



TEXAS SOUTHERN UNIVERSITY
THURGOOD MARSHALL SCHOOL *of* LAW

BASIC FEDERAL TAX
LAW 740 – SECTION 1
FALL SEMESTER, 2017
ASSOCIATE PROFESSOR
JAMES W. BEARD, JR.

TABLE OF CONTENTS

The Professor	3
Course Books & Material	4
Course Description/Objective.....	5
Student Learning Outcomes.....	6
Grading	8
Accommodations	9
Participation, Professionalism, & Attendance	10
Academic Calendar	12
Policies & Procedures	13
Presentation and Briefs	14
Reading Assignments.....	15
Tax Formula.....	18
Student Objectives/Terms.....	20

THE PROFESSOR

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OFFICE HOURS: M-T-TH: 11 am – 1 pm.
Wednesday: 11 am – 2 pm

(All other times by appointment only)

TSU's Campus Carry Policy allows faculty offices to be declared as a gun free zone. This office is a gun free zone.

COURSE BOOKS & MATERIAL

1. FUNDAMENTALS OF FEDERAL INCOME TAXATION, 18th edition, Freeland,
 - a. Lath rope, Lind, and Stephens (Foundation Press).
2. SELECTED FEDERAL TAXATION, STATUTES, AND REGULATIONS (West, Latest edition).

COURSE DESCRIPTION/OBJECTIVE

Basic Federal Income Taxation focuses on the federal income taxation of individuals. This course introduces students to tax policy, a brief history of our current tax system, the administration of the income tax, and the fundamental principles of the income tax (e.g., what is income, when and to whom income is taxable, exclusions from the tax base, deductions, tax rates, credits, and the tax consequences of property ownership and disposition). Other taxes that impact individuals will also be referenced.

The case method, statutory interpretation, and the problem method are the means of studying that will be utilized to accomplish the objectives of this course. This combination of methods will allow the students to enhance their analytical and legal skills, while developing an understanding of the fundamental principles of federal income tax law for individuals.

STUDENT LEARNING OUTCOMES

1. Students will be able to interpret and analyze selected provisions of the Internal Revenue Code and I.R.S. regulations as provided in the textbook reading assignments.
2. Students will be able to apply tax law in determining an individual's income tax liability.
3. Students will be able to identify and communicate tax-planning strategies.
4. Students will be able to understand that tax legislation involves political, social and economic public policy.
5. Students will be able to apply tax administrative rules to civil audits of individuals.
6. Students will be able to identify evolving tax reform proposals.
7. Students will develop their legal analytical, problem solving, and communication skills.
8. Students will be able to apply selected corporate, partnership and gift and estate tax principles to individual taxpayers.
9. Students will define, describe and distinguish terms associated with tax law.
10. Students will utilize the tax formula to determine an individual's final income tax liability.

In addition to the above competencies, employers expect law students to *already* possess these highly valued skills: motivation, integrity/honesty/trustworthiness, good judgement, and initiative/ambition/drive/strong work ethic. **Upon employment**, you are expected to quickly develop the following skills: dedication to clients, commitment to professional development, commitment to law firm's goals and values, and involvement in pro bono /community/bar association participation (especially for the disadvantage).

GRADING

The **final grade** for this course will be determined by two examinations and any adjustments (e.g. class participation (-/+), professionalism (-), and class attendance (-)). The mid-term **examination** will constitute 25% of the final grade. **The examination is scheduled for Monday, October 16, 2017. It is a 50 minute closed book examination.** The final examination constitutes 75% of your final grade. **The examination is for 3 hours.** **The final examination date has yet to be determine by the law school administration.** I am advising you to check TMSL's website on a periodic basis for the date of the final exam, prior to making your plans for the semester break.

