Income Tax Fall 2018

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Why take this course?

The Beatles answered the question this way.

| If you drive a car, I'll tax the street. |
| If you try to sit, I'll tax your seat. |
| If you get too cold, I'll tax the heat. |
| If you take a walk, I'll tax your feet. |
| Well, I'm the taxman. Yeah, I'm the taxman. |

_The Beatles, “Taxman”_

In short, you can run but you can’t hide. The income tax is everywhere. A lawyer who knows no income tax law runs the risk of committing malpractice every day.

Beyond the fear factor is another perspective. Studying the income tax gives you a unique view into the world of money and property. Every time either of those things changes hands, the income tax has something to say about it. Sometimes tax is owed, and sometimes it is not. In either case, there are always some interesting twists and turns to get to the answer. Getting the answer right is fun, satisfying, and rewarding.

This course introduces fundamental concepts in federal income taxation including the definition of income, the computation of tax liability, exclusions from income, deductions available for individuals in computing taxable income, basis in property, gains and losses from sales of property, family taxation, assignments of income, capital gains and losses and timing issues.

Required Materials:


Daniel Lathrope, SELECTED SECTIONS FEDERAL INCOME TAXATION: CODE AND REGULATIONS (West, 2019). PLEASE NOTE THAT MAJOR LAW CHANGES WERE ENACTED BY CONGRESS IN DECEMBER OF 2017. THOSE CHANGES ARE NOT REFLECTED IN EARLIER EDITIONS.

REQUIRED TOOLS

Turning Technologies ResponseCard NXT (a “Clicker”). You need to register your clicker on BlackBoard.

Pedagogy.

We will read only a handful of cases and rulings, a testament to the importance placed on the Code and Regulations. Each assignment will contain a list of Code and regulation provisions to read carefully, and some supplemental materials. We will usually skip the problems in the main text. Instead you will read the problems that are contained in the paperback study aid by Professor Maine and myself. That supplement contains solutions to the problems and we will only discuss those problems in class if you have questions. We will regularly check your understanding of the material through “Clicker Questions”. These questions take advantage of polling hardware and software to give you and I continuous feedback on your mastery of the law.

Evaluation. Final grades will be based primarily upon a three and a half hour final examination likely consisting of essay questions and multiple choice questions. During the exam, you may consult the Selected Sections of the Code and Regulations Text (annotated by hand however you wish) and a calculator. Additional information regarding the exam will be announced in class.

Twenty percent (20%) of your final grade will be based on your response to Clicker Questions throughout the semester. I will discard twenty percent (20%) of your total responses beginning with incorrect responses (including non-responses due to absence or failure to bring your clicker to class) in order to derive your final score on Clicker questions. For example, if there are a total of 50 clicker questions asked for credit during the semester, I will discard ten responses beginning with incorrect responses to derive your final clicker score. In other words, the maximum score possible is 80% of the total number of clicker questions asked for credit. Thus, if there are 50 clicker questions for credit, the maximum score possible is 40. Clicker questions for credit are taken under exam conditions unless instructed otherwise. Thus, no advance sharing
of answers is permitted. Laptops or cell phones must not be accessed while the “for credit” questions are on the screen. Occasionally hindsight may reveal that a question is in some manner flawed or unfair. In those cases I reserve the right to throw out the question.

I will ask many clicker questions in addition to those asked for credit. The purpose of those questions is to give you and I immediate feedback about your progress in the course, prepare you for the for-credit questions, and to try out new questions.

**Class Participation.** Although attendance and participation will not be a formal component of your final grade, I reserve the right to lower your final grade for poor class participation. You are expected to attend class and to come to class prepared to discuss the assigned material at a lawyerly level. If you: (a) are repeatedly absent when called on; (b) excessively “pass” when called on; or (c) are routinely unprepared when called on, your final grade will be reduced. You should not panic about having to miss the occasional class session; after all, we all have exigencies that sometimes require us to be less than fully prepared for each class. But where these events become the norm and not the exception, you disrespect your classmates and this college.

**Studying for the Course.** I am frequently asked about the best way to study for this course (and other tax courses). The exam process in tax courses is substantially the same as any law school course. First and foremost, you should keep up with the readings and review assigned problems prior to class. Based on the assigned problems and your own variations of the problems, you can develop a “checklist” or “flow chart” to help you identify the key issues to consider for each topic. You and your colleagues can develop your own sample questions and test each other’s synthesis of the material. Throughout the entire process, you should challenge each other to verify all solutions and come to me with questions or unresolved issues.

