

The Role of Identifying and Decoding Bottlenecks in the Redesign of Tax Curriculum

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Agenda

Definitions

What is “taxation”?

Purpose of our study

The steps we followed

Our results

Next steps

Definitions

“Bottleneck” – “points in a course where the learning of a significant number of students is interrupted”

“Decoding” – experts “reconstruct the steps that they themselves do when solving similar problems”

What is “Taxation”?

	Past	Future
Government	Administration/ Enforcement	Design/ Policy
Taxpayer	Compliance	Planning
Advisor	Compliance/ Appeals	Planning

Why is Tax Difficult?

- Overwhelming volume
- A new language
- Not always one answer
- Integration and judgement required
- Student response
 - Surface learning

Purpose of Our Study

Curriculum

- Re-design our undergraduate tax program
 - New professional competency map
 - Expansion from 2 to 3 courses
 - A completely new approach
 - Goal of improving student learning/understanding
- Identify and break down barriers to learning tax
- Engage our alumni
- Engage the accounting profession

Purpose of Our Study

Research

- Adopt a research approach to curriculum re-design by identifying and decoding bottlenecks
- Amend the methodology by expanding the participants to include students and professionals
 - “Transactional Curriculum Inquiry”
- LITE Grant
- Office of Research Ethics

Our Plan

Plan

- 1. Identify the bottlenecks with faculty and students**
2. Identify the top bottlenecks
3. Decode the top bottlenecks with faculty
4. Decode the top bottlenecks with tax professionals
5. Integrate into curriculum
6. Disseminate

Challenges – Step 1

- Very low response rate when 4th year students given open-ended request to identify bottlenecks

Response

- We asked faculty to identify potential bottlenecks
- Then asked students to rank 40 potential bottlenecks in terms of level of understanding and importance

Student Survey

ACC 607 Questionnaire

No.	Potential Bottleneck	Bottleneck		Current Level of Understanding			Perceived Level of Importance		
		Yes	No	Low	Med	High	Low	Med	High
1	Being able to identify tax issues in a non-directed fact situation	Y	N	1	2	3	1	2	3
2	Being able to research a tax issue when it requires going beyond the text	Y	N	1	2	3	1	2	3
3	Being able to read and understand the <i>Income Tax Act</i>	Y	N	1	2	3	1	2	3
4	Understanding the structure of the <i>Act</i> and being able to find things in it	Y	N	1	2	3	1	2	3
.
40	Understanding how different types of income earned in a corporation are taxed	Y	N	1	2	3	1	2	3

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Challenges – Step 2

- How do we compile the student survey results to identify their bottlenecks?

Response

- Sorted by
 - High importance
 - Low, medium understanding

Top 3 Chosen

ACC 607 Questionnaire

No.	Potential Bottleneck	Hi Imp			Med Imp			Hi Imp
		Low Und	Med Und	Hi Und	Low Und	Med Und	Hi Und	Low/Med Und
1	Being able to identify tax issues in a non-directed fact situation	13	36	5	-	2	-	49
2	Being able to research a tax issue when it requires going beyond the text	14	28	-	2	6	-	42
3	Being able to read and understand the <i>Income Tax Act</i>	10	38	1	4	1	-	48
32	Recognizing and understanding the implications of an acquisition of control	20	18	2	13	14	1	38

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Step 3

- Faculty provided their decoding
- Results were compiled to send to tax professionals

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Challenges – Step 4

- Tax professionals very busy
 - Based on experience with students, we did not want to ask busy professionals a series of open-ended questions to decode the bottlenecks
 - Faculty drafted the decoding steps – these were sent to professionals for their modifications
 - Final results sent to them

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Challenges – Step 5

Integrate into curriculum

- All 3 will not fit in one course

Response

- Introduce in stages
 - Tax 1 – “Identify the Issues”
 - Tax 2 – “Read the Act”
 - Tax 2 – “Acquisition of Control”

Integrate into Curriculum

AFM Learning Outcomes – Tax

By the end of Tax 3 you will be able to:

- Identify tax and related finance, accounting, corporate law and ethical issues in completed or planned transactions
- Research the issues and analyze the alternatives
- Use judgement to decide on viable recommendations consistent with your role
- Communicate your findings

To be able to achieve the above, you will need to:

- Understand (describe/explain) how the tax system in Canada functions, why it is designed the way it is and the purpose behind specific provisions.
- Understand (describe/explain) a taxpayer's tax profile
- Understand the interaction of tax with finance, financial accounting and corporate law
- Identify the different sources of income & explain how they are taxed for individual and corporate taxpayers
- Calculate taxable income of individuals and corporations
- Calculate tax liability of individuals and corporations
- Be skilled at reading the *Act* and researching tax issues
- Communicate appropriately

“BEING ABLE TO IDENTIFY TAX ISSUES”

BOTTLENECK 1 – DECODED “STEPS”

An “issue” is something that might have tax implications and needs further analysis.

