

United States vs. Dane Watson: A Teaching Case

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This teaching case can be used in various classes: accounting, tax, business law, or ethics. It can be used at either the undergraduate level or the graduate level, perhaps with different learning objectives. It is derived from a real criminal court case where the defendants paid workers using gold and silver coins with a fair value above their face value. For tax purposes, the defendants were using the face value of the coins as the amount of compensation even though the coins were immediately traded for cash. Also, the workers were required to sign independent contractor agreements, so no income, Social Security, or Medicare taxes were withheld.

Keywords: teaching case, court case, tax law, employee, independent contractor

INTRODUCTION

The following teaching case is based on an actual court case but does not necessarily include all the details in this complicated situation. The defendant names are changed to discourage students from searching for the court case online. In some instances, citations may be removed or disguised to avoid having students retrieve case details online and use that information to answer the questions rather than providing their own critical thinking and/or research to provide responses to the questions. In addition, while many cases are published with teaching notes, because students can easily access any published document, the teaching notes for this case will not be published with the case but will separately be available to confirmed university instructors by email.

The case integrates several tax, business law, and ethics principles, so it can be used in a variety of classes: accounting, tax, business law, or ethics. It can be used at either the undergraduate or graduate levels, perhaps with different learning objectives for each level. Graduate students may be expected to do additional research on the underlying issues to support their answers, whereas undergraduate students may only be expected to respond to the questions based on information provided and their own critical thinking. Depending on the class chosen, students may be assigned to address only some of the questions posed.

Contingent on the level and subject of the class in which the case is used, students may or may not have studied appropriate background material. Some information is provided either as a review or remediation

so students can better consider the issues presented in the case. Any or all of the background material can be provided to the students along with the case situation at the option of the teacher.

Questions relating to both the background material and the case are also provided. The teacher can determine which questions to pose to the students based on the class coverage and the desired learning objectives in using the case. As appropriate, the students should support their answers. The students could be asked to respond to these questions individually or as groups. Students could be asked to provide written answers to the questions and/or the questions could be posed for group or class discussion.

BACKGROUND MATERIAL FOR STUDENTS

Income Tax Withholding and Social Security and Medicare Taxes

The federal income tax system is a pay-as-you-go system. This means employers are required to withhold federal income taxes from employees' wages and submit them to the federal government periodically, together with an accounting of the calculations of the withholdings tied to individual workers' social security numbers or tax ID numbers. These amounts are counted as payments toward the income taxes the employees owe for the year. Withholdings are intended to estimate how much income tax the employees will owe based on their salary/wage and are based on factors including the amount of compensation for the pay period and the frequency of payment.

Besides withholding income taxes from employees' wages, employers must also withhold Social Security and Medicare taxes from employees' paychecks. These are known as "FICA" taxes, coming from the Federal Insurance Contributions Act (U.S. Code, Title 26, Chapter 21). The Social Security tax is withheld at a 6.2% rate and the Medicare tax rate is 1.45%. While the Medicare tax is charged on all employee compensation, the Social Security tax has a maximum wage base on which it is levied each year. The maximum wage base for Social Security tax in 2025 is \$176,100, but is indexed, so the wage base usually increases each year. Employers must match the Social Security and Medicare taxes withheld from employees' paychecks, so the real amounts submitted to the government on behalf of the employees are 12.4% for the Social Security tax and 2.9% for the Medicare tax.

Those who are self-employed are also expected to make quarterly income tax prepayments on a pay-as-you-go basis individually since they do not have a separate employer who will do this on their behalf. Individuals can be penalized if the taxes remitted through quarterly payments are not enough to cover a specific percentage of their eventual tax liability.

Self-employed individuals are also subject to a tax parallel to the Social Security and Medicare employee taxes. These are "SECA" taxes, as they come from the Self-Employment Contributions Act (U.S. Code, Title 26, Chapter 2). However, since there is no separate employer, the self-employed individual is responsible for both the employee and employer portions of these taxes. The rates are the same as those mentioned above for employees: 6.2% for the Social Security tax (with a maximum wage base--\$176,100 for 2025) and 1.45% for the Medicare tax (with no maximum).