TENTATIVE FINAL GRADE SCALE:

A+	=	90 to 100
A	=	85 to 89
A-	=	80 to 84
B+	=	76 to 79
B	=	75
B-	=	70 to 74
C+	=	66 to 69
C	=	65
C-	=	64
D+	=	63
D	=	60 to 62
D-	=	56 to 59
F	=	55 and below

ACCOMMODATIONS

If you require special accommodations, please fill out the necessary forms with the Dean's office. Your application and documentation will remain confidential. Your prompt attention will allow the law school to accommodate you, as soon as it has been made aware of your situation.

Please see:

http://www.tsulaw.edu/student_affairs/docs/2011-2012AccommodationsHandbook.pdf

PARTICIPATION, PROFESSIONALISM, & ATTENDANCE

Class participation, professionalism, and daily attendance are required in this course. In the unusual circumstance when a student fails to participate in class, does not adhere to the highest level of professionalism, nor regularly attend classes, his/her final numerical grade may be reduced or other administrative action may be taken.

Class Participation:

Students should be prepared to discuss the materials assigned for each scheduled class. Preparation includes reading the assigned material, working the assigned problems, and familiarizing yourself with the Code sections and regulations that pertain to the assigned material. When briefs are required to be presented, they must follow the outline provided in the reading assignments. **Unless provided otherwise, during classes, the only materials allowed at your desk are the textbook, the code, professor's handouts, and your personal notes and briefs.**

Professionalism:

A lack of professionalism is defined as any kind of disruptive conduct during class. (See Class Participation, above). The following are illustrations of disruptive conduct: the unauthorized consumption of food or drinks, the use of cell phones during class, passing notes, talking with others during the class, unauthorized leaving during class, and the misuse of laptops (See laptops and drinking containers). **When a student leaves the classroom prior to the conclusion of the class, that student may not return to the classroom, unless his/her departure was caused by an emergency.**

Class Attendance:

Students are referred to the Student Rules of Matriculation for the current rules pertaining to attendance. You may miss up to 5 classes without having a reduction in your final grade or being administratively withdrawn from the course. Missing class or entering the class after attendance has been taken constitutes absences. Until the law school advises me otherwise, **there are no excused absences** (i.e., illnesses, funerals, employment, trials, moot or mock court competitions). Use your allowed absences wisely. It is a disciplinary violation for a student to misrepresent the student's attendance or the attendance of another student. It is your responsibility to keep track of the number of times that you are absent from class.

Electronic Devices:

The use of any electronic devices, including laptops, in the classroom is a **privilege** and not a right. When allowed, they may be used only to assist with the current class assignment. Otherwise, electronic communication devices (i.e. cell phone) must be placed in the "off" position during the class. (See PROFESSIONALISM, above).

Drinking Containers:

Students may consume drinks in class, provided they are in approved drinking containers. Examples of approved drinking containers are displayed in the library.

Office Hours:

Regular conferences are held in my office, Room 236L (See page 3). No appointment is necessary. Conferences at other hours must be by appointment. If I should miss a scheduled meeting with you, I will contact you regarding another meeting time. Regular office hours terminate on the last day of classes.

Make-Up Classes:

There are times when classes may not be held at the regularly scheduled time. Notice of any make-up classes will be announced, during a regular class, and/or notices will be posted on the door to the classroom and/or the administrative bulletin board.

Outside Resources:

The only resources allowed in the classroom, physically and electronically, are the textbook, code and regulations book, and your personal notes. Outside resources (nonpersonal notes, commercial outlines and briefs) are prohibited in the classroom. **The use of such resources will result in your dismissal from the class, and you will be counted as absence for that class.**

Religious Observances:

Students who celebrate a specific religious holiday that falls on a test date or a due date for presenting MUST let me know at least one week in advance so that accommodations may be provided.

