



COURSE INFORMATION

Course Title: *Financial Planning: Tax Strategies #490521*

Recommended CPE credit hours for this course:

In accordance with the standards of the CFP Board, the National Registry of CPE Sponsors, and the IRS, CPE credits have been granted based on a 50-minute hour.

CFP®: **10** (All states) CFP Board Course ID# 257131
CFP Board sponsor number: 1008.

CPA: **14.5** (All states)
National Registry of CPE Sponsors ID Number: 107615.
Sponsor numbers for states requiring sponsor registration:
Florida Division of Certified Public Accountancy: 4761 (Ethics #11467)
Hawaii Board of Public Accountancy: 14003
New York State Board of Accountancy (for ethics): 002146
Ohio State Board of Accountancy: M0021
Pennsylvania Board of Accountancy: PX178025
Texas State Board of Accountancy: 009349

EA/RTRP: **14** (All States) IRS: Qualified Sponsor number: *FWKKO*.

CLU, ChFC Professional Recertification: 14.5

Course Description:

This presentation integrates federal taxation with overall financial planning. The course will explore tax strategies relating to the central financial tactics of wealth building, capital preservation, and estate distribution. The result is a unified explanation of tax economics that will permit the tax professional to locate, analyze, and solve financial concerns. Designed to improve the quality of services to clients and the profitability of engagements, this program projects the accountant into the world of financial planning. This course will give the participant practice in analyzing problems, developing solutions, and presenting final personal financial plans to clients. The emphasis is on practical simplicity in dealing with the self-employed and highly compensated individual.

Program Delivery Method: Self-Study (NASBA QAS Self-Study interactive)

Subject Codes/Field of Study

CPA, CFP Board of Standards, Inc.; "D" Taxes.

EA, OTRP: Federal Tax Law.

NAPFA: Taxes

Course Level, Prerequisites, and Advance Preparation Requirements

Program Level: CFP Board: Intermediate; NASBA/CPA, IRS: Overview.

This program is appropriate for professionals at all organizational levels.

Prerequisites: Basic familiarity with federal taxation

Advance Preparation: None

Course Content

Publication/Revision Date: 4/19/2021.

Author: Danny Santucci, J.D.

Final exam (online): Ninety questions (multiple-choice).

Instructions for taking this course

Note: Downloading the PDF of this course will enable Bookmarks for easier navigation (on the left side of the document window, open the bookmarks pane).

You must complete this course within one year of the date of purchase (if you do not complete the course within one year, contact us to determine whether an updated edition of the course is available, in which case we will provide you with a PDF of the updated course and the online exam at no charge).

A passing grade of at least 70% is required on the final exam for this course. You may retake the exam if you do not pass it on the first attempt (no charge).

Complete the course by following the learning objectives listed on the following page, studying the text, and studying the review questions at the end of each major section (or at the end of the course). Once you have completed studying the course and you are confident that the learning objectives have been met, answer the final exam questions (online).

Instructions for Taking the Final Exam Online

- Login to your account online at www.bhfe.com.
- Go to "My Account" and view your course.
- Select "Take Exam" for this course and follow instructions.

Additional Information

- The exam may be started, stopped, then resumed at a later date.
- The exam is "open book," it is not timed, and it may be retaken if not passed on the first attempt (no charge).
- Results (correct, incorrect answers) and certificate appear immediately upon passing the exam.
- CFP® and EA credits are reported weekly.

Have a question? Call us at 800-588-7039 or email us at contact@bhfe.com.

LEARNING ASSIGNMENTS & OBJECTIVES

As a result of studying each assignment, you should be able to meet the objectives listed below each assignment.

ASSIGNMENT	SUBJECT
Chapter 1	Financial Tax Planning

At the start of Chapter 1, participants should identify the following topics for study:

- * Goals v. purposes
- * Investment purposes
- * Myths of retirement
- * Investment goals
- * Investment needs of five critical decades
- * Investment vehicles & entities
- * Retirement - the ultimate objective
- * Retirement costs & income needs
- * Retirement plan development
- * Basic planning elements

Learning Objectives

After reading Chapter 1, participants will be able to:

1. Identify short-term financial goals and investment purposes, recognize the importance of defining, listing, and prioritizing realistic goals specifying how investing allocation changes with age.
2. Determine the tax consequences of title holding methods by:
 - a. Specifying ways to hold title to assets starting with the simplest and most direct way to hold property;
 - b. Cite the tax benefits and drawbacks of co-tenancies, corporations (both C & S), partnerships, qualified retirement plans, and trusts particularly as they relate to a client's after-tax investment return; and
 - c. Identifying custodianship under the uniform acts and determining how an estate can be tax beneficial to taxpayers.
3. Recognize the impact of retirement planning postponement identifying the importance of early planning using the author's suggested step process, specify a balance sheet method to plan retirement, determine how to diversify portfolios by balancing liquid and nonliquid assets, and identify the purpose of savings and strategies to save.

After studying the materials in Chapter 1, answer the exam questions 1 to 10.

