

Preface

Ensure student success with the Focus Casebook Series.

THE FOCUS APPROACH

In a law office, when a new associate attorney is being asked to assist a supervising attorney with a legal matter in which the associate has no prior experience, it is common for the supervising attorney to provide the associate with a recently-closed case file involving the same legal issues so that the associate can see and learn from the closed file to assist more effectively with the new matter. This experiential approach is at the heart of the ***Focus Casebook Series***.

Additional hands-on features, such as Real Life Applications, Applying the Concepts, and Federal Income Taxation in Practice, provide more opportunities for critical analysis and application of concepts covered in the chapters. Professors can assign problem-solving questions, as well as exercises on drafting documents and preparing appropriate filings.

CONTENT SNAPSHOT

This casebook focuses on clear communication of federal income tax fundamentals. On completion of the course, students will have not only the comprehensive substantive knowledge base needed for advanced study in the federal tax arena, but also a healthy degree of familiarity with various tax-related resources. The student will emerge with the ability to perform well in a clinical or practice setting.

- Chapter 1 is introductory and includes a brief discussion of taxation throughout ancient and modern history as well as basic background with respect to the constitutional authority to tax income and the roles of Congress, the Treasury Department, and the Internal Revenue Service. The chapter also covers standard tax legislation procedure, the value of legislative history reports, and key sources of tax law and guidance.
- Chapter 2 addresses the concept of realization and the current definition of “income.” It also introduces foundational tax terminology (e.g., basis, built-in gain/loss, realization, recognition, etc.) and the fundamentals of the tax computation process (including discussion of gross income, deductions, phase-outs, AGI, and taxable income).

- Chapter 3 provides coverage of rules regarding gross income inclusions and addresses the diversity of income forms, including windfalls, illegal income, and income from the cancellation of indebtedness (including the insolvency exception and the contested liability doctrine). As appropriate, the chapter presents limited coverage of innocent spouse relief alongside the discussion of illegal income.
- Chapter 4 discusses tax-free basis recovery mechanisms (including the use of exclusion ratios for annuity payments) and introduces the general notion of exclusions from gross income, addressing specific limited exclusions (e.g., gain on the sale of a principal residence).
- Chapters 5, 6, and 7 cover specific categorical exclusions. Chapter 5 addresses the treatment of items received by gift, bequest, devise, or inheritance (and specific basis determination rules). With Chapter 6, the focus turns to damages received on account of personal physical injury or physical sickness (while also covering punitive and emotional distress damages). Chapter 7 covers the exclusion of specific fringe benefits, cafeteria plan rules, life insurance contract proceeds, and the treatment of state/local bond interest.
- Chapter 8 opens with a discussion of the notion of progressivity before moving on to the standard deduction, itemized deductions (in general terms), tax credits, the meaning of “dependent,” and the deduction with respect to qualified business income.
- In Chapter 9, the text transitions decidedly to coverage of specific itemized deductions, starting with the allowance for extraordinary medical expenses (including fertility-related expenses and the characterization and treatment of gender dysphoria). The chapter also highlights the distinction between deductible and non-deductible cosmetic surgery.
- Chapter 10 continues the coverage of itemized deductions, focusing on the allowance with respect to casualty, theft, and other specific losses by individuals, including rules regarding federally-declared or state-declared disasters, numerical deduction limitations, the significance of a loss being sustained, and the “suddenness” requirement (in the casualty loss context). Public policy considerations are also discussed.
- Chapter 11 provides extraordinarily useful background on financing the purchase of a home before devoting focused discussion to the tax treatment of qualified residence interest, including relevant grandfathering rules, the impact of equitable ownership, and application of provisions on a per-taxpayer basis. The chapter also provides rules governing the deduction of interest on qualified education loans and interest paid on qualified passenger vehicle loans. In addition to discussing the treatment of property taxes and state and local income taxes, the chapter introduces the deductions with respect to qualified tip income and qualified overtime compensation; as appropriate, there is coverage of potential deduction phase-down or complete phase-out.
- With Chapter 12, coverage shifts to a discussion of entities eligible to receive tax-deductible contributions under § 170 and the requirements entities must satisfy to secure tax-exemption under § 501. The chapter addresses the treatment of (i) standard charitable contributions, applicable deduction limits, and quid pro quo

transactions in the § 170 context and (ii) the role of public policy with respect to tax-exempt entities. Also included is a discussion of private inurement prohibitions.

