

TEACHING TO THE AICPA'S MODEL TAX CURRICULUM

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Abstract

The American Institute of Certified Public Accountants (AICPA) has created a Model Tax Curriculum outlining tax topics that tax educators should cover in their undergraduate tax classes. The AICPA's goal is to ensure that "all accounting students obtain the fundamental tax knowledge they need to begin careers in accounting or tax regardless of the path that a student might take to obtain a degree." The Model Tax Curriculum furthers that goal by breaking the study of taxation into core components that include: 1) the role of taxation in economic decision making and financial reporting; 2) the fundamental tax laws and essential tax-planning concepts; and 3) the breadth of existing tax issues and their impact on a variety of taxpaying entities.

This paper reviews the AICPA's Model Tax Curriculum and concludes that it provides a comprehensive overview of tax subjects that students need to enter the accounting profession. Consequently, tax educators – particularly those who are teaching income tax at the university undergraduate level – should incorporate the AICPA's Model Tax Curriculum into their teaching plans. The Model Tax Curriculum recommends teaching students more information than can be covered in a single semester, however. Thus, tax educators and universities also should compel students to take multiple tax courses to ensure that the students are exposed to the full breadth of information that they will need to pursue careers in taxation.

Finding the Path: The AICPA's Model Tax Curriculum

Income tax accounting is statutory-based and highly regulated. In theory, this rigidity compels uniform treatment of similar taxation issues in all cases. In practice, however, multiple tax professionals addressing the same questions may reach varying answers about proper tax treatment, or may reach identical conclusions, but for different reasons. Even a single tax professional may advise multiple clients to treat similar tax questions differently, depending on considerations unique to each client. Indeed, the hallmark of a successful tax professional is the ability to employ critical-thinking skills to handle tax issues in a manner that is simultaneously consistent with the tax code and the client's business or personal objectives.

Just as tax professionals may follow multiple paths to resolve outstanding tax questions, so too tax educators may choose from numerous methods to teach income tax theory and practice to their students. Well-established teaching methods include a forms-based approach, a research and code-based approach, a strict problem-based approach, and a life-cycle approach. Each method has its strengths and weaknesses, but they share a common goal: to develop students with a substantive knowledge of and approach to the practice of income tax.

Without a doubt, the teaching method that a tax educator chooses will influence how his or her students evaluate and manage the tax issues they face. Regardless of which method we employ, however, our task as tax educators is to provide our students with a broad-based understanding of the tax code and the skills to implement it in our global economy.

The American Institute of Certified Public Accountants (AICPA), which governs accounting professionals, has created a Model Tax Curriculum outlining tax topics that tax educators should cover in their undergraduate tax classes. The AICPA seeks to ensure that "all accounting students obtain the fundamental tax knowledge they need to begin careers in accounting or tax regardless of the path that a student might take to obtain a degree." The Model Tax Curriculum pursues that goal by breaking the study of taxation into a string of components from the basic, such as "comprehend the rationale for tax laws," to the complex, such as the ability to "communicate tax conclusions and recommendations in a clear and concise manner." In between, the curriculum asks educators to expose their students to a broad range of tax issues and their impact on a variety of taxpaying entities. It further contemplates educators developing their students' ethical, interpersonal, and technological skills.

Tax educators who wish to prepare their students to succeed as tax and accounting professionals would be well served to follow the Model Tax Curriculum. Regrettably, while the AICPA has invested substantial resources into developing the Model Tax Curriculum to develop future CPA's core competencies, it has not widely publicized it. Thus, tax educators who want to prepare their students for professional accounting careers according to the AICPA's guidelines must seek out the Model Tax Curriculum on

their own. The materials are available on the Accounting Education Center page of the AICPA's website.

Defining the Course: The AICPA Weighs In

The AICPA is the national professional organization for all American Certified Public Accountants. Among its many activities, the AICPA supports the development of outstanding academic programs to help students begin careers in tax and accounting. Specifically, the AICPA recognizes that a student's positive exposure to tax and accounting concepts "has a key role in attracting students toward careers as tax professionals."

The AICPA has created a Model Tax Curriculum to help tax educators instruct future CPAs in a manner befitting the profession. The AICPA Mission Statement describes the value that CPAs deliver to their clients as having multiple parts:

- Communicating the total picture with clarity and objectivity,
- Translating complex information into critical knowledge,
- Anticipating and creating opportunities, and
- Designing pathways that transform vision into reality.

