“You must pay taxes. But there’s no law that says you gotta leave a tip.”
(Morgan Stanley Brokerage advertisement)

“The hardest thing in the world to understand is the Income Tax.”
(Albert Einstein)

“I love America, but I can’t spend the whole year here. I can’t afford the taxes.”
(Mick Jagger)

“Virtually all persons or objects in this country . . . may have tax problems.
Every day the economy generates thousands of sales, loans, gifts, purchases,
leases, wills and the like, which suggests the possibility of tax problems for
somebody. Our economy is tax relevant in almost every detail.”
(Potter Stewart)

Materials:
Item #3: Introductory Reading Material (to be provided on TWEN before the first class)
Item #4: Course Packet of Supplemental Materials (a/k/a “Corpak”). Information about how to obtain the Course Packet will be provided during the first class. We will not use the Course Packet until the fourth class of the semester. There will be additional handout materials from time to time.

Course Description: This course is a survey of the federal income taxation of individuals. Topics will include the definition of gross income, exclusions from gross income, the requirements for various tax deductions, timing issues, and capital gains and losses. The course will highlight income tax problems frequently faced by general practitioners, such as the tax aspects of divorce, the taxation of settlements and damage awards, the deductibility of attorney fees, and the tax consequences of sales and exchanges.

Exam: There will be one exam at the end of the semester, on Wednesday, December 9, beginning at 8:15 a.m. The exam likely will be a mix of multiple choice and essay questions. It is anticipated that during the exam you can use the Statutory Supplement for the course (which is titled “Selected Sections: Federal Income Tax Code and Regulations”
by Steven A. Bank and Kirk J. Stark) (any single edition is acceptable), including any hand-written notes you have made in the Statutory Supplement (including notes on the blank pages at the beginning and end of the book), but you cannot attach other pages or other items to the Statutory Supplement other than flags or post-it notes. Otherwise, this is a closed book exam, and no calculators are permitted.

**Note on S/U Grading:** The grades of students who have elected to take this course with S/U grading will be converted by the Registrar according to the following scale: 2.1 or greater = Satisfactory; below 2.1 = Unsatisfactory. For those taking this course with S/U grading, only those students who receive a Satisfactory grade will earn academic credit for the course.

**Attendance Policy:** You are allowed to miss three (3) classes.

**Make-Up Class:** Wednesday Nov. 11 (Veterans Day) is a holiday. The make-up class for Veterans Day is tentatively scheduled for Friday November 6th from 5 pm to 7:30 pm in Room 204.

**Writing Assignment:** We will have a writing assignment to comply with the writing-across-the-curriculum requirement. Satisfactory completion of the assignment is required to be eligible to take the exam and complete the course.

**Recording of Classes:** Students may audio record class from their regular location in the classroom, unless the professor announces in class that this policy has changed.

**Student Learning Outcomes:** At the end of this course, students will be able to:

- Analyze a federal income tax return and describe the individual’s overall economic activity for the year and make predictions about the individual’s total economic wealth.
- Estimate the amount that a plaintiff needs to recover in a settlement (or in a damage recovery) to receive a target amount after-tax.
- Estimate the amount that a defendant can pay in a settlement (or in a damage recovery) based on the after-tax cost the defendant plans to incur to conclude the lawsuit.
- Advise how payments upon divorce should be structured as between (i) property settlement, (ii) alimony, and (iii) child support, to obtain certain financial objectives.
- Prepare a memo in support of a non-profit organization’s application to the IRS for tax-exempt status.
- Propose to a potential client one or more strategies for reducing the after-tax cost of a charitable gift.
- Analyze a method for a client to save capital gains taxes on a sale of certain types of property.
- Identify tax issues involved when a client receives amounts; make effective arguments about whether those amounts are taxable income; and if taxable, what year those amount will be taxed.
Identify tax issues involved when a client pays certain amounts; make effective arguments about whether those amounts are tax deductible; and if tax deductible, in what year the amount may be deducted.

Emergency Procedures: Southern Illinois University Carbondale is committed to providing a safe and healthy environment for study and work. Because some health and safety circumstances are beyond our control, we ask that you become familiar with the SIUC Emergency Response Plan and Building Emergency Response Team (BERT) program. Emergency response information is available on posters in buildings on campus, available on BERT’s website at www.bert.siu.edu, Department of Safety’s website www.dps.siu.edu (disaster drop down), and in an Emergency Response Guideline pamphlet. Know how to respond to each type of emergency.

Instructors will provide guidance and direction to students in the classroom in the event of an emergency affecting your location. It is important that you follow these instructions and stay with your instructor during an evacuation or sheltering emergency. The Building Emergency Response Team will provide assistance to your instructor in evacuating the building or sheltering within the facility.

