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## Course Information

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**Course Title:** *Real Estate Tax Planning #490818*

**Number of continuing education credit hours recommended for this course:**

**CFP®: 8** (All states) CFP Board sponsor number: 1008. CFP Board Course ID# 195437

**CPA: 11** (All states)

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.

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: 002146

Ohio State Board of Accountancy: M0021

Pennsylvania Board of Accountancy: PS 178025

Texas State Board of Accountancy: 009349

**EA, OTRP** 11 IRS: Qualified Sponsor number: FWKKO.

**CLU, ChFC:** 11 (Professional Recertification)

### Course Description

This book is designed to survey selected “hot” topics having a direct impact on the property owner and investor. The emphasis is on problem areas where the unwary beginner and expert alike can be trapped. You will learn to identify dangers involving installment sales, imputed interest, exchanging, equity participation, condemnation, passive loss rules, and transactions with foreign investors.

**For Table of Contents** [go to page XI](#)

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

**Subject Codes/Field of Study:**

NASBA (CPA), CFP Board of Standards, Inc., NAPFA Taxes.

IRS (EA, OTRP): Federal Tax Law.

**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

**Course Content**

Publication/Revision date: 8/24/2018.

Author: Danny Santucci, J.D.

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

**Instructions for taking this course**

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 pages and at the beginning of each chapter, studying the chapter-text, then studying the review questions at the end of the chapter. Once you have completed each chapter and you are confident that the learning objectives have been met, answer the final exam questions for that chapter online (see exam question numbers for each learning objective on the following pages). As an alternative, you may complete the entire exam after studying the entire text.

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- Login to your account online at [www.bhfe.com](http://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.

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# Learning Assignments & Objectives

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

<b>ASSIGNMENT</b>	<b>SUBJECT</b>
<b>Chapter 1</b>	<b>Tax Economics</b>

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

- \* Financial fundamentals and tax planning elements
- \* Taxable income
- \* Tax-free income
- \* Tax-deferred income
- \* Tax-sheltered income
- \* Budgeting
- \* Cash
- \* Acquisition
- \* Assets
- \* Management

### **Learning Objectives**

After reading Chapter 1, participants will be able to:

1. Determine what constitutes building an estate, preserving wealth and distributing assets in the context of financial fundamentals and tax planning elements.
2. Identify types of income, from a financial and tax perspective, to be budgeted into cash so that income-producing assets can be acquired and managed for an effective investment plan.
3. Recognize the types of fringe benefits that employers can provide to employees tax-free.
4. Specify budget rules, ways that cash can be used, guidelines that should be applied when purchasing assets and money management rules.

After studying the materials in Chapter 1, answer the exam questions 1 to 8.

<b>ASSIGNMENT</b>	<b>SUBJECT</b>
<b>Chapter 2</b>	<b>Installment Sales &amp; Time Value of Money</b>

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

- \* Installment method
- \* Imputed interest
- \* OID
- \* Real property sales & casual sales of personal property
- \* Related party sales

- \* Like-kind exchanges
- \* Contingent payments or price
- \* Dealer dispositions
- \* Installment obligations in excess of \$5 million
- \* Dispositions of installment obligations

### **Learning Objectives**

After reading Chapter 2, participants will be able to:

1. Recognize the importance of the installment method, select requirements set forth in §453 to determine whether the installment method may be used, and specify terminology associated with the installment method.
2. Determine the impact of §483 (imputed interest rules) and §§1271 through 1274 (original issue discount rules) on installment sales.
3. Specify the rules associated with real property sales and casual sales of personal property, the superstructure of provisions associated with the related party rules of §453 and the exceptions that override basic installment planning.
4. Identify how the contingent payment sales have changed due to the Installment Sales Revision Act of 1980, specify other contingent payment rules, and determine circumstances when dispositions of installment obligations occur.

After studying the materials in Chapter 2, answer the exam questions 9 to 23.