ACADEMIC CALENDAR

FALL SEMESTER 2014 (SEVENTY DAYS OF CLASSES)

Orientation	Monday-Friday	August 11-15, 2014
First Day of Class	Monday	August 18, 2014
Last Day to ADD/DROP	Wednesday	August 20, 2014
Labor Day (NO CLASSES)	Monday	September 1, 2014
<i>Purge of all unpaid course selections</i>	Wednesday	September 17, 2014
Mid Term Examinations	Mon – Fri	October 13-17, 2014
Veterans Day (No Classes)	Monday	November 10, 2014*
Last Day of Classes	Tuesday	November 25, 2014
Last Day to Drop a Class	Tuesday	November 25, 2014
First Year Professors' Grades due	Tuesday	November 25, 2014
Reading Period (NO CLASS)	Wednesday	November 26, 2014
Thanksgiving Holiday	Thurs – Fri	November 27-28, 2014
Reading Period	Sat-Sun	November 29-30, 2014
Final Examinations	Monday	December 1-Dec. 12, 2014
Commencement	Saturday	December 13, 2014

SPRING SEMESTER 2015 (SEVENTY DAYS OF CLASSES)

School Opens	Friday	January 2, 2015
First Day of Class	Monday	January 12, 2015
Last Day to ADD/DROP	Wednesday	January 14, 2015
M L K Holiday (No Classes)	Monday	January 19, 2015
<i>Purge of all unpaid course selections</i>	Wednesday	February 11, 2015
President's Day Holiday (No Classes)	Monday	February 16, 2015
Mid Term Examinations	Mon – Fri	March 9– 13, 2015
Spring Break	Mon – Fri	March 16 – 20, 2015
Good Friday (No Classes)	Friday	April 3, 2015
Last Day of Classes	Wednesday	April 29, 2015
Last Day to Drop a Class	Wednesday	April 29, 2015
First Year Professors' Grades due	Wednesday	April 29, 2015
Reading Period (No Classes)	Thur. – Sun	April 30- May 3, 2015
Final Examinations Begin	Monday	May 4 – May 15, 2015
Hooding Ceremony	Friday	May 15, 2015
Commencement	Saturday	May 16, 2015

Please note that the calendar events and or dates are subject to change.

TMSLAW REGISTRAR

April 2014

*date correction

POLICIES & PROCEDURES

Please refer to the Thurgood Marshall School of Law [Student Rules and Regulations Handbook](#).

PRESENTATION AND BRIEFS

A student will stand, when he/she is presenting. Each student is expected to present assigned cases utilizing the following format:

- I. Citation
- II. Key statutory or administrative provision
- III. Prior procedural history
- IV. Significant acts as identified by current appellate court
- V. Issue on appeal
- VI. Key plaintiff/petitioner/taxpayer allegations
- VII. Key IRS/government/respondent allegation
- VIII. Key authority - Doctrine relied upon by current appellate court
- IX. Holding of the case

READING ASSIGNMENTS

Below are the preliminary reading assignments. All assignments include the sections of the Internal Revenue Code and Regulations cited in the casebook. **The schedule is tentative and is subject to change.**

WEEK 1-3 INTRODUCTION

The material will be new to most of you, but you will encounter many of the terms in future chapters. Although I will do more lecturing during this period, it will be your responsibility to read the materials and answer the questions on pages 19 and 20 of the reading assignment. **AFTER READING THE MATERIALS AND LISTENING TO THE LECTURES YOU SHOULD BE ABLE TO ANSWER THE QUESTIONS. Review is very important in this course. Plan on doing a weekly review. It will keep you from getting lost in the forest and prepare you for your exams.**

Chapters 1, 28, and 30.

Scan the The Income Tax Map that came with your Code and Regulations. Visit the Internal Service Web site at www.irs.org and make a copy of Form 1040 and Schedule A. Read chapter one on your own and brief the Mavo case.

Students will be introduced to various taxes and procedures that general practitioners will need to have some awareness. These include corporate and partnership taxes, transfer taxes, state and local taxes, tax procedure (Chapter 28), and tax policy (Chapter 30). Initially I will lecture over these materials. They will continue to be discussed during the course. Review the student objectives and terms for chapters 1 and 28, at page 19. Some of these tax concepts may also be relevant on the bar examination (Business Associations and Wills and Trusts).