ASSIGNMENT**SUBJECT****Chapter 2****Building an Estate**

At the start of Chapter 2, participants should identify the following topics for study:

- * Types of income
- * Information reporting on taxable income
- * Rules of budgeting
- * Cash
- * Acquisition
- * Assets
- * Rules of management
- * Managing risk
- * Taxes
- * Leverage

Learning Objectives

After reading Chapter 2, participants will be able to:

1. Identify money management specifying income types, recognize causes of increased taxable income for itemizing taxpayers, and specify taxable income types and their proper reporting.
2. Determine the distinctions between tax-free municipal bonds from fringe benefits in generating tax-free income, cite the benefits of tax deferral, and identify tax-deferred investments.
3. Specify ways to shelter income stating how income sheltering amplifies investment return.
4. Recognize the budgeting of income into cash by containing expenditures with the author's step process and discretionary income development, identify a client's negative outlook on budgeting and counter strategies, determine how to convert income into assets by purchasing investments, and specify asset acquisition rules.
5. Specify tax-advantaged investments citing management rules, and determine the economic impact of accelerating deductions, postponing tax liability, and leveraging.

After studying the materials in Chapter 2, answer the exam questions 11 to 23.

ASSIGNMENT**SUBJECT****Chapter 3****Preservation of Wealth**

At the start of Chapter 3, participants should identify the following topics for study:

- * Obstacles to preservation
- * Tracking spending
- * Building savings
- * Designing a budget
- * Determining worth
- * Analyzing net worth

- * Ignorance
- * Inflation
- * Taxes
- * Tax planning tactics

Learning Objectives

After reading Chapter 3, participants will be able to:

1. Identify spending habits stating how to design a budget to increase discretionary income, determine net worth using a balance sheet, and select assets and liabilities for an inventory on which to base financial goals.
2. Specify why individuals should take primary responsibility for the investment planning including necessary self-education, determine the allocation of financial resources among investments to maximize return, and recognize the impact of inflation, risk versus return, and basic income tax planning tactics.

After studying the materials in Chapter 3, answer the exam questions 24 to 28.

ASSIGNMENT	SUBJECT
Chapter 4	Deferral

At the start of Chapter 4, participants should identify the following topics for study:

- * Elements of like-kind exchanges
- * Related party exchanges
- * Personal & multiple property regulations
- * Delayed (deferred) exchange regulations
- * Actual & constructive receipt rule
- * Qualified contribution plans
- * Tax-deferred annuities
- * Installment sales
- * At-risk rule
- * Deferred compensation and options

Learning Objectives

After reading Chapter 4, participants will be able to:

1. Identify the benefits of tax deferral, recall the former use of tax deferral under §1034, and cite the tax deferral advantage under §1031 listing its elements.
2. Specify the related party §1031 restrictions identifying prohibited parties or entities and permissible disposition exceptions, cite recommendations for the protection of exchange participants, and recognize the history of the multiple property regulations stating the unique netting requirements for multiple asset exchanges.
3. Recall the evolution of delayed exchanges naming allowable transfers, determine how to select qualified replacement property, specify constructive receipt safe harbors & methods to secure exchange party performance, cite the §1031 partnership underlying asset rule, identify retirement plan design, identify

popular methods for providing for retirement, and select near retirement investments.

4. Specify the requirements for an installment sale, determine how to elect out of the installment method, identify the variables affecting §453 availability, and determine how to use a property option to receive income and postpone tax.

After studying the materials in Chapter 4, answer the exam questions 29 to 43.

ASSIGNMENT	SUBJECT
Chapter 5	Reduction

At the start of Chapter 5, participants should identify the following topics for study:

- * Work Opportunity Credit & Rehabilitation Credit
- * Low Income Housing Credit & Child & Dependent Care Credit
- * Estimated taxes
- * Interest
- * Automobile deductions
- * Business entertainment deductions
- * Depreciation & cost recovery
- * Net operating losses
- * Tax breaks for nonitemizers
- * Amended returns

Learning Objectives

After reading Chapter 5, participants will be able to:

1. Identify tax credits specifying qualified computational expenses, limitations, and restrictions.
2. Recognize the estimated tax rules and procedures including payment deadlines, underpayment penalties, and the economics of overpaying estimated taxes, and specify the nondeductible interest types.
3. Determine the deductibility of investment interest, prepaid interest, points, and prepayment penalties recognizing the offset of passive income with rental property mortgage interest.
4. Identify business vehicle operating costs using (or switching between) the actual cost method or the standard mileage rate, recognize the importance of expense and mileage records and specify depreciation traps when purchasing a vehicle.
5. Recall the requirements for business expenses to meet the directly related test, cite the elements of the associated test, identify the business expense statutory exceptions, and recognize the application of R.R. 90-23 and R.R. 99-7 to the deduction of transportation costs to a temporary work location.
6. Determine business asset depreciation using both ACRS and MACRS recovery classes, identify sources of §172 net operating losses (NOLs) recognizing carryback and carryover rules, specify tax breaks for nonitemizing taxpayers, rec-

recognize the advisability of filing an amended return, determine how to avoid audits by claiming refunds for provable items stating which return amendments are safest.

