INSIDE THE MINDS

# Strategies for Corporate Tax Planning

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# Business Tax Planning in an Era of Uncertainty

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## Introduction

As Herman Wouk had one of his characters remark in *The Caine Mutiny*, "The Navy is a system designed by geniuses to be executed by idiots." Turning a bit of a phrase here, and with apologies to Mr. Wouk, those of us who work in the tax area might say, "The Internal Revenue Code is a system designed by idiots to be run by geniuses."

Hunger for revenue, the desire to use the tax code for policy objectives, and the propensity of rules to become progressively more complex as they become riddled with exceptions and then exceptions to exceptions, all continue to bedevil the tax code and the world of the tax practitioner.

This chapter will touch on some of the leading trends and dominant issues that confront tax professionals currently in advising business clients.

In preparing this piece, I had the opportunity to go back and review my chapter, "Mega Trends and Current Issues in the Tax World," which was published by Aspatore in 2008. After that review, I could not help but be struck by the applicability of the famous French proverb, *"Plus ça change, plus c'est la même chose"* ("The more things change, the more they stay the same").

Virtually every point I made in 2008 continues to be true. We continue to be overwhelmed by the proliferation of complexity in the tax code and regulations. The compliance system continues to strain under inadequate staffing and undue complexity. Flow-through taxation is the norm for small businesses, either in the forms of limited liability companies (LLCs) electing partnership status or S corporations, and this is steadily and inexorably eroding the corporate tax base. Cancellation of debt income (COD), bankruptcy, and insolvency tax issues have dominated planning considerations during the "Great Recession." And the government has commenced the efforts to enforce and improve compliance on the employment tax front that I predicted.

Again, virtually every issue identified in 2008 continues to be a dominating issue for tax practitioners. And the predictions, alas, proved all too true. So this raises the question, "What has changed?"

## Dealing with Uncertainty in the Current Business Tax Planning Environment

From my perspective of thirty-five years as a tax attorney, what has changed most in the last three years is that we now deal with the highest level of uncertainty in tax planning that we have seen since the Carter administration of the late 1970s.

Superimposed on all those trends and issues I discussed three years ago, a huge political debate on the entire future of the tax code now confronts us. The ultimate issue is what steps the United States will take to modernize the tax system and improve our competitive position in the world marketplace while simultaneously funding the increasing costs of a social welfare network that must support an aging population.

Congress is truly on the horns of a dilemma. Virtually all thinking people know that the corporate income tax makes no economic sense. The cliché "corporations don't pay taxes, people do" is still true. Corporations ultimately must pass on tax costs through the costs of their goods and services to their end-users or customers. Even the administration has proposed corporate tax rate reduction.

At the same time, LLCs and S corporations represent a *de facto* repeal of the corporate income tax for small businesses. With the arrival of modern legal entities subject to only one level of taxation, it is now rare that a privately held business pays any corporate-level tax. In much the same way, real estate investment trusts (REITs) represent a *de facto* repeal of this corporate income tax for real estate that is publicly held through the REIT structure.

Unfortunately, in the current dire financial situation, the government simply cannot afford the luxury of foregoing the corporate income tax entirely, no matter how rational that might be. So we continue to deal with uncertainty with respect to the fundamental structure of corporate income tax and corporate income tax rates. Talk of rate reductions and "base broadening" is endemic.

On the heels of rounds of the game of political "chicken" with the 2010 extension of the "Bush Tax Cuts," the one-year "expiration" of the Estate and Gift Tax in 2009, and now the debt ceiling legislation, we look forward to a 2012 election that will turn into a referendum on those same issues. Remember, the extended Bush Tax Cuts package, including the controversial estate tax liberalization with its $5 million unified credit and full portability of credit, extends only through 2012. There is little question that taxes will be in the absolute forefront of the debate in the upcoming presidential and congressional elections in 2012.

Businesses must also absorb the impact of the new health care legislation, notwithstanding the uncertainty of whether this health care legislation will be sustained by the courts and how it will be implemented by the administrative agencies supervised by Congress.

Add to this the regulatory uncertainty associated with the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and we have a veritable stew of regulatory uncertainty. Under Dodd-Frank, several federal agencies are busy composing a full panoply of new regulations that are only now beginning to be implemented. These include regulations of investment advisors and hedge funds in ways that may fundamentally alter how investing is done in the capital markets. The new Bureau of Consumer Financial Protection mandated by Dodd-Frank, which is already enmeshed in furious debate in Congress as to the scope of its charter, will have major new regulatory authority on structuring consumer transactions of broad applicability.