Scan the pages associated with the INCOME TAX FORMULA, PAGE 18. This formula provides an overview of the entire course. **Memorize the formula.** It will be very useful throughout the entire course.

WEEK 4

Chapter 2 GROSS INCOME

Monday	Pages 43-57	
	<u>Cesarini v. United States</u>	Student:
	<u>Old Colony Trust v. Commissioner</u>	Student:
	<u>Comm. Glenshaw Glass Co.</u>	Student:
Tuesday	Pages 58-66	
	Charley v. Commissioner	Student:

Problems pps. 62-63
Helvering v. Independent Life Ins. Co.
Revenue Ruling 79-24
Dean v. Commissioner Student:
Problems 66

Chapter 3 **EXCLUSION OF GIFTS AND INHERITANCES**

Thursday Pages 67-89
Commissioner v. Duberstein Student:
Problems: p. 78
Problems: p. 80
Lyeth v. Boey Student:
Wolder v. Commissioner Student:
Problems: P. 89
IRS Publication 950

WEEK 5

Chapter 4 **EMPLOYEE BENEFITS**

Monday Pages 91-
Problems: pps: 101-102
Herbert G. Hatt Student:
Problems: pps. 106-107

Chapter 5 **AWARDS**

Tuesday Pages 109-117
McDonnell v. Commissioner Student:
Problems: Pages 114 & 117.

Chapter 6 **GAIN FROM DEALINGS IN PROPERTY**

Thursday Pages 119-137
Philadelphia Park Student:
Problems: Pages 106-107
Taft v. Bowers Student:
Farid-Es-Sultaneh v. Comm Student:
Problems: Pages 132 & 135 & 137

WEEK 6 GAIN FROM DEALINGS IN PROPERTY

Monday Pages 137-159
International Freighting Corporation Student:

Crane v. Comm
Commissioner v. Tufts
Problems: Pages 58-159

Student:
Student:

Chapter 7 **LIFE INSURANCE PROCEEDS AND ANNUITIES**

Tuesday Pages 161-170
Problems 164-165 & 170

Chapter 8 **DISCHARGE OF INDEBTEDNESS**

Thursday Pages 171-189
United States v. Kirby Lumber Co. Student
Zarin v. Commissioner Student:
Revenue Ruling 2008-34
Problems: Pages 188-189

WEEK 7

Monday Continue above assignment.

Chapter 9 **DAMAGES AND RELATED RECEIPTS**

Tuesday Pages 191-204
Ravtheon Production Corp. Student:
Rev. Ruling 79-313
Problems pages 203-204

Chapter 10 **SEPARATION AND DIVORCE**

Thursday Pages 205-215
Problems 213-215

WEEK 8

Monday Pages 215-235
I.T.4001 Student:
Problems 217-218
Young v. Commissioner Student:
Problems: Pages 227-228
Child Support
Pages 229

Chapter 11 **OTHER EXCLUSIONS FROM GROSS INCOME**

Tuesday Pages 237-258

Problems: Pages 243-244 & 253

Thursday **IDENTIFICATION OF THE PROPER TAXPAYER**

Chapter 12 **Assignment of Income** (Summarize and Lecture)
Pages 261-295

WEEK 9

Chapter 13 **INCOME PRODUCING ENTITIES**

Monday (Summarize and lecture): Pages 297-331

Week 10 DEDUCTIONS IN COMPUTING TAXABLE INCOME
Handouts will be provided regarding the overview of Part IV.

TAX FORMULA:

Questions:

- 1) What items of economic income or gain will be includable in gross income?
- 2) What costs will be allowable as deductions?
- 3) When is an amount included in income and when is an amount deductible?
- 4) Who is the taxpayer?
- 5) What is the character of the items of income or deductions?

Formula:

Economic Income or Haig-Simons Income (broadly defined).

