

**FEDERAL INCOME TAXATION
UNIVERSITY OF BALTIMORE SCHOOL OF LAW
SPRING SEMESTER, 2020**

I'm proud to be paying taxes in the United States. The only thing is I could be just as proud for half the money.

- Arthur Godfrey

The hardest thing in the world to understand is the Income Tax.

- Albert Einstein

Course: Federal Income Taxation
LAW 723
Section 512

Instructor: Prof. Walter Schwidetzky
AL 1016
410 837-4410
wschwidetzky@ubalt.edu
Please feel free to make an appointment to see me or to email me with a question. I make it a point to make myself available to students.

Days/Time: Tuesday/Thursday 6:15 pm – 7:30 pm

Location: Room assignments are available through MyUB.

Course Description:

Structure of the income provisions of the Internal Revenue Code, including their applicability to individuals; capital gains and losses; identification of the taxpayer; timing of tax liability; certain deferral and non-recognition problems; and the basics of federal tax procedure.

Required Materials

Bank and Stark, Selected Sections, Federal Income Tax Code and Regulations, Foundation Press, 2019-2020. ISBN 978-1-64242-915-2

Freeland, Lathrope, Lind, and Stephens, Fundamentals of Federal Income Taxation (19th edition). ISBN 978-1-64020-852-0

Recommended Materials

Cali Exercises (highly recommended for developing facility with the tax rules)

and/or

Federal Income Tax: Examples and Explanations, Bankman, Griffith, and Pratt (Most Recent Edition), Aspen

Student Learning Outcomes:

Expected Learning Outcomes.

By the end of this course I expect students to be able to:

1. apply tax law to assess what taxpayers must report as gross income;
2. apply tax law to assess what expenditures taxpayers may deduct;
3. use different sources of tax law to solve concrete tax problems;
4. apply tax law to assess who must report income;
5. apply tax law to explain the proper character of income or deduction items; and
6. track basis.

Grades:

You will be given “push points” (up to a half-grade) for doing an especially good (or bad) job in class.

There will be one three-hour, multiple choice exam given at the end of the semester. Your grade will be based on your performance on the final exam, plus or minus push points, if any. You may bring the following to the exam: Your memory, the code/reg book, a 10–page outline, single sided, on 8 ½ x 11 paper (or 5 pages double sided) of your own authorship, and a calculator.

Course Expectations:

American Bar Association Standards for Law Schools establish guidelines for the amount of work students should expect to complete for each credit earned. Students should expect approximately one hour of classroom instruction and two hours of out-of-class work for each credit earned in a class. Your mileage may vary.

It is important to keep your class preparation current. Much of the course will be built on subjects previously discussed, and many statutes work in conjunction with one another.

If you miss and/or do not prepare for one class, the next class may use terms and concepts you do not understand, which will compound the difficulty of understanding the area under discussion.

Attendance:

Class attendance is a primary obligation of each student whose right to continued enrollment in the course and to take the examination is conditioned upon a record of attendance satisfactory to the professor. A student who exceeds the maximum allowed absences (generally 20% of class sessions) as illustrated below may be compelled to withdraw from the course, or may be barred from sitting for the final exam. Students who are forced to withdraw for exceeding the allowed absences may receive a grade of FA (failure due to excessive absence). This policy is consistent with American Bar Association Standards for Law Schools.

Regular Semester Hours		
Credit Hours	Meetings Per Week	
	1	2
2	2 absences	5 absences
3	2 absences	5 absences
4	--	5 absences

Student Evaluations

It is a requirement of this course that students complete a course evaluation. The evaluation will be available later in the semester and is entirely anonymous. Faculty members will not have access to the feedback provided on course evaluations until after all grades are submitted.

TWEN:

This course has a TWEN page. It contains links to this syllabus, announcements, and other class materials. I communicate with the class through the TWEN page. You are responsible for self-enrolling in the TWEN page and for checking it regularly for course information.

Computers:

You may use laptop computers for class related purposes.

Class Cancellation:

If I must cancel a class, notices will be sent to you via email and posted on the classroom door. If there is inclement weather, students should visit the University of Baltimore web site or call the University's Snow Closing Line at (410) 837-4201. If the

University is open, students should presume that classes are running on the normal schedule. Don't get your hopes up. I have an off-road capable Jeep. I never miss a class because of weather.