- Chapter 13 focuses on the meaning of “ordinary,” “necessary,” and “carrying on” a “trade or business” and the general treatment of ordinary and necessary business expenses. There is also discussion of specific items with respect to which deduction is prohibited.
- With Chapter 14, the text formally introduces the concept of matching and addresses the treatment of capital expenditures. The chapter also includes coverage of depreciation, the amortization of intangibles, and inventory tax accounting.
- Chapter 15 is devoted to discussion of timing and related issues, including the time value of money, annual accounting, the claim of right doctrine, the tax benefit rule, NOL carryovers, and deferred compensation (including the § 83(b) election).
- Chapter 16 offers coverage of the cash receipts and disbursement method of accounting, constructive receipt, economic benefit, the accrual method of accounting, and the significance of economic performance. The chapter also includes brief discussion of the installment method of accounting.
- In Chapter 17, the text turns to like-kind exchanges of real property and involuntary conversions, providing general discussion of non-recognition and the deferral of gain or loss with respect to a given transaction. Also included is coverage of related basis rules (preserving gain/loss) and the potential impact of both on recognition and basis (including the transfer of non-qualifying consideration with built-in gain or loss). Note that the discussion of like kind exchanges includes coverage of deferred exchanges and the use of qualified intermediaries.
- After devoting brief attention to the progressivity of tax rates, Chapter 18 discusses both assignment of income and the transfer of income-producing property, as well as the notion of a marriage penalty or marriage bonus.
- Chapter 19 focuses on the treatment of various transfers incident to marriage and divorce, including inter-spousal property transfers during marriage, property settlements incident to divorce (e.g., those related to the cessation of the marriage), alimony (including fact-specific deduction and inclusion rules), and child support.
- In Chapter 20, we take up the treatment of capital gains and losses. In addition to covering the notion of income character, the chapter covers the definition of “capital asset,” the sale or exchange requirement, and the treatment of long-term and short-term capital gains/losses. There is also discussion of the meaning of “property” under § 1221, as well as the treatment of § 1231 gains and losses and the rules mandating depreciation recapture.
- Chapter 21 covers tax avoidance and tax shelters. In addition to discussing the general meaning of passive activity and passive activity losses, the chapter goes on to address material participation, at-risk limitations, and the economic substance doctrine.
- Chapter 22 discusses the alternative minimum tax and aims consciously to communicate basic, substantive essentials.

- Chapter 23 concludes primary substantive coverage with discussion of federal withholding, estimated taxes, and worker classification. The chapter addresses the meaning of “wages” both in the income tax and in the employment tax contexts, as well as the rules regarding FICA, the FICA Wage Base, estimated tax payments, worker classification (including potential § 530 relief), and the imposition of penalties and interest on underpayments.
- The Appendix aims largely to impart a substantial dose of practice-readiness by giving students knowledge useful to them in a clinical or early practice setting. It introduces the student to the fundamentals of tax controversy and litigation, including the notion of assessment (including waivers and extensions), offers in compromise, installment agreements, audits (correspondence, office, and field), closing agreements, no-change letters, information document requests, administrative summons, 30-Day Letters, 90-Day Letters, protests, the IRS Office of Appeals, and various tax litigation venues. The chapter also provides a basic introduction to IRS Circular 230.
- Appendix 2 (which can be found on the companion website for this casebook) focuses on tax research fundamentals, including location of current-year and prior versions of the Internal Revenue Code and Treasury Regulations, non-Code tax provisions, legislative history, the “Bluebook,” tax cases, IRS pronouncements, and additional research resources (e.g., Bloomberg BNA Tax Management Portfolios and the CCH Standard Federal Tax Reporter). The appendix also references daily tax publications (e.g., CCH Tracker News and the Bloomberg BNA Daily Tax Report) and highlights the importance of monitoring ongoing legal developments.
- Materials in Appendix 3 (which can be found on the companion website for this casebook) come from a publication of the Congressional Budget Office, *Additional Options for Reducing the Deficit (as of 12/31/24)*. The materials facilitate discussion of various deficit-reducing tax policy options, including increasing individual and corporate tax rates, changing the treatment of capital gains on inherited assets, and imposing a tax on the emission of greenhouse gases.

RESOURCES

Other resources to enrich your class include: *Examples & Explanations for Federal Income Tax*, by Katherine Pratt, Thomas D. Griffith, and Joseph Bankman. Ask your Aspen sales representative or visit the Aspen website to learn more about building the product package that's right for you.