1. What is my role?

- a. Primary adviser – e.g. tax partner
- b. Supporting adviser – e.g. tax specialist reporting to manager or partner
- c. Person responsible – e.g. VP Tax, VP Finance

2. Who is involved and what do we know about them?

- a. Draw a diagram indicating all of the parties involved and their relationships to each other
 - Related, affiliated, non-arm’s length
 - Associated, connected
- b. Who is my client and what are their objectives?
 - Individual, CCPC, private corporation, public corporation, partnership, trust
 - What is their “business”?
 - What are my client’s short, mid and long-term objectives and what is important to them?
- c. Develop a tax profile for each of the parties
 - Liability for tax – resident, non-resident
 - Types of income – employment, business, property (including dividends), capital gains/losses, other
 - Relationships – related, affiliated, arm’s length, associated, connected
 - Shareholdings – legal and de facto control
 - Type of corporation – private, public, CCPC
 - Tax risk tolerance – client and advisor
 - Transactions – completed or planned
 - Compliance and filing requirements – income tax, GST/HST

“BEING ABLE TO IDENTIFY TAX ISSUES” BOTTLENECK 1 – DECODED “STEPS”

3. What are the transactions?

- a. Identify all of the completed or planned transactions
- b. Draw one or more diagrams showing the transaction or series of transactions and all of the parties involved.
- c. Draw a timeline identifying dates of the completed or planned transactions
- d. What is the taxpayer’s purpose for the transaction or sequence of transactions?
 - Business planning e.g. expansion, creditor proofing
 - Tax planning/avoidance e.g. income splitting, loss utilization
- e. Is this a transaction that would cause me to look for an anti-avoidance provision? e.g.
 - Non-arm’s length transaction
 - Losses are being recognized
 - Losses are moved to another taxpayer
 - Income is moved to another taxpayer
 - A benefit is conferred on another taxpayer
- f. How is the transaction accounted for? This may impact the plan.

“BEING ABLE TO IDENTIFY TAX ISSUES”

BOTTLENECK 1 – DECODED “STEPS”

4. What is missing?

- a. Identify any information that you think is missing from what you have been given
- b. Look for gaps in the tax profile or missing information about a transaction
- c. Identify/list any assumptions you are making.

5. Based on the above, what are the issues?

- a. Identify all of the issues that are supported by the facts (tax and non-tax, accounting, finance, ethical, business, personal, etc.)
- b. Identify compliance vs. planning issues
- c. Are the benefits of the plan worth the cost of designing, implementing and maintaining the plan?
- d. Explain why these issues are relevant to the client

6. Which issues are more important?

- a. Use judgement to prioritize and group the issues in terms of importance to your role and importance to the client’s objectives. Considerations include urgency, materiality and risk.
- b. Ask yourself:
 - What am I being asked to do?
 - What extra value can I provide? There may be important tax issues the client is not aware of.
- c. Are there non-tax issues that must be decided first?

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Challenges – Step 6

Many different audiences

Dissemination & Potential Impact

- Micro Students & tax faculty
- Meso School of Accounting and Finance
Course and curriculum re-design
- Macro OND Conference
Reporting on our LITE grant
- Mega STLHE Conference – June 2013
Accounting profession

Purpose/Results – Research

Purpose

- Adopt a research approach to curriculum re-design by identifying and decoding bottlenecks
- Amend the methodology by expanding the participants to include students and professionals
 - “Transactional Curriculum Inquiry”

Results

- Adapted the methodology to engage students and the professional community

Purpose/Results – Curriculum

Purpose

- Re-design our undergraduate tax program
 - Expanding from 2 to 3 course provided room to take a completely new approach
 - Goal of improving student learning
- Identify and break down barriers to learning tax
- Engage our alumni
- Engage the accounting profession

Results

- Top 3 bottlenecks identified and decoded
- Integrated into our first two undergraduate tax courses
- Tax alumni are engaged with our program
- Will take process and results out to broader professional community

Next Steps

- Assess the results of classroom integration
 - Tax 1 – Fall 2013
 - Tax 2 – Spring 2014 – Look for evidence of improved understanding and skills
- Decode more bottlenecks in tax