GOLDEN GATE UNIVERSITY
SCHOOL OF TAXATION
NEWSLETTER

FALL 2007

MARY SAYS...

Communicating

PricewaterhouseCoopers, in a highly regarded publication, *Educating for the Public Trust*, comments on the state of academic (and tax) curriculum, noting important educational gaps, from not teaching university students communication and interpersonal skills, to not inspiring a commitment to continuous learning. In their recruitment campaign, Ernst & Young indicates excellent communication skills are a requirement to build effective relationships and develop both internal and external networks.

When asked about the most necessary skill sets of a graduate with a master's in taxation or accounting, nearly all the representatives of Big 4, Global 7 and regional/local firms on the GGU School of Tax and School of Accounting advisory boards identify verbal and written communication skills. GGU School of Tax has always been particularly proud of its unique, stand-alone, three-unit Tax Research and Decision-Making course. In this course, students in the MS tax program learn to identify key issues, and properly locate, analyze and apply primary authority. We emphasize the need for effective listening and communication skills (both written and verbal) throughout the process. Addressing the need to further prepare our students — and closing the gap PwC identifies — we are adding a comprehensive set of workshops beginning this fall that will prepare students entering the work force on the following topics: communication styles and strategies, business writing, time management, leadership and team building, professionalism, networking and emotional intelligence.

We emphasize the need for effective listening and communication skills throughout the process.

In addition, Paul Heiselmann of BDO Seidman will lead a session on the market and business aspects of public accounting and tax practice. Many of our presenters will be outside consultants who specialize in workshops for managers, leaders and other professionals. Dr. Maynard Brusman, noted psychologist and executive coach, speaks of the importance of developing one's emotional intelligence to be essential to success in the workplace: "Utilizing the power and energy of one's emotions leads to high motivation, and improves problem-solving and decision-making." The same can be said of all the topics listed above. The Schools of Tax and Accounting are committed to furnishing our students with the skills necessary for success in today's business climate and instilling an appreciation for continuous learning.

MARY CANNING (JD 81, LLM 82), DEAN

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PROFILE

Tim Jorstad

When you enter the San Rafael office of Tim Jorstad (MBA 81), the first thing you notice are the guitars and the framed platinum records on the wall. The Grateful Dead, the Doobie Brothers, and the estates of Jimi Hendrix and Jerry Garcia are among Jorstad's celebrity music-business clients. Jorstad is also Carlos Santana's CFO and business manager, and there is a big photo of them together.

Jorstad moved to the Bay Area in 1975 after receiving his undergraduate degree in accounting from the University of Northern Colorado and passing the CPA exam. He was hired at Hurdman and Cranston, now part of KPMG, which sent many of its employees to graduate school at GGU. "It was an extremely powerful education to take classes at night filled with working professionals and taught by practitioners at the top of their game," Jorstad says. After every class, he could come back to the office and apply what he had learned in the classroom to his work. Jorstad credits his education with enabling him to take on more sophisticated clients when he moved to a smaller firm.

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He continued taking classes at GGU, even after receiving his degree in 1981, and used them for his continuing-education credits. "Most continuing-education seminars just scratch the surface," he says. "I like putting all this time in to pick up something you want to apply to your practice. It becomes a powerful tool to develop your business."

After several career moves, Jorstad had the opportunity to partner with a friend whose client roster included rock bands Journey and Jefferson Starship. Jorstad serviced the Journey account, which, at the time, was the biggest corporate rock band in the world and the first one to use live video projection and to license merchandise. Jorstad had to take care of complex tax issues resulting from the band's international tours. He made use of resources gained from his GGU education, even paying his professors to consult for him.

He went out on his own in 1985, forming Jorstad Inc. He continues to run the same practice today, offering bill-paying, cash-management, tour-accounting, income-tax planning and compliance, and royalty-administration services for the music industry. Two tax specialists, both GGU grads, run the tax practice, while Jorstad provides the business management and music-industry knowledge.

Professionally, Jorstad is most proud of the firm he always dreamed of with a client roster beyond expectation — not to mention the music memorabilia. —*KM*

What Will Your Legacy Be?

Have you ever wondered what your legacy will be? While it's never fun to think about death, most people don't like thinking about taxes, either. Planning now to make a bequest to your alma mater ensures you leave a legacy to educate future generations of tax professionals.

A bequest is a simple, yet powerful, way to make a difference to the GGU community. As a member of the Bridge Society, which recognizes those who have included the university in their estate plans, you ensure working adults have access to the finest professional-practice education, empowering them to transform their lives and take their careers in new directions. You will know you are sharing your success with future generations.

When including GGU as a beneficiary of your will, trust, retirement plan or life insurance, please use the legal name, Golden Gate University, and tax ID number, 94-1585735. Letting GGU know of your plans allows there to be a clear agreement on the use of your gift and proper acknowledgement of you and your family — and it serves as an inspiration to others.

They say the only guarantees in life are death and taxes. Why not add a third and make sure your legacy is established to guarantee the finest professional taxation education for future generations?