Since self-employed individuals pay both the employee and employer share, they pay 12.4% for Social Security taxes (up to the wage base) and 2.9% for the Medicare taxes. However, a couple of adjustments are allowed when calculating the self-employment taxes and the resulting income tax. Since the employer's share of FICA taxes is not income to the employee, a self-employed individual can treat the "employer's" share of the SECA tax as if it is not income from self-employment. Thus, when calculating the net income subject to SECA taxes, the individual can multiply self-employment income by 0.9235, which equals the full amount minus the 7.65% portion deemed to be the employer share of the SECA taxes.¹ Because an employer would be allowed to deduct its share of employment taxes in calculating taxable income, the individual is allowed to deduct one-half of the self-employment tax in calculating taxable income on Form 1040.²

Therefore, the differences in the treatment and collection of taxes for an employee vs. an independent contractor are significant for an employer. If a worker is classified as an employee, the employer's liability for the FICA taxes is 7.65% of the worker's gross pay. However, if the worker is classified as an

independent contractor, the employer pays no such taxes on behalf of the worker, and the worker pays all such taxes due.

Employee vs. Independent Contractor

When a company has someone perform work/services for it, determining if the individual is an employee or an independent contractor is important, as these are treated differently for Social Security and Medicare taxes and for income tax withholding. For an employee, the company withholds the employees' share of Social Security and Medicare taxes and withholds calculated amounts for income taxes. These amounts and the employer's share of the Social Security and Medicare tax are remitted to the federal government. Compensation paid to employees is reported annually to the employee and the IRS on a W-2 form, thus allowing the IRS to have third-party verification as to the correct reporting of employee income on individuals' tax returns.

Conversely as mentioned above, if someone is an independent contractor, the employer does not withhold or remit income, Social Security, or Medicare taxes. The worker alone is responsible for paying income and self-employment taxes on the earnings. Payments to an independent contractor are reported by the company to both the recipient and the IRS on a 1099 form, again providing third-party verification as to the correct reporting of these receipts on individuals' tax returns.

Furthermore, it is a long-held principle of American law that companies are generally not liable for the torts (wrongful acts) committed by or contracts entered into by the independent contractors who perform work for them, as opposed to employees, who may incur tort and contract liability on behalf of their employers (United States v. Silk, see also Privette v. Superior Court and Acosta v. MAS Realty, LLC). Thus, an employer may view the favorable tax treatment and blanket avoidance of contract and tort liability for workers classified as independent contractors as incentives and inducements to classify them as such rather than employees.

In some cases, distinguishing an employee from an independent contractor may be simple. For example, suppose a company hires a handyperson to come to its business location for two days to repair some walls that have been damaged. In that case, that handyperson will correctly be treated as an independent contractor. However, suppose a company advertises for applicants for a maintenance position to do various jobs around the facility in a permanent position working only for that company, including repairing walls. In that case, that individual will be treated as an employee.

In other cases, it may be more difficult to distinguish an employee from an independent contractor. In many situations, individual workers might prefer to be treated as employees, as they are then not responsible for the employer's matching share of Social Security and Medicare taxes. They may also not need to worry about estimated tax prepayments for these taxes and income taxes. There might also be other employee benefits offered to employees that are not available to independent contractors. On the other hand, companies might prefer to categorize workers as independent contractors, if appropriate, to avoid employee withholdings and accounting, matching employment tax amounts, employee benefits, tort and contract liability, and other employment laws and regulations.

In a perfect employment market, it might be assumed that payments to employees and independent contractors, adjusted for employment taxes and benefits, would reach equilibrium. This would mean that amounts billed by independent contractors would be large enough to pay both the employee and employer share of Social Security and Medicare taxes, along with benefits like those that might be paid to employees and leave an equivalent after-tax compensation. However, it might also be true that companies using independent contractors could avoid minimum wage laws and other legal requirements, perhaps allowing them to find individuals who are willing to work for less than an equilibrium equivalent that would be paid to an employee. Of course, for short-term-type jobs, it might also make sense to hire an independent contractor to avoid hiring, training, and turnover costs that would be necessary when hiring an employee.

Federal Courts

The United States Constitution, by its own terms, creates only one court—the United States Supreme Court, in which all “judicial power . . . shall be vested.” However, “Congress may from time to time ordain

and establish" lower or inferior Courts (U.S. Constitution, Article III, Section 1; see also Article I, Section 8). In Title 28 of the U.S. Code, exercising said powers, Congress has created a three-tiered court system, along with some specialized courts.

