concepts from corporate finance, financial accounting, business law, and economics. When appropriate, we will refer to financial statement disclosures so that you can learn how taxes affect the financial reporting for transactions.

Course Objectives:

“Many areas of business can be worked through via brute force logic, except taxes.” – Tuck alumni and CEO

This course has two main objectives:

First, you will *gain an understanding of taxation that will make it more intuitive*. Although the details of tax law are quite nuanced (and in complex situations will require advice from a tax lawyer), there are broad principles and concepts that guide tax policy in every jurisdiction even as specific laws and governments change. Taxes are everywhere and having an understanding of

them gives you a distinct advantage in the labor market (not to mention in your personal life) for just about any career path you choose. Along the way you will necessarily be introduced to some tax rules and regulations, but this is a consequence of the course rather than the objective.

Second, you will take away from this course *a structured approach to thinking about how taxes interact with business strategy*. Business strategy broadly refers to a firm's working plan for achieving its vision, prioritizing objectives, competing successfully, and optimizing financial performance. Taxes affect every fundamental business decision such as forming a business and raising capital, financing projects, compensating employees, making shareholder distributions, expanding through acquisition, divesting lines of business, or expanding internationally. Thus, how the firm desires to implement its business strategy involves tax costs, which in turn can cause the firm to rethink its business strategy. The salient questions in business decisions are how can we achieve our objective at the lowest tax cost, and what are the trade-offs involved?

Grading:

The course grade will be based on the following two components:

a. **Class Participation/Case Feedback (50%)**: Based on in-class participation, final project group member evaluations (see "final project" below), and case feedback. Participation in class discussions, preparation for class, and attendance during class comprise the in-class participation grade. Class discussion is an integral part of the learning experience of the course. Your class participation grade will be based on the quality of your contribution to class discussion, not based on the amount of time you talk. Recognizing that students with different backgrounds will contribute differently to class discussion, and that some of us are more introverted than others, contributions can take many forms, including (but not limited to) insightful comments and thoughtful questions. Cold calls are fair game, though I will use them primarily to foster discussion and inclusiveness.

Meaningful class participation requires adequate preparation of the assignments for each class. Not attending class will negatively impact your participation grade. In the rare instance that an emergency precludes you from preparing adequately for a particular class, you should notify me before the class begins. Please keep your electronic devices turned off and in your bag during class. Tardiness, entering or leaving during class, use of electronics during class, lack of attendance, etc. will have a negative effect on your classroom performance grade.

A necessary condition for maintaining a rigorous and satisfying MBA experience at Tuck is that Tuck professors provide high quality teaching materials that generate high quality discussion. Your feedback is an integral part of this process. Thus, the third element of your participation grade will entail providing high quality feedback on one of the cases (of your choosing) that we cover during the course. This feedback should be critical, insightful, and thoughtful. Appropriate feedback might cover aspects such as what you liked about the case, what you disliked about the case, how the case or the case discussion might be improved, whether the background reading sufficiently prepared you for the case, or even what sort of case material you would propose as an alternative for the topic covered.

b. **Final Project (50%):** The written group project report is due in Canvas by the end of the day on Saturday, March 2nd. Each group will summarize the main issues they chose to research. This project is to be completed in groups of 4-5 students. Please select your groups via Canvas. Students having trouble finding a group will be assigned to one by me. To encourage full participation by all team members, each student will also be asked to submit an evaluation of the performance of each of their team members when submitting the final project. These evaluations will have a strong influence on the “class participation” component of the final grade.

For the project, your group will need to prepare a written report on a tax topic of your choice, and present your findings to the class. Your group must identify a topic no later than the 10th class session Feb 5th. By this date, please talk briefly with me before class, providing a description of your project, for approval. Please also identify your groups on Canvas by this date. I reserve the right to reject project topics that have been already selected by another group (i.e., there is a first-mover advantage).