Minus - Exclusions

Minus - Appreciation in Value

Minus - Return of capital

Minus - Loans

Minus - Administrative Convenience

Minus - Imputed Income

Gross Income (Sections 61; 71-90/Chapter 2 – page 45))

Minus - (Above-the-line deductions (Section 62/Chapter 14 - pages 335-337

= Adjusted Gross Income (Section 62/Chapter 18 - pages 549-601)

Minus - Standard Deduction (Section 63/Chapter 18 - pages 626-629)

Or

Minus - Below-the-line deductions (Itemized Deductions/Section 63/Chapter 18 and IRS Schedule A)

Minus - Personal and Dependency Exemptions (Sections 151 & 152/Chapter 18 - pages 620-625).

= Taxable Income (Section 63 and page 601)

x Tax Rates (Sections 1, 2 & 3 /Filing Status/Chapter 27/Scan pages 993-1007)
Tentative Tax

Minus - Nonrefundable Tax Credits (Chapter 27/pages 1012-1018)

Minus - Refundable Tax Credits and Tax Prepayments (Chapter 27/pages 1012-1019)

Final Income Tax Liability (Regular)

Review IRS Forms 1040 and Schedule A

IT MAY BE NECESSARY TO DO A SECOND COMPUTATION BEFORE THE TAXPAYER'S FINAL TAX LIABILITY IS KNOWN. THIS SECOND COMPUTATION IS BASED UPON THE ALTERNATIVE MINIMUM TAX. THE GREATER OF THE TWO COMPUTATIONS IS THE AMOUNT OF THE TAX LIABILITY FOR THE YEAR. (Chapter 27/pages 1020-1026/skim this section)

STUDENT OBJECTIVES/TERMS

Chapter One & Chapter 28/Introduction/Objectives/Terms

1. Explain the constitutional limitations of the income tax prior to the sixteenth amendment. (Textbook and Lectures)
2. Explain the purpose of the 16th amendment.
3. Write the definition of a tax (Rev. Rul. 77-29).
4. Identify four requirements for a tax system as identified by Adam Smith in *The Wealth of Nations*. (Lectures)
5. Identify three major federal transfer taxes (Estate, Gift, & Generation-Skipping Taxes) and four state and local taxes. (Margin Tax, Sales Tax, Severance and Property Taxes)
6. Identify the three primary sources of federal tax law. Textbook and Lectures. Secondary sources are mentioned in the textbook.)
7. Distinguish tax avoidance from tax evasion. (Lectures)
8. Verbally describe the purpose of the examination, appeals, and collection divisions of the Internal Revenue Service. Textbook and Lectures)
9. Identify three proposals to the current federal income tax as potential revenue replacements. (Textbook)
10. Distinguish regressive, proportional, and progressive forms of taxation.(Lectures)
11. Distinguish **marginal tax rates** from **average/effective tax rates**. (Code and Lectures for marginal tax rates. Example: Taxpayer is single. She has \$100,000 of **taxable income**. Her last dollar of taxable income is subject to what rate? When determining the **average/effective tax rate**, divide the **total tax** by your **taxable income** to determine the **average/effective income tax rate**.)
12. Identify four different types of taxpaying entities. (Code and Lectures: Individuals [Section 1,2, & 3], Estates & Trusts [Section 1(e)], & Corporations [Sections 11, 1202, 1244,(531 & 541 are penalty taxes) 351 (tax-free formation), & 301(c) (distribution)]
13. Explain different tax reform proposals made by the various presidential candidates. (Lectures and your research)

TERMS:

U. S. Constitution (Article I)
16th Amendment (Textbook)
Direct Taxes (Textbook and Lectures)
Indirect Taxes (Textbook and Lectures)
Apportionment Clause (Textbook and Lectures)
Uniformity Clause (Textbook and Lectures)
Origination Clause Textbook and Lectures)
Excise Taxes
Transfer Taxes
Property Taxes