For information about the Bridge Society and planned-giving options, please call 415-442-7816 or e-mail kmcnulty@ggu.edu.

Kate McNulty,
Director of Development

IRS: Guaranteed Payment Triggers Gain Recognition

The IRS has issued Rev. Rul. 2007-40, which holds that a transfer of partnership property in satisfaction of a guaranteed payment under Sec. 707(c) is a sale or exchange under Sec. 1001, and not a distribution under Sec. 731. Thus, any partnership transferring appreciated partnership property in payment of a Sec. 707(c) obligation must recognize gain.

Guaranteed payments under Sec. 707(c) allow a partnership to compensate a partner for services provided or use of capital as if that partner were an independent third party. Sec. 707(c) applies only to the extent the amount of such payment is determined without regard for the income of the partnership, and only for purposes of Sec. 61 and Sec. 162. Thus, such payments are ordinary income to the receiving partner and deductible by the partnership, unless the partnership must capitalize the amount per Sec. 263.

One of the many tax advantages of a partnership over a corporation is that, per Sec. 731, a partnership can distribute appreciated property to a partner without current recognition of gain by either the partnership or the distribute partner. One way to distinguish between a guaranteed payment under Sec. 707(c) (which will trigger current gain recognition) and a distribution under Sec. 731 is the effect of the transfer upon the recipient partner's capital account.

A guaranteed payment reduces the receiving partner's capital account by only that partner's distributive share of the partnership's deduction under Sec. 162. A distribution reduces the paying partner's capital account by the fair market value of the distributed property.

Example: Partnership AB has the following balance sheets:

	Inside Basis	Book Value
Cash	800	800
Property	100	200
Total	900	1000
	Outside Basis	**Capital Account**
A	450	500
B	450	500
Total	900	1000

If the partnership transferred the property to A in satisfaction of its $200 Sec. 707(c) obligation to A, A would have $200 ordinary income. The partnership would have a $200 deduction and recognize $100 tax gain on the disposition of the property, both of which would be allocated equally between the partners. The partnership's balance sheets would be as follows:

	Inside Basis	Book Value
Cash	800	800
Property	----	----
Total	800	800
	Outside Basis	**Capital Account**
A	400	400*
B	400	400
Total	800	800

* 500–100 (1/2 x 200 deduction)

If the partnership transferred the property to A as a distribution under Sec. 731 and not as a guaranteed payment under Sec. 707(c), no party would recognize gain. A's Outside Basis would be $350 (450–100) and A's Capital Account would be $300 (500–200 FMV). Of course, the partnership would probably still be obligated to A for A's $200 Sec. 707(c) amount.

FOR EXPANDED VERSIONS OF ALL TAX ADVISERS, VISIT WWW.GGU.EDU/TAX

JOE WALSH
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EVENTS

JULY 25–27 **ORIENTATION** Full-time, nine-month day-program orientation. SF, 9 am–4 pm.

JULY 30 **FULL-TIME NINE-MONTH PROGRAM BEGINS**

SEPT. 18 **TAX-EXPERT LECTURE** Pension Protection Act 2006 (one hour CPE/MCLE). SF, 12–1:30 pm.

SEPT. 20 **TAX CAREER FAIR** SF, 3–5 pm.

SEPT. 28 **TAX MOCK-INTERVIEW LUNCH** Carnelian Room, Bank of America Building, SF, 11:30 am–1:30 pm.

OCT. 23 **TAX-EXPERT LECTURE** Recent Judicial Opinions (one hour CPE/MCLE). SF, 12–1:30 pm.

NOV. 1 **TAX-EXPERT LECTURE** Tax Practice in the Wine Industry (one hour CPE/MCLE). SF, 4:30–6 pm.

NOV. 15 **CELEBRATING 40 YEARS OF THE GGU SCHOOL OF TAXATION** SF, 5:30–9 pm.

ON COURSE

In addition to required courses, the following elective courses will be offered during fall trimester:

TA 320 Multistate Corporate Taxation (LA)
TA 321 Principles of International Taxation (cyber)
TA 322B Federal Income Taxation of Corporation and Shareholders II (SF, cyber)
TA 325 Estate and Gift Taxation (LA)
TA 334 Estate Planning (SF, cyber)
TA 337 Retirement Distributions (cyber, LA)
TA 344 Taxation of Trusts and Estates (SF, cyber)
TA 350A Taxation of Foreign Persons With US Activities (cyber)
TA 350B Taxation of US Persons With Foreign Activities (SF)
TA 350D Transfer Pricing (cyber)
TA 356 Limited Liability Companies and S Corporations: A Choice of Entity (SF, SEA, cyber)
TA 396A Bankruptcy Taxation (LA)
TA 396D Real-Estate Taxation (SF, LA, cyber)
TA 396H Taxation of Instruments (SF)

For a full schedule of course offerings, visit course listings at www.ggu.edu/schedule.

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Photo of Mary Canning by Kent Taylor