

ADVANCED INDIVIDUAL TAXATION

Business 225K –Fall 2008

Saturdays 9 am – 1 pm

Professor Annette Nellen

Saturdays	September 20 – December 6 (no class on 10/4 and 11/29)
Office hours	20 minutes before and after class AND by appointment + available by email
Office	Office hours to be held at Rose Orchard (unless scheduled by appointment). On campus office is Business Tower 955.
Phone	(408) 924-3508
Fax	(408) 924-3463
E-mail	anellen@sjsu.edu
Internet	http://www.cob.sjsu.edu/nellen_a/

Course objectives: To gain a deep understanding of the rules on passive activity loss limitation, interest categorization and limitations, individual alternative minimum tax, and individual net operating losses. You will learn the rationale behind these rules, how they interact with other tax provisions, traps, planning opportunities and proposed changes. Rules on self-employment tax, vacation and home office rules, hobby loss, at-risk and flow-through entity rules will also be covered as relevant to passive activity, interest expense, NOL and AMT matters.

The class is designed to give you an opportunity to hone your skills in finding, reading, interpreting and applying the tax law. We will study the IRC provisions along with the legislative histories, regulations and other guidance. From this we will create flowcharts on how the rules work, cautions in dealing with the rules, and identify planning opportunities.

Texts

- Internal Revenue Code (see 225K website)
- Income Tax Regulations tied to IRC sections we'll cover (§§469-X, 1.163-8T, 1.163-9T, 1.163-10T, 172, 53 - 59) You can obtain the regs from RIA Checkpoint or CCH; the §163 regs are on the 225K website.
- Reading materials assembled by Professor Nellen and available from the BUS 225K web site:
http://www.cob.sjsu.edu/nellen_a/ClassInfo.html

Grading

Case write-up and explanation*	5
Outline and presentation on assigned limitation or loss rule**	25
Practice sets (planning and application exercises)****	40
Quizzes	20
Class participation	10
Final Exam	<u>100</u>
Total	200

Grades will be assigned based on 90% and above is an A, 80% and above a B and 70% and above is a C, etc. Plus and minus (+/-) will be used as well.

* You will be assigned a case to read and write a summary of. Make enough copies of your summary for your classmates. When we discuss your topic in class, you'll take 3 – 5 minutes to explain your case and its relevance to the topic we're discussing and relevance to tax planning.

** You will select from a list of tax rules and prepare a 3 – 5 page outline that explains how the rule works, who it applies to, cautions/traps, and includes at least 1 planning idea and two examples. You will distribute your outline to your classmates and give a 7 – 10 minute presentation on it at the November 22 class.

*** The questions will be distributed in class. The due dates and point values are indicated in that handout.

Reading and Assignment Due Dates (subject to modification by Professor Nellen with advance notice)

Date	OBJECTIVES - The goal of this lesson is to be able to explain the answers to the following questions and understand the significance of the rules in practice and theory:	Assignment that is due on the date indicated (Reading materials are at 225K website)
9/20	<p>Course Overview</p> <p>Introduction to Passive Activity Loss Limitation Rules</p> <ul style="list-style-type: none"> • What does §469 entail? (we'll read it together in class) • What is the basic rule of §469? • Who is subject to §469? • What is a passive activity? • What is a rental activity? • What is a trade or business? • What is material participation and the 7 tests? • What form is used to report and track PALs and PACs? 	<p>Read:</p> <ul style="list-style-type: none"> - IRS Pub 925 - §469 <p>Skim: Form 8582</p>
9/27	<p>Passive Activity Loss Limitation – More definitions and special rules</p> <ul style="list-style-type: none"> • What is an “activity”? • What special rules apply to rental real estate with active participation? • What special rules apply to real estate professionals? • Details – passive activity income, passive activity deduction, passive activity credit • Recharacterization rules – when might income not be PAI? • What is the self-charged interest rule? 	<p>Read:</p> <ul style="list-style-type: none"> - TRA’86 legislative history - 1993 legislative history - §469 regulations (-1, -2, -3, -4, -7, -9)

