PERSONAL INCOME TAX

Professor Mirit Eyal-Cohen
University of Alabama
School of Law

Office hours: Wed. 13:30PM or by appointment.
Room 355. Tel: 205-348-0243
meyalcohen@law.ua.edu

Spring 2017, Law 643001, 3 Credits
Mondays & Wednesdays 10:45AM – 12:00PM
Room A225

I. Course Materials

Required:

- Joel S. Newman, Federal Income Taxation: Cases, Problems, and Materials (Thomson/West, 6th Ed. 2016)("Casebook")
- Marvin B. Dickinson, Federal Income Tax: Code and Regulations Selected Sections (CCH, 2016-2017).

Recommended:

- Tax stories: an in-depth look at ten leading federal income tax cases edited by Paul L. Caron (Foundation Press).
- Bankman, Griffith & Pratt, Federal Income Tax: Examples & Explanations (Aspen).
- Marvin A. Chirelstein, Federal Income Taxation (Foundation Press).

II. Course Objectives

Taxation touches every aspect of our lives and has many social, political and economic implications. These aspects are what make Tax a subject worthy of intellectual inquiry and dedication. This class will explore the subject of taxation from a policy perspective. Our tax system is filled with tax incentives, benefits, and preferences in the name of promoting one type of behavior or another. We will explore the historical roots of these tax sections and ask why Congress enacted them. We will then normatively look into whether these code sections indeed promote their intended societal objectives. Student will develop a critical analysis of the pursuit of social and economic justice through the tax system. This course aspires to provide students with tools to understand one the most debated topics in politics.

This class seeks to clear misconceptions of taxation as a mathematical topic that requires an accounting or economic background. *No such background is required.* The relevant economic and legal concepts will be developed in class through an examination of particular examples.

III. Class Requirements

Slides used in the class will be posted after being covered in class as they contain answers to the problems we will solve in class.

Please make sure to read not only the cases and other material assigned in the Casebook, but also the associated sections in the Internal Revenue Code and Treasury Regulations (which the author of your Casebook is kind enough to list at the beginning of each section of the reading).

Tax is fundamentally a statutory subject and there is no substitute for reading the Code and Regulations. You will be asked in class to refer to the language of the Code so please make sure to bring your statutory supplement with you to each class.

IV. Attendance

It is imperative that you arrive regularly and punctually to class, prepared to participate and discuss the reading assignments. Active and consistent participation in class discussion is an integral part of the learning in this course. Hats are not allowed in class. Please observe the law school's rules regarding eating and drinking in the classroom

Per law school's policy, I will circulate an attendance sheet for you to sign at the beginning of each class. It is your responsibility to ensure that you have signed the sheet. *Late arrival, early exits or coming unprepared to class will result in an absence mark for that class.* The law school' system will withdraw you from the course if you are absent for more than a certain number of class sessions. Furthermore, it is a student code violation for a student to misrepresent the student's attendance or the attendance of another student.

V. Special Accommodations

Students with disabilities are encouraged to contact Associate Dean Grace Lee, at 348-7190 or glee@law.ua.edu so that the individual's needs for support services can be evaluated and accommodated in a timely manner.

Due to the anonymous grading policy, students should not discuss exam accommodations with professors.

VI. Outlines & Exam

The final exam will require knowledge and understanding of the doctrinal and theoretical issues that will be covered in class and assigned in your readings. It will most likely consist of one or more essay questions. Exams will be taken on a computer using the law school's software ("ExamSoft"). If you have any questions regarding the software please contact Mr. Davis at the IT Department in a timely manner.

The exam is limited open-book. During the exam, you may consult anything provided in class or posted on TWEN, class notes, case briefs, commercial study aids, or outline that you prepared yourself. You may not consult with any online source during the exam; everything has to be paper printed. The use of unauthorized material during the examination is an honor code violation and may result in serious sanctions.

VII. Use of Computers, Electronic Devices & Internet Postings of Outlines

Use of electronic devices is allowed in class *only* to take notes and to reference materials directly relevant to the class. Other uses – including but not limited to surfing the internet, playing, texting, checking email, instant messenger, Facebook, etc. -- are not permitted during class, because they distract both the students doing these things and, more importantly, those around them. Failure to adhere to these requirements may subject the student to sanctions, including a ban on further use during the semester.

