

Western State College of Law
Federal Income Tax – SPRING 2024
Professor Julia Caputo Stift
Syllabus

Class Meetings

Tuesdays and Thursdays; 12:30 to 2:00 p.m.

Professor's Contact Information

Email: jstift@wsulaw.edu

Office Hours: By appointment.

I will generally respond to student emails within one business day. I will attempt to accommodate all requests for appointments, provided the student requesting the appointment has not demonstrated a routine failure to familiarize themselves with the assigned materials prior to class meetings.

General Course Information

Course Objectives: This is an introduction to the fundamentals of federal income taxation with an emphasis on personal income taxation.

- Topics covered include gross income, exclusions, deductions, capital gains and losses, non-recognition transactions, and special issues.
- Formation of skills necessary for working with the Internal Revenue Code and issues of tax policy.
- Familiarity with the Internal Revenue Code, Treasury Regulations, and Revenue Rulings.
- Develop the ability to identify tax issues in a wide variety of factual scenarios.

Required Materials:

- *Federal Income Tax: A Guide to the Internal Revenue Code*, 8th Edition; Douglas A. Kahn and Jeffrey H. Kahn; ISBN 978-1-64242-279-5
- Access to selected cases, the Internal Revenue Code, and Treasury Regulations via Westlaw, Lexus or similar.

Attendance Policy: In accordance with the Western State College of Law attendance policy, published in the Student Handbook, a student may have a maximum of four (4) class absences. Arriving significantly late or departing early is considered an absence. Attendance will be reported to the Registrar.

Grading: Final grades will be determined on the basis of the student's performance on the cumulative final examination (85%) and midterm examination (15%). The final and midterm examinations will be closed book and consist of short essay questions and problems similar to those solved in class.

Class Preparation: It is expected that you will devote at least six hours, on average, to preparation outside of class. Preparation includes the assigned readings and familiarizing oneself with the statutes, regulations, and other authorities identified on this syllabus for each class meeting.

Western State Programmatic Learning Outcomes: Western State College of Law's curriculum is designed so that every student achieves a level of competency prior to graduation in each of the eight Programmatic Learning Outcomes listed below:

- (1) **Doctrinal Knowledge:** Students will demonstrate knowledge of substantive and procedural law in the core curriculum subjects, including Contracts, Criminal Law, Criminal Procedure, Torts, Real Property, Business Association, Evidence, Civil Procedures, Constitutional Law, Estates, Community Property, Remedies, and Professional Responsibility.
- (2) **Practice Skills:** Students will demonstrate the development of other law practice skills. Each student's chosen outcomes within this category will be varied based on the student's particular interests, coursework and work experiences. They may include, but are not limited to, the following topics: oral presentation and advocacy; interviewing; counseling; client service and business development; negotiations, mediation, arbitration, or other alternate dispute resolution methods; advanced legal research and writing (excluding purely academic papers and the first four units earned in introductory first-year legal research and writing class); applied legal writing such as drafting contracts, pleadings, other legal instruments; law practice management or the use of technology in law practice; cultural competency; collaboration or project management; financial analysis, such as accounting, budgeting project management, and valuation; cost benefit analysis in administrative agencies; use of technology, data analyses, or predictive coding; business strategy and behavior; pre-trial preparation, fact investigation, such as discovery, e-discovery, motion practice, assessing evidence, or utilizing experts; trial practice; professional civility and applied ethics; a law clinic that includes a classroom component; or a legal externship that includes a classroom component.
- (3) **Legal Analysis:** Students will demonstrate the ability to identify the factual and legal issues implicated by a fact pattern and to appropriately use cases (including identifying the salient features of an appropriate precedent case, identifying legally significant similarities or differences between the precedent case and a fact pattern and explaining why those are legally significant) and rules (including the ability to connect legally significant facts in a fact pattern to the rule) to predict how a court would decide the issue. Students will also demonstrate the ability to identify and evaluate the public policies of a precedent case or rule, and be able to evaluate how public policy can impact the application of a rule to the legal issue.
- (4) **Legal Research:** Students will demonstrate the ability to locate relevant legal authority using a variety of book and electronic resources, and to properly cite to such legal authority.
- (5) **Communication:** Students will demonstrate the ability to communicate both orally and in writing in a manner appropriate to a particular task to effectively convey the author or speaker's ideas. This includes audience sensitivity in written and