After studying the materials in Chapter 5, answer the exam questions 44 to 59.

ASSIGNMENT	SUBJECT
Chapter 6	Income Splitting

At the start of Chapter 6, participants should identify the following topics for study:

- * Using progressive tax rates
- * Deductible business expenses
- * Home-office deduction
- * C or regular corporations
- * S corporations
- * Family partnerships
- * Kiddie tax trap
- * Childcare & education
- * Gifts
- * Interest-free loans

Learning Objectives

After reading Chapter 6, participants will be able to:

1. Recognize formats for income splitting, determine the tax treatment of employee and self-employed business expenses particularly home-office expenses stating the two non-exclusive use exceptions and the income limitation, cite changes made to home office deduction under TRA '97, and recognize the ability of self-employed to make annual deductible contributions to a Keogh plan.
2. Identify the tax opportunities available to an unincorporated business including retirement plans, the hiring of family members, travel expenses, casualty losses, bad debts, and self-employment tax.
3. Determine the uses and tax characteristics of regular and S corporations by:
 - a. Citing circumstances when incorporation is desirable,
 - b. Recognizing the taxation of these entities including their ability to split income; and
 - c. Specifying initial §351 formation and capitalization issues and identifying appropriate tax form filings for each entity.
4. Recognize the use of partnerships to split income among partners including the use of §704(e) family partnerships and the consequences of gifting a partnership interest to a child or to another family member.
5. Identify the use of a custodianship to split income specifying planning considerations and good investments for children, recognize deductions and credits for childcare, education, children, and §7872 loans, and specify the income and later estate tax benefits of gifts.

After studying the materials in Chapter 6, answer the exam questions 60 to 72.

ASSIGNMENT**SUBJECT****Chapter 7****Elimination**

At the start of Chapter 7, participants should identify the following topics for study:

- * \$500,000 home sale exclusion
- * Municipal bonds
- * Divorce & separation settlements
- * Gifts & inheritances
- * Life insurance
- * Fringe benefits
- * Taxation & valuation of benefits
- * Employee expense reimbursement & reporting
- * Social security

Learning Objectives

After reading Chapter 7, participants will be able to:

1. Identify tax elimination techniques by:
 - a. Recognizing the current §121 home sale exclusion citing its differences with prior tax law;
 - b. Determining qualifications for tax-free state or local obligations including private activity bonds; and
 - c. Specifying the tax elimination aspects of family transactions such as gifts, bequests, inheritances, life insurance, and even divorce.
2. Recognize employer deductions as a means to increase tax-free incentive-based compensation for employees by:
 - a. Specifying rules for excluding fringe benefits under §132 and their proper reporting on the W-2; and
 - b. Identifying popular employee fringe benefits including employer-paid accident & health coverage, meals or lodging, cafeteria plan benefits, §127 education assistance, achievement awards, group life insurance, and dependent care assistance.
3. Determine how to value fringe benefits according to IRS regulations, identify how to comply with ERISA requirements, specify the proper reporting of reimbursed and unreimbursed business expenses under accountable and nonaccountable plans, determine the substantiation of auto expenses using a fixed and variable rate, and specify eligible retirement benefits exempt from social security taxes.

After studying the materials in Chapter 7, answer the exam questions 73 to 80.

ASSIGNMENT**SUBJECT****Chapter 8****Estate Planning**

At the start of Chapter 8, participants should identify the following topics for study:

- * Unlimited marital deduction
- * Applicable exclusion amount

- * Stepped-up basis
- * Basic estate planning goals
- * Simple will
- * Types of trusts
- * Charitable trusts
- * Insurance trusts
- * Family documents
- * Private annuities

Learning Objectives

After reading Chapter 8, participants will be able to:

1. Identify estate planning for business clients by:
 - a. Selecting elements of estate tax planning that have remained unchanged by recent legislation;
 - b. Recognizing the unlimited marital deduction and its effect on the gross estate of the value of property; and
 - c. Specifying the applicable exclusion amounts for various years of death.
2. Determine the differences between "stepped-up basis" and repealed "modified carryover basis" for estate tax purposes.
3. Specify estate planning goals and the benefits and drawbacks of the primary dispositive plans.
4. Identify the various types of trusts, specify family documents that every taxpayer should consider, and determine the advantages and disadvantages of the former private annuity format.

After studying the materials in Chapter 8, answer the exam questions 81 to 90.

Notice

This course and test have been adapted from materials and information contained in the above text and any supplemental material provided. This course is sold with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional advice and assumes no liability whatsoever in connection with its use. Since laws are constantly changing, and are subject to differing interpretations, we urge you to do additional research and consult appropriate experts before relying on the information contained in this course to render professional advice.



Financial Planning Tax Strategies

**By
Danny C. Santucci**

The author is not engaged by this text or any accompanying lecture or electronic media in the rendering of legal, tax, accounting, or similar professional services. While the legal, tax, and accounting issues discussed in this material have been reviewed with sources believed to be reliable, concepts discussed can be affected by changes in the law or in the interpretation of such laws since this text was printed. For that reason, the accuracy and completeness of this information and the author's opinions based thereon cannot be guaranteed. In addition, state or local tax laws and procedural rules may have a material impact on the general discussion. As a result, the strategies suggested may not be suitable for every individual. Before taking any action, all references and citations should be checked and updated accordingly.

