Syllabus:

1. Why should software be valued?
3. Market value of software companies.
4. Intellectual capital and property (IP).
5. The role of patents, copyrights, and trade secrets.
6. Open source software. Scope. Theory and reality
7. Life and lag of software innovation.
8. Sales expectations and discounting, Licensing.
10. Separation of use rights from the property itself.
11. Risks when outsourcing and offshoring development.
12. Effects of using taxhavens to house IP.
13. Acquisitions and growth
14. Drastic Proposal
Decreasing corporate taxation

• Removing a component of US tax revenues is the most obvious and worrisome concern. However, revenues from corporate taxation are already decreasing, as Figure Ch9.3 showed. Its contribution to the US economy in 1994 was already less than 2.5% of GDP [Slemrod:99]. The 2008 recession lowers the amount of corporate income tax shown in Table Ch10.1 significantly.

• Figure Ch10.5 shows a linear extrapolation of the corresponding trend in corporate tax rates using data from a Federal Reserve bank. Tax rates and hence the revenues from corporations become zero by the year 2050!

• **Figure Ch10.5** Extrapolating corporate tax rates
Federal Corporate income Tax / Corporate Earnings

FRED
Shaded areas indicate US recessions.
2011 research.stlouisfed.org

Felix Salmon of the St.Louis Federal Reserve Bank
and [Drum:11]
### Estimate

**Corporate income tax (CIT)**
- **Action**: Abolish
- **Change**: ($228.5B)
- **Motivation and result**: Cannot be administered fairly

**Dividends to individuals**
- **Action**: Tax as income
- **Change**: $30.4B
- **Motivation and result**: Treat all sources of individual income identically

**Capital gains by individuals**
- **Action**: Tax as income
- **Change**: $69.0B
- **Motivation and result**: Treat all sources of individual income identically

**Effect of taxation of greater dividend payouts**
- **Action**: Corporate
- **Change**: $9.6B
- **Motivation and result**: Compensate shareholders for their increased taxes, collect taxes on those

**Research credit and similar corporate tax expenditures, corporate AMT, deductions**
- **Action**: No $ change, no tax negates tax credit
- **Motivation and result**: If incentives are still desired, they must be replaced by explicit grants

**Non-corporate business incentives**
- **Action**: No $ change, no tax negates tax credit
- **Change**: $5.0B
- **Motivation and result**: If incentives are still desired, they must be replaced by explicit grants

**Total estimated effect**
- **Change**: ($114.5B)
- **Motivation and result**: 50.2% of CIT, 3.6% of US tax rev.

**Table Ch10.1** Direct annual US revenue effects of abolishing the corporate income tax

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