- oral communication (the ability to adopt a tone, style and level of detail appropriate to the needs, knowledge and expertise of the audience); and written communication basic proficiency (the ability to use the conventions of grammar, spelling, punctuation, diction and usage appropriate to the task and sufficient to convey effectively the author's ideas).
- (6) Advocacy of Legal Argument: Students will demonstrate the ability, in both oral and written formats, to evaluate the legal, economic and social strengths and weaknesses of a case and use case and statutory authority as well as public policy to persuade others. Making policy-based arguments includes the ability to identify and evaluate the public policies of a precedent case or rule and their implications, and be able to assert such appropriate arguments to support a particular application or distinction of a precedent case to a legal controversy or a particular resolution of the application of a rule to the legal controversy.
 - (7) Client Sensitivity and Cultural Competency: Students will demonstrate an awareness of clients' needs and goals, including a sensitivity to clients' background and circumstances (including, but not limited to, socio-economic, gender, race, ethnicity, educational, disability and/or religious background(s), the ability to make decisions that reflect an appropriate focus on those needs and goals, and awareness that cultural issues may affect the relevance of facts and application of the law.
 - (8) Legal Ethics: Students will demonstrate the ability to identify ethical issues in law practice contexts and make appropriate decisions to resolve such issues.

Disability Services Program: Western State College of Law provides accommodations to qualified students with disabilities. The Disabilities Services Office assists qualified students with disabilities in acquiring reasonable and appropriate accommodations and in supporting equal access to services, programs, and activities at Western State College of Law. To seek reasonable accommodations, a student must contact Senior Assistant Dean Donna Espinoza, Student Services Director and Disabilities Services Coordinator, whose office is in the Students Services Suite. Dean Espinoza's phone number and email address are: (714) 459-1117; despinoza@wsulaw.edu. When seeking accommodations, a student should notify Dean Espinoza of her or his specific limitations and, if known, her or his specific requested accommodations. Students who seek accommodations will be asked to supply medical documentation of the need for accommodation. Classroom accommodations are not retroactive, but are effective only upon the student sharing approved accommodations with the instructor or professor. Therefore, students are encouraged to request accommodations as early as feasible with Dean Espinoza to allow for time to gather necessary documentation. If you have a concern or complaint in this regard, please notify Dean Espinoza; or please notify Dean Marisa Cianciarulo at mcianciarulo@wsulaw.edu or (714) 459-1168. Complaints will be handled in accordance with the College of Law's "Policy against Discrimination and Harassment."

Assignments and Course Calendar

Please note that all assigned material is subject to modification depending on the pace at which we cover the material in class and any changes to relevant law that occur during the period of this course.

Note further that it will be necessary to familiarize yourself with any statutes, regulations, or case material you find necessary to comprehend the text material and work the examples in the text. The assigned materials are intended to direct you to the most significant resources but you may find it useful to refer to additional regulations or other authority referenced in the text or in class.