District Courts

The federal system's lowest or "trial" courts are called U.S. District Courts. Every state has at least one district court, and some states have many, depending upon the population of the state. As opposed to state courts, which handle the vast majority of all civil and criminal cases, U.S. District Courts are courts of special or limited jurisdiction, in that they hear and decide only cases and controversies which are specifically authorized by the U.S. Constitution, treaties, or federal statutes, including federal criminal statutes. With exceedingly few exceptions, any case arising therefrom must be filed and heard first in the U.S. District Court. The District Court, by a judge or jury, will hear all matters regarding the case, up to and including trial, and decide the case (U.S. Code, Title 28, Chapter 5).

Specialized Federal Courts

Some specialty federal courts have been established for specific subject-matter areas, including the United States Tax Court and the United States Bankruptcy Court. These courts are presided over by judges with the requisite specialized knowledge and skills to expertly hear and decide these cases. (e.g., U.S. Code, Title 28, Chapters 6 and 7).

Circuit Courts

If a party to a case disagrees with the final decision of a U.S. District Court, that party may file an appeal to a U.S. Circuit Court of Appeals. However, only the defendant can appeal an adverse decision if it is a criminal case. This avoids the double jeopardy rule. By statute, the United States and its territories are geographically divided into twelve federal circuits, with each state or territory being part of one circuit along with other states. For instance, the Ninth Circuit Court of Appeals is the largest of all circuits and consists of nine western states and two Pacific Island jurisdictions: Alaska, Arizona, California, Hawaii, Idaho, Montana, Nevada, Oregon, Washington, Guam, and the Northern Mariana Islands. Each circuit has a designated headquarters where the appeal is filed. For example, San Francisco, California, is the headquarters of the Ninth Circuit Court of Appeals. On appeal, the circuit court does not hold a new trial. Rather, appellate courts such as the federal circuit courts are courts of *review*, wherein the district court's evidence, record, and decisions are *reviewed* for errors or omissions that may have resulted in a different outcome. On appeal, a party may claim, for instance, that certain evidence should have been excluded at trial, but the district court mistakenly allowed it in, adversely influencing the outcome. Other times, a party may claim that the judge provided improper instructions to the jury, which caused an erroneous decision by that jury. A panel hears each appeal to a circuit court of at least three judges. Through an exhaustive briefing process, it is the responsibility of the parties challenging the district court's decisions to specifically point out and explain the court's errors. The parties not making the challenge also have an opportunity to submit written briefs to the circuit court, and the court may schedule and hear oral arguments. After reviewing the submitted briefs and hearing the oral argument, the circuit court has essentially two options: it can *affirm* the district court's handling of the case and leave its decision undisturbed; it can *reverse* the district court's decision with an explanation as to what went wrong in the district court and instruct what should have been done to correct it; and if reversal is decided, it may *remand* the case back to district court for a new trial or other proceedings as called for by the circuit court (U.S. Code, Title 25, Chapter 3).

Supreme Court

The Supreme Court of the United States is the highest court in the federal system. It has the final word in the interpretation and application of federal law and the U.S. Constitution. Thus, if a party is dissatisfied with the result of the case at the circuit court of appeal, it may make application for a final appeal to the Supreme Court. Most of the time, no party has a right to appeal to the U.S. Supreme Court and the Court exercises its discretion whether to hear a case brought to it. The Supreme Court accepts only about 1% of

all cases that apply to be heard before it. If the Supreme Court agrees to hear a specific case, all nine justices review and hear the case. All justices also vote to decide whether to *affirm* or *reverse* the circuit court's decision. The briefing and oral argument processes at the Supreme Court are similar to those used by the circuit courts. A decision by the U.S. Supreme Court is final and there are no further appeals (U.S. Code, Title 25, Chapter 1).

Elements of a Crime

There are no “common law” crimes. All criminal law is statutory, meaning that it is legislative decrees which define and articulate criminal conduct. All such statutes have two components: *mens rea* and *actus reus*. *Mens rea*, the guilty mind, speaks to the specific showing of intent or purpose that is required for the accused to be found guilty of a crime. *Actus reus*, the guilty or wrongful act, describes the criminal conduct prohibited by the law. Both elements—*mens rea* and *actus reus*—must be present for a judge or jury to find an actor “guilty” of the criminal offense. For instance, if a person merely *thinks* about committing a criminal act without taking any steps to actually commit the prohibited act, there is no crime. Conversely, a person who commits the prohibited act, but did so accidentally or with justification, and therefore did not intend to commit the crime, may assert the lack of intent as an absolute defense.