This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is sold with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional service. If legal advice or other expert advice is required, the services of a competent professional person should be sought.

—From a Declaration of Principles jointly adopted by a committee of the American Bar Association and a Committee of Publishers and Associations.

**Copyright April, 2021
Danny Santucci**

TABLE OF CONTENTS

CHAPTER 1 - FINANCIAL TAX PLANNING1-1

Comparing Goals & Purposes	1-2
Investment Purposes.....	1-3
Purpose #1 - Comfortable Retirement	1-3
Myths of Retirement	1-3
Plan For 10 to 15 Retirement Years.....	1-3
Stay With One Company to Retire With the Best Benefits	1-4
Preserve Capital.....	1-4
Retirees Are Taxed Less	1-5
Housing Costs Are Less	1-5
Just the Spouse and Me.....	1-6
Medicare Will Cover Medical Bills	1-6
Retirees End Up In a Nursing Home.....	1-6
Purpose #2 - Education.....	1-7
Purpose #3 - Family & Personal Stability.....	1-7
Purpose #4 - Enjoyment of Life	1-8
Purpose #5 - Commitment	1-8
Investment Goals.....	1-11
Find Your Place in Time.....	1-12
“Know Thy Investment Self”	1-14
Investment Vehicles & Entities.....	1-14
Individual.....	1-14
Corporate	1-15
Trusts.....	1-17
Co-Tenancy.....	1-18
Partnership.....	1-19
Retirement Plan.....	1-19
Custodianship.....	1-20
Estate	1-21
Retirement Now - The Ultimate Objective.....	1-23
Defining Retirement.....	1-24
When Do I Want To Retire?	1-25
What Kind Of Lifestyle Do I Want?	1-26
Do I Want To Move?.....	1-26
Determining Retirement Costs & Income Needs	1-31
Developing a Plan	1-35
Savings - The 10% Rule	1-36
Selected Strategies for Savings	1-37
Basic Planning Elements.....	1-38

CHAPTER 2 - BUILDING AN ESTATE.....2-1

Assets, Income & Cash	2-2
Income.....	2-2

Type #1 - Taxable	2-3
Information Reporting on Taxable Income.....	2-5
Payments	2-5
Salary & Wages	2-5
Interest Income	2-5
Dividends	2-5
Tax-refunds	2-5
Gambling Winnings	2-6
Other Income Known to the IRS	2-6
Real Estate Transactions	2-6
Type #2 - Tax-free.....	2-7
Type #3 - Tax-Deferred.....	2-8
Type #4 - Tax-sheltered.....	2-8
Gifts	2-8
Borrowed Money	2-8
Gain on Home Sales.....	2-9
IRA Rollovers.....	2-9
Inheritances	2-9
Life Insurance Proceeds	2-9
Property Settlements	2-9
Child Support Payments.....	2-9
Money Recovered For Personal Injuries	2-9
Workers Compensation Payments	2-10
Disability Payments	2-10
Tax Refunds	2-10
Municipal Bond Interest.....	2-10
Vacation Home Rental	2-10
Children's Wages.....	2-12
Children's Investment Income.....	2-12
Scholarships.....	2-13
Budgeting	2-15
Rule #1: Expenses - 60%	2-16
Rule #2: Taxes - 20%	2-16
Rule #3: Savings - 10%	2-17
Rule #4: Education - 10%	2-17
Rule #5: Keep Your Benefits	2-18
Cash.....	2-18
Lifestyle.....	2-18
Emergency Funds.....	2-19
Savings as Deferred Investing.....	2-19
How To Save	2-20
Programmed Savings	2-20
Tax Savings.....	2-21
Joint vs. Separate Returns	2-23
Purchase of Assets.....	2-24
Acquisition.....	2-26
Stay Liquid - Be Able To Get Your Money Back	2-26
Grow - Make Money on Your Money	2-26
Shelter - Get Tax Benefits.....	2-27
Build - Don't Spend Your Benefits	2-27
Avoid Linking - Each Investment Must Stand On Its Own.....	2-27

Analyze - Investigate the Investment.....	2-27
Assets	2-27
Management	2-28
Rule #1 - Develop Cash Flow	2-28
Rule #2 - Learn To Negotiate.....	2-29
Rule #3 - Manage Risk	2-29
Investment Loss	2-29
Liability.....	2-29
Poor Health.....	2-30
Premature Death	2-30
Rule #4 - Diversify	2-30
Rule #5 - Monitor Assets	2-31
Rule #6 - Use Systems.....	2-32
Taxes & Investment Economics	2-32
Deductions Now, Taxes Later, or Maybe Never	2-32
Accelerate Deductions.....	2-32
Taxes.....	2-32
Charitable Contributions	2-32
Medical Expenses	2-33
Miscellaneous Expenses.....	2-33
Business Expenses	2-33
Leverage	2-34