Academic Integrity:

Students are obligated to refrain from acts that they know or, under the circumstances, have reason to know will impair the academic integrity of the University and/or School of Law. Violations of academic integrity include, but are not limited to: cheating, plagiarism, misuse of materials, inappropriate communication about exams, use of unauthorized materials and technology, misrepresentation of any academic matter, including attendance, and impeding the Honor Code process. The School of Law Honor Code and information about the process is available at http://law.ubalt.edu/academics/policiesandprocedures/honor_code/.

Title IX Sexual Misconduct and Nondiscrimination Policy:

The University of Baltimore's Sexual Misconduct and Nondiscrimination policy is compliant with Federal laws prohibiting discrimination. Title IX requires that faculty, student employees and staff members report to the university any known, learned or rumored incidents of sex discrimination, including sexual harassment, sexual misconduct, stalking on the basis of sex, dating/intimate partner violence or sexual exploitation and/or related experiences or incidents. Policies and procedures related to Title IX and UB's nondiscrimination policies can be found at: <http://www.ubalt.edu/titleix>.

Disability Policy:

If you are a student with a documented disability who requires an accommodation for academic programs, exams, or access to the University's facilities, please contact the Office of Academic Affairs, at ublawaacadaff@ubalt.edu or (410) 837-4468.

CLASS 1 (also first class assignment)

I. Introduction

Freeland: pp. 3-30, 38-40

CLASS 2

II. Gross Income

Code: §61

Regs: §§1.61-1, -2(a)(1), -2(d)(1), -14, -2(d)(2)(i)

Freeland: pp. 43-63

Problems: pp. 60-61 ## 1-5, 6(a),(b),(e), p. 63 ## 1 & 2

CLASS 3

III. Exclusions of Gifts and Inheritances

Code: §§102, 274(b)(1), 274(j), skim 74(c),

Regs: § 1.102-1(a)

Freeland: pp. 65-78, 78-86

Problems: p. 78 ## 1-3, pp. 86-87 ## 1 and 2

IV. Exclusions and Inclusions For Employees

Code: §§ skim 132, read 107, 119(a), (b)

Regs: §§1.61-1, (skim 1.61-21), 1.119-1

Freeland: pp. skim 89-98, read 100-103 (the discussion of fringe benefits will be brief)

V. Awards and Scholarships

Code: §§ 74, 117, 127(a),(b)(1), skim 274(j)

CLASS 4

VI. Dispositions of Property, Basis

Code: §§ 1001(a)-(c), 1011(a), 1012, 109, 1016(a)(1), (2), 1019,
1015(a), (skim 1015(d)(1)(A), (4),(6)), 1041(a)-(c),
1014(a)(1),(b)(1),(e)

Regs: §§ 1.1001-1(a), 1.1015-1(a),-4, 1.1014-1(a),

Freeland: pp. 115-120, 121-133

Problems: pp. 120-121 # 1 (a), (e), (h), p. 128 # 1

CLASS 5

Freeland: pp. 133-154. In Crane and Tufts, focus on how the Court computed the amount realized. In Crane, do not focus too much on the issue of what the property was that was transferred (which the Court held was the apartment building, not just the equity in the property).

Problem p. 154 # 1

CLASS 6

VII. Life Insurance Proceeds

Code: §§ 101(a),(c),(d), (g),

Freeland: pp. 157-160

VIII. Discharge of Indebtedness

Code: §§ 61(a)(11), 108(a)(1)(A) and (B), (a)(3), (f).

Regs: § 1.1001-2(a)

Freeland: pp. 167-184

Problems: pp. 184-185 #'s 2 and 3(a). Additional Problem 3 question:
How would the answer to "a" change if Businessperson (1) is bankrupt or (2) has not filed for bankruptcy, has total liabilities (before the discharge) of \$200,000, and owns assets with a total fair market value of \$170,000?