The objective of this assignment is to allow you to explore some aspect of taxation that is of interest to you and your group. Guidelines for this assignment will be left intentionally general to permit some latitude in identifying a topic of interest. One strategy for identifying a topic is to consider the tax implications of economic choices from your work or educational experience where taxes appear to be particularly important but perhaps misunderstood. Another angle would be to consider the effects of potential policy changes on a particular constituency. Note that you are welcome to explore issues/transactions beyond the U.S. borders.

It may be helpful to treat this project as if you are developing a case similar to those used in this course. You should begin by identifying and providing some background on the problem, proposal or transaction and realistic alternatives. If it is a transaction, a diagram of the transaction can be useful. Next, you should identify the prominent economic issues inherent in your topic and apply the economic principles and strategic concepts from this class to investigate the issue. In all cases, this analysis should be done relative to at least one alternative choice, i.e. there should be some form of numerical analysis comparing at least two options. Conclude by making a persuasive, balanced, and reasoned recommendation to the decision-maker, whether an individual or policy maker.

Your written report should be 5-10 pages of text (double-spaced, 12 point font with 1 inch margins), however you can include 5-10 additional pages of graphs, tables or figures (inserted into the same Word or PDF document). Submit this document along with your group member Evaluations via Canvas by the end of the day on Saturday, March 2nd. During one of the last two class sessions, your group will be assigned to present you findings to the class. All group members need not present (i.e., put your best men/women forward). The time allotted to each group will be determined by course enrollment.

Caveats:

a. **Flexibility:** This syllabus includes policies and plans for the course that may require adjustment as the course progresses, due to the dynamics of course participants, the availability of external speakers, or unforeseen events. I appreciate your flexibility and reserve the right to

make slight changes during the term.

b. **Complexity:** The tax law is complicated. For starters, even though I refer to “THE tax law,” there are actually many sets of tax laws. Each jurisdiction (e.g., country, state, city) has them. These laws change over time. Further, there are exceptions to nearly every rule. It is not the purpose of this course to learn the particulars of a single jurisdiction or to gain a detailed understanding of the nuances and exceptions of individual laws. Rather, the purpose is to provide ways of thinking about taxation and some fundamental principles of taxation that tend to persist across time, jurisdictions and taxpayer. That being said, we do get into specific laws and a general framework for individual and corporate taxation using the US Federal tax law as an example that is likely relevant for most course participants.

c. **Disclaimer:** This course is in no way intended to provide tax advice, nor am I at any point intending to act as your tax advisor. This course is for educational purposes. If you want advice on a specific transaction, I suggest you retain a tax advisor to analyze your particular facts and circumstances.

I make the following disclaimer required by IRS Circular 230, which regulates CPAs and attorneys: To ensure compliance with requirements imposed by the IRS, we inform you that any U.S. federal tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marking or recommending to another party any transaction or matter addressed herein.

Course Outline: Taxes and Business Strategy

Below is a brief overview of the topics to be covered each week.

Session	Date		Topic
1	Mon	7-Jan	Introduction
2	Tue	8-Jan	Taxes and Savings Vehicles
3	Mon	14-Jan	Deferred Compensation
4	Tue	15-Jan	Stock-based Compensation
5	Tue	22-Jan	High Wealth
6	Wed	23-Jan	Entity Choice
7	Mon	28-Jan	Tax Equity
8	Tue	29-Jan	Corporate Tax
9	Mon	4-Feb	Corporate Tax
10	Tue	5-Feb	Multijurisdictional Tax - <i>Intranational</i>
11	Mon	11-Feb	Multijurisdictional Tax - <i>International</i>
12	Tue	12-Feb	Multijurisdictional Tax - <i>International</i>
13	Mon	18-Feb	Taxes in Financial Statements
14	Tue	19-Feb	Mergers & Acquisitions
15	Mon	25-Feb	Mergers & Acquisitions
16	Tue	26-Feb	Reputation and Disclosure
17	Mon	4-Mar	Group Project Presentations
18	Tue	5-Mar	Group Project Presentations