Any economist will tell you that uncertainty is bad for business. Clear rules are better than fuzzy rules, and stable rules are critical if businesses are to make long-term investment decisions. Unfortunately, the response of the political system for the last few years has been an exercise of "kick the can down the street" with temporary extensions, followed by furious debate over further extensions versus substantive changes. Even the Estate Tax, which exhibited quite remarkable stability from 1981 until 2009, has now become a political football and will be up for grabs again in 2012.

## The "Great Recession" and Its Impact on Business Tax Planning

*Net Operating Loss Carry-Forwards*

One of the self-evident truisms of the tax world is that a business must first have income to owe income tax. During most of 2008 and 2009, however, many companies did not have income. Instead, what we saw was massive losses resulting in huge net operating losses (NOLs) for many taxpayers.

As one of the many initiatives designed to stimulate the economy out of the Great Recession, Congress and the administration liberalized the carry-back rules for NOLs in the Worker, Home Ownership, and Business Assistance Act of 2009. This permitted taxpayers with NOLs that were generated in 2008 and 2009 to carry back such NOLs for up to five years, rather than for the two years permitted under prior law. This enabled many taxpayers to obtain significant refunds that provided much needed liquidity for those taxpayers.

Many professional firms, including our own, now have a number of clients who took advantage of these provisions to carry back significant NOLs and to obtain significant tax refunds. Now, however, we find the Internal Revenue Service (IRS) challenging those refunds in terms of the substantiation and calculation of those NOLs and the imposition of various limitations on their utilization in prior periods.

NOLs are always one of the great free-for-alls in the Internal Revenue Code (IRC). This is because in computing the NOL and carrying it back to prior years, the taxpayer must substantiate both the calculation of the amount of the loss in the year in which it arose and the deductibility and the ability to offset that loss in the prior years to which the loss is carried. So now, taxpayers find themselves in the position of having had the "party" of calculating a large NOL and obtaining a significant refund, only to find they are being challenged by the "morning-after hangover" of arguing with the IRS to substantiate and sustain the NOL that generated the refund.

*Section 382*

The proliferation of NOLs during 2008 and 2009 has now also brought IRC § 382 back to the forefront of tax planners' minds.

Section 382 is the section of the Code that limits the evil of "trafficking" in net operating losses and other tax attributes of entities taxed as C corporations. Back in the boom days of the early 2000s, Section 382 was not particularly significant because most corporate taxpayers did not have significant carry-forwards of accumulated losses or other favorable tax attributes. Now, however, because of the massive NOLs that were generated by many corporate taxpayers during the Great Recession, Section 382 has reassumed much greater economic significance.

Vastly oversimplifying, Section 382, says that if there is a transaction that triggers an ownership change of more than 50 percent of a corporate taxpayer during a three-year rolling testing period, NOLs and other tax attributes are attenuated and limited on an annual basis to an amount equal to the long-term tax-exempt rate multiplied by the value of the corporation at the time of the ownership change. This is a vast over-simplification, but for purposes of this chapter, it will serve as a working hypothesis.

Section 382 can come up in a variety of circumstances, including the issuance of equity. Indeed, in the technology sector of the economy, Section 382 is often triggered by successive waves of venture capital funding that effect rolling changes of control.

However, the impact of Section 382 is most typically seen when it comes up in the context of mergers and acquisitions (M&As).

An acquisition event will almost certainly trigger its own Section 382 event. The real issue, however, is usually not the acquisition, but rather that the acquirer wants to ensure the extent to which the NOLs generated in periods prior to the acquisition are available to be used and have not been previously subjected to a Section 382 attenuation event.

For instance, in many places where a company has had significant NOLs, an asset acquisition can be a particularly favorable form of acquisition. Purchasers prefer asset acquisitions for many reasons, but one of the major tax reasons is that the purchaser obtains a basis step-up with respect to the acquired assets. If the seller has NOLs, the selling entity may be able to wipe out its gain because it can offset the gain by its NOLs. *Of course, this* *assumes that those NOLs have not been previously subjected to a prior Section 382 attenuation event.*

Even in the cases where the transaction is a stock purchase, acquirers are still concerned to make sure that the NOLs, which will be attenuated in the acquisition itself, have not already been further attenuated to the point of worthlessness by prior Section 382 events.

