

FEDERAL INCOME TAXATION

PROF. BECKETT G. CANTLEY

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SYLLABUS

Course Description

This course includes basic instruction in the federal income tax laws as currently implemented by the Internal Revenue Service, providing a working knowledge of the tax law applicable to individual taxpayers. Key topics of study include concepts of gross income, exclusions, deductions, credits, and capital gains preferences. Students also are exposed to key procedural issues, tax policy, and ethical issues surrounding the practice of tax law.

Course Overview

Federal Income Taxation involves the study of the federal income taxation of individuals. This is a code-based course focused on the individual taxation sections of the Internal Revenue Code ("IRC"). Students are expected to read, understand, and apply the relevant sections of the IRC, as well as the Treasury Regulations, Revenue Rulings, Revenue Procedures, and case law that assist in explaining and interpreting the IRC ("Related Law").

The appropriate assigned IRC and Related Law are listed at the beginning of all chapters assigned from the casebook each week, so the students have a clear understanding of their reading and interpretation responsibility every week. The students are encouraged to tab relevant pages and take notes in their IRC books, to get them accustomed to shifting back and forth between related IRC sections and Treasury Regulations. As a reward, the students can bring their marked-up and tabbed IRC books to the final examination.

In the classroom, students are assigned problems with detailed fact patterns that are solved by a thorough reading and application of specific areas of the IRC and Related Law. In solving the assigned problems, students must read the appropriate IRC sections and/or Related Law out loud and explain how it applies to solve the issues in the problem. Other students also take part by adding their interpretations from the same or other section of the IRC and Related Law. The goal is to create a lively discussion on the topic and to encourage students to dig deeper into the IRC for purposes of learning the interplay between different IRC sections.

The course additionally incorporates a significant tax policy element that assists the students in obtaining a perspective on the political, economic, and social issues that contribute to the ongoing transformation of the IRC. Tax policy reading assignments are separately assigned throughout the semester, one building on the other, and these policy arguments are brought into the discussion of how that week's assigned IRC sections were created, amended, and are likely to be altered in the future. These "add on" topics not addressed in the text are to give students a better understanding of the tax law, but students are not required to know them for purposes of any written exam.

In studying the IRC, students are taught the language that tax attorneys use among each other to shortcut references on topics. For example, when refereeing to an "IRC 101(a)(2)(B)(ii)" they are taught to say "101a2 cap B 2 little I". Students are also taught about the practice of tax law from a planning, interpretive, and tax litigation standpoint. This practice focus is accomplished by discussing real world recent cases that have occurred in the practice world that are more current than the content of the casebook. The goal in showing these recent applications of the law to real world case studies is to get the student to see themselves as tax practitioners, and to see how practice decisions can have a real impact on client lives.

Students are also taught the ethical issues surrounding the practice of tax law, including certain requirements imposed by the IRS.

Course Goals

The objective of the course is to have students become familiar with and understand the legal terms and the basic legal concepts used in the federal income taxation of individuals, and have students consider the tax policy behind the Code and the ethical issues involved in interpreting them and advising taxpayers.

Student Learning Outcomes

Evaluation for this course will entail an assessment of the following expected student learning outcomes:

1. Students should be able to explain the basic tax law principles associated with income, deductions, losses, and property transactions for individual taxpayers.
2. Students should be able to identify relevant tax problems associated with individual taxpayers and property transactions.
3. Students should be able to find tax law authority relevant to individual taxpayers and property tax transactions.
4. Students should be able to demonstrate the ability to apply relevant tax law authority through critical analysis in finding solutions to individual and property tax problems.

5. Students should be able to explain, through critical analysis, the resolution of individual taxpayer and property transactions tax problems by means of written and/or oral communications in a logical and appropriate manner.
6. Identify and explain underlying public policy and jurisprudential concerns related to specific property law concepts.
7. Demonstrate the ability to analyze cases and/or statutes, and differentiate cases in terms of legally relevant facts.
8. Think critically and analytically about the intersection between the law, property ownership and public policy.
9. Identify the determinants of taxable income and the statutory exclusions that are permitted,
10. Become familiar with the deduction component of the basic tax model,
11. Learn various other components that relate to the theme of tax liability determination,
12. Understand the purposes of the Federal tax law and the legislative, administrative, and judicial sources of Federal tax law, and
13. Research and report on assigned tax questions.

Casebook

The casebook used in this course is Burke and Friel, *Taxation of Individual Income (10th Ed.)*. In addition, the following book of IRC and Treasury Regulations is also required: *Lathrope's Selected Federal Taxation Statutes and Regulations, 2012-2013*. Students should use the Lathrope book as a reference tool to cover the actual IRC and Related Law referenced in the assigned Burke and Friel casebook chapters.

The Burke & Friel casebook is excellent but its chapters are organized in an unusual way. Each chapter begins with a problem set, followed by a listing of the assigned IRC and Related Law. Students will find that they cannot work the problem without first having completed the assigned reading and thoroughly having read the assigned IRC and Related Law. The Overview for the reading provides a framework for pulling together the assigned primary sources, but it does not replace directly reading the IRC and Related Law. If students rely on the Overview without directly reading and understanding the actual IRC and Related Law, they will not pass the course. To this end, students will not be able to cite the Overview as authority in class when answering the Problems. After the Overview are additional materials, such as cases and Revenue Rulings. Students should read these materials only after reading the IRC and Treasury Regulations, because they generally serve to interpret the IRC and Treasury Regulations.