CHAPTER 3 - PRESERVATION OF WEALTH.....3-1

Four Obstacles to Preservation.....	3-1
Spending Habits.....	3-1
Track Your Spending.....	3-2
Income.....	3-2
Expenditures	3-2
Living Expenses	3-2
Fixed	3-2
Variable.....	3-2
Credit Card Payments	3-2
The Bottom Line	3-3
Converting a Minus Into a Plus	3-3
Build in Savings	3-3
Adjustments.....	3-4
Designing a Budget	3-4
What Are You Worth?.....	3-6
Inventory Assets	3-6
Cash	3-6
Personal Property.....	3-6
Investments.....	3-6
List Liabilities.....	3-7
Analyze Net Worth	3-7
Wasting Assets	3-7
Liquidity.....	3-7
Diversification	3-7
Cash Reserve	3-7
Ignorance	3-9

Taking Control	3-9
Planning Responsibility	3-9
Delegation.....	3-9
Asset Allocation - Risk & Return.....	3-10
Inflation	3-11
Taxes	3-11
Tax Planning Tactics	3-12

CHAPTER 4 - DEFERRAL.....4-1

Former §1034 - Repealed.....	4-1
Section 1031 “Like-Kind” Exchanges	4-2
Exchange Advantage.....	4-2
Importance of Deferral	4-2
Three Elements	4-3
Exchange Requirement.....	4-3
Two-Party Exchanges	4-3
Multi-Party Exchanges.....	4-4
Alderson.....	4-4
Baird	4-5
Delayed Exchanges.....	4-5
Qualified Property Requirement.....	4-6
Like-Kind Requirement.....	4-7
Rules of Boot.....	4-7
Related Party Exchanges	4-13
Definition of Related Party	4-13
Exceptions to the Two-Year Rule	4-14
Contractual Protection	4-15
Transactions Between A Partner & Partnership.....	4-15
Foreign Real Property Exchanges	4-15
Qualified §1031 Exchange of Personal Property Repealed	4-15
Requirements for Personal Property - Prior to 2018.....	4-16
Like-Kind or Like-Class.....	4-16
Like-Kind Personal Property - Identical.....	4-16
Like Class Personal Property - General Asset or Product Class	4-16
Five, Four, Then Six Digit Product Classes.....	4-17
Other Personal Property	4-20
Multiple Asset Exchanges	4-20
Exchange Groups.....	4-20
Aggregation & Allocation	4-21
Delayed (Deferred) Exchange Regulations.....	4-23
Deferred (Delayed) Exchange Definition	4-23
Identification Requirements.....	4-23
Identification & Exchange Periods	4-23
Application of §7503	4-24
Method of Identification.....	4-24
Property Description	4-24
Incidental Property - 15% Rule	4-26
Revocation.....	4-26
Substantial Receipt.....	4-26
Multiple Replacement Properties.....	4-26

Actual & Constructive Receipt Rule	4-28
Four Safe Harbors	4-28
Safe Harbor #1 - Security	4-29
Safe Harbor #2 - Escrow Accounts & Trusts.....	4-29
Disqualified Person.....	4-29
Who Is An Agent?	4-30
Safe Harbor #3 - Qualified Intermediary.....	4-30
Who Is A Qualified Intermediary?.....	4-30
Direct Deeding	4-31
Assignment.....	4-31
Simultaneous Exchanges.....	4-31
Safe Harbor #4 - Interest	4-32
Interest Reporting - §468B(g).....	4-32
Restrictions On Rights to Money & Other Property - “g(6)” Limitations	4-33
Outside Transfers of Money or Other Property	4-34
Exchanges of Partnership Interests.....	4-35
Effective Date of Partnership Provisions.....	4-36
Retirement Plans.....	4-36
Designing Your Retirement.....	4-37
Sources of Retirement Income	4-38
Qualified Corporate Programs.....	4-38
Defined Contribution Plans	4-40
Profit-Sharing Plan	4-40
Money Purchase Pension Plan.....	4-40
Stock Bonus Plan.....	4-40
Employee Stock Ownership Plan.....	4-40
401(k) Plan.....	4-40
Defined Benefit.....	4-40
Defined Benefit Pension.....	4-41
Annuity Plan.....	4-41
SIMPLE Plans.....	4-41
Self-Employed Plans	4-41
Individual Retirement Accounts.....	4-43
Penalty-Free Withdrawals	4-43
Roth IRA - §408A.....	4-43
Tax-Deferred Annuities	4-44
Mechanics.....	4-44
Types of Deferred Annuity.....	4-44
Fixed Annuity.....	4-45
Variable Annuity	4-45
Minimum Investment & Charges.....	4-45
Simplified Employee Pension (SEP) Plan	4-45
Investment Assets.....	4-46
Matching Income to Expenditures.....	4-46
Participant Loan Regulations	4-47
Additional Loan Requirements.....	4-47
DOL Regulations	4-48
Installment Sales.....	4-48
Requirements	4-48
Late Election Out of Installment Method.....	4-49
Formula	4-49