So in these settings, acquirers are keen to verify that a Section 382 attenuation has not previously occurred. So Section 382 diligence has assumed a new prominence in M&A transactions.

*COD, OID, Market Discount, and Accrual of Income Issues*

Another set of planning considerations in the current business tax environment for both M&As and workouts has been the explosion of issues associated with COD under IRC § 108, OID (original issue discount) under IRC §§ 1271-1275, market discount under IRC §§ 1276-1278 and general principles of accrual of interest income.

As I correctly predicted in 2008, we were about to have "*deja vu* all over again" when it came to COD, bankruptcy, and insolvency tax issues. And indeed, we did. For the last three years, COD planning has been in the forefront of workouts in the distressed real estate world, and the associated complex of OID, market discount, and accrual of income issues has dominated the planning for the acquisition of distressed debt. COD, OID, market discount, and accrual of interest income issues have had and continue to have huge and critical ramifications for real estate companies, including REITs, funds, and other real estate operating companies.

One of the true "Alice in Wonderland" areas of the tax law arises when debt is purchased at a deep discount. Purchases of debt at deep discounts can create extremely odd tax results. Indeed, the tax rules break down in the context of deep discount acquisitions of debt.

These odd results arise because of the interaction between the so-called Cottage Savings Regulations (Treas. Regs. § 1.1001-3 *et seq.*) and OID, market discount, and accrual of income rules.

The Cottage Savings Regulations were promulgated by the Department of Treasury in response to the decision of the US Supreme Court in the *Cottage Savings Assn. v. Commissioner*, 499 U.S. 554 (1991). The effect of the Cottage Savings Regulations is to create a "deemed exchange" when there is a significant modification of a debt instrument. Of course, this deemed exchange is a complete legal fiction. There is no real exchange. But the tax consequences of this deemed exchange can be extremely significant. A modification that results in a deemed exchange can actually trigger current income tax.

This bears a bit of explanation. Assume, for example, that I have purchased a debt instrument with a face amount of $10 million at a price of $6 million. The debtor is, not surprisingly, currently unable to pay the instrument in accordance with its terms. Dealing with economic reality, I then negotiate with the debtor a significant modification to the debt instrument. For example, perhaps I agree to lower the interest rate significantly or to extend the term.

Under the Cottage Savings Regulations, this modification is treated as a deemed exchange in which I exchanged my debt instrument, which has a face value of $10 million and a basis of $6 million, for a "new" debt instrument also with a face value of $10 million. Assuming that the interest rate on the "new" debt instrument is at or above the Applicable Federal Rate (AFR), I am deemed to have received a new debt instrument with a value equal to its face amount of $10 million. So I have triggered as much as $4 million of income on a deemed short-term exchange associated with my modification of debt. And yet, I have not received a penny with which to pay the resulting tax.

Now, further assume that, one year and one day after the modification, times are improving, and the debtor comes to me and offers to pay off the debt for the sum of $9 million. Being a rational businessperson and doing a few calculations, I realize that if I accept the debtor's offer, I will have made $3 million over and above my original investment of $6 million. If this payoff occurs in a subsequent tax year, however, I will then be deemed to have had a capital loss because although I will receive my $9 million, this will result in a net *loss* of $1 million for tax purposes because the payoff of my debt instrument for $9 million was less than my $10 million basis in my debt instrument. And, to add insult to injury, this loss will be a long-term capital loss if I have held the instrument for more than a year.

The tax practitioner community refers to this kind of scenario as a "reverse conversion." Somehow through the interaction of the tax rules, I have converted what would have been a nice $3 million long-term capital gain, had I simply not modified the instrument and collected the debt in the ordinary course, into $4 million of short-term capital gain taxed at an ordinary income rate in Year 1 on the deemed exchange, followed by a long-term capital loss in Year 2 of $1 million. Not only is the long-term capital loss in Year 2 not available to offset other income, but it also cannot be netted against the original gain.

Reverse conversion is an absolute disaster from the tax-planning point of view. And yet, this kind of result can arise quite easily in the context of purchases of distressed debt.