No audio or video recording of class sessions is permitted. No class materials or recordings may be posted to the internet in any form or shared with persons outside of class.

SYLLABUS

I. Introduction (chapter 1)

a. Casebook, pp. 1-26
b. Federal Income Tax Computation
c. Effective Tax Rate v. Marginal Tax Rate Problems

II. Income (Chapter 2-3)

a. Casebook, pp. 27-36
b. Exercise in Statutory Reading (to be prepared in advance of class)
c. Casebook, pp. 36-45
d. Prepare answers to the problems on p. 38
e. Exercise in Statutory Reading (to be prepared in advance of class)
f. Casebook, pp. 45-57
g. Please thoroughly read all of § 108
h. Read the Tax Court option in Zarin v. Commissioner, 92 T.C. 1084 (1989).
i. Casebook, pp. 57-64
j. Casebook, pp. 65-79
k. Prepare answers to problems on pp. 78-79

III. Income: Exclusions

a. Casebook, pp. 81-97
b. Casebook, pp. 97-102
c. Exercise in Statutory Reading (to be prepared in advance of class)
d. Prepare answers to the problems on pp. 98-99, 102
e. Casebook, pp. 103-108
f. Prepare answers to the problems on p. 108
g. Casebook, pp. 108-130
h. Prepare answers to problems 1-4 and 14 on pp. 122-123.
i. Prepare answers to the § 119 problems
j. Casebook, pp. 131-141
k. Proposed amendments to Treas. Reg. § 1.104-1
l. Prepare answers to problems 1-3 on pp. 139

IV. Business Deductions: Basic Principles (Chapter 4-5)

a. Casebook, pp. 143-158
b. Casebook, pp. 158-197
c. Read the case of Patton v. Comm'r, 168 F.2d 28 (1948)
d. Read the case of Menard, Inc. v. Comm'r, 2009 U.S. App.
e. LEXIS 4883 (7th Cir., Mar. 10, 2009)
f. Casebook, pp. 197-205

V. Business Deductions: Capital Recovery and Depreciation

a. Casebook, pp. 207-230
b. Casebook, pp. 230-247 (do not prepare an answer to the problem on p. 247; we will be doing problems in class)

VI. Timing (Chapter 6)

a. Casebook, pp. 269-278
b. Prepare answers to the problems on p. 270 and the problem on pp. 278-279
c. Casebook, pp. 280-291
d. Bring the tax benefit rule problem to class
e. Casebook, pp. 291-309
f. Read Rev. Proc. 2004-34
g. Read Treas. Reg. § 1.451-5(a) and (b)(1)-(2)

VII. Capital Gains (Chapter 7)

a. Casebook, pp. 311-319
b. Casebook, pp. 319-324
c. Prepare answer to the gain problem on pp. 316
d. Casebook, pp. 324-344
e. Casebook, pp. 344-359
f. Prepare answer to the problems on p. 348-349

VIII. Nonrecognition Transactions (Chapter 12)

a. Casebook, pp. 657-668, 682-686 (do not do any of the problems in the book)
b. Please read the opinion of Cottage Savings Assoc. v. Comm'r, 499 U.S. 554 (1991)
c. Rev. Rul. 57-469
d. Rev. Rul. 79-143
e. Rev. Rul. 82-166
f. Prepare answers to the § 1031 problems

IX. Mixed Personal and Business/Investment Deductions (Chapter 8)

a. Casebook, pp. 361-389
b. Prepare answers to problems 1-6 on pp. 388-389
c. Casebook, pp. 404-424
d. Prepare answers to problems 1, 3, 3(a), 4, and 5 on p. 411
e. Casebook, pp. 424-432
f. Casebook, pp. 432-458, Read §163(d), Read the opinion of Estate of Yaeger v. Comm'r, T.C. Memo 1988-264
g. Casebook, pp 458-461, Read §§ 129, Treas. Reg. § 1.21-1 and read Treas. Reg. § 1.21-2.
h. Casebook pp. 466-469

X. Who Is the Taxpayer? (Chapter 9) (optional)

a. Casebook, pp. 485-510
b. Casebook, pp. 510-517
c. Casebook, pp. 531-547
d. Prepare answers to problems 1 and 2 on p. 546