<b>ASSIGNMENT</b>	<b>SUBJECT</b>
<b>Chapter 3</b>	<b>Mortgage Finance</b>

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

- \* Mortgage costs
- \* Interest deduction
- \* Interest-free & below-market rate loans
- \* Imputed interest & OID
- \* Shared appreciation mortgages
- \* Tax treatment overview
- \* Types of equity participation debt
- \* Tests to determine what constitutes interest
- \* Option & conversion rights
- \* Convertible indebtedness

### **Learning Objectives**

After reading Chapter 3, participants will be able to:

1. Identify mortgage financing specifying advantages and disadvantages and determine how to amortize mortgage costs.

2. Determine interest using *Deputy v. DuPont*, 308 U.S. 488, and specify key aspects of personal interest, investment interest, prepaid interest, and points.
3. Recognize interest-free or below-market interest rate loans and how they relate to lenders' interest income and borrowers' interest paid under §7872.
4. Identify long-term financing techniques and characteristics of a shared appreciation mortgage and their impact on lenders and borrowers.
5. Specify tests that determine what constitutes interest and their effect on the tax treatments of equity participation, and identify equity participation debt.

After studying the materials in Chapter 3, answer the exam questions 24 to 37.

## **ASSIGNMENT**

## **SUBJECT**

### **Chapter 4**

### **Home Sales & Like-Kind Exchanges**

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

- \* Home sales under §121
- \* Special rules for ownership & use requirements
- \* Prorata exception
- \* Three elements of like-kind exchanges
- \* Related party exchanges
- \* Like-kind requirement for personal property
- \* Multiple asset exchanges
- \* Identification requirements for delayed exchange regulations
- \* Actual & constructive receipt rule for delayed exchange regulations
- \* Exchanges of partnership interests

### **Learning Objectives**

After reading Chapter 4, participants will be able to:

1. Identify the elements of the \$500,000 home sale exclusion, how to apply it, and specify safe harbor regulations associated with the home sale exclusion.
2. Determine the advantages of §1031 exchanges, its requirements and the types of true exchanges, and cite the rules of boot and their effect on like-kind exchanges.
3. Recognize the regulations for related party exchanges, foreign real property exchanges, and multiple property exchanges, and specify the former codification systems and how they related to exchanged depreciable tangible properties.
4. Identify the regulations for delayed (deferred) exchanges, specify safe harbors that can be used without risk of actual or constructive receipt, and determine what partnership interests may be exchanged under §1031 and those that may not.

After studying the materials in Chapter 4, answer the exam questions 38 to 49.

**ASSIGNMENT****SUBJECT****Chapter 5****Involuntary Conversions**

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

- \* Threat of condemnation
- \* Property voluntarily sold
- \* Easements
- \* Condemnation award
- \* Severance damages
- \* Special assessment withheld from an award
- \* Gain or loss from condemnations
- \* Postponement of gain
- \* Replacement period
- \* Related party rule

**Learning Objectives**

After reading Chapter 5, participants will be able to:

1. Identify condemnations and involuntary conversions under §1033 recognizing their impact on the recognition of gain or loss.
2. Specify variables of a condemnation award including their effect on income and the cost of newly acquired property.
3. Determine severance damages and recognize the complexity of their treatment.
4. Cite the rules on the reporting of payments associated with involuntary conversions, determine gain postponement choices, and specify the related party rule.

After studying the materials in Chapter 5, answer the exam questions 50 to 58.

**ASSIGNMENT****SUBJECT****Chapter 6****Passive Loss & At-Risk Rules**

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

- \* Passive loss rules
- \* Material participation
- \* Activity definition
- \* Passive & nonpassive activities
- \* Passive activity loss
- \* Rental activities
- \* Recharacterization of passive income
- \* Passive activity credits
- \* Passive activity audit guide
- \* At-risk limits

## **Learning Objectives**

After reading Chapter 6, participants will be able to:

1. Identify basic type of income and the “buckets” of income and loss under §469 that can control what a taxpayer can deduct against other income.
2. Recognize the suspension of disallowed losses and how it relates to passive losses, and specify the special rules for types of transfers that are not deemed to be fully taxable dispositions.
3. Identify taxpayers subject to §469 and whether clients fall into one of the categories of taxpayers who are subject to the passive loss rules.
4. Specify ways that a taxpayer can avoid having an activity become subject to the passive loss limits identifying the requirements for each, and recognize the effects of the §469 limitations on credits and losses from passive activities.
5. Identify an activity and passive activity loss, determine the treatment of carryover losses and the allocation process, recognize the characterization of gain from the exchange, sale or other disposition of an interest in property used in an activity or held through a partnership or S corporation, and cite the special rule for rental real estate.
6. Specify the recharacterization rules under the regulations, determine passive activity credits, recognize the benefits and uses of the passive activity audit guide, and identify the impact of the at-risk limit rules.

After studying the materials in Chapter 6, answer the exam questions 59 to 74.

## **ASSIGNMENT**

## **SUBJECT**

### **Chapter 7**

### **Sales by Foreign Investors**

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

- \* FIRPTA
- \* United States real property interests
- \* United States property holding corporations
- \* Exceptions to U.S. property holding corporations
- \* Foreign corporations
- \* Distributions
- \* Withholding & reporting requirements
- \* Non-foreign affidavit

## **Learning Objectives**

After reading Chapter 7, participants will be able to:

1. Recognize the requirements of Foreign Investment in Real Property Tax Act of 1980, determine a United States real property interest using §897 to determine what dispositions by foreign investors will be taxed.

2. Identify interests in foreign corporations that can be used to avoid taxes on their disposition, and improve reporting of U.S. real property interests by foreign investors.

After studying the materials in Chapter 7, answer the exam questions 75 to 76.

<b>ASSIGNMENT</b>	<b>SUBJECT</b>
<b>Chapter 8</b>	<b>REITs</b>

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

- \* Benefits of REIT pools
- \* Advantages over limited partnerships
- \* Organizing a REIT
- \* Self-liquidating REITs
- \* Taxation
- \* Tax Reform Act of 1986
- \* Taxpayer Relief Act of 1997

### **Learning Objectives**

After reading Chapter 8, participants will be able to:

1. Cite reasons for establishing a REIT that generate annual income that is tax-sheltered and is apt to grow over time, specify advantages that REITs have over limited partnerships and their effect on investments and shareholders, and recognize the development of the self-liquidating REIT.
2. Identify how management operates a REIT, determine ways that REITs and the fees they pay their advisers can grow, and specify requirements with regards to organization, operation, assets and income that are set forth in §856 through §858.

After studying the materials in Chapter 8, answer the exam questions 77 to 80.

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# Real Estate Tax Planning

By  
Danny C. Santucci



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# Table of Contents

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Course Information	ii
Learning Assignments & Objectives	iv
Table of Contents	xi
<b>CHAPTER 1 - TAX ECONOMICS.....</b>	<b>1-1</b>
Financial Fundamentals	1-1
Tax Planning Elements	1-2
Assets, Income, & Cash	1-2
Income	1-3
Taxable	1-3
Income Splitting/Matching	1-5
Tax-free	1-6
Fringe Benefits	1-6
Tax-deferred	1-7
Section 1034 Sale or Exchange of Residence - Repealed	1-7
Section 1031 "Like-Kind" Exchanges	1-7
Options	1-8
Deferred Compensation	1-8
Qualified Corporate Retirement Plans	1-8
Self-employed Plans	1-10
Individual Retirement Accounts	1-10
Installment Sales	1-10
Tax-sheltered	1-10
Age 55 Exclusion - Repealed	1-11
Home Sale Exclusion - §121	1-11
Municipal Bonds	1-11
Gifts & Inheritances	1-12
Life Insurance	1-12
Budgeting	1-14
Rule #1: Expenses - 60%	1-14
Rule #2: Taxes - 20%	1-14
Rule #3: Savings - 10%	1-14
Rule #4: Education - 10%	1-14
Cash	1-14
Acquisition	1-15
Assets	1-15
Management	1-15
<b>CHAPTER 2 - INSTALLMENT SALES &amp; TIME VALUE OF MONEY2-1</b>	
Installment Method	2-1
Requirements	2-1
Formula	2-1
Definitions	2-2
Imputed Interest & OID	2-5
Complexity	2-6
Sale at a Loss	2-6