CLASS 7

IX. Damages, etc.

Code: §§ 104(a), 105(a)-(c) and (e), 106(a), 79(a), 213(d)(1),and(9)

Regs: § 1.104-1(a),(c),(d),

Freeland: pp. 187-190, 191-198

Problems: p. 190 #1(a)-(c), p. 199 # 1 (skip g)

CLASS 8

X. Separation and Divorce

Code: §§ 7701(a)(17), 1041, pre-2018, on Twen site: Code 71 (skip
(c)(2),(3), 215(a),(b))

Freeland: pp. 201-211

XI. Other Exclusions: Sale of Principal Residence, Education

Code: §§ 121 (omit (b)(4), skim (c), omit (d)(4), (5), (8), (e), (g)),
Take a gander at §§ 25A, 222, 135, 529, 530, 127

Freeland: pp. 213-218, read gently 221-229

XII Assignment of Income, etc.

Code: §§ 6013(a), 73

Freeland: pp. 237-246, 250-264

CLASS 9

Problem: pp. 269-270 # 1

XIII. Business Deductions and Losses

Code: §§ 63(a), 162(a), (m), (skim 198)

Regs: §§ 1.162-4

Freeland: pp. 309-325

Problems: p. 334 #1

CLASS 10

Code: §§ 263(a), (skim 195), 262

Regs: § 1.1.263(a)-1

Freeland: pp. 334-342, skim 343-356, read 357-371, 381-389

Problems: p. 389 #1

CLASS 11

Code: § 165(a)-(c), 172(a), (c), skim 172(b), skim 199A (we may
return to it later)

Freeland: pp. 390-393

Problems: pp. 392-393 #1

XIV. Depreciation

A. Introduction

Code: §§ 167(a),(c), 168(a)-(c), 1016(a)(2), 263(a)

Freeland: pp. 394-421

CLASS 12

B. Personal Property

Code: §§ 179 (except (d)(4)-(9)), new 168(k)(1) and (2), read gently
197(a)-(e), 280F(a)

Freeland: pp. 421-426

C. Real Property

Code: §§ 168(a),(b)(3)(A)and (B),(b)(4),(d)(2), (4)(B), (e)(2),

Freeland: pp. 428-431 (skim credit discussion)

XV. Nonbusiness Income Producing Activities

Code: §§ 212, 165(a)-(c), 274(h)(7)

Regs: §§ 1.212-1(g),(h),(k),(l),(m), 1.165-9(b)

Freeland: pp. 433-440, 446-454

Problems: p. 454 #1

CLASS 13

XVI. Deductions Not Limited to Business or Profit-Seeking Activities

Code: §§ 163(a),(d)(1)-(4)(D),(h)(1)-(3)(C),(F),(h)(4)(A), 461(g),
265(a)(2), (skim 7872, 221, 264(a)(2)-(3), 265(a)(3)-(4),
1001(b)(2)), read 164(a),(b)(1)-(3),(c),(d)(1)

Freeland: pp. 467-472, 486--494

Problem: pp. 496 # 6

CLASS 14

Catch-up

CLASS 15

Problems: p. 495 # 3

Freeland: pp. 497-499

CLASS 16

XVII. Restrictions on Deductions

Code: §§ 274 (a)(1), (d), (e)(3), 465(a), (b), (c)(1),(3),(d),(e), 469, 461(l), 183(a)-(d), 280A(a),(b),(c)(1),(3),(5),(d)(1), skim (e)-(g), 162(e), (f)(1) (only §§ 274, 183, 280A(c), 162(e), (f)(1) are fair game on the exam; read the rest for general meaning.)

Freeland: 501-546 (read gently except for parts that can be on exam, skip Engdahl)

XVIII. Deductions for Individuals Only

A. Adjusted Gross Income

Code: §§ 62(a)-(c)

Regs: §§ 1.162-17(b), skim 1.62-2

Freeland: pp. 564-567

Problem: p. 574 #1(a)-(c)

CLASS 17 (heavy class)

Problem: pp. 574-575 #1 (d)-(h)

B. Medical Expenses

Code: §§ 213(a),(b),(d)(1)-(4) and (9), 162(l)

C. Itemized Deductions, the Standard Deduction, Personal Exemptions

Code: §§ 7703(a), 63, 67(a),(b),(g), skim 151, skim 152

Freeland: pp. 575-581

XVIX. Capital Gains and Losses

Code: §§ read gently 1(h)(1)-(6), (11), read 1222,1211, 1212(b),
1221(a), 1222(10), 64

