Federal Income Taxation Syllabus
(subject to change)

Fall 2017
Tues & Thurs 5:30 to 6:45 p.m.
Room 102
Law 525-3, Section 001
Office Hours: Wed. 11:30 to 4:30

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"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)

The opera reminds me of my tax audit. It was in a language I didn't understand. And it ended in tragedy." ("Jeff MacNelly's Shoe")

"I love America, but I can't spend the whole year here. I can't afford the taxes."
(Mick Jagger)

"I have something my doctor calls 'narcotaxes.' Within 20 minutes of hearing someone launch into an explanation of tax laws, my eyes become glassy, my body loses all feeling, and I go into a shallow coma." (Russell Baker)

"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 at least the fifth class of the semester. There may 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 attorneys in general practice, 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.

Grades & Final Exam Information: There will be one exam at the end of the semester, on Monday, December 11, beginning at 1:15 p.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 used as flags. Otherwise, this is a closed book exam, and no calculators are permitted. It is anticipated that the grades for the course will be determined by performance on the final examination.

Attendance Policy: You are allowed to miss six (6) classes.

Writing Assignment: We will have a writing assignment to comply with the writing-across-the-curriculum requirement and the requirement to have a bar exam-type assessment. 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. The professor may audio record classes, and the professor may video record using the Law School’s technology. Classes may also be recorded for ADA compliance purposes.

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

- Analyze a federal income tax return and describe aspects of the individual’s 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.
• 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 decision 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.

**Workload Expectation:** The American Bar Association standards for accrediting law schools contain a formula for calculating the amount of work that constitutes one credit hour. According to ABA Standard 310(b)(1), a “credit hour” is an amount of work that reasonably approximates: (1) not less than one hour of classroom or direct faculty instruction and two hours of out-of-class student work per week for fifteen weeks, or the equivalent amount of work over a different amount of time. This is a 3-credit hour class, meaning that we will spend three 50-minute blocks of time together each week (all on Tuesday and Thursday nights). The amount of assigned reading and out of class preparation should take you about 6 hours for the week. All told, applying the ABA standard to the number of credits offered for this class, you should plan on spending a total of 9 hours per week (3 in class and 6 preparing for class) on course-related work.

**Projected Reading Schedule (Subject to Change):**

1\textsuperscript{st} Class (Tuesday, Aug. 22, 2017) – Intro/Income:
- Newman & Brown (N&B) Casebook pages 1 to 12
- Corpak pages 11-17 middle (including *Eisner* v. *Macomber*, 252 U.S. 189 (1920))
- N&B Casebook pages 32-34 middle (*Commissioner* v. *Glenshaw Glass* and related Notes)

2\textsuperscript{nd} Class (Thursday, Aug. 24, 2017) – Intro/Income:
- Note: We likely will discuss Presidential Tax Returns, but there is requirement to read any material in advance on this topic.
- N&B Casebook pages 13-26

3\textsuperscript{rd} Class (Tuesday, Aug. 29, 2017) – Intro/Income
- N&B Casebook 27-31
- SKIP N&B Casebook pages 34 middle to 36 (regarding imputed income)
- N&B Casebook pages 36 bottom – 39 middle
- Corpak pages 24 middle to 29 (*Gamble* case and *First Northwest Industries* case) (note that we will be studying the shorter version of *First Northwest Industries* in the Corpak rather than the longer version in the Casebook)
4th Class (Thursday, Aug. 31, 2017) – Defining Gross Income:
- N&B Casebook pages 43–47 (including *Old Colony Trust* and *Kirby Lumber*)
- Skip Casebook 48-56 (skip the *Zarin* case and notes thereafter)
- N&B Casebook 57-64 (including *Collins* case)

5th Class (Tuesday, Sept. 5, 2017): Defining Gross Income; Income Exclusions
- Corpak pages 30-33 middle on the “Rules of Debt”
- SKIP Casebook pages 65-79
- N&B Casebook pages 81-92 top (including *Duberstein* and *Peebles* cases)