Mortgage in Excess of Basis	4-49
Recapture	4-49
Dealers	4-51
At-Risk Rule	4-51
Application	4-51
Nonrecourse Financing	4-51
Qualified Nonrecourse Financing	4-51
Qualified Persons	4-51
Deferred Compensation	4-52
Options	4-52

CHAPTER 5 - REDUCTION.....5-1

Tax Credits	5-1
Work Opportunity Tax Credit (WOTC) – §51	5-1
Computation	5-2
Welfare-to-Work & Work Opportunity Credits Merged	5-2
Certification Trap	5-2
Research Tax Credit - §41	5-3
Alternative Simplified Credit	5-3
Relation to §174	5-4
Rehabilitation Tax Credit - §47	5-4
Credit Rates	5-4
Residential vs. Nonresidential	5-4
External Wall Requirement	5-4
Basis Reduction	5-4
Low Income Housing Credit - §42	5-4
Amount of Expenditure	5-5
Set Aside Requirement	5-5
Qualifying Units	5-5
Gross Rent Limitation - 30%	5-5
Section 8 Assistance Exclusion	5-5
Recapture of Credit	5-6
30-Year Rule	5-6
State Credit Ceiling	5-6
AGI Limitation	5-6
Child & Dependent Care Credit - §21	5-6
Eligibility	5-7
Employment Related Expenses	5-7
Qualifying Out-of-the-home Expenses	5-8
Payments to Relatives	5-8
Allowable Amount	5-8
Identification of Provider	5-8
Estimated Taxes	5-8
General Rule	5-8
Annualized Method	5-10
Cash-Saving Strategies	5-10
Underpayment Cautions	5-10
Tax Refund Trap	5-11
Basic Deductions	5-12
Interest	5-12

Personal Interest – Repealed (Gone Long Ago).....	5-12
Investment Interest	5-13
Prepaid Interest	5-13
Points.....	5-14
Huntsman Case.....	5-14
Prepayment Penalty.....	5-14
Interest on Real Estate	5-14
Rental Property.....	5-14
Home Owners.....	5-15
Automobile Deductions.....	5-15
Employee Automobile Deductions.....	5-15
Business/Personal Proration.....	5-15
Actual Cost Method.....	5-16
Standard Mileage Rate.....	5-16
Limitations on Standard Mileage Method	5-16
Must Be an Individual.....	5-16
Switching Methods.....	5-17
Claiming Deductions	5-17
Records.....	5-17
Mileage Records	5-17
Depreciation Traps	5-18
Percentage Test.....	5-18
Depreciation “Recapture”.....	5-18
Depreciation Limits for Autos	5-18
Leasing Restrictions.....	5-19
Mileage Allowance for Leased Autos	5-19
First-year Expensing - §179.....	5-19
Commuting - Local Business Transportation	5-22
Revenue Ruling 90-23 - Superseded	5-22
Temporary Work Site Definition.....	5-22
Reserve Units.....	5-23
Reimbursements.....	5-23
Revenue Ruling 99-7.....	5-23
Business Entertainment	5-24
Prior to 2018	5-24
Former Directly Related Test	5-24
Former Associated Test.....	5-25
Statutory Exceptions - §274(e).....	5-25
Food and Beverages for Employees.....	5-25
Expenses Treated as Compensation	5-25
Reimbursed Expenses	5-25
Recreational Expenses for Employees	5-25
Employee, Stockholder, and Business Meetings.....	5-26
Trade Association Meetings	5-26
Items Available to Public	5-26
Entertainment Sold to Customers.....	5-26
Expenses Includible in Income of Non-employees	5-26
Depreciation & Cost Recovery - §167 & §168.....	5-26
Personal Property	5-27
ACRS - §168.....	5-27
Applicable Percentage.....	5-27

Straight-line Election	5-27
MACRS	5-28
Recovery Classes	5-28
MACRS Elections.....	5-29
Straight-line.....	5-29
150% Declining Balance.....	5-29
Bonus (or Additional First-year) Depreciation - §168(k).....	5-29
Phase Down.....	5-30
Qualified Property - §168(k)(2).....	5-30
Nonqualified Property - §168(k)(2).....	5-31
MACRS Conventions.....	5-31
Mid-quarter Convention Exception.....	5-31
Election to Expense Assets - §179.....	5-32
Income Limitation.....	5-32
Carryover	5-32
Deduction Reduction.....	5-32
Employee Restriction.....	5-32
Recapture - §1245	5-32
Net Operating Losses - §172.....	5-35
Creation of an NOL.....	5-35
Individual NOLs	5-35
Carryovers.....	5-35
Farming.....	5-36
Corporate NOLs.....	5-36
Further Limitations.....	5-36
Tax Breaks for Nonitemizers.....	5-37
Adjustments.....	5-37
Credits.....	5-37
Amended Returns	5-37
Audit Avoidance	5-38
Safest Amendments.....	5-38
Not-So-Safe Amendments.....	5-38