One must analyze the applicable criminal statutes to determine whether an actor may be charged with and prosecuted for a crime in light of provable facts. In employment tax situations, an employer who refuses to collect or pay employment taxes may be charged with Willful Failure to Collect or Pay Over Tax under U.S. Code, Title 26, Section 7202:

Any person required under this title to collect, account for, and pay over any tax imposed by this title who willfully fails to collect or truthfully account for and pay over such tax shall, in addition to other penalties provided by law, be guilty of a felony and, upon conviction thereof, shall be fined not more than \$10,000, or imprisoned not more than 5 years, or both, together with the costs of prosecution.

The *mens rea* required under that statute is to “willfully” commit the *actus reus*, failing to collect or truthfully account for and pay over employment-related taxes to the U.S. Treasury. Therefore, to be successful in a criminal case against the accused, the prosecution must prove beyond a reasonable doubt that the defendant “willfully”—as opposed to negligently, accidentally, or ignorantly—failed to calculate and collect the employment taxes and remit them to the government.

Legal Tender

“United States coins and currency (including Federal Reserve notes and circulating notes of Federal Reserve banks and national banks) are legal tender for all debts, public charges, taxes, and dues” (U.S. Code, Title 31, Section 5103). Wikipedia describes legal tender as “a form of money that courts of law are required to recognize as satisfactory payment for any monetary debt... anything which when offered (“tendered”) in payment of a debt extinguishes the debt” (Wikipedia).

Two laws passed in 1985 are relevant to the case details. One is the Liberty Coin Act (P.L. 99-61, Title II), which directs the Secretary of the Treasury to mint one-dollar Liberty coins that contain one ounce of fine silver. This law specifically states that these coins are legal tender as defined above. The second law is the Gold Bullion Coin Act of 1985 (P.L. 99-185). This law added some gold coins to those the Secretary of the Treasury was previously allowed to mint and issue: a fifty-dollar gold coin, a twenty-five-dollar gold coin, a ten-dollar gold coin, and a five-dollar gold coin.³ These coins are also stated to be legal tender.

A few other items of vocabulary are also important here:

- Coins: whether or not they contain precious metals, coins have a face value as currency and are “money” (\$1, \$5, etc.) issued by or under the direction of a sovereign, like the U.S. Federal Reserve or another country’s national mint.
- Rounds: although they may look like coins, rounds are usually issued by a private mint, contain precious metals (usually silver or gold) in full or fractions of an ounce, may be of varying purity and have no face value. Their only value is the intrinsic value of the metals contained in the round.

- Spot Price: reflects the value of the metal alone on the open market. In the last 25 years the spot price of gold has varied significantly—between under \$300/ounce in 1999 to over \$2,400/ounce in 2024.
- Fair Value: reflects the spot price of the precious metal in a coin or round, plus any premium for the mark-up of a particular precious metal round or coin, often between 2% and 20%.

CASE FOR STUDENTS

Dane Watson owned and operated six construction-related businesses in the Las Vegas area in the late 1990s and early 2000s. Dane's sister, Karla Watson, acted as a bookkeeper for Dane's businesses. Joshua Phillips was involved in Dane's businesses and helped to research and plan the payroll strategy. These three were indicted and charged with several crimes related to avoiding the withholding and payment of payroll and income taxes. Other defendants were also charged in related actions, but this case will focus only on these three individuals. The first trial for these individuals was in the U.S. District Court of Nevada. This trial ended with a hung jury, but a second trial was held in the same court.