Class Preparation, Attendance, & Other Class Rules

Students should be prepared to discuss cases and problems without the use of notes during class. Subject to the law school policies, students may bring drinks. Students can take notes on their laptops, but if they are caught texting, surfing on Facebook, or talking in class, they will be asked to leave the class immediately and eventually it will result in points off their grades. Students should respect the Professor and class enough to follow this rule.

To be fully prepared for class, students must read the assigned IRC, Related Law, and Chapter Overview, and use these documents to write out complete answers to the assigned problems. The goal of preparing for class is to work through the primary source material by applying it to the hypothetical situations in the problems. If students have completed the assignment, including reading the assigned IRC and Related Law, and writing out answers to the problems, students are prepared for class - even if they are uncertain about the material and are unsure if they have resolved the problems correctly. If a student does not have time to completely prepare for class, it may be better not to attend.

When analyzing the problems, students should focus on: (1) the relevant legal principle(s); (2) application of the principle(s) to the particular facts; and (3) the conclusion. Students will need to be prepared to explain their analysis of the problem—the analysis is more important than the answer to it. In addition, the assigned cases are important in interpreting the IRC and Treasury Regulations and resolving the problems. Most students find that they need to spend approximately 3-4 hours in order to be adequately prepared for the discussion in each class session.

Final Exam & Final Grade

The final examination will be the primary determinant of any student's grade. Each grade will be calculated 100% by the grade on the final examination, unless one or more of the following adjustments is applied. A student may receive a downward adjustment of ½ of 1 grade level if the student's classroom participation is unsatisfactory (a student is unprepared when called upon for a problem) or (b) a student receives a score on his or her class participation Practice Exam of 25% or less of all possible points. A student receives an upward adjustment of ½ of 1 grade level if he or she receives a score on the student's class participation Practice Exam of 75% or more of all possible points.

Class Time & Office Hours

Class meets on **Tuesdays** and **Thursdays** from **6:15 to 9:30 p.m.** My office-hours are on **Tuesdays (4:30pm-6pm)** and **Thursdays (4:30pm - 6pm)**, although students should feel free to drop by my office anytime in the afternoons since I am often there. My office is on the 8th floor of the 1422 building. If any student is having trouble with the class work, they are highly encouraged to come talk to me and be very honest about his or her difficulties. If I don't know a student is having trouble, I cannot help the student.

Text & Handout Assignments

We will attempt to cover as many chapters as possible. In practice, however, sometimes we get bogged down on the more important chapters and many of the other chapters get glossed over or eliminated. Assignments will be announced week-by-week depending on our progress. Below is a target outline of assignments. However, this outline is subject to change in our week-by-week assignment announcement. For each of the below, students should do all problems, study all cases, and review the assigned IRC and Related Law at the back of the chapters. I may eliminate part of each assignment at a later date and will relate any such changes during the class prior to the class assignment being changed.

- Wk 1 (5/28) Chapter 1 (Introduction), *Hand-Out Pt 1 (I will email this out to you)*
(5/30) Chapters 2 (Gross Income) & 3 (Obligation to Repay), *Hand-Out Pt 2*
- Wk 2 (6/4) Chapters 4 (Gains from Properties) & 5 (Gifts, Bequests, Inheritance)
(6/6) Chapters 6 (Principal Residence) & 7 (Scholarships), *Hand-Out Pt 3*
- Wk 3 (6/11) Putting it All Together & Review Problem Hand-out
(6/13) Chapter 8 (Life Insurance/Annuities/Retirement)
- Wk 4 (6/18) Class Participation Mid-Term
(6/20) Chapter 9 (Discharge) & 10 (Personal Injury), *Hand-Out Pt 4*
- Wk 5 (6/25) Go Over Mid-Term - Individually
(6/27) Chapter 11 (Fringe Benefits) & 20 (Hobby), *Hand-Out Pt 5*
- Wk 6 (7/2) Chs 12 (Business & Profit) & 13 (Capital Expenditures)
(7/4) No Class – Independence Day
- Wk 7 (7/9) Chapters 21 (Home Office) & 14 (Depreciation)
(7/11) Chapters 31 (Capital Gains/Losses)
- Wk 8 (7/16) Chapters 26 (Charitable) & 27 (Limitations)
(7/18) Catch-up & Review

Overview of Formula for Individual Income Tax Liability

Gross Income: [IRC § 61] (“all income from whatever source derived.”) *minus*
Deductions (“above-the-line” deductions) *equals*
Adjusted Gross Income (AGI): [IRC § 62(a)] *minus*
Personal and Dependency Exemptions (PDE): [IRC §§ 151-152] and *minus either*
Standard Deduction [IRC § 63(c), (f)] *or*
Itemized Deductions (subject to limitations and phase-outs) *equals*
Taxable Income (TI): [IRC § 63(a), (b)] *multiplied by*
Tax Rate [IRC §§ 1, 3, and potentially 55 (AMT)] *equals*
Tentative Tax *minus*
Credits: [IRC §§ 21-53] *equals*
Tax or Refund