And of course, there are other issues in distressed debt. For instance, as a rule for tax purposes, all payments under a debt instrument are first applied to interest and then to principal. This is true even when there is no realistic expectation that the principal will ultimately be paid. This rule can interact with the applicability of the market discount rules to convert a large portion of the profit realized on a gain from the distressed debt deal into ordinary income.

Working with these rules is an exercise in defensive tax planning—not nearly as profitable or as much fun as some tax planning, but of great necessity.

As the economy continues to work through the huge reservoir of distressed debt in the financial system, the issues that have been dominating tax planning will continue to be of overwhelming importance, particularly for the real estate industry, for coming years.

**Capital Gains versus Capital Loss Planning**

One thing that we have not seen a great deal of since the Great Recession is a need for capital gains planning. Again, to have capital gains, one must first have gain. Rather, clients have been obliged to focus on capital loss planning.

Remember, capital losses can be used only to offset capital gains. For corporations, this is an absolute rule; whereas, for individuals, there is an annual $3,000 per year limitation on deduction of capital losses against other income.

Consequently, in many circumstances, we have seen clients "bankrolling" capital losses to be carried forward to be used in subsequent years.

Bankrolling has shown up in some interesting ways. For instance, in the past, the wealthy often would use appreciated property to make significant year-end charitable contributions. But now, such taxpayers may find themselves in the position of selling the property to trigger a long-term capital loss, which can then be offset against other future capital gains, and then contributing the balance of the proceeds to the charity.

Even though corporate taxpayers do not have a reduced capital gains rate, they must still worry about capital loss planning even more than individuals do. Remember, capital loss cannot be used against other income of the corporation. It can be used only to offset capital gains. Indeed, it was the desire to convert capital losses in the corporate setting into deductible ordinary business losses that gave rise to the seminal *Corn Products* decision. *Corn Products Refining Co. v. Commissioner*, 350 U.S. 46 (1955). So having capital gains to net against capital losses is even more critical to corporate taxpayers.

**UBTI Issues and Defensive Tax Planning Strategies for Tax-Exempt Entities**

Another example of defensive tax strategies is planning around unrelated business taxable income (UBTI).

UBTI is the bane of the tax-exempt entity income tax world. Tax-exempt entities, by definition, are tax exempt. The one great exception to this tautology is that tax-exempt entities are taxable on their UBTI. UBTI gives rise to unrelated business income tax (UBIT). You will see both abbreviations used frequently.

Because so much capital is now held by tax-exempt investors, including pension plans, university endowments, and other similar sources of capital, it is necessary to spend a great deal of time structuring transactions to make sure the tax-exempt entities do not receive income that is characterized as UBTI. Accordingly, tax-exempt investors have become increasingly focused on creating structures that will enable them to avoid the UBTI.

Interest, rents, royalties, dividends, and gains from sales or exchanges of securities are generally not UBTI. Rather, such income is investment income. As such, the real problems for tax-exempt entities arise in this area not when tax-exempts simply buy and sell stocks or securities or when they simply loan money. The problem generally arises because of the unrelated debt-financed income (UDFI) rules.

To prevent tax-exempt entities from obtaining the double benefit of tax-exempt status and the ability to leverage their investments, thus placing tax-exempt investors at a significant competitive advantage to taxable investors, Congress and the Treasury created and implemented the concept of UDFI in IRC § 514 and the associated Regulations. UDFI turns what would be otherwise "good" non-taxable investment income into "bad" taxable UBTI income for tax-exempt entities.

Tax-exempt charities, pension funds, and endowments do not like UDFI. So they seek to structure around it. Consequently, in our firm's funds practice, for instance, where tax-exempt investors are a major component in the investment group, a great deal of time is spent in structuring to avoid UBTI issues. In the investment world, one method to purge what would otherwise be UDFI/UBTI income is to run such investment income through an offshore non-US domiciliary investment entity that is treated as a corporation and then pay the net income out as dividends. This has the effect of converting what would be "bad" UDFI into "good" dividend income.

Fortunately, the government has historically taken a rather liberal position on these structures and, if one does them carefully, they work. This is certainly good because this is an area where tax planning is a critical piece of a huge portion of the flow of investment capital in our country.

Another example of this structuring to avoid UBTI takes the form of converting what would be "bad" operating income and turning it into "good" rental income. This is the same issue, of course, that confronts REITS, particularly hotel REITs, but also those REITs that have income that would otherwise give rise to impermissible services income. By careful structuring, it is often possible to convert this non-qualifying "bad" services income into good "rent" for purposes of the REIT classification rules.