Disability Policy: The School of Law no longer makes determinations about appropriate accommodations for disabilities. Those decisions are now made by the University Disability Support Services (“DSS”) Office. In regards to these procedures: Disability Support Services provides the required academic and programmatic support services to students with permanent and temporary disabilities. DSS provides centralized coordination and referral services. To utilize DSS services, students must come to the DSS to open cases. The process involves interviews, reviews of student-supplied documentation, and completion of Disability Accommodation Agreements. http://disabilityservices.siu.edu/. Upon completion of a Disability Accommodation Agreement with DSS, students should bring the agreement to the School of Law Registrar’s Office to ensure the School of Law provides the proper classroom and examination accommodations.

Saluki Cares: The purpose of Saluki Cares is to develop, facilitate, and coordinate a university-wide program of care and support for students in any type of distress – physical, emotional, financial, or personal. By working closely with faculty, staff, students and their families, SIU will continue to display a culture of care and demonstrate to our students and their families that they are an important part of the community. For information on Saluki Cares: (618) 453-5714 or siucares@siu.edu, http://salukicares.siu.edu/index.html. At the School of Law, Assistant Dean Judi Ray is also available to help students access university resources. Her email is judiray@siu.edu, and her phone number is 618-453-3135.

Reading Assignments:
2nd Class (Wednesday, Sept. 2, 2015): Newman Casebook pages 13-29 middle; excerpts included in the Introductory Reading Materials for Cesarini v. U.S., 296 F. Supp. 3 (D. Ohio 1969) (3 pages) and “One Way to Avoid Tax on Found Items” (1 page); skip Casebook pages 31–33 middle regarding imputed income; 4-page excerpt in the Introductory Reading Materials on the Oscar Goodie Bags beginning with “And the Losers Are . . . All the Oscar Nominees!”; Casebook 33 bottom-44 top; 3-page excerpt included in the Introductory Reading Materials on Gamble v. Commissioner, 68 T.C. 800 (1971); Skip 44-52 middle (the Zarin case and notes thereafter).

3rd Class (Wednesday, September 9, 2015); Casebook pages 52 bottom-60 top; 2-page excerpt included in the Introductory Reading Materials on the “Rules of Debt”; Skip Casebook pages 60-75; Casebook pages 76-84 top; Skip Casebook pages 84-88 bottom; Casebook pages 88 bottom to 89 top (employee gifts); Casebook 89 middle-90 top (Problems #3 to #8); Skim pages 91 middle-93 (tipping); Casebook pages 93-101; Casebook 102 bottom – 103.

General Overview of Course (Subject to Change):

UNIT I – GROSS INCOME (as described above).

UNIT II – BASIS & DEBT (as described above)

UNIT III – INCOME; EXCLUSIONS (initial material as described above)
Fringe Benefits
Pages 103-109
(skip the Haverly case on pages 109 - 111)
Pages 111-122
Pages 122-125 Scholarships & Awards
Pages 125-127 Damages
(skip Murphy v. Internal Revenue Service on pages 127-133)
Pages 133-139 (Amos case and problems)
(skip Tax-Exempt Bonds materials on page 139)

UNIT IV – BUSINESS DEDUCTIONS: BASIC PRINCIPLES
Pages 140-177 General Discussion; Welch & Its Progeny; Causation
(skip Kopp’s Company case on pages 171-174)
(skip Californians Helping to Alleviate case on pages 178-183)
Pages 183-191 Salary

UNIT V – CHARITABLE CONTRIBUTIONS & TAX-EXEMPT ORGANIZATIONS
Pages 550–576 (skip United States v. Kuch on pages 566 – 568; skip for now the material on contributions of appreciated property on pages 569-571)

UNIT VI CASUALTY LOSSES
Pages 576-588
UNIT VII – BUSINESS DEDUCTIONS: CAPITAL RECOVERY & DEPRECIATION
Pages 192-207 Capital Expenses
(skip Indopco, Santa Fe Pacific Gold, and Robinson Knife 207-228)
Pages 229-230 Depreciation
(skip the Fribourg Navigation Company case on pages 230 bottom-232)
Pages 233-243 More Depreciation
Pages 243-244 Annuities
(skip top page 245 on “Payment of Life Insurance Proceeds at a Date Later than Death”)
Pages 245-259 Inventories (SKIM discussion of LIFO and FIFO on pages 246-248 top)
(skip pages 259 bottom-263)

UNIT VIII – TIMING
Pages 264-274 General Accounting Principles
Pages 274 bottom-286 top - Annual Accounting & Its Exceptions
(skip pages 286 top – 290 middle)
Pages 290 middle–306 Accrual Accounting Revisited

UNIT IX – PERSONAL DEDUCTIONS & CREDITS
Pages 542-550 Structural Concerns
Pages 589-604 Medical Expenses (skip Finzer v. United States, pages 598-601)

UNIT X CAPITAL GAINS
Pages 307-323 Policy, Mechanics

UNIT XI MORE ON SALES [TIME PERMITTING]
(pages 569-571 – charitable contributions of appreciated property)
Pages 344 bottom-353 Sale of a Business; Sale of a Patent
Pages 642-643 Sale of a Principal Residence
Pages 605-606 Deferred Payment Sales
Pages 621-635 Non-Recognition Transactions

UNIT XII Practice Notes [time permitting]