Sales Taxes
Value-add Taxes
Consumption Taxes
U.S. Tax Court
U.S. Federal District Court
U.S. Court of Federal Claims
U.S. Bankruptcy Court
Primary Authority (Legislative, Administrative, and Judicial)
Secondary Authority (treatises/law reviews/tax magazines)
Taxpayers (Individuals, Corporations, Trusts, and Estates)
Regulations (Legislative/Interpretative/Procedural/Proposed/Temporary/Final)
Revenue Rulings
Private Letter Rulings
Tax treaties
Statute of Limitations (Assessments/Collections)
Progressive Tax
Proportional Tax
Regressive Tax
Dividends
Distributions (Corporations/Partnerships)
Check-the-box regulations
Roadmap
Form 1040
Legislative process
Internal Revenue Code
Realization
Fifth Amendment (Due Process/Self-incrimination)
Retroactive Taxation
Action on Decision
Acquiescence
Nonacquiescence
Cumulative Bulletin (Internal Revenue Bulletin)
Equity (Vertical/Horizontal)
Tax Base
Tax Reform
Haig-Simons definition of income

Chapter Two/Gross Income/Objectives/Terms

1. Present an overview of the components of the tax formula for individuals. **Review the handout.**
2. State how the definition of income in *Glenshaw Glass* differs from definition in *Eisner v. Macomber*
3. Distinguish the definition of income in *Glenshaw Glass* and the definition in Chapter One.
4. Distinguish ordinary income from capital gain.

5. Distinguish the tax consequences of noncommercial treasure trove from commercial treasure trove.
6. State the purpose of the “Except” provision of Section 61.
7. Determine what the listing of 15 different types of income mean.
8. Distinguish the realization requirement in *Eisner v. Macomber* from the realization requirement in *Glenshaw Glass*.
9. Distinguish the tax consequences of a U.S. citizen (U.S. resident alien) from a nonresident alien.
10. Define the term “fair market value.”
11. Explain the tax consequences of a security deposit, loan, and illegal income.
12. Distinguish imputed income, rebates, bargain purchase, and bartering.
13. Describe different forms of income.
14. Explain the significance of Section 83 to the concept of gross income.
15. Explain the significance of Sections 109 and 1019 to the *Bruun* case.
16. Explain the significance of Section 305 to the *Macomber* case.

TERMS:

Tax Formula

Alternative Minimum Tax

Basis (Cost, Transferred/Carry-over/Substituted/Stepped-up/Stepped-down

Adjusted Basis

Amount Realized

Gain Realized

Recognition

Realization/Taxable Event

Negative Tax

Employment Taxes

Self-Employment Taxes

Indexing

Tacking

Holding Period

Bargain Purchase

Imputed Income

Relationship Test

Timing (Taxable years/Accounting Methods

Tax Benefit Rule

Windfall/Treasure Trove

Capital Asset

Section 1231 Gain

Capital Gain

Capital Losses

Qualified Dividends

Compensation

Claim of Right Doctrine

Filing Status
Tax Rates
Consensual obligation to repay
Exclusion
Taxable income/tax base
Imputed Income
Bartering
Barging Purchase
Frequent Flying Miles
Adjusted Gross Income
Phase-out Rules (itemized deductions and exemptions)
Miscellaneous Itemized Deductions
Above-the-line Deductions
Below-the-line-Deductions
Trade or Business Expenses
For Profit Expenses
Nondeductible Personal Expenditures
Capital Expenditures
Capital Losses
Ordinary Losses
Characterization
Rebates
Legislative re-enactment doctrine
Compensation
Pay-as-you-go methods (Withholding/Estimated Taxes)
Ability-to-pay

Chapter Three/Exclusion of Gifts and Inheritances/Objectives/Terms

1. Discuss whether Congress may constitutionally tax the receipt of gifts and inheritances as income.
2. Define the term “gift” for income tax purposes.
3. Determine the purpose of “Section 102(c).”
4. Distinguish gifts made because of an employee relationship rather than a family relationship.
5. Determine the tax treatment of income earned from inherited property.
6. Determine the tax consequences of compensation that is in the form of a bequest.
7. Name five types of financial receipts that are not included in gross income.
8. Identify the exclusions and deductions that are applicable to the gift tax.
9. Explain what is meant by the “death” tax and its application in 2009, 2010, and 2011 under the law as it exists in September 2010.