The AICPA further recognizes that fulfilling this vision in the future requires tax educators to impart a solid tax foundation to their students:

Because taxation is pervasive, complex and critical to decision-making, we recommend that accounting faculty carefully examine the tax component of their curricula to ensure that all accounting students obtain the fundamental tax knowledge they need to begin careers in accounting or tax regardless of the path that a student might take to obtain a degree.

Consequently, the Model Tax Curriculum offers tax educators recommendations about the content of their tax programs "so that the AICPA's vision and its tax section's mission can be maximized."

The Model Tax Curriculum breaks down the study of taxes into three main pieces: 1) the role of taxation in economic decision making and financial reporting; 2) the fundamental tax laws and essential tax-planning concepts; and 3) the breadth of existing tax issues and their impact on a variety of taxpaying entities. These three components, in turn, include subparts that each might comprise a series of lectures, and that suggest analytical and problem-solving discussions. Moreover, the Model Tax Curriculum identifies tangential skill sets, including technological skills, interpersonal skills, and communication skills that future CPAs should hone as part of their tax education. Finally, the Model Tax Curriculum sets forth additional teaching materials such as sample case studies and simulations.

Notably, the Model Tax Curriculum does not provide specific lesson plans or substitute for an individual educator's class preparation. By way of example, the Model Tax

Curriculum endorses teaching students to “apply analytical reasoning tools to assess how taxes affect economic decisions for all taxpaying entities,” but leaves to the educator’s discretion the most efficient means to prepare and present that information. As such, the Model Tax Curriculum articulates what savvy tax educators already know: that the key tax concepts that they present to their students link to the functional and analytical “core competencies” that the students need to pursue tax and accounting careers. Indeed, perhaps the most useful part of the Model Tax Curriculum is its extensive matrix that correlates broad-based tax subjects with the students’ personal and professional development competencies and with the technical tax skills crucial to tax and accounting professionals.

Consistent with the AICPA’s “big picture” approach, the Model Tax Curriculum does not promote any single tax-teaching method over another. Thus, tax educators can and should adopt the Model Tax Curriculum whether they follow a forms-based approach, a research and code-based approach, a strict problem-based approach, and a life-cycle approach. The Model Tax Curriculum does, however, encourage tax educators to “use an approach that integrates planning, research, and financial accounting concepts from a decision-making perspective.” This edict lends itself to tax educators following a hybrid teaching approach that parallels the variety of methods available for evaluating and resolving tax problems.

Challenging Tax Educators: Teach Your Students to Think

At its core, the Model Tax Curriculum recognizes that successful tax educators do more than teach their students rules for rote tax preparation. Given the ever-changing tax rules, and the need to evaluate even small tax issues in the context of a client’s overall financial objectives, successful tax educators provide their students with a framework in which to review a tax problem, identify the underlying tax issue, research the tax law, and then apply the facts to the law in a manner that best satisfies both the tax code and the client’s individual needs. Teaching students to think critically is, of course, more difficult than asking them to memorize various sections of the tax code. But our tax students and future accountants will benefit far beyond their grade in a single tax course if they learn the framework for dealing with potentially complex and unique issues, rather than just memorizing the rules. Absent such a framework, the students will lack the flexibility to recognize that sometimes they have to set aside “the way we’ve always done it” in the face of a more advantageous approach.

The Model Tax Curriculum’s goal of helping students “understand the fundamental tax law” and apply the law to essential tax planning concepts illustrates the need for tax educators to teach their students critical-thinking skills. The Federal Tax Law – Title 26 of the United States Code – is a long, convoluted set of laws that covers thousands of pages. And it is subject to change at the whim of legislators, regulators and courts. Tax educators who say that their students, after only a few weeks of study, understand the fundamental tax law are simply wrong. Students may grasp certain concepts of the law,

such as the basic definition of income, but they do not understand the fundamental tax law. To help them obtain that understanding, thus, tax educators must give their students the background to identify tax issues and research existing resources for answers. They must help them to recognize when existing resources do not have the answer to the specific pending question. This guided research will aid students in the future when a question does not fit neatly into a tax form box.

Indeed, once the students have critical-thinking skills in place, they can use those skills to become effective tax planners. No one wants to pay more taxes than necessary. Clients seeking an accountant today are looking for someone who can help them with tax planning to minimize taxes in their business and personal lives. Although every client's situation is different, an accountant armed with critical-thinking skills can work with an array of clients to answer an array of questions and be an effective tax planner.

