

READING ASSIGNMENTS PART II

NOTES:

- 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 TWO – IDENTIFICATION OF INCOME SUBJECT TO TAXATION (cont'd)

6. Gain from Dealings in Property

A. Factors in the Determination of Gain

Text: pp. 115-116

Code: §§ 1001(a), (b) (first sentence), (c); 1011(a); 1012

Regs: § 1.1001-1(a)

B. Determination of Basis

1. Cost as Basis

Text: pp. 119-120 (omit *Philadelphia Park Amusement* case)

Code: §§ 1011(a); 1012; 1016(a)(1)

Regs: § 1.61-2(d)(2)(i); 1.1012-1(a)

Problems: pp. 120-121 (omit Problems 1(e) & (f) and Problem 2)

2. Property Acquired by Gift

Text: pp. 121-123 (omit *Farid-Es-Sultaneh* case)

Code: § 1015(a)

Regs: § 1.1015-1(a)

Problems: p. 128 (Problem 1 only)

3. Property Acquired Between Spouses or Incident to Divorce

Text: pp. 128-130

Code: § 1041(a) & (b); 1015(e)

Regs: § 1.1041-1T(a) & (d)

Problem: pp. 130-131

4. Property Acquired from a Decedent

Text: pp. 131-133

Code: §1014(a)(1), (b)(1) & (6), (e)

Regs: 1.1014-3(a); 20.2031-1(b)

Problem: p. 133

C. The Amount Realized

Text: pp. 133-152 (skip Note on pp. 152-153)

Code: § 1001(b)

Regs: §§ 1.1001-1(a); 1.1001-2(a), (b), (c) (Examples (1) & (2))

Problems: p. 154 (omit Problems 1(f) & (g) and Problem 3)

7. Life Insurance Proceeds and Annuities

A. Life Insurance Proceeds

Text: pp. 157-160

Code: § 101(a)(1). Note § 101(g)

Regs: § 1.101-1(a)(1)

Problems: none (omit the Problems on pp. 160-161)

B. Annuity Payments

Text: 161-165

Code: §72(a)(1), (b), (c)

Regs: § 1.72-4(a); 1.72-9 (Table V)

Problems: pp. 165-166 (omit Problem 1(d))

8. Discharge of Indebtedness

Text: pp. 167; 177-184 (omit the *Zarin* case). With respect to footnote 19 on p. 181, note that Code § 108(a)(1)(E) has been extended through the end of 2025, although the \$2,000,000 exclusion maximum has been reduced to \$750,000.

Code: §§ 61(a)(12); 108(a), (b)(1)-(3), (d)(1)-(5), (e)(1), (2) & (5); 1017(a), (b)(1)-(3)(B). Note § 108(f)-(h)

Regs: §§1.61-12(a); 1.1001-2(a), (c) (Example 8)

Problems: pp. 184-185 (omit Problem 2)

9. Damages and Related Receipts

A. Introduction

Text: pp. 187-188

B. Damages in General

Text: pp. 188-190

Problems: pp. 190-191 (omit Problem 1(b))

C. Damages and Other Recoveries for Personal Injuries

Text: pp. 191-194 (stop after the carryover paragraph near the top of p. 194); 197-198 (Rev. Rul. 79-313)

Code: §§ 104(a)

Regs: §§ 1.61-14(a); 1.104-1(a), (c)

Problems: pp. 199-200 (omit Problem 1(g) and Problems 2(b) & (c))

10. Separation and Divorce

A. Alimony and Separate Maintenance Payments

Text: pp. 201-202

Code: Note §§ 61(a)(8); 71; 215(a) & (b) (these sections no longer apply for divorce or separation agreements executed after 2018).

Problems: pp. 202-203

B. Property Settlements

Text: 203-206 (omit *Young* case)

Code: § 1041. Note § 1015(e)

Regs: 1.1041-1T(b)

Problems: pp. 211-212 (omit Problems 1(d) & (e) and Problem 2(c))

11. Other Exclusions from Gross Income

Tax Expenditures – General Overview

Text: pp. 468-469 (excerpt from Surrey, *Tax Subsidies as a Device for Implementing Government Policy*)

Handout: Excerpt from Joint Committee on Taxation, *Estimates of Federal Tax Expenditures for Fiscal Years 2020-2024* (you do not need to print this document). Read the explanation on the first several pages; merely skim the Tables to get an idea of the types of tax provisions that are considered tax expenditures; in the context of the present chapter, note the entries for “Exclusion of capital gains on sales of principal residences” on handout p. 27, “Exclusion of foreign earned income” on handout p. 24, the various tax expenditures relating to education on handout pp. 30-31, and the “Exclusion of interest on public purpose State and local government bonds” on handout p. 35)

A. Gain from the Sale of a Principal Residence

Text: pp. 213-218

Code: § 121 (omit (b)(5), (d)(5), (d)(6), (d)(8), (d)(10), (e), (g))

Regs: §§ 1.121-1(a); -1(b)(1), (2), and (4) Examples 1 & 2; -1(c)(1) & (2);
-2(a)(1)-(3); -2(a)(4) Examples 1 & 2; -3(a), (b), (c)(1)-(3); -3(c)(4)
Example 1; -3(d)(1) & (2); -3(d)(3) Example 1; -3(e)(1) & (2); -3(e)(4)
Examples 1 & 3; -3(f); -3(g)(1) & (2) Example 1

Problems: pp. 218-220 (omit Problems 1(d), 1(f), and 3)

B. Income Earned Abroad

Text: pp. 220-221

Code: Note § 911 (there is no need to read this section in detail)

C. Exclusions and Other Tax Benefits Related to the Costs of Higher Education

Text: pp. 221-229. In the first full paragraph on p. 224, note that the Lifetime Learning Credit is now subject to the same phase-out rules as the American Opportunity Credit in Code § 25A(d)(1).

Code: § 25A. Review § 117. Note §§ 108(f); 127; 135; 221; 222; 529; 530

Problems: p. 229 (Problems 1(a)-(e) only). In doing Problem 1(e), assume that Spouses have a modified adjusted gross income of \$175,000 (instead of \$100,000).

D. Federal Taxes and State Activities

Text: 229-234

Code: §§ 103; 141(a) & (e). Note §§ 115; 142; 148; 149