TERMS:

Gift
Bequest
Devise

Inheritance
Basis
Will contest/settlement
Gift Tax
Estate Tax

Chapter 4/Employee Benefits/Objectives/Terms

1. Explain when an employee fringe benefit may be excluded from gross income.
2. Name the various fringe benefits discussed within Section 132.
3. Identify seven excludible fringe benefits other than those identified in Sections 132, 107, and 119.
4. Name the employee benefits under Section 132 that must not violate any nondiscrimination clause.
5. Determine when an employee discount is excluded from an employee's gross income.
6. Distinguish an exclusion from a deferral provision.
7. Explain the criteria that must be met for an employee to exclude the value of housing and meals from gross income under Section 119.
8. How does the exclusion for housing benefits within Section 107 differ from the housing provided in Section 119?
9. Meals may be excluded under what other provision besides Section 119?
10. What is the 50% test for meals?

TERMS:

Term life insurance
Combat pay
No additional cost
Employee
Employee discounts
Meals
Lodging
Dependent care assistance
Convenience of the employer
Noncompensatory purpose
Facts and circumstances test

Chapter 5/Awards/Objectives/Terms

1. Identify different methods of broadening the tax base.
2. Explain why Section 102(a) is not applicable to awards (prizes, scholarships or fellowships).
3. Explain the tax consequences of Section 74(a), 74(b), and 74(c).
4. Explain when a scholarship is excluded from gross income.

TERMS:

De minimis fringe benefits
Tax base
Qualified scholarship
Qualified tuition reduction
Employee
Section 127 plan

Chapter 6/Gains in Dealing With Property/Objectives/Terms

1. What kind of disposition has taken place? Sale, exchange, "other disposition (foreclosure)," gift, or inheritance, or transfer between spouses.
2. What is the amount realized?
3. What is the basis of the property transferred or acquired?
4. Is there any realized gain (loss)?
5. Is the gain (loss) recognized, nonrecognized, or excluded?
6. What is the character of the gain (loss)?

TERMS:

Dispositions
Amount realized
Basis (cost/transferred/carry-over/stepped-up)
Adjusted basis
Realized gain (or loss)
Recognized gain (or loss)
Personal use assets
Recovery of capital
Nonrecognition
 Mortgagor
 Mortgagee
 Nonrecourse debt
 Recourse debt

Chapter 7: Life Insurance Proceeds and Annuities

1. Define the term "life insurance."
2. Explain how life insurance is a tax shelter.
3. Distinguish between "term" and "whole life" insurance.
4. Describe the tax consequences of lump-sum life insurance proceeds.
5. Describe the tax consequences of recurring payments of life insurance proceeds.
6. Explain the purpose of the exclusionary rule.
7. Explain the tax consequences of acquiring a life insurance policy by consideration.
8. Explain the tax consequences of annuity payments, during and after the annuitant's life expectancy.

TERMS:

Inside buildup
Accelerated death benefits
Paid by reason of death
Viatical settlement provider
Policy proceeds
Annuity
Life expectancy Recovery of capital

Chapter 8: Discharge of Indebtedness

Explain the general rule from Kirby Lumber.

1. Describe why the court did not find any discharge of indebtedness income in Zarin v. Commissioner.
2. Explain the “fresh start” rule.
3. Explain when the discharge of indebtedness will result in exclusion.
4. Explain when the discharge of indebtedness will result in a deferral of income.
5. Distinguish the tax consequences of “forgiveness” between a solvent taxpayer and an insolvent taxpayer.