Along these same lines, the Model Tax Curriculum asks tax educators to focus their students' attention on the fact that all business decisions are in some form or fashion related to taxes. Thus, for example, tax educators cannot be content with teaching their students how to calculate depreciation on equipment; they must also give the students a framework for advising a client on the long-range financial ramifications of the proposed equipment purchase. A company that is considering a new line of products needs professional assistance to evaluate not only if the product fits its "brand" or if the new product would sell in the marketplace, but also, what tax consequences will the company incur by purchasing the equipment needed to produce the new product? How will the sales of this new product affect the company's bottom line and thus the company's income taxes? Will the company need to hire new employees? What will this mean to the company's payroll and income taxes? Clearly, each of these economic decisions must be studied from a tax standpoint as well as from a business standpoint before the decision is finalized. Teaching our students the calculation of taxes is not enough; educators should strive to also teach the relationship between taxes and the economic decisions business leaders face every day.

Advancing Universities: Two Heads Are Better Than One

The Model Tax Curriculum proposes a vast amount of information for tax educators to present to their students. It is far too extensive to give due consideration in a single undergraduate semester course. One semester of class amounts to 43 hours of class and test time. Any tax educator who purports to present a complete tax overview in that time frame necessarily gives short shrift to at least some of the suggested topics. This is particularly true of large lecture courses. Indeed, the Model Tax Curriculum recognizes that full tax-oriented development "cannot be accomplished via a single individual income tax-oriented course which is exclusively lecture-based." A single semester is simply not enough to even introduce the federal tax code as it applies to individuals, much less business entities.

Consequently, the AICPA contemplates compelling students to take more than one semester of taxation courses, and also identifies alternative opportunities for students to develop their tax knowledge. These suggestions are forward-thinking. Most colleges and universities divide the study of income tax into Income Tax I, which covers individual income tax, and Income Tax II, which covers the study of corporations, partnerships, trusts, payroll taxes, and other entity tax issues. But the institutions typically require that students take only the first semester course. Thus, students who pursue the mandated course load will forego the opportunity to learn how taxation affects the business and economic decisions of entities, as opposed to individuals.

A mandatory second tax class, focusing on the interpretation and application of tax issues to entities, would help ensure that future accountants have the skills and knowledge necessary to become effective business leaders. This conclusion is clear with regard to students who wish to pursue a career in accounting or taxation. But it applies even more broadly. Colleges should compel all business students to take a second tax course to reinforce the notion that tax issues have a day-to-day impact on the financial and economic decisions of every business entity.

While each of the major public universities in South Carolina offers its accounting students a course covering taxation of business entities, none of the universities requires the students to take the second course to graduate. Therefore, many students may graduate without a comprehensive knowledge of taxation of business entities, only learning the basics of individual taxation. The table below synthesizes some South Carolina undergraduate accounting program requirements:

University Name	Accounting Program Offered	Individual and Business Income Tax Classes Offered Separately?	Are Both Required?
Lander University	Yes	Yes	No
University of South Carolina	Yes	Yes	No
Clemson University	Yes	Yes	No
Francis Marion University	Yes	Yes	No
Winthrop University	Yes	Yes	No
College of Charleston	Yes	Yes	No

Although it may be a large undertaking to change a university’s internal curriculum to require a student to take two semester of income tax to graduate with a degree in accounting, we as professors should encourage our students to enroll in both semesters of income tax to make sure the students are introduced, as the objective states, to “a broad range of tax issues and their impact on a variety of taxpaying entities.”

Conclusion

The Model Tax Curriculum encourages tax educators to “enhance students’ tax knowledge while developing their communication, intellectual, and interpersonal skills.” Although not all classes will fit neatly into the Model Tax Curriculum, it is a starting point to prepare students who will become practicing accountants with a uniform tax-knowledge base and the skills needed to succeed in their profession.

References:

[1] American Institute of Certified Public Accountant’s Model Tax Curriculum,

found at:

<http://ceae.aicpa.org/Resources/Education+and+Curriculum+Development/Model+Tax+Curriculum>

[2] Federal Tax Code, Title 26, United States Code (26 U.S.C.).

[3] Accounting program information found at:

1. www.lander.edu
2. www.sc.edu
3. www.clemson.edu
4. www.fmarion.edu
5. www.winthrop.edu
6. www.cofc.edu