

READING ASSIGNMENTS PART V

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
- As the end of the semester approaches, the reading assignments may be modified to account for the time remaining

PART FIVE – THE YEAR OF INCLUSION OR DEDUCTION

19. Fundamental Timing Principles

A. Introduction

Text: pp. 581-585 (I will briefly discuss the difference between the cash method and the accrual method of accounting)

Code: Skim §§ 441(a)-(e); 442; 446(a)-(c), (e); 451(a); 461(a). Note § 448.

20. Integrity of the Taxable Year

D. The Carryover and Carryback Devices

Text: pp. 674-675

Code: Note § 172(a), (b)(1)

C.2. Statutory Deferred Compensation and Medical Insurance Arrangements

Text: pp. 669-674. I will provide a general summary of this material in class.

Code: § 62(a)(7), (19). Note §§ 219; 223; 408(a); 408A; 529; 530; 7701(a)(37)

PART SIX – THE CHARACTERIZATION OF INCOME AND DEDUCTIONS

21. Capital Gains and Losses

A. Introduction

Text: pp. 679-685

B. & C. The Mechanics of Capital Gains / The Mechanics of Capital Losses

We will only cover this topic at a very general level. Rather than having you read the extremely detailed discussions of this topic in the text, I will briefly summarize the key components in class.

Code: §§ 165(f); 1211. Note §§ 1(c), 1(h)(1), 1(h)(11), 1(i); 1212; 1222

Problems: None

D. The Meaning of “Capital Asset”

Text: pp. 698-706

Code: § 1221(a)(1)-(4), (8). Note § 1221(a)(5)-(7)

F. The Holding Period

Text: 714-716 (stop at the Note near the bottom of p. 716)

Code: §§ 1223(1), (2), (9); 1222(1)-(4). Review §§ 1014(a); 1015(a); 1041(b)(2)

Problems: pp. 719-720 (Problems 1(a), (f) & (g) only)

23. Deductions Affected by Characterization Principles

B. The Charitable Deduction and Tax-Exempt Organizations

Text: pp. 794-814 (you may skim pp. 807-809 regarding partial interests in property, and pp. 809-812 regarding the limitations on charitable contributions). Near the top of p. 811, note that the 60% limitation for cash contributions to public charities applies after the 50% limitation for noncash contributions, thereby allowing an extra deduction in cash for up to 10% of the taxpayer’s contribution base.

Code: §§ 67(b)(4); 170(a)(1), (c), (f)(8), (f)(17), (i), (j), (l); 501(a), (b), (c)(3)-(7); 6113; 6115. Note §§ 162(b); 170(b), (d), (e), (f)(1)-(4)

Regs: §§ 1.170A-1(c)(1), (g), (h)(1) & (2); 1.170A-13(f)(1)-(3)

Problems: pp. 814-815 (Problems 1(f); 2(a), (c) & (d); 3(b), (c) & (e) only). In doing Problems 2(a), (c) & (d), assume that the “contribution base” is \$500,000, rather than \$200,000, so the ceiling percentages in § 170(b) are not relevant – merely focus on whether T may deduct \$70,000 or \$90,000.

In doing Problem 3(c), additionally consider a taxpayer who cuts her long hair and donates it to Locks of Love, a 170(c)(2) charity that provides hairpieces to financially disadvantaged children suffering from cancer-treatment hair loss. Might there be a stronger argument for deductibility for the hair donation than for the blood donation? Why?

In addition, consider the extent to which Alumnus can claim a charitable deduction for the following:

- (x) Alumnus donates \$8,000 to the Domer University Annual Fund (donors of \$5,000 or more are entitled to purchase tickets – at an additional cost – to a university football game). See Code § 170(l).

PART SEVEN – DEFERRAL AND NONRECOGNITION OF INCOME & DEDUCTIONS

26. Nonrecognition Provisions

A. Introduction

Text: pp. 891-893

B. Like Kind Exchanges

1. The Like-Kind Exchange Requirements

Text: pp. 893-897 (omit the *Leslie Co.* case)

Code: §§ 1001(c); 1031(a)(1) & (2); 1223(1). Note § 121(d)(10)

Regs: §§ 1.1031(a)-1; -2(a)

3. Other Section 1031 Issues

Text: pp. 909-911

Code: §§ 1031(b), (c), (d)

Regs: 1.1031(b)-1(a); -1(b) Example 1; 1.1031(d)-1

Problem: p. 911 (only Problem 2(a), regarding the tax consequences to T).

In addition, consider the following:

- (x) T has 100 acres of unimproved land (Greenacre) that he holds as an investment. He purchased the land in 2015 for \$190,000, and its current value is \$200,000. He trades Greenacre to Ms. B, who transfers the following to T in exchange: Blackacre (unimproved land worth \$170,000 that T intends to hold as an investment), and \$30,000 cash. What are the tax consequences to T?

2. Three-Cornered Exchanges

Text: pp. 904-909. I will summarize this material in class.

Code: § 1031(a)(3)

PART EIGHT – CONVERTING TAXABLE INCOME INTO TAX LIABILITY

27. Computations

A.4. Tax Rates on Net Capital Gains and Dividends

Text: pp. 945-946 (this is a review of what we briefly discussed in the capital gains chapter)

Problems: None

B. Credits Against Tax

Text: pp. 951-958 (merely skim this section to get an overview of the types of credits that are allowed; while we already discussed the American Opportunity Tax Credit and Lifetime Learning Credits in detail, we will not be addressing the details of the other credits mentioned in this section)

Problems: None