
TABLE OF CONTENTS

Introduction	1
PART I: INCOME TAX CONSIDERATIONS IN BUSINESS PLANNING AND INVESTMENTS	3
Chapter 1: Tax Treatment of Investment Income	5
I. Interest Income	5
II. Discount on Debt Instruments	15
III. When to Report Interest Income	22
IV. Dividends and Other Distributions	23
V. Stripped Preferred Stock	31
Chapter 1: Test Your Knowledge	33
Chapter 1: Solutions and Suggested Responses	35
Chapter 2: Deductions of Investment Expenses	37
I. Limits on Deductions	37
II. Interest Expenses	38
III. Expenses of Producing Income	42
IV. When to Report Investment Expenses	46
Chapter 2: Test Your Knowledge	47
Chapter 2: Solutions and Suggested Responses	49
Chapter 3: Passive and At-Risk Rules	51
I. Passive Activity Limitations	51
II. At-Risk Rules	59
Chapter 3: Test Your Knowledge	67
Chapter 3: Solutions and Suggested Responses	69
Chapter 4: Basis of Investment Property	71
I. Basis of Investment Property	71
II. Wash Sales	78
Chapter 4: Test Your Knowledge	83
Chapter 4: Solutions and Suggested Responses	85
Chapter 5: Sale of a Home	87
I. Introduction and Overview	87
II. Main Home	87
III. Figuring Gain or Loss	88
IV. Determining Basis	93
V. Excluding the Gain	96
VI. Business Use or Rental of Home	100
VII. Special Situations	101
VIII. Recapturing a Federal Mortgage Subsidy	102
Chapter 5: Test Your Knowledge	103
Chapter 5: Solutions and Suggested Responses	105

Chapter 6: Rental Income and Expenses	107
I. Rental Income and Expenses	107
II. Personal Use of a Dwelling (Vacation Homes)	113
III. Depreciation	117
Chapter 6: Test Your Knowledge	125
Chapter 6: Solutions and Suggested Responses	127
Chapter 7: Mutual Fund Distributions	129
I. An Overview of Mutual Funds	129
II. Fees and Expenses	135
III. Tax Consequences of Mutual Funds	138
IV. Tracking Basis	141
V. Sales, Exchanges and Redemptions	145
Chapter 7: Test Your Knowledge	149
Chapter 7: Solutions and Suggested Responses	151
Chapter 8: Taxation of Business Entities	155
I. What's New: From The Tax Cuts and Jobs Act of 2017	155
II. Introduction and Overview	156
III. Disregarded Entities: The Limited Liability Company	160
IV. Partnerships	166
V. Corporations	172
VI. Subchapter S Corporations	181
Chapter 8: Test Your Knowledge	185
Chapter 8: Solutions and Suggested Responses	187
Chapter 9: Alternative Minimum Tax	189
I. Alternative Minimum Tax basics	189
II. Other Provisions That Affect AMT	192
III. Minimum Tax Credit	194
IV. How the AMT Is Calculated	197
Chapter 9: Test Your Knowledge	201
Chapter 9: Solutions and Suggested Responses	203
Chapter 10: Tax Implications of Marriage and Divorce	205
I. What's New	205
II. Distinguishing Community and Separate Property	205
III. Federal Taxation: Community or Separate Property Income	209
Chapter 10: Test Your Knowledge	219
Chapter 10: Solutions and Suggested Responses	221
PART II: INCOME TAX CONSIDERATIONS IN RETIREMENT PLANNING	223
Chapter 11: Employer-Sponsored Retirement Plans	225
I. Introduction and Overview	225
II. Simplified Employee Pension (SEP) Plans	226

III. SIMPLE Plans	232
IV. Qualified Plans	239
Chapter 11: Test Your Knowledge	257
Chapter 11: Solutions and Suggested Responses	259
Chapter 12: Individual Retirement Arrangements (IRAs)	261
I. Traditional IRA	261
II. Converting from Any Traditional IRA into a Roth IRA	279
III. Distributions	283
IV. Acts That Result in Penalties or Additional Taxes	290
Chapter 12: Test Your Knowledge	297
Chapter 12: Solutions and Suggested Responses	299
Chapter 13: Taxation of Social Security Benefits	301
I. Overview of the System	301
II. Taxation of Benefits	307
Chapter 13: Test Your Knowledge	313
Chapter 13: Solutions and Suggested Responses	315
PART III: INCOME TAX CONSIDERATIONS IN ESTATE AND EDUCATION PLANNING	317
Chapter 14: Estate and Gift Taxes	319
I. Introduction	319
II. Estate Taxes: An Overview	321
III. Gift Tax	334
IV. Generation-Skipping Tax	340
V. State Death Taxes	346
Chapter 14: Test Your Knowledge	351
Chapter 14: Solutions and Suggested Responses	353
Chapter 15: Tax Benefits for Survivors	355
I. Introduction	355
Chapter 15: Test Your Knowledge	367
Chapter 15: Solutions and Suggested Responses	369
Chapter 16: Life Insurance and Variable Annuities	371
I. Life Insurance	371
II. Variable Annuities	378
Chapter 16: Test Your Knowledge	387
Chapter 16: Solutions and Suggested Responses	389
Chapter 17: Trusts as a Financial Planning Tool	391
I. Introduction and Overview	391
II. Trust Creation	393
III. Types of Common Trusts	395
Chapter 17: Test Your Knowledge	403
Chapter 17: Solutions and Suggested Responses	405

Chapter 18: Tax-Free Savings for Education	407
I. Coverdell Education Savings Accounts	407
II. Other Education Savings Accounts	416
III. Savings Bonds for Education	420
IV. Tax Credits for Education	422
V. Scholarships, Fellowships, Grants, and Tuition Reductions	426
Chapter 18: Test Your Knowledge	431
Chapter 18: Solutions and Suggested Responses	433
Glossary	435
Index	443
Final Exam Copy	445