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moved in the same direction 73% of the time, or that 73% of the employees interviewed voted as they intended. To see the difference between prediction and correlation one need only imagine two variables that are highly correlated with a third variable that is not stated explicitly. As this third variable moves, the other two variables might move with it. Thus, they are correlated. This third variable may be causally related to the first two. If the third variable were held constant, variations in one of the explicitly stated variables may have no effect on the other explicitly stated variable, so that one may not predict movements in one from changes in the other. Thus, correlation and prediction statistics give very different information, and it is extremely dangerous to confuse them in presentation.

Moreover, the authors fail to inform us of the statistical significance of the coefficients associated with the independent variables employed in their multiple regression. Consequently, we have no way of knowing if attitudes toward jobs or unions are independent sources of voting outcomes. This is a very serious omission.

The failure of the authors to keep these distinctions straight has severely damaged an otherwise commendable effort to bring some evidence to bear on important policy questions. Nevertheless, for the student of labor relations and labor law, it is a book worth reading, if only as a demonstration that esoteric policy questions in law and industrial relations are amenable to empirical analysis as conducted in the social sciences.


Reviewed by Hugh L. Sowards*

Even the most casual observer cannot fail to notice the staggering complexity of current tax law. The exhaustive number of decisions and IRS rulings and the ever-changing statutes, rules and regulations serve only as a starting point in the search for a satisfactory solution. Applicability and interpretation may present equally formidable and time-consuming obstacles, especially in the fast-moving area of corporate tax law. Frequently, too, the explanatory

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texts are themselves voluminous and complex. All this adds up to the fact that Professor Albert M. Lehrman’s new treatise, *Tax Desk Book for the Closely-Held Corporation*, will be a welcome addition to the library of the attorney or other professional adviser who has the task of guiding the close corporation and its owners through the regulatory quicksand in which they must do business.

Professor Lehrman’s book does not contain philosophical or even detailed analysis of the federal tax code or the cases. It is just what it purports to be: a desk book. The author relates federal income tax law directly to the closely-held corporation and its shareholders in a succinct manner and in an easily readable format. Current tax problems are identified and solutions offered in a no-nonsense approach. Moreover, tax planning is emphasized from cover to cover, with tax consequences spelled out in black-letter examples.

The material on Subchapter S serves as an outstanding example of the real value of this book to the tax adviser. It is common knowledge that a closely-held corporation may, if eligible, elect, under Subchapter S, not to be subject to corporate income tax. In effect, the shareholders have limited liability, but enjoy many of the tax advantages of a partnership, for there is no “double tax”: the corporation’s gains and losses are passed through to the shareholders. The tax adviser, however, in recommending election under Subchapter S may fail to take into consideration the tax exposure of individual shareholders. As Professor Lehrman points out, Subchapter S may not be advantageous to a shareholder in a high income tax bracket. Such an owner may prefer to leave his funds in the business, thus building his equity (so that when his interest is sold, he will be taxed at the lower capital gains rate) rather than to receive the straight income (subject to tax at the higher rate).

Equally thought-provoking and practical treatment is granted to such topics as stock purchase agreements, stock redemptions, liquidations, professional corporations, compensation of employees, and estate planning for owners of closely-held corporations. In short, Professor Lehrman has organized current tax law as it applies to close corporations on a formation-to-termination basis. In this connection, the numerous changes effected by the Tax Reform Act of 1976 are dealt with in specific detail at appropriate points throughout the treatise.

The real value of this book is found in its clear, machine-gun-like language and its bottom-line treatment of an extremely complicated body of law. There have been other attempts to clarify in this cloudy area of law. All too frequently, however, in simplifying, the
author will oversimplify. Professor Lehrman is to be highly compli-
mented for avoiding this pitfall in Tax Desk Book for the Closely-
Held Corporation.