**Credit Hours for Coursework**

In accordance with ABA Standard 310, the College of Law awards one credit hour for experiences that are reasonably designed to involve 50 minutes of classroom or direct faculty instruction and two hours of out-of-class student work per week, or at least the equivalent amount of work for academic activities including simulation, field placement, clinical, and other academic work leading to the award of credit hours.

The Course requirements outlined above with respect to materials and assignments, in my professional judgement, are complex enough in nature that it is expected that the amount of out-of-class time it will take students to complete the assignments will meet the rule.
have many others, and much more grievous to some of us. We are taxed twice as much by our idleness, three times as much by our pride, and four times as much by our folly.

Benjamin Franklin

**Other Course Policies.**

**Office Hours & E-mail.** My formal office hours will be posted. However, you are most welcome to drop by my office anytime during the day or to make an appointment outside of office hours. Indeed, I encourage you to visit with me outside of class. One of the highest priorities for me is to be available to students, so do not hesitate to contact me for additional help. You are welcome to come by individually or in small groups. You are also encouraged to make use of e-mail for questions. I find the e-mail method very effective at weeding out questions that you can solve yourself with some thought. By forcing yourself to write out your questions, you also develop an ability to articulate technical tax issues. Students also like having written answers to their questions so that they do not have to worry about forgetting an earlier conversation. Of course, there is often no substitute for personal contact, so do not feel obligated to use e-mail.

**Laptops.** You are permitted to use laptop computers in class solely for the purpose of taking notes and accessing course materials. As a courtesy to others in the class, please refrain from checking, composing, or transmitting emails or other electronic communications during class time. Also, please do not access the internet during class time (accessing the course website during class, however, is permitted) unless otherwise instructed.

**PowerPoint Slides.** I make most PowerPoint slides that I have created available to the class by posting them on the course website. This is for your use only and not for distribution to any other person. Please respect this rule.

**Recordings and Photographs:** Classroom audio or video recordings and photographs are not permitted without the express permission of myself or of the dean of students. Even permitted classroom audio or video recordings and photographs may not be used in any fashion other than as study aids by the student so permitted.

**Center for Disability Access and Resources (CDAR) Reasonable Accommodations Statement:** Reasonable accommodations are available for students who have documented temporary or permanent disabilities. Ideally, students in Moscow and Boise should meet with CDAR by the end of the first week of class to assess if any accommodations are needed for courses and/or examinations. All accommodation requests are then submitted by CDAR to Dean Dodge for final approval. CDAR serves as the sole evaluator of medical documentation and determines reasonable accommodations on a per semester basis. The College of Law does not have the authority to evaluate or grant disability accommodations without CDAR first submitting a recommendation. You may contact CDAR by:

- Calling 208-885-6307
- Emailing cdar@uidaho.edu
It is ultimately the student’s responsibility to seek a disability accommodation, and until an accommodation is approved by CDAR and Dean Dodge, no student will be entitled to receive any accommodations. To learn more about CDAR, visit its website at http://www.uidaho.edu/current-students/cdar. Moscow students may also visit CDAR in suite 127 of the Pitman Center. Please review the College of Law Catalog and Student Handbook for more information on the disability accommodation process.

**Civility.** In any environment in which people gather to learn, it is essential that all members feel as free and safe as possible in their participation. To this end, it is expected that everyone in this course will be treated with mutual respect and civility, with an understanding that all of us (students, instructors, professors, guests, and teaching assistants) will be respectful and civil to one another in discussion, in action, in teaching, and in learning.

Should you feel our classroom interactions do not reflect an environment of civility and respect, you are encouraged to meet with me during office hours to discuss your concern. Additional resources for expression of concern or requesting support include the Dean of Students office and staff (885-6757), the UI Counseling & Testing Center’s confidential services (885-6716), or the UI Office of Human Rights, Access, & Inclusion (885-4285).

**Assignments**

The reading assignments below are to the main text, “The Fundamentals of Federal Taxation”. You should also review the correlative problems and answers in the “Problems and Solutions” supplement. Because of the new tax law passed last December, there will be times when you are instructed to do certain problems in the main text (i.e., The Fundamentals of Federal Taxation) instead of those in Problems and Solutions supplement. That supplement has not yet been revised to reflect the 2018 changes. The two books use the same chapter numbering system. Occasionally, I will exclude a problem from consideration. Note: “skim” assignments will be covered in brief lectures if at all. The problems are not assigned for skim assignments. Problems that are not assigned will not be the subject of testing unless I indicate otherwise in class.

