

## READING ASSIGNMENTS PART IV

### 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 FOUR – DEDUCTIONS IN COMPUTING TAXABLE INCOME (cont'd)**

#### **15. Deductions for Profit-Making, Nonbusiness Activities**

##### A. Section 212 Expenses

Text: pp. 427-431 (omit the cases beginning at p. 431)

Code: § 212

Regs: § 1.262-1(b)(7)

Problems: None

#### **16. Deductions Not Limited to Business or Profit-Seeking Activities**

##### A. Introduction

Text: pp. 461-465 (most of this was previously assigned in the tax expenditure discussion)

##### B. Interest

Text: pp. 465-467; pp. 483-487 (on p. 483, begin at *The Disallowance of Interest* heading; stop at the *Limitation on Business Interest* heading on p.487)

Code: §§ 163(a), (h); 221; 265(a)(2). Note §§ 163(d), (f); 280A(d)(1)

Problems: pp. 490-491 (Problems 3(a)-(c) and Problems 5(a)-(c) only).

## C. Taxes

Text: pp. 492-495

Code: §§ 164(a), (b)(1), (b)(2), (b)(5), (b)(6)(B), (c), (d)(1); 275; 1001(b)(2)

Regulations: § 1.164-3(a)-(d)

Problems: p. 495 (Problem 1(a), (b), (d), and (e), and Problem 2 only).

### 17. Restrictions on Deductions

Text: pp. 497-499. I will only briefly summarize this in class.

### 18. Deductions for Individuals Only

#### A. Extraordinary Medical Expenses

Text: pp. 553-563

Code: §§ 213(a), (b), (d)(1)-(4) & (9); 263(a)(1). Note §§ 152; 162(l); 213(d)(5)

Regs: §§ 1.213-1(a)(1), (e)(1)-(3)

Problems: p. 563 (Problem 1 only)

#### B. The Concepts of Adjusted Gross Income, Itemized Deductions, and Miscellaneous Itemized Deductions

Text: pp. 564-569

Code: §§ 62(a); 67(b), (g). Note §86

Regs: §§ 1.62-1T(b) & (d); 1.162-17(b)(1)

Problems: pp. 569-570 (Problems 1(a), (b), (c), (f), (g), (h), (i), (j), and (k) only). In answering the questions, you should first determine which Code section allows the deduction; you can then look at section 62(a) to determine whether that deduction is “above the line” or not. If it is not “above the line”, you should then look at section 67(b) to see if it is a non-miscellaneous itemized deduction (deductible if the taxpayer chooses to itemize rather than claiming the standard deduction), or whether it is a miscellaneous itemized deduction (not deductible as a result of section 67(g), added by the 2017 legislation).

C. The Standard Deduction

Text: pp. 570-572

Code: §§ 63; 67(b), (g)

Problems: p. 572 (Problem 1 only)

D. Personal and Dependency Exemptions

Text: pp. 573-577. I will provide a brief overview of this material in class. You are not responsible for the details of the definition of “qualifying child” or “qualifying relative,” and we will not be doing the problems.

Code: Skim §§ 151(a), (b), (c), (d)(1), and (d)(5); 152 (omit (e)(3) & (f)(6))

Problems: none