10/11	<p>Passive Activity Loss Limitation – special rules</p> <ul style="list-style-type: none"> • What happens to suspended PALs and PACs upon disposition of a passive activity? • What does “disposition” mean? • How does §469 interact with other IRC sections and rules? • How does §469 apply to passthrough entities? • How does §469 apply to publicly-traded partnerships? • Cautions in dealing with §469 • Reporting PALs and related recordkeeping 	<p>Read:</p> <ul style="list-style-type: none"> - §469 regulations (-10 and review -5 and -5T covered in class on 9/20) - Rev Rul 92-92 - Notice 2008-64 - Form 8582 and instructions <p>Due: §469 practice set</p>
10/18	<p>Quiz on §469</p> <p>Interest Expense Limitations for Individuals</p> <ul style="list-style-type: none"> • What is interest expense? • How do the interest tracing rules of Reg. §163-8T work and why? • What is personal interest? Why is it non-deductible? • What is investment interest expense and what limitations apply to it? 	<p>Prepare for quiz</p> <p>Read:</p> <ul style="list-style-type: none"> - TRA’86 legislative history on interest expense limitations - §163 - §1.163-8T - §1.163-9T - Revenue rulings on §163(d) <p>Review: Form 4952</p>
10/25	<p>Home Mortgage Interest Limitations</p> <ul style="list-style-type: none"> • What is home mortgage interest? • What limitations apply to home mortgage interest? • What is the tax treatment of points? • What issues can arise from refinancings? • What planning opportunities arise from the home mortgage interest rules? • What recordkeeping is needed to comply with all of the interest expense rules for individuals? <p>Tax-exempt interest income and related interest expense</p>	<p>Read:</p> <ul style="list-style-type: none"> - §163(h) - §1.163-10T - Form 1098 - Rev Rul. 89-22 - Rev Proc 87-16 - Rev Rul 92-91 - §265 and §1.265-2 (RIA or CCH) <p>Due: Interest expense practice set</p>

11/1	<p>Quiz on Interest Expense for Individuals</p> <p>Individual Alternative Minimum Tax (AMT)</p> <ul style="list-style-type: none"> • What is AMT? • Why do we have AMT? • Which individuals owe AMT? • How is AMT computed for an individual? • How can AMT be avoided? • What is the minimum tax credit (MTC) and how is it computed and used? • What recordkeeping is needed for AMT? • What issues currently exist for the AMT? 	<p>Prepare for quiz</p> <p>Listen: Deloitte webcase (see 225K website on AMT)</p> <p>Read: online materials for AMT</p>
11/8	<p>Net Operating Losses (NOLs) of Individuals</p> <ul style="list-style-type: none"> • What is an NOL? • How is an NOL computed for individuals? • What are the carryover rules? • What recordkeeping is needed? 	<p>Due: AMT practice set</p>
11/15	<p>Quiz on AMT</p> <p>Special topics related to course topics</p> <ul style="list-style-type: none"> • Rental of residences • California differences • AMT reform • Major federal tax reform • Legislative outlook 	<p>Prepare for AMT quiz</p> <p>Due: NOL practice set</p> <p>Read: Materials to be distributed in class or added to the 225K website</p>
11/22	<p>Student presentations (see ** above)</p> <p>Review for final exam</p>	
12/6	<p>Final Exam</p>	

University Policies

Academic integrity

Students are expected to be familiar with the University's Academic Integrity Policy. Your own commitment to learning, as evidenced by your enrollment at San José State University, and the University's Academic Integrity Policy requires you to be honest in all your academic course work. Faculty members are required to report all infractions to the Office of Student Conduct and Ethical Development. The policy on academic integrity and other resources related to student conduct can be found at http://sa.sjsu.edu/student_conduct.

Campus Policy in Compliance with the American Disabilities Act

If you need course adaptations or accommodations because of a disability, or if you need to make special arrangements in case the building must be evacuated, please make an appointment with me as soon as possible, or see me during office hours. Presidential Directive 97-03 requires that students with disabilities requesting accommodations must register with the DRC (Disability Resource Center) to establish a record of their disability.

Special accommodations for exams require ample notice to the testing office and must be submitted to the instructor well in advance of the exam date.