Week 1	
<u>Tuesday, January 16:</u> History of Income Taxation; Tax Law Authorities	Kahn; Ch. 1 Introduction pp. 1-33
<u>Thursday, January 18:</u> Income	Kahn; Ch. 1 Introduction pp. 33-41 IRC §61; Treas. Reg. §1.61-1, -2
Week 2	
<u>Tuesday, January 23:</u> Fringe Benefits	Kahn; Ch. 2 Fringe Benefits pp. 43-59 IRC § §62, 106, 119, 132, 274 Treas. Reg. §1.61-21
<u>Thursday, January 25:</u> Compensation for Services	Kahn; Ch. 3 Compensation for Services pp. 61-72 IRC §§61, 83, 162, 212 Treas. Reg. §1.61-2; Treas. Reg. §1.83-3, -7
Week 3	
<u>Tuesday, January 30:</u> Income Deferral	Kahn; Ch. 3 Compensation for Services pp. 72-80 IRC §§83(i), 421, 422
<u>Thursday, February 1:</u> Damages and Loss Recovery	Kahn; Ch. 4 Damages and Loss Recovery pp. 81-104 IRC §§104(a)(2), 165(h), 1033 <i>Niles v. United States</i> 710 F.2d 1391 Rev. Rul. 79-427 <i>United States v. Garber</i> 607 F.2d 92
Week 4	
<u>Tuesday, February 6:</u> Tax Benefit Rule	Kahn; Ch. 5 Tax Benefit Rule pp. 105-117 IRC §§62(a), 111, 332, 336, 337 <i>Hillsboro National Bank v. Commissioner</i> , 460 U.S. 370 Rev. Rul. 76-316
<u>Thursday, February 8:</u> Gifts and Inheritances	Kahn; Ch. 6 Gifts and Inheritances pp. 119-140 IRC §§84, 102, 1014, 1015, 1223(2), (9) <i>Commissioner v. Duberstein</i> , 363 U.S. 278 Treas. Reg. §1.1001-1(e)
Week 5	
<u>Tuesday, February 13:</u>	Kahn; Ch. 7 Cancellation of Debt pp. 141-173

Cancellation of Debt	IRC §§108, 1017, 7872 Treas. Reg. §1.1001-1(a) <i>Cottage Savings Ass'n v. Commissioner</i> , 499 U.S. 554 <i>Zarin v. Commissioner</i> , 92 T.C. 1084
<u>Thursday, February 15:</u> Claim of Right; Illegal Income	Kahn; Ch. 8 Claim of Right and Illegal Income pp. 175-180 IRC §1341 Rev. Rul. 65-254 Rev. Rul. 68-153
Week 6	
<u>Tuesday, February 20:</u>	NO CLASS
<u>Thursday, February 22:</u> Annuities, Life Insurance, and Miscellaneous Income	Kahn; Ch. 9 Annuities, Life Insurance, and Miscellaneous Income pp. 181-213 IRC §§72(b) and (d), 101, 117, 127, 274(j), 7872 Treas. Reg. §1.101-4 and -7
Week 7	
<u>Tuesday, February 27:</u>	MIDTERM EXAM
<u>Thursday, February 29:</u> Adjusted Gross Income, Itemized and Standard Deductions, Personal and Dependent Exemptions	Kahn; Ch. 10 Adjusted Gross Income, Itemized Deductions, the Standard Deduction, and Personal and Dependent Exemptions pp. 215 –228 IRC §§62, 63, 67(b), 151
March 4-8	
SPRING BREAK	
Week 8	
<u>Tuesday, March 12:</u> Installment Method	Kahn; Ch. 11 Installment Method pp. 229 – 235 IRC §§453, 453A, 453B Treas. Reg. §1.453-4(c) Temp. Reg. §15A.453-1
<u>Thursday, March 14:</u> Filing Status	Kahn; Ch. 12 Joint Returns, Head of Household, and Surviving Spouse pp. 237 – 260 IRC §§1, 152, 6013, 6015, 7703
Week 9	
<u>Tuesday, March 19:</u> Interest Expense	Kahn; Ch. 15 Interest Expense pp. 283 – 314 IRC §§162, 163, 221, 469, 1273, 1274 <i>Beyer v. Commissioner</i> , 916 F.2d 153 (4 th Cir. 1990) <i>Lenz v. Commissioner</i> , 101 T.C. 260 (1993) Rev. Rul. 95-16
<u>Thursday, March 21:</u> Interest Expense, continued	<i>Sophy v. Commissioner</i> , 138 T.C. 204 (2012) <i>Voss v. Commissioner</i> , 796 F.3d 1051 (9 th Cir. 2015) Rev. Rul. 87-22 <i>Huntsman v. Commissioner</i> , 91 T.C. 917 (1988) <i>Huntsman v. Commissioner</i> , 905 F.2d 1182 (8 th Cir. 1990) <i>Goldstein v. Commissioner</i> , 364 F.2d 734 (2d Cir. 1966)