6th Class (Thursday, Sept. 7, 2017): Income Exclusions
- Casebook pages 92-93 middle (Problems #3 to #9)
- SKIM N&B Casebook pages 95 middle to 97 (tipping)
- N&B Casebook pages 97 bottom–107 middle (including *Taft v. Bowers, Faird Es-Sultaneh*, Problems #1 through #3 on page 98, problem #5 on page 99; Problems #1 & #2 on page 102)
- Corpak pages 34-35

7th Class (Tuesday, Sept. 12, 2017): Income Exclusions; Fringe Benefits
- N&B Casebook pages 107 middle–114 (including *Turner*);
- Skip N&B Casebook pages 114 bottom–116 bottom (skip *Haverly* case)
- N&B Casebook pages 116 bottom–123 including (Problems #1 through #7, and #10 through #14 on pages 122-123)

8th Class (Thursday, Sept. 14, 2017): Income Exclusions; Fringe Benefits
- N&B Casebook pages 123 bottom to 131 middle (including *Junior Chamber of Commerce* case)
- Corpak 36-39 bottom (parsonage allowance; prizes and awards)

9th Class (Tuesday, Sept. 19, 2017): Damage Awards; Business Deductions
- N&B Casebook pages 131-140 (including *Amos* and Problems #1 through #6)
- Corpak pages 39 bottom to 45 (including *Robinson* case materials and PLR 200041022 (10/13/2000) (described as the IRS’s “bruise rule” ruling))
- SKIP N&B Casebook 140 middle to 141 (Tax-Exempt Bonds)
- N&B Casebook 143-158 top (including *Welch v. Helvering, Amend, and Trebilcock*)
- Corpak pages 46 to 48 middle

10th Class (Thursday, Sept. 21, 2017): Business Deductions
- N&B Casebook 158-167 (Jenkins case)
- Corpak pages 48 middle to 50 middle (illegal payments)
- Corpak pages 50 middle to 55 (*Heineman* case; material on describing a trade or business)
- N&B Casebook 168-171 middle (*Gilmore* case)
- SKIP N&B Casebook 171 middle-180 (skip material including *Kopp’s Company* case)
11th Class (Tuesday, Sept. 26, 2017): Business Deductions
- N&B Casebook 180-186 (Cavanaugh case)
- N&B Casebook 186-188 top (Problem involving Sam Gilliam case) (questions #1 through #4)
- Corpak pages 56 to 57 top (legal analysis on Gilliam case)
- SKIP N&B Casebook 188-197 bottom (Skipping California Helpers and Olive)
- N&B Casebook 400-403 (including Pevsner regarding clothing and Note #4 regarding ABBA rock star)

12th Class (Thursday, Sept. 28, 2017): Business Deductions; Education Expenses
- Corpak pages 57 to 68 top (Ruehmann, John & Betty Watson, Hudgeon cases)
- N&B Casebook 404 middle to 412 middle (including Coughlin case and Singleton-Clarke case)
- N&B Casebook 197 middle to 203 (including Exacto Springs)

13th Class (Tuesday, Oct. 3, 2017): Business Deductions; Medical Expenses
- N&B Casebook 204-205 (International Freighting case)
- N&B Casebook 621-631 top (including Ferris case and Bilder case)
- Corpak pages 68 top to 75 (including W. B. Counts case on nursing home care)

14th Class (Thursday, Oct. 5, 2107) Medical Expenses; Casualty Losses
- Corpak pages 75 to 80 (miscellaneous medical including John Thoene, Schoen, Tao cases)
- N&B Casebook pages 634 middle-637 (IRS PLR 9409006)
- N&B Casebook 607 middle to 620 (including Chamales, Corbaley, Helvering v. Owens, and Schonhoff)
- Corpak pages 81 to 83 (casualty losses) (including Rev. Rul. 63-232, the Termite Ruling)

15th Class (Tuesday, Oct. 10, 2017): Business Deductions; Capital Expenses
- N&B Casebook 207-214 (Rev. Rul. 2001-4, Fall River Gas)
- Corpak pages 84 to 91 middle (including Cenergy Corp case and brief summary of Norwest Corp case)
- SKIP N&B Casebook pages 214 bottom – 230 bottom