TERMS:

Loans
Solvency
Insolvency
Bankruptcy
Contested liability
Purchase price adjustment
Forgiveness
Bad debt deduction (business/nonbusiness)
Mortgage liability (recourse/nonrecourse)
Relationship test

Chapter 9: Damages and Related Receipts

1. Distinguish between the treatment of taxes, related to compensatory damages, versus punitive damages.
2. Distinguish recoveries received, because of damages to property, from those resulting from lost profits.
3. Distinguish between the tax treatment, resulting from physical injuries, versus the tax treatment of nonphysical injuries.
4. Explain the circumstances in which the injured party may obtain a deduction for payments made to attorneys.
5. Distinguish between the reimbursement of self provided accidental and health insurance and employer provided accidental and health insurance.

TERMS:

Physical injuries
Nonphysical injuries Emotional distress
Compensatory damages
Punitive damages
Tax benefit doctrine
Good will
Return of capital
Lost profits
"In lieu of" doctrine
"On account of" doctrine
Cause of action
Allocation of recovery
Pre-judgment interest
Jury instructions
Structured settlement
Consortium
Human capital
Exclusion
Medical expense
Lost wages
Deductions
MID
AMT
Attorney fees
Workers compensation
Accident and health insurance
Disability insurance
Medical expense deduction

Chapter 10: Separation and Divorce

1. Distinguish taxable alimony from nontaxable alimony.
2. Explain when the payor/payee may choose taxable alimony rather than nontaxable alimony.
3. Identify the five requirements for taxable alimony.
4. Explain when a payment made to a third-party on behalf of a payee may be treated as taxable alimony.
5. Name the exceptions to the alimony recapture rules.
6. Explain what is meant by "incident to a divorce."

TERMS:

Divorce or separation agreement
Income-splitting
Alimony
Alimony recapture
Front-end loading

Rear-end loading Excess alimony

Payee

Payor

Child support

Alimony trust

Annuity

Sham divorce

Post-separation year

Indirect payments

Dependency exemptions

Incident to divorce

Attorney fees

Chapter 11: Other Exclusions from Gross Income

1. Explain the difference between a deduction and exclusion.
2. Describe when gain from the sale of principal residence is excluded.
3. Identify any exceptions to the general rule that excludes gain from the sale of principal residence.
4. Name the requirements for taxpayer to obtain an exclusion for income earned abroad.
5. Name higher education tax incentives provided by Congress.
6. Explain the differences between the Hope Scholarship Credit, the American Opportunity Tax Credit and the Lifetime Learning Credit.
7. Explain the purpose of the exclusion on interest from state or local bonds.
8. Contrast the holdings in *Pollock v. Farmers Loan and South Carolina v. Baker*.
9. Explain the tax benefits of acquiring tax-exempt bonds.

TERMS:

Need based federal assistance

Social security benefits

Unemployment compensation

Nonqualified use

Unforeseen circumstances

Foreign housing expenses

Intergovernmental immunity

Chapter 12 Assignment of Income

1. Explain the importance of identifying the proper taxpayer.
2. Name at least five circumstances when taxpayers can legally shift (assign) income.
3. Explain the consequences of taxing unearned income and earned income for a taxpayer under the age of 19.
4. Explain the tax consequences of assigning earned income by an anticipatory agreement.

5. Discuss the tax consequences of transferring income from property while retaining the rights to the property.
6. Explain the tax consequences of transferring future income for full consideration presently.

TERMS:

Property settlement

Alimony

Community Property

Joint income tax return

Substance over form doctrine

Chapter 13: Income Producing Entities

1. Identify four types of taxpayers.
2. Briefly describe each taxpayer.
3. Explain why the partnership is not a taxpayer.
4. Distinguish between a simple trust, a complex trust, and a grantor trust.

GENERAL: Review the handouts that have been or will be provided for particular topics.