Freeland: pp. 686-695, 696-701

Problems: pp. 695-696 #1

CLASS 18

Code: §§ 1234 (skim 1223(1), (2), (11), 1235, 1236, 1237, 1241,
1253, 1259). 165(g)(1) and (2)

Freeland: pp. 701-705, 707-713, 723-735 (skim Metropolitan), 745-750
(read portion on §1234, skim rest)

XX. Sales and Exchanges of Depreciable Property

Code: §§ 1231(a)(1),(2),(3)(A)(i),(3)(B),(b)(1), skim (c), 64
Freeland: pp. 750-758 (skim discussion of subhotchpot, compulsory and involuntary conversions, and § 1231(c)—i.e. more skimming than not)
Problem: pp. 762-763 #3

CLASS 19

Code: §§ 1245(a)(1)-(3),(b)(1) and(2),(c),(d), skim 1250
Freeland: skim pp. 771-777. Our Rule: Under § 1245, gain on the sale of depreciable **personal** property is ordinary income up to the amount of depreciation taken; any gain beyond that is covered by § 1231. § 1245 does not apply on the sale of real property. § 1250 contains a recapture rule for real property, but no longer can apply as accelerated depreciation is no longer allowed on real property.
Problems: p. 777 # 1 (a),(b),(e)

XXI. Bad Debts

Code: §§ 166, skim 6511(d)(1), 111(a), 271(a)

Freeland: pp. 783-796 (skim Haslam)

CLASS 20

XXII. Charitable Deductions

Code: §§ 170(a)(1), read gently (b)(1)(A),(B),(C),(D)and(F),
(b)(2), read (c),(d)(1)(A), (e)(1), (f)(8), (i), (j), 1011(b)

Freeland: pp. 798-818 (skim rulings, focus on parts covered by
assigned code sections)

Problems: pp. 818-819 #1(a) (assume donation to a public charity), (f)
and #2(a),(c)

CLASS 21

XXIV. Installment Sales

Code: §§ 453(a),(b),(c),(d),(f)(3),(i), 453B(a),(b),(g)

Freeland: pp. 835-837, skim 840-850

Problem: p. 850 #1(a), (c) (assume cash method of accounting for
both parts)

XXV. Imputed Interest

Freeland: skim pp. 861-870

CLASS 22

XXVI. I.R.C. § 83

Code: §§ 83(skip (c)(3), (c)(4),(d), (e), and (g))

Freeland: pp. 871-877

XXVI. Disallowed Losses and Recharacterization

Code: §§ 1091(a),(d), skim 267 and 1239

XXVII. Below-Market Interest Loans

Code: § 7872 (skim (b), (g), (h))

Freeland: pp. 478-486 (we will only be covering demand loans)

Problems: pp. 494-495, ## 1, 2

CLASS 23-24

XXVIII. Tax Free Exchanges

Code: §§ 1001(c), 1031(a)-(d), 1223(1), skim 1033, 1038

Freeland: pp. 893-896, 906-912

Problem: pp. 912-914 ##2 (assume B gives cash of \$30,000 and no stock; skip (b)(4)) and 4

Class 25

XXIX Tax Rates on Income From Passthrough Entities

Code: § 199A(a), (b)(1)-(6),(c),(d),(e)(1)-(2) (it helps to have a few shots of vodka first, read gently)

Freeland: pp. 941-944

Problem: pp. 944-945 #1(a) and (b)

We will probably not get to the following material, but hope springs eternal.

CLASSES 26-27

XXVIII. Converting Taxable Income Into Tax Liability

Code: §§ 1, 2, 6013(a) and (d), 67, 68, 151(d), skim §§ 3, 63, 66, 73, 6012, 7703

Freeland: pp. 929-940

XXIX. Tax Credits

Code: §§ 21, 31, (See other provisions §§ 21-52 and 129)

Freeland: pp. skim 951-958

XXX. Alternative Minimum Tax

Code: §§ 55(a)-(d), 56(a)(1),(4),(6), (b)(1), (e), 57(a) (5), (6)and(7), 53, skim §§ 58 and 59

Freeland: pp. 959-964 (skim discussion of items we have not otherwise covered previously in the course)

CLASS 28+

Catch-up