CHAPTER 6 - INCOME SPLITTING.....6-1

Using Progressive Tax Rates.....	6-2
Splitting Income Among Group Members.....	6-2
Wealth Allocation	6-2
Major Formats.....	6-2
Unincorporated Business	6-4
Deductible Business Expenses	6-4
Home-Office Deduction	6-4
Requirements - §280A.....	6-4
Non-Exclusive Use Exceptions	6-5
Income Limitation	6-5
Home Office Deduction Expansion.....	6-5
Analysis.....	6-6
Square Footage Safe Harbor - R.P. 2013-13	6-6
Retirement Plans	6-6
Hiring Your Children	6-6
Hiring Your Spouse.....	6-7

Travel Expenses	6-7
Casualty Losses.....	6-7
Bad Debts	6-7
Self-Employment Tax	6-7
Incorporation.....	6-8
“C” or Regular Corporation	6-10
Planning Considerations	6-10
When to Incorporate.....	6-12
Formation	6-12
Cash for Stock.....	6-13
Property for Stock	6-13
Stock for Services.....	6-13
Stock for Debt	6-13
Repeal of the “General Utilities” Doctrine	6-14
Corporate Assets	6-14
Leasing	6-14
Lessor.....	6-14
Gift & Leaseback	6-15
Sale & Leaseback.....	6-15
“S” Corporation.....	6-15
Single Taxation	6-15
S Corporation Return.....	6-15
Planning Considerations	6-16
Tax Advantages	6-16
Formation	6-17
Corporations That Qualify.....	6-17
Income-Splitting.....	6-18
Estimated Tax Payments.....	6-19
Family Partnership.....	6-19
Partner’s Distributive Share.....	6-19
Partnership Return.....	6-19
Schedule K-1 (Form 1065)	6-20
Family Partnerships.....	6-20
Family Members	6-20
Capital	6-21
Children as Partners.....	6-21
Earned Income.....	6-21
Gift of Capital Interest.....	6-21
Custodianship & Children.....	6-24
Taxation.....	6-24
Kiddie Tax - §1(g).....	6-24
Income-Shifting Investments.....	6-25
US Savings Bonds	6-25
Municipal Bonds.....	6-25
Growth Stock.....	6-25
Real Estate.....	6-25
Child Care & Education	6-26
Nursery School & Day Care - §21.....	6-26
Special Schools	6-27
Credit Plus Special School Expenses.....	6-27
Employer Dependent Care Program - §129	6-27

Education Savings Bonds - §135.....	6-27
Notice 90-7.....	6-28
Interest on Education Loans - §221.....	6-28
Buying an Off-campus House.....	6-29
Status as Second Home.....	6-29
Status as Rental Property.....	6-29
Gifting Gain for Education Expenses.....	6-30
Gifts.....	6-30
Gifts by Check.....	6-30
Facts.....	6-30
Holding.....	6-31
Interest Free Loans.....	6-31
De Minimis Exception.....	6-32
Special Rule for Gift Loans.....	6-32

CHAPTER 7 - ELIMINATION.....7-1

Former Age 55 Exclusion - Repealed.....	7-1
\$500,000 Home Sale Exclusion - §121.....	7-2
Two-Year Ownership & Use Requirements.....	7-2
Tacking of Prior Holding Period.....	7-2
Vacant Land.....	7-2
Mixed Business & Residence Use.....	7-3
Prorata Exception.....	7-3
Safe Harbor Regulations.....	7-4
Change in Place of Employment.....	7-4
Health.....	7-4
Unforeseen Circumstances.....	7-5
Use of Old §1034 & §121 - Gone Long Ago.....	7-5
Limitations on Exclusion.....	7-6
Renting to Parents.....	7-6
Parent's Benefits.....	7-7
Children's Benefits.....	7-7
Municipal Bonds.....	7-7
Tax-Exempt Interest on Qualified State or Local Obligations.....	7-7
Reporting.....	7-8
Private Activity Bonds.....	7-8
Divorce & Separation Settlements.....	7-8
Alimony.....	7-8
Child Support.....	7-9
Property Division.....	7-9
Dependency Exemption.....	7-9
Gifts & Inheritances.....	7-9
Basis of Gift.....	7-10
FMV Less Than Donor's Adjusted Basis.....	7-10
FMV More Than Donor's Adjusted Basis.....	7-10
Holding Period.....	7-10
Income from Property Given to a Child.....	7-10
Life Insurance.....	7-11
Proceeds Not Received in Installments.....	7-11
Proceeds Received in Installments.....	7-11