The criminal indictment "charged all three defendants with one count of conspiracy in violation of" U.S. Code Title 18, Section 371, "and one count of attempting to interfere with the administration of internal revenue laws in violation of" U.S. Code, Title 26, Section 7212(a). The indictment also included the following:

- Dane and Karla Watson—one "additional count of attempting to interfere with the administration of internal revenue laws" (U.S. Code, Title 26, Section 7212(a));
- Dane Watson—"forty-eight counts of failure to pay employment taxes" (U.S. Code, Title 26, Section 7202), "four counts of attempting to evade or defeat taxes" (U.S. Code, Title 26, Section 7201), and "one count of wire fraud" (U.S. Code, Title 18, Section 1343);
- Karla Watson—"one count of making false statements to a bank" (U.S. Code, Section 18, Section 1014), and "eight counts of attempting to evade or defeat taxes" (U.S. Code, Title 26, Section 7201);
- Joshua Phillips—"one count of filing false income tax returns" (U.S. Code, Title 26, Section 7206(1)), and "ten counts of attempting to evade or defeat taxes" (U.S. Code, Title 26, Section 7201) (pp. 6-7, court citation omitted but included in Teaching Note References).

What brought about these indictments? Workers hired by Watson's businesses were required to sign independent contractor agreements, although most or all of them considered themselves to be employees subject to control and directions from their supervisors at the businesses. In addition, the payroll was made as follows: gold and silver coins that are legal tender, having a fair value approximately eight times their face value, were used to pay workers. The fair value of the coins was used to value the services provided, but the face value of the coins was used to value what the workers were paid for tax purposes. For example, if a worker earned \$400 during the pay period, he/she might go to the payroll window and be given a gold coin with a \$50 face value but a \$400 fair value. The worker would then go to another window and exchange the coin for the fair value in cash. Although the worker walked away with \$400 cash, the payroll records would indicate that he/she was paid \$50, the legal tender amount of the gold coin. In some cases, the workers may not have actually received the gold/silver coins, but a supervisor might have received the gold/silver coins on behalf of the employees, then exchanging the coins for cash, which would be given to the employees. However, the employees would be treated as having been paid for tax purposes the legal tender face value of the coins rather than the fair value of the cash received.

Because the workers were treated as independent contractors, no income taxes, Social Security taxes, or Medicare taxes were withheld and submitted on behalf of the workers. Likewise, businesses paid and submitted no employer matching amounts for Social Security or Medicare taxes. In addition to using this arrangement for his own businesses, Dane Watson provided payroll services to 35 other companies for a fee, using the same payroll arrangements. These other companies also avoided withholding for income, Social Security, or Medicare taxes. They also avoided employer matching taxes.

The companies using this payroll arrangement did not issue either W-2 or 1099 tax forms to the workers. Even with the argument that the workers were independent contractors, anyone making more than \$600 should have received a 1099 form to report the payments. At wage rates in the late 1990s and early 2000s, full-time workers would likely have been paid more than \$4,800 a year, making one-eighth of that total, even if calculated at the legal tender value of the coins, at least \$600. If so, these workers should have received 1099 forms if they really were independent contractors or W-2 forms if they were employees. The workers were also encouraged not to report the income on their tax returns.

In addition to the details given above concerning the payroll arrangements, both for Watson's companies and for the companies that paid Watson for payroll services, Dane Watson did not file any tax returns between 1991 and 2006. Karla Watson filed false returns from 1996 to 1999 and failed to file any returns from 2000 to 2006. Joshua Phillips did not file any personal returns from 1998 to 2006. (pp. 13-14; court citation omitted but included in Teaching Note References).

Amounts presented by the prosecution estimated that Watson's companies paid over \$22,000,000 in wages between 1999 and 2003. Third-party companies using the payroll arrangement paid over \$95,000,000 in wages between 1998 and 2003, providing Watson with over \$14,000,000 in servicing fees. As can be imagined, the IRS would be concerned if it lost most or all the income taxes, Social Security taxes, and Medicare taxes on these amounts, including the employers' share if the workers were employees or if the workers were self-employed as independent contractors.

BACKGROUND AND CASE QUESTIONS FOR STUDENTS

Taxes

1. What if an employee has two employers during 2025, either simultaneously or consecutively, and earns \$100,000 from each. While the employee did not exceed the Social Security maximum wage base of \$176,100 from either employee, in total, the employers have withheld 6.2% of \$200,000 from this employee's wages. Can the employee get the excess back? If so, how? Can the employers get anything back? If so, how?
2. What is the minimum amount an employee can earn that still requires a company to file an annual W-2 form for that employee?
3. What is the minimum amount paid to an independent contractor that requires a company to file a 1099 form for that individual?