16th Class (Thursday, Oct. 12, 2017): Business Deductions; Depreciation; Inventories
- N&B Casebook 230 bottom – 232 bottom
- Note: I will lecture on Fribourg Navigation at page 232 bottom – 234, but there is no need to read it in advance
- Corpak pages 91 middle to 100 middle (including Simon case)
- SKIP N&B Casebook pages 235 to 241
• N&B Casebook 242 bottom-257 bottom (Frontier Chevrolet; Thor), but SKIM N&B Casebook 248 bottom-250 regarding LIFO & FIFO
• Corpak pages 100 middle to 102 middle (regarding Thor)

17th Class (Tuesday, Oct. 17, 2017): Inventory; Timing
• N&B Casebook pages 257 bottom – 262 (Paccar)
• SKIP 263-267
• N&B Casebook 269-278 (Hornung, Ames)
• Corpak pages 102 middle to 106 top

18th Class (Thursday, Oct. 19, 2017): Timing
• N&B Casebook 278 bottom to 291 middle (including North American Oil, U.S. v. Lewis, McKinney, Alice Phelan Sullivan)

19th Class (Tuesday, Oct. 24, 2017): Timing
• N&B Casebook 291 bottom–309 (Tampa Bay, Chrysler, Ford)
• Corpak Materials page 106 (Rev. Proc. 2004-34)

20th Class (Thursday, Oct. 26, 2017): Capital Gains
• N&B Casebook 311-324 top (including Gray v. Darlington, Rice)
• Corpak pages 107 to 113 top (including Bryam)
• SKIP N&B Casebook 324 top-332 middle
• N&B Casebook 332 middle-334 (Hort case)
• SKIP N&B Casebook 335-341 bottom

21st Class (Tuesday, Oct. 31, 2017): Capital Gains; Entertainment Expenses
• N&B Casebook 341 bottom-344 (Long case)
• SKIP N&B Casebook pages 344 bottom-349 bottom
• N&B Casebook 349 bottom – 359 top (Williams v. McGowen; Gilson cases)
• N&B Casebook 395-399 (Danville Plywood)

22nd Class (Thursday, Nov. 2, 2017): Hobbies; Interest; Structural Considerations
• N&B Casebook 451 bottom-457 (Dreicer case)
• [Note; Nothing in Corpak regarding hobbies]
• N&B Casebook pages 466-469 bottom
• Corpak pages 113 to 115 (including edited version of Rev. Rul. 2010-25)
• N&B Casebook 563-567 bottom
• Corpak pages 115 middle to 117 top (structural considerations)

23rd Class (Tuesday, Nov. 7, 2017): Structural Consideration; Charity
• N&B Casebook 568 to 579 bottom (Schramm case; Leonard case)
• Corpak pages 117 top to 120 middle (structural – 2% rule & 3% and 80% rule)
• N&B Casebook 579 bottom-595 top (Hernandez case)
• Corpak pages 120 middle-123 middle (Sklar case)
24th Class (Thursday, Nov. 9, 2017): Charity
- SKIP N&B Casebook 595 top-598 middle
- N&B Casebook 598 middle-607 middle
- Corpak pages 123 middle to 132 top (including Lary v. U.S. – the blood donation case)

25th Class (Tuesday, Nov. 14, 2017): Review Class #1?

26th Class (Thursday, Nov. 16, 2017): Review Class #2?

THANKSGIVING BREAK – Nov. 21 & Nov. 23

27th Class (Tuesday, Nov. 28, 2017): Charities
- Corpak pages 132 top to 147 middle (Lions Associated Drag Strip, St. Louis Science Fiction Limited, Minnesota Kingsmen Chess Assn.)
- Corpak pages 147 middle-154

28th Class (Thursday, Nov. 30, 2017): Miscellaneous Sales & Exchange Materials
- N&B Casebook 639-640 (Deferred Payment Sales)
- N&B Casebook 682 (Sale of a Principal Residence)
- N&B Casebook 657-659 (Into to Non-Recognition Transactions)
- N&B Casebook 669-674 (Involuntary Conversions (including Santucci, PLR 8127089, Johnson)
- Corpak pages 154 to 155 (Revenue Ruling 76-319) (bowling alley ruling)
- SKIM N&B Casebook 660-666 (Like-Kind Exchanges)