COURSE DESCRIPTION: This course will focus on the taxation of financial instruments, products and transactions. We will begin by covering basic principles, including financial terminology, types of market participants, as well as the tax concepts of timing, character, and source. From there the course will be divided into three broad categories – Equity, Debt, and Derivatives. Within those categories we will study the detailed rules regarding tax treatment of financial instruments including stocks, bonds, options, forward contracts, futures contracts, convertible & contingent payment instruments, swaps, as well as hybrid instruments. Tax issues that will be addressed include wash sales, constructive sales, short sale rules, straddles, market discount, original issue discount, Section 1256, and notional principal contract regulations.

PREREQUISITE: N/A

OUTCOMES: This course will enable the student to:
1. Understand basic financial product and market terminology.
2. Determine the appropriate tax rate for different types of transactions and products.
3. Differentiate dealers from traders and investors.
4. Determine when tax rules will alter the timing, character and/or source of income.
5. Understand tax and reporting consequences of investing in foreign entities.

COURSE TOPICS: The following topics (see below for details) will be covered:

- Overview of financial markets and participants
- Investors vs traders vs dealers
- Taxation of dividend income
- Taxation of debt instruments
- Wash sales
- Straddles
- Short sale rules
- Constructive sales
- Section 1256 contracts
- Foreign currency contract taxation (section 988)
- Passive Foreign Investment Company (PFIC) and Controlled Foreign Corporation (CFC) rules
- Notional principal contracts
CONDUCT OF COURSE: The course will consist of lecture presentations by the instructor(s) and significant readings.

REQUIDED TEXT: Keyes, Kevin M., Federal Taxation of Financial Instruments and Transactions, Warren, Gorham & Lamont


COURSE REQUIREMENTS AND OUTLINE

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<td>Final Exam</td>
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1 Introduction of Class and Overview of Topics and Terminology  
- Overview of Various Types of Investment Entities  
- Legal Structure of Investment Entities  
- Investor vs Trader Determination & Section 475(f) Mark-to-Market Election  
  *Reading: S&P guide (skim); IRC sec. 475(f); Holsinger v. Comm’r, TC Memo 2008-191*

2 Various Dividend Related Issues and U.S. & Foreign Tax Withholding Rules  
- Qualified Dividend Income  
- Extraordinary Dividends  
- Return of Capital  
- Dividends Received Deduction  
- U.S. FDAP Tax Withholding Rules  
- U.S. ECI Tax Withholding Rules  
  *Reading: IRC sec. 302(b), 316(a), 1(h)(11), 1059, 243, 1441, 864(b), 1446; Rev. Rul. 88-49; Taxes and Investing Guide pp. 3-6; IRS Pub. 550 pp. 20-25; Keyes ch. 2 (skim)*

3 Section 1091 - Wash Sales  
  *Reading: IRC sec. 1091; Keyes ch. 16.01, 16.02, 16.04*

4 Section 1256 - Mark-to-Market Rules; Futures, Forwards, and Options  
  *Reading: IRC sec. 1234, 1256; Keyes ch. 12 (skim 12.04), 13*

5 Section 1092 – Straddles
6. Section – 1259 Constructive Sales
   Reading: IRC sec. 1259; Keyes ch. 16.03[6].

7. Section 1233 - Short Selling
   - Short Sale Rules
   - Settlement vs. Trade Date
   - In Lieu of Dividends
   Reading: IRC sec. 1233,; Keyes ch. 16.03(through 16.03[5]);

8. Mid-term Exam

9. International Tax
   - Section 988 - Foreign Currency Transactions
   - Section 1291 - 1298 Passive Foreign Investment Companies
   - Section 957 Controlled Foreign Corporation Rules
   Reading: IRC sec. 988, 1291-1298, 957; Keyes ch. 15 (skim)

10. Tax Accounting for Debt Instruments
    - Debt vs Equity
    - Original Issue Discount
    - Acquisition Discount
    - Market Discount
    - Premium Amortization
    - Convertible Obligations and Contingent Debt Instruments
    Reading: Keyes ch. 3.01-3.04, 3.06, 4.01-4.04, 7(skim), 8

11. Tax Accounting for Debt Instruments (cont’d)
    - Distressed Debt Issues
    - Debt Modifications
    - Debt Exchanges
    Reading: Keyes ch. 3.05;

12. Notional Principal Contracts and Swaps
    Section 1260 - Gain from Constructive Ownership Transactions
    Reading: IRC sec. 1260; Final and Prop. Treas. Reg. sec. 1.446-3 (skim); Keyes ch. 14

13. Miscellaneous – ETFs, PTP, REITs etc.

14. Final exam
Navin Sethi, CPA, JD, LLM

Navin is a tax partner with the firm Rothstein Kass in the San Francisco office. Navin focuses primarily in the alternative investment industry. Navin has worked both as an attorney and a CPA for the past 15 years. After working as a tax attorney in Houston, Navin moved to California and joined the Big Four accounting firm, Deloitte and Touche LLP’s San Francisco office specializing in the financial services industry. Navin later joined a regional accounting firm specializing in private equity and technology clients. Navin received his bachelor’s degree in accounting and later received his law degree both from the University of Texas. Navin also received his master’s in tax law (LLM) from Golden Gate University in San Francisco. Navin is a licensed CPA in California and a licensed attorney in both Texas and California. Navin is a board member of the Alameda County Library Foundation.