Employee vs. Independent Contractor

1. The IRS used to use a 20-factor test to determine if a worker was an employee or an independent contractor. However, these 20 factors have now been reduced to three categories in a common law test for making the determination. What are the 3 categories that are now used?
2. What is IRS Form SS-8? Find a copy of this form and the instructions. Describe the purpose for this form. Who files Form SS-8, the worker or the entity hiring the worker?

Federal Courts

1. What choices did the U.S. government have in deciding in what court to bring the prosecution of Watson and his co-defendants?
2. Suppose that the government was only concerned with recovering the lost tax revenue, where would it need to bring the action against Watson?
3. Why do you think the government representatives made the choices that they did?

Elements of Crime

1. What federal criminal statutes "fit" Watson's conduct? Which appear to be the strongest case against him?

2. Look up the statutes under which Watson was criminally charged. Specifically identify the elements of each of the applicable criminal statutes comprising what the prosecutor would have to prove. What are the potential penalties for each count?

Legal Tender

1. Since the gold and silver coins mentioned above are legal tender in the U.S., would you be willing to accept them at face value for money owed to you?
2. Would someone be willing to pay you with these gold and silver coins using their face value for the amount owed to you?
3. What is a dollar? How is it valued? How is the value measured?

Case

1. Was it appropriate for Watson's companies to treat their workers as independent contractors? Does the fact that workers were asked to sign a document agreeing to independent contractor status make them independent contractors?
2. Was it legal for Watson's companies to use the face value of the gold and silver coins as the value of the compensation paid for tax purposes? Why or why not?
3. Was it ethical for Watson's companies to use the face value of the gold and silver coins as the value of the compensation paid for tax purposes? Why or why not?
4. If the face value of gold/silver coins is used for tax purposes, would it also need to be used to meet federal or state minimum wage laws? Could a company run into problems with the minimum wage laws if it values compensation paid in terms of the face value of gold/silver coins? What was the federal and Nevada minimum wage during those years? Was it appropriate that no W-2 or 1099 forms were given to the workers? What is the likelihood that at least some of the workers at these firms were paid more than \$600 for a year even if valued at the face value of the gold/silver coins?
5. What facts described in the case lead you to believe that the defendants are guilty or not guilty? What factors do you think are important in considering whether there have been criminal acts and criminal intent in this case?

CLASSROOM VALIDATION/FEEDBACK

Case Administration Procedure

The case was administered in a lower-division undergraduate course (Business Law and Ethics) during one week in October 2024 over the two 75-minute class periods for that week. The students were provided a copy of the case facts the day prior to working on the case in class and asked to review it before class the next day.

In class, the students divided into groups of three to four students each and engaged in an issue-spotting exercise, identifying and noting the legal issues raised by the case and the relevant facts and applicable law; this exercise took 20-30 minutes. The class then reconvened and discussed the issues discovered as a class, with students supplementing their notes. Then they were provided the Supplemental Material and spent the remainder of the class period (approximately 30 minutes) reviewing in the same groups that material in light of the case facts and adding to their notes.

On that week's second day of class, the students resumed their groups from the prior class and were presented several sets of questions regarding the case and asked to produce written group responses (60 minutes). The students were then asked to complete the IRB-approved survey, and the instructor left the room. A student collected and placed the completed responses in an envelope to preserve student confidentiality.

The case was also administered in a graduate course (Business Law for Accountants) during one week in October 2024 in the 2½-hour class block for that week. The students were provided a copy of the case facts the day prior to working on the case in class and asked to review it before class the next day.

In class, the students divided into pairs and engaged in an issue-spotting exercise, identifying and noting the legal issues raised by the case and the relevant facts and applicable law; this exercise took 20-30 minutes. The class then reconvened and discussed the issues discovered as a class, with students supplementing their notes. The students were presented several sets of questions regarding the case and asked to draft written group responses (60 minutes). With those drafts completed, the students were then provided the Supplemental Material and spent the remainder of the class period (approximately 30 minutes) reviewing in the same groups that material in light of the case facts and adding to their written responses, which were then submitted. The students were then presented the IRB-approved survey to complete, and the instructor left the room. A student collected and placed the completed responses in an envelope to preserve student confidentiality.

