

## **COURSE ASSIGNMENTS PART III**

NOTE:

- Focus on the Code and Regulation sections listed below (rather than the code and Regulation sections listed in each header in the casebook)
- You are responsible for preparing (prior to class) all assigned problems

### **PART THREE – IDENTIFICATION OF THE PROPER TAXPAYER**

#### **27. Computations**

##### **A. Tax Rates**

Text: pp. 929-930 (through the *Introduction* paragraph at the top of p. 930); 935-940 (Rate Schedules and Guidance on Marital Status); 947-948 (Net Investment Income Tax); 949-950 (Bracket Creep, Tax Tables, Filing Requirement)

Code: §§ 1(j)(1)-(3); 7703(a)(1). Note §§ 1(h), (j)(5).

Regs.: 301.7701-18

Problems: p. 940 (Problems 1(a) & (b) only, using the 2018 rate schedule printed in the casebook). In addition, consider the following:

In the *Old Colony Trust Co.* case, discussed earlier in the semester, the company's original 1916 resolution (bottom of casebook p. 49) declared that the company would "pay any and all income taxes ... that may hereafter become due and payable upon the salaries of all the officers...." In 1918 the company amended the resolution (top of casebook p. 50) to provide a specific "method of computing said taxes." Why was this 1918 amendment necessary, and was it helpful or harmful to the officers?

## 12. Assignment of Income

### A. Introduction

Text: pp. 237-239 (note that the references at the top of p. 239 to section 1(a) should be to 1(j)(2)(A), and the references to section 1(d) should be to 1(j)(2)(D))

Code: §§ 1(j)(2); 6013(a). Note §§ 1(g); 73

### B. Income from Services (including a discussion of the “marriage penalty” and “marriage bonus”)

Text: pp. 239-250; 930-935 (Classification of Taxpayers). We will begin this section by discussing *Lucas v. Earl* on pp. 239-240 and the marriage penalty/bonus summary on pp. 930-935.

Problems: p. 250

### C. Income from Property

Text: pp. 250-256; 260-266 (skip the *Stranahan* case on p. 256; on p. 266, only read through the first three paragraphs on the page)

Problems: pp. 269-270 (omit Problems 1(f); 2(c); and 3)

## 13. Income Producing Entities

### A. Introduction

Text: pp. 271-275 (stop at the *Trusts* heading on p. 275)

Code: § 11.

### Tax Rates on Income from Pass-Through Entities (also addressed in Chapters 14 & 27)

Text: pp. 393 (Qualified Business Income Deduction); 941-944. We will only cover the basics of this material, as illustrated in the assigned problems.

Code: § 199A(a), (c). Skim the rest of § 199A.

Problems: p. 944 (Problems 1(a) & 1(b) only). Because we have not yet covered the details of deductions, assume that Attorney’s taxable income in Problem 1(a) is \$260,000 (\$284,000 gross income, plus \$30,000 of dividends and interest, less \$30,000 of business expenses and less a \$24,000 standard deduction).

## PART FOUR – DEDUCTIONS IN COMPUTING TAXABLE INCOME

### 14. Business Deductions

#### A. Introduction

Text: pp. 309-311

Code: Note §§ 1; 63; 212; 262(a)

#### B. The Anatomy of the Business Deduction Workhorse: Section 162

##### 1. “Ordinary and Necessary”

Text: pp. 311-314

Code: § 162(a)

Regs: § 1.162-1(a)

Problem: p. 314 (Problem 1 only)

##### 2. “Expenses”

Text: pp. 314-334

Code: §§ 162(a); 263(a)

Regs: §§ 1.162-4(a); 1.263(a)-1(a); 1.263(a)-3(d); 1.263(a)-3(i)(1); 1.263(a)-3(j)(1); 1.263(a)-3(k)(1); 1.263(a)-3(l)(1).

Problems: p. 334 (Problem 1 only)

##### 3. “Carrying On” Business

Text: only read pp. 341-342 (*Limitations on the Deductibility of Employee Business Expenses*)

Problems: none

## D. Other Business Deductions

### 1. Expenses for Education

Text: pp. 381-389

Code: §§ 162(a); 262; 274(m)(2)

Regs: §§ 1.162-5(a); -5(b)(1); -5(b)(2)(i); -5(b)(3); -5(c); -5(e)(1); 1.262-1(a) & (b)(9)

Problems: p. 389 (Problem 1 only)

### 2. Business Losses

Text: pp. 390-391 (skip the text on p. 392 regarding § 280B)

Code: §§ 165(a), (b), and (c)(1); 1016(a)(1)

Regs: § 1.165-7(b)(1)

Problems: pp. 392-393

## E. Depreciation

### 1. Introduction

Text: pp. 394-403 (stop at the “Related Concept of Depletion” heading). View this as a conceptual overview; do not get caught up in the details at this point.

Code: §§ 167(a), (c). Note §§ 168 (which will be covered in more detail below); 263(a); 263A

Problem: p. 417 (Problem 1(a) only). In answering the problem, reread the *Idaho Power* excerpt on pp. 316-317 of the casebook.

## 2. Depreciation and Amortization Rules for Personal Property

Text: pp. 418-426. Focus on the pp. 418-419 and p. 421 discussion of the impact of the 2017 tax law's expansion of § 168(k). Because of the importance of § 168(k) (at least through 2022), we will not be doing any detailed calculations of MACRS for tangible personal property, so you can merely skim the discussion of those calculations on pp. 419-421, as well as the discussion of § 179 on pp. 421-423.

Code: §§ 167(a), (b), (c)(1); 168(k)(1), (2)(A), (6)(A). Note §§ 168(a)-(e); 179; 197; 280F(a), (b), (d).

Problems: pp. 426-427 (Problem 1(a) only). Don't overthink this limited problem.

## 3. Depreciation Rules for Realty

Text: pp. 428-429 (stop at the "Qualified Improvement Property" heading). We will focus on the calculation of MACRS depreciation for real property, including the determination of the applicable depreciation method, the applicable recovery period, and the applicable convention. Because the casebook text does not provide a detailed explanation of each of these terms in this context, be sure to carefully read the Code sections listed immediately below.

Code: §§ 168(a), (b)(3)(A), (b)(3)(B), (b)(4), (c), (d)(2), (d)(4)(B), (e)(2).

Problem: p. 431 (Problem 1(a) only). Assume the building is placed in service in October and calculate the amount of depreciation in both the first year and the second year. After determining the applicable depreciation method, the applicable recovery period, and the applicable convention (as defined in the Code sections mentioned immediately above), you may utilize the Form 4562 Instructions (p. 1843 of the statutory volume) to perform the calculations. Assume the apartment building contains only long-term dwelling units.