**Part I: Basic Structure of the Income Tax**

**Assignment # 1**

Chapter 1  Introduction
Chapter 2  Gross Income
Assignment # 2
Chapter 3  Gains from Dealings in Property

Assignment # 3
Chapter 4  Gifts and Inheritances (Omit Problem 4.1(e))

Assignment # 4
Skim Chapter 5  Discharge of Indebtedness (Remember, omit the problems for skim assignments)
Chapter 6  Fringe Benefits

Assignment # 5
Chapter 7  Business and Investment Expense Deductions

Assignment # 6
Skim Chapter 8  Capital Expenditures (omit Subsections III.A.4 and B).
Chapter 9  Depreciation and Amortization: Omit Problems 9.3 and 9.4 in the supplement and do Problems 1 and 2 in “The Fundamentals of Federal Taxation”.

Assignment # 7
Chapter 10  Deductible Personal Expenses: Casualty and Theft Losses (Omit Problems 10.2 and 10.3 in the supplement. You may assume the other problems in the supplement involve presidentially declared major disasters). Do Problems 2 and 3 in “The Fundamentals of Federal Taxation”.

Chapter 11  Other Deductible Personal Expenses: Interest, Taxes, Charitable Gifts, and Medical Expenses. Omit the Problems in the Supplement and do the Problems in “The Fundamentals of Federal Taxation”.

Assignment # 8
Chapter 12  The Deduction Hierarchy: Adjusted Gross Income, Taxable Income, the Standard Deduction, and the Dependency Rules. Omit Problems 12.1(h) and 12.3.
Assignment # 9
Chapter 13  Timing Rules and Related Principles. Skim section III.C.2.a on inventory accounting (omit problem 13.3)

Assignment # 10
Chapter 14  Ordinary Tax Rates and Taxpayer Classification. Omit the problems in the supplement and do Problem 1 in “The Fundamentals of Federal Taxation”.
Chapter 15  Tax Credits (Omit Problem 15.2)

Assignment # 11
Chapter 16  Do the First Review Problem in “The Fundamentals of Federal Taxation”

Part II: Characterization of Gains and Losses from Property

Assignment # 12
Chapter 17  Capital Gains and Losses

Assignment # 13
Chapter 18  Quasi-Capital Assets (Omit Problem 18.2).

Assignment # 14
Chapter 19  Recapture of Depreciation

Part III: Real Estate Taxation

Assignment # 15
Skim Chapter 23  Hobby Losses

Assignment # 16
Chapter 24  Like Kind Exchanges Part 1 Read whole chapter but do only Problem 1 in “The Fundamentals of Federal Taxation”. (Note: The supplement problems are valid examples under current law. We
are doing the main text problems because of the complexity of the subject matter.)

Assignment # 17
Chapter 24  Like Kind Exchanges Part 2 (Do problems 2 & 3 in “The Fundamentals of Federal Taxation” but, Omit 4 & 5) (Note: The supplement problems are valid examples under current law. We are doing the main text problems because of the complexity of the subject matter.)

Skim Chapter 25 Involuntary Conversions

Assignment # 18
Chapter 26  Installment Sales. Do the problems in “The Fundamentals of Federal Taxation”. (Note: The supplement problems are valid examples under current law. We are doing the main text problems because of the complexity of the subject matter.)

Skim Chapter 27 Limitations on Deductions

Part V: Family Taxation

Assignment # 19
Chapter 30  Assignments of Income (omit problem 30.5)

Assignment # 20
Practice Exam

Assignment # 21
Chapter 32  Transfers of Property Between Spouses or Incident to Divorce
Skim Chapter 33  Education Benefits and Costs

Part VI: Tax Consequences of Litigation

Assignment # 22
Chapter 34  Personal Injury Recoveries and Punitive Damages (omit Problem 34.4)

**Skim** Chapter 35 Attorney’s Fees

**Part VII: Deferred Compensation**

Assignment # 23

Chapter 36  Retirement Resources and Deferred Compensation (omit Problems)

**Part VIII: Business Entity Taxation**

Assignment # 24

**Skim** Chapter 37  Overview of Entity Taxation

**Skim** Chapter 39  Partnership Formations

**Part IX: International Taxation**

**Skim** Chapter 40  Overview of International Income Taxation

**Part X: Estate and Gift Taxation**

Chapter 41  Overview of Estate and Gift Taxation

**Part XI: Tax Practice and Procedure**

Chapter 42  Overview of Tax Practice and Procedure (Omit problems)

**Course Objectives**

1. To develop a wide-ranging knowledge of income tax law.
2. To develop a thorough understanding of the structure of the income tax
3. To engage in basic tax planning in the areas of real estate sales and
   exchanges, family law, installment sales, litigation, deferred compensation, and business forms.
4. To develop your ability to apply the law to common tax problems and planning situations.
5. To develop your ability to read and understand complex statutes.
6. To hone your ability to reason by analogy from one case to another in order to solve problems that a client might typically face.

7. To develop your ability to explain your reasoning to another person.