Finally, great time, effort, and energy have to be devoted in the real estate world to structuring transactions to satisfy the important "acquisition debt" exception to the general UDFI rules. The acquisition debt exception to the UDFI rules is critical to the financial validity of leveraged real estate investments held by certain (but not all) tax-exempt entities.

Again, all of these are highly defensive structures, but they are critical in importance to the affected industries.

**State Tax Compliance Issues**

As I noted in my piece in 2008, state tax compliance was, is, and will continue to be a major issue for corporate and other business taxpayers. This represents perhaps the largest area of chronic non-compliance in terms of readily quantifiable exposure for unpaid taxes.

In the M&A world, state tax compliance issues continue to present major problems. Simply put, business America—especially medium-size business America—simply does not have the resources, time, or patience to be particularly diligent with tax compliance at the state level. The consequence is a tendency to put off addressing these issues until an auditor raises the issue on a financial statement and wants to post a reserve under FIN 48 or where there is a prospective acquisition of the taxpayer entity. This issue is particularly recurrent in the sales and use tax area. We continue to see situations in acquisitions where the acquiring company uncovers significant lack of compliance and tax exposure by the target company in the sales and use tax area. This usually grows out of the whole fuzzy question of nexus and non-resident vendor liability for destination state use tax collections. Once the liability is identified, it then becomes a major issue in negotiation between buyer and seller on risk allocation.

To a lesser but still significant degree, this is also true of state income tax exposure. The complexities of the methodologies of apportionment and allocation of income for state tax purposes, the different ways to compute how income is apportioned and allocated among the various states, and the determination of what income is "business income" subject to allocation, as opposed to "non-business income," which is apportioned to a specific state, are recurrent issues for multi-state businesses. These often create significant tax exposure risks for businesses operating in multiple states.

In this regard, an interesting pattern I have seen in the last few years is for taxpayers, particularly individuals, to decamp from their home state to a state that has no state income tax in anticipation of major sale transactions. Georgia, for instance, imposes a flat 6 percent tax (and there is no capital gains relief) on income. California imposes an income tax at up to 11 percent (again, there is no capital gains relief). Although such state income tax is deductible for federal purposes, thus resulting in an iterative effect of something less than a real tax rate in the range of 4 percent for Georgia and approximately 7 percent for California (subject to the circumstances of the individual taxpayer), this can represent an extremely significant tax cost in connection with the transaction when contrasted with the effective tax rate of a Floridian or Nevadan.

Think about it for a moment. If you lived in Georgia and could pay roughly 20 percent of your $10 million profit in taxes versus Florida, where you would pay only 15 percent of your $10 million profit, the tax savings ($500,000) is dramatic. And both Florida and Nevada have some lovely places to live. Consequently, it is not surprising to note the propensity of residents of both states to domicile themselves in more favorable tax jurisdictions not long before a major liquidity transaction occurs. It is as easy to live in Naples or Amelia Island, Florida, as it is to live at Sea Island or in Savannah, Georgia. Lake Tahoe has many charms. This strategy can work when you know what you are doing.

As the states continue to seek to maintain new sources of revenue, state tax compliance will continue to be an increasing area of enforcement. We have seen it, and we are seeing it. The diligence and vigor of the state compliance operations have been particularly striking in recent years and can only be anticipated to increase.

**Employment Taxes**

As I noted three years ago, employment taxes continue to be a leading source of enforcement activity. The IRS has started a major initiative of enforcement with employment taxes, including the hiring of hundreds of new agents specifically charged with employment tax enforcement.

It is in this setting in which many companies have fallen behind on paying employment taxes. That used to be a situation that was unheard of because employment tax is one area where an individual can be held responsible for the non-payment of an entity's taxes under IRC § 6672. Indeed, I always tell clients employment taxes must be paid before anything else. Not only will responsible persons be held personally liable, but also the responsible person's penalties are non-dischargeable in bankruptcy.

Unfortunately, during the Great Recession, many businesses have resorted to the unhappy and unwise practice of "borrowing" their employment taxes from the government to pay other items. Truth be told, the enforcement system is currently so overwhelmed in the employment tax area, that frontline agents are hesitant to make all the potential criminal cases they could make. Instead, many IRS agents are generally treating these matters as civil and are resorting to diligent efforts to collect the delinquent taxes. One cannot help but appreciate the government's pragmatism in this regard, given the economic realities of the world we live in. But it also bodes poorly for future enforcement.