Week 10	
<u>Tuesday, March 26:</u> State and Local Taxes; Medical Expenses	Kahn; Ch. 16 State and Local Taxes pp. 315 – 320 Kahn; Ch 18 Medical Expenses pp. 375 – 402 IRC §§151, 164, 263A Rev. Rul. 79-180
<u>Thursday, March 28:</u> Deduction of Losses	Kahn; Ch. 17 Losses pp. 321 – 350 IRC §§67(b), 165, 1016 Treas. Reg. §1.165-1 and -7 <i>Stephens v. Commissioner</i> , 93 T.C. 108 (1989) <i>Stephens v. Commissioner</i> , 905 F.2d 667 (2d Cir. 1990) <i>Blackman v. Commissioner</i> , 88 T.C. 677 (1987) Rev. Rul. 90-61 Rev. Rul. 71-161
Week 11	
<u>Tuesday, April 2:</u> Amount at Risk; Passive Activity Limitations	Kahn; Ch. 17 Losses pp. 350 – 374 IRC §§465, 469 Prop. Regs. §1.465 as needed to comprehend text materials Temp. Regs. §1.469 as needed to comprehend text materials
<u>Thursday, April 4:</u> Charitable Contributions	Kahn; Ch. 19 Charitable Contributions pp 403 – 443 IRC §170 Treas. Reg. §1.170A-1
Week 12	
<u>Tuesday, April 9:</u> Ordinary Expenses; Business v. Nonbusiness	Kahn; Ch. 20 Business and Nonbusiness Expenses pp. 445 – 481 IRC §§104(a)(2), 162, 212 <i>Nickerson v. Commissioner</i> , 700 F.2d 402 (7 th Cir. 1983) <i>Gregory v. Helvering</i> , 293 U.S. 465 (1935) <i>Commissioner v. Groetzinger</i> , 480 U.S. 23 (1987)
<u>Thursday, April 11:</u> Capital Expenditures; Entering or Existing Business; Ordinary and Necessary	Kahn; Ch. 20 Business and Nonbusiness Expenses pp. 481 – 508 IRC §§168(k), 179, 263, 263A Treas. Reg. §1.263(a)-1 and -3 <i>Indopco, Inc. v. Commissioner</i> , 503 U.S. 79 (1992) <i>Commissioner v. Lincoln Savings and Loan Ass’n</i> , 403 U.S. 345 (1971) <i>PNC Bancorp v. Commissioner</i> , 110 T.C. 349 (1998) <i>PNC Bancorp v. Commissioner</i> , 212 F.3d 882 (3d Cir. 2000) <i>Wells Fargo & Co. v. Commissioner</i> , 224 F.3d 874 (8 th Cir. 2000) <i>FMR Corp. and Subsidiaries v. Commissioner</i> , 110 T.C. 402 (1998) Rev. Ruls. 57-418, 71-191, 79-346 <i>Welch v. Helvering</i> , 290 U.S. 111 (1933)

Week 13	
<u>Tuesday, April 16:</u> Principal Place of Business; Illegal Payments; Misc. Business Expenses	Kahn; Ch. 20 Business and Nonbusiness Expenses pp. 508 – 551
<u>Thursday, April 18:</u> Depreciation and Amortization	Kahn; Ch. 21 Depreciation and Amortization pp. 553 – 592 IRC §§167, 197 Treas. Reg. §1.167(a)-2
Week 14	
<u>Tuesday, April 23:</u> Miscellaneous Credits and Deductions	Kahn; Ch. 22 Miscellaneous Credits and Deductions pp. 593 - 609
<u>Thursday, April 25:</u> Realization and Recognition on Disposition of Property; Like-Kind Exchanges	Kahn; Ch. 23 Realization and Recognition pp. 611 – 660 <i>Starker v. United States</i> , 35 AFTR2d 75-1550 (D.Or. 1975) <i>Starker v. United States</i> , 432 F.Supp. 864 (D.Or. 1977) <i>Starker v. United States</i> , 602 F.2d 1341 (9 th Cir. 1979)
Week 15	
<u>Tuesday, April 30:</u> Capital Gains and Losses	Kahn; Ch. 24 Capital Gains and Losses pp. 661 – 702 IRC §§1221, 1222, 1231, 1237, 1250 Notice 97-59