The key difference between the administration of the case between the two classes is when the Supplemental Materials were provided to the students in forming their written responses to the questions posed. The undergraduate class was provided those materials earlier in the case administration—before any written deliverable was assigned—and the graduate students received it after drafting their initial responses to the questions. The instructor noted that, as expected, in many instances, the Supplemental Materials were “review” of content the graduate students already understood and had in their notes from the prior exercises, whereas the Supplemental Materials were new information and insight to the undergraduate students.

Feedback

After the case discussion, students were asked for anonymous feedback about their perspectives on the case and the case discussion experience through a survey instrument. The survey included several items rated on a Likert-type scale and two open-ended items for comments. The Likert-type items were rated by the students from strongly agree (5) to strongly disagree (1). Because the case administration differed between the undergraduate and graduate classes, the average ratings are reported separately in Table 1 (undergraduate) and Table 2 (graduate).

**TABLE 1
UNDERGRADUATE STUDENT FEEDBACK ON CASE—STRONGLY AGREE (5) TO
STRONGLY DISAGREE (1)**

| Item | n | Mean |
|--|----|------|
| This case helped me to learn new information. | 25 | 4.76 |
| This case caused me to think critically about the issues presented. | 25 | 4.68 |
| The case presented a topic that was worthwhile to discuss. | 25 | 4.64 |
| The case content was interesting to me. | 25 | 4.56 |
| The instructions and background information in the case were clear. | 25 | 4.16 |
| This case was a positive learning experience. | 25 | 4.68 |
| The case requirements were appropriate for the material presented in the case. | 25 | 4.68 |
| Class discussion of this case improved my understanding of the case content. | 25 | 4.44 |
| Class discussion of this case caused additional critical thinking. | 25 | 4.28 |

TABLE 2
GRADUATE STUDENT FEEDBACK ON CASE—STRONGLY AGREE (5) TO STRONGLY DISAGREE (1)

| Item | n | Mean |
|--|----|------|
| This case helped me to learn new information. | 18 | 4.28 |
| This case caused me to think critically about the issues presented. | 18 | 4.33 |
| The case presented a topic that was worthwhile to discuss. | 18 | 4.56 |
| The case content was interesting to me. | 18 | 4.50 |
| The instructions and background information in the case were clear. | 18 | 3.94 |
| This case was a positive learning experience. | 18 | 4.56 |
| The case requirements were appropriate for the material presented in the case. | 18 | 4.56 |
| Class discussion of this case improved my understanding of the case content. | 18 | 4.78 |
| Class discussion of this case caused additional critical thinking. | 18 | 4.44 |

Almost all the means are between 4 and 5, indicating a general level of agreement with those statements. The lowest means for both classes, although still high, are for the survey item related to the instructions and background information being clear. For future use, these could be clarified further.

CONCLUSION

This case was successfully used in a classroom setting, and the objectives of the case were met. Student feedback was generally positive. This case allows a lot of leeway as to what issues of the case and the background material to present to the students and discuss in class, allowing its use in various classes. Because the case, although disguised, is based on an actual court case, it provides an interesting set of circumstances for the students to consider and discuss.

ENDNOTES

1. Smith and Smith (2017a, 2017b) demonstrate how this calculation is not technically accurate, as multiplying by 92.35% [1 – 7.65%] is not the same as dividing by 1.0765 [1 + 7.65%]. The current calculation on IRS Schedule SE (Form 1040) understates net earnings from self-employment, thus understating the accurate self-employment taxes.
2. As noted in the prior endnote, self-employment taxes are understated as calculated on IRS forms. Since one-half of the self-employment taxes are deducted by the individual on Form 1040, the understatement of self-employment taxes leads to the overstatement of taxable income and income taxes (Smith and Smith, 2018).
3. Interestingly, the fifty-dollar gold coin was to contain one troy ounce of fine gold. The twenty-five-dollar and the five-dollar gold coins were to contain one-half troy ounce of fine gold and one-tenth troy ounce of fine gold, respectively. These amounts are proportionate to the face value when compared to the fifty-dollar gold coin. However, the ten-dollar gold coin was to contain one-fourth troy ounce of fine gold, which is not proportionate to the gold contained in the other coin denominations.

REFERENCES

- Acosta v. MAS Realty, LLC, 96 Cal. App 5th 635 (2023).
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 Public Law 99–61, Title II. (1985 July 9). Liberty Coin Act.
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