All things move through cycles. There are cycles in enforcement and cycles of relaxation. There is no question that we are entering a major cycle of enforcement of employment taxes. The demands of the fisc, at both the federal and the state levels, simply make increased enforcement a reality that taxpayers will have to deal with.

A corollary of this, which is a clear long-term thrust of American tax policy, and as I discussed in my 2008 paper, is to make tax preparers personally responsible for the accuracy of their clients' returns. That continues to be a long-term trend. With Circular 230, Fin 48, and the government's recent successes with accessing court work papers and tax reserves, increasingly the compliance responsibilities are being shifted from the IRS to the tax return preparer. So the tax accountant's job is no longer merely to advise the client as to possible tax planning, but also to ensure the accuracy of the company's tax returns and the positions taken.

**Conclusion**

The big issues in the future will continue to be issues we anticipated three years ago—insolvency tax, issues associated with workouts, restructuring, and bankruptcy, employment taxes, state tax compliance, and the *de facto* integration of corporate taxation through the use of partnerships, LLCs, and S corporations taxed as flow-throughs.

With the currently depressed equity markets, cash truly is king on the deal front. Consequently, few deals are being done as stock deals. When confidence in the stock market returns, then perhaps we may again begin to see some equity deals. Now, corporate America is flush with cash because the corporate world has recovered better during this recession than the employment market. Therefore, the number of taxable cash acquisitions is likely to continue to increase in the near future.

The deficit is a huge issue, and there are only three ways to deal with it: (1) raise taxes; (2) cut spending; or (3) debase the currency. History shows that debasing the currency has been the most popular, and one cannot help but think that we are well on the way in that direction.

Plus, the economy continues to struggle with artificially depressed interest rates. There simply is no real risk-adjusted rate of return. Either a debtor can borrow all the money it wants at a ridiculously low rate, or a debtor cannot borrow any money, no matter what rate the debtor is willing to pay.

Whatever the merits or demerits of the easy money policies of the Federal Reserve, this liquidity crisis and the Federal Reserve's efforts to flood the monetary system with liquidity have created bizarre results. Yields on investments are exceedingly low relative to adjusted risk. It is difficult to believe that the current long-term federal interest rate is truly representative of long-term inflation fears. It is difficult to believe that the ten-year inflation rate will be no more than 2.5 percent per annum, given the huge influx of liquidity into the system over the last three years. Yet this is what the current ten-year Treasury bill rates would seem to indicate.

Low interest rates and huge deficits have the effect of lowering the value of the dollar. To anyone who looks at *The Economist's* "Big Mac Index," it is clear that the dollar is trading at a deep discount to most other currencies in the world. One consequence of debasing the dollar, which is directly attributable to artificially low interest rates and deficits, is the resulting increase in the price of oil to $100 per barrel. Oil is inversely cost-related to the value of the dollar.

Other examples of the impact of low interest rates include distortions in pricing in the real estate industry. Cap rates for real estate are at surprisingly low multiples, given the recent carnage of the Great Recession. At least on "A-level" and "trophy" properties, the cap rates on real estate are almost back to the pre-bubble levels of 2007. There is justifiable anxiety about asset distortions associated with such low cap rates.

One more prediction: If we assume we do end up with some form of national health care, it seems inevitable we will have to have some sort of value-added tax (VAT) to fund such activity. That is certainly the case of every other industrial democracy. Bear in mind that while the vast majority of individuals in this country pay employment taxes, currently less than half pay any income taxes. Accordingly, the only way to get the broad base of tax revenues necessary to support a national health care system ultimately would appear to be some sort of consumption-based VAT or similar tax. Now, I do not see any such VAT replacing the income tax. It would simply be too costly. But some sort of hybrid structure similar to Canada, which has both income and VAT taxes, would appear to be the ultimate and most likely result for funding health care.

As we continue to watch the maneuvering in Washington and the long-term legislative outlook, as well as the sovereign debt crisis in Euroland, it will be fascinating to see what the resolutions will be. Unfortunately, it appears we may well find ourselves victims of the Chinese curse of "may you live in interesting times."

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