Fringe Benefits	7-12
Prizes & Awards - §74(b)	7-12
Group Life Insurance Premiums - §79	7-13
Table I.....	7-14
Accident and Health Plans - §106 & §105.....	7-14
Meals & Lodging - §119.....	7-14
Cafeteria Plans - §125	7-14
Educational Assistance Program - §127	7-15
Dependent Care Assistance - §129.....	7-15
Reporting Requirements for Dependent Care Programs.....	7-15
Cash Reimbursement Plans	7-16
In-kind Assistance.....	7-16
Section 132.....	7-16
No Additional Cost Services - §132(a) & (b).....	7-16
Qualified Employee Discounts - §132(c).....	7-16
Services - §132(c)(1).....	7-17
Property - §132(c)(2) & (4)	7-17
Working Condition Fringe Benefits - §132(d)	7-17
De Minimis Fringe Benefits - §132(e).....	7-17
Spousal Insurance	7-17
Transportation Fringe Benefits - §132(f)	7-17
Moving Expense Reimbursements - §132(a)(6).....	7-18
Retirement Planning Services - §132(a)(7).....	7-18
On-premise Athletic Facilities - §132(j)	7-18
Nondiscrimination Under §132.....	7-18
Taxation & Valuation of Benefits.....	7-19
Valuation Provisions	7-19
Leased Cars.....	7-19
Purchased Cars.....	7-19
Fleet-Average Rule.....	7-19
Cents-Per-Mile Valuation	7-20
Commuting Valuation Rule	7-20
Chauffeur Services	7-20
Eating Facilities	7-20
Meal Subsidy Rule	7-20
ERISA Compliance	7-21
Welfare Plans.....	7-21
Additional Requirements.....	7-21
Employee Expense Reimbursement & Reporting.....	7-22
TRA '86 - Unreimbursed Expenses Become Itemized Deductions	7-22
Family Support Act - Reimbursement Without Accounting Is Income	7-22
Accountable Plans	7-24
Reasonable Period of Time.....	7-25
Fixed Date Safe Harbor - #1.....	7-25
Period Statement Safe Harbor - #2.....	7-25
Adequate Accounting.....	7-25
Per Diem Allowance Arrangements.....	7-26
Federal Per Diem Rate	7-26
Related Employer Restriction.....	7-30
Partial Days of Travel	7-31
Unproven or Unspent Per Diem Allowances.....	7-31

Reporting Per Diem Allowances	7-32
Reimbursement Not More Than Federal Rate	7-32
Reimbursement More Than Federal Rate.....	7-33
Nonaccountable Plans.....	7-33
Unreimbursed Employee Expenses	7-34
Fixed & Variable Rate (FAVR) Allowances - R.P. 90-34.....	7-34
Elements	7-34
Periodic Fixed Payment.....	7-35
Periodic Variable Payment	7-35
Limitations.....	7-36
Record keeping	7-36
Social Security.....	7-37
Earnings Record.....	7-37
Payments Exempt from Social Security	7-37
Social Security Checkup.....	7-37
Form SSA-7004	7-38
Form SSA-7050	7-38

CHAPTER 8 - ESTATE PLANNING8-1

Unlimited Marital Deduction	8-2
Outright To Spouse	8-2
Marital Deduction Trust	8-3
Qualified Terminable Interest Property (QTIP) Trust	8-3
Applicable Exclusion Amount.....	8-3
Spousal Portability of Unused Exemption Amount - §2010(c)(2).....	8-5
Stepped-up Basis - §1014.....	8-5
Former Modified Carryover Basis Rules - §1022	8-6
Property to Which the Former Modified Carryover Basis Rules Applied.....	8-6
Limited Basis Increase for Certain Property	8-8
2010 Special Election	8-8
Basic Estate Planning Goals.....	8-9
Primary Dispositive Plans.....	8-9
Simple Will.....	8-9
Danger for Larger Estates	8-10
Probate.....	8-10
Assets Not Subject to a Will	8-10
Assets Subject to a Will.....	8-12
Trusts	8-14
Types of Trusts	8-15
Living Trusts.....	8-15
Testamentary Trusts	8-15
Revocable & Irrevocable	8-15
Living “A-B” Revocable Trust	8-15
Living “A-B-C” (QTIP) Trust.....	8-18
Impact of Spousal Portability on Trust B under TUIRJCA.....	8-18
Charitable Trusts	8-20
Charitable Remainder Trusts	8-20
Charitable Income Trusts.....	8-20
Insurance Trusts.....	8-20
Family Documents.....	8-23

Living Will	8-23
Property Agreement & Inventory.....	8-23
Durable Power Of Attorney.....	8-24
Power of Attorney for Health Care.....	8-24
Conservatorship	8-24
Funeral Arrangements	8-26
Anatomical Gifts.....	8-26
Private Annuity?.....	8-26
Advantages to the Transferor.....	8-26
Disadvantages to the Transferor.....	8-26
Advantages to the Transferee.....	8-27
Disadvantages to the Transferee	8-27
Regulations Restrict Private Annuity Income.....	8-27

Learning Objectives

After reading Chapter 1, participants will be able to:

1. Identify short-term financial goals and investment purposes, recognize the importance of defining, listing, and prioritizing realistic goals specifying how investing allocation changes with age.
2. Determine the tax consequences of title holding methods by:
 - a. Specifying ways to hold title to assets starting with the simplest and most direct way to hold property;
 - b. Cite the tax benefits and drawbacks of co-tenancies, corporations (both C & S), partnerships, qualified retirement plans, and trusts particularly as they relate to a client's after-tax investment return; and
 - c. Identifying custodianship under the uniform acts and determining how an estate can be tax beneficial to taxpayers.
3. Recognize the impact of retirement planning postponement identifying the importance of early planning using the author's suggested step process, specify a balance sheet method to plan retirement, determine how to diversify portfolios by balancing liquid and nonliquid assets, and identify the purpose of savings and strategies to save.