Section 483 - Imputed Interest	2-6
Exemptions	2-6
Imputed Interest Rates	2-7
Small Transaction Exception	2-7
Intra-family Land Exception	2-7
Timing	2-7
Sections 1271-1274 & OID	2-7
OID Rates	2-7
Timing	2-7
Cash Method Debt Instrument Exception	2-7
Computation of OID	2-8
Personal Use Property - Buyer's Deduction of Imputed Interest	2-8
Payments, Mortgages, Recapture & Repossession	2-10
Real Property Sales – Payments After Year of Sale	2-10
Mortgage in Excess of Basis	2-10
Wrap-around Indebtedness	2-10
Professional Equities Decision	2-10
Recapture	2-11
Practical Issues	2-11
Section 1038 - Repossession by Seller	2-11
Repossession of Principal Residence	2-11
Related Party Sales	2-15
Resale Rule	2-15
Related Persons	2-15
Exceptions	2-15
Depreciable Property	2-15
Contingent Payments or Price	2-17
Installment Sales Revision Act of 1980	2-18
Contingent Payment Sale	2-18
Maximum Selling Price Transactions	2-18
Recomputation	2-19
Fixed Payment Term Transactions	2-19
Losses	2-19
No Maximum Selling Price or Fixed Payment Term	2-20
Losses	2-20
Income Forecast Method	2-20
Election	2-21
Calculation	2-21
Special Rules	2-21
Qualification	2-21
Repeal of Installment Treatment for Dealer Dispositions	2-22
Definition	2-22
Residential Lot & Timeshare Exception	2-22
Interest Computation	2-22
Qualification	2-22
Installment Obligations in Excess of \$5 Million	2-23
Computation of Interest	2-23
Definitions	2-23
Pledging	2-23
Disposition of Installment Obligations	2-23
Gain or Loss	2-24

Exceptions	2-24
Substitution	2-24
Tax-free Transfers	2-24

**CHAPTER 3 - Mortgage Finance .....3-1**

Overview	3-1
Two Major Benefits	3-1
Mortgage Costs	3-1
Amortization	3-1
Lender's Costs	3-2
Interest Deduction - § 163	3-2
Personal Interest	3-2
Phase-In Rules	3-3
Investment Interest	3-3
Prepaid Interest	3-3
Points	3-3
Prepayment Penalty	3-3
Lender's Interest Income & Borrower's Interest Paid	3-4
Interest-Free & Below-Market Rate loans	3-4
Two Imputations	3-4
Tax Character	3-4
Application	3-4
Categories of Loans & Timing of Imputations	3-6
All Other Loans	3-6
Gift & Demand Loans	3-6
Exceptions to Gift Loan Rules	3-6
\$10,000 De Minimis Exception	3-6
\$100,000 De Minimis Exception	3-6
Imputed Interest & OID	3-7
Complexity	3-7
Sale at a Loss	3-7
Overstated Interest	3-7
Reporting Mortgage Interest Received From Individuals	3-7
Equity Participation Debt	3-9
The Shared Appreciation Mortgage - SAM	3-10
Characteristics of a SAM	3-10
Tax Treatment Overview	3-11
Unsettled Treatment	3-11
Revenue Ruling 83-51	3-11
Types of Equity Participation Debt	3-11
Contingent Interest	3-11
Option or Conversion Right	3-11
Does Equity Participation Debt Constitute Interest?	3-11
Basic Tests to Establish Interest	3-12
Farley Realty Corp.	3-12
Kena, Inc.	3-13
Caselaw Factors	3-13
Revenue Ruling 83-51	3-14
Significance of R.R. 83-51	3-15
Limitations of R.R. 83-51	3-15
Partnership Recharacterization - Culbertson Rule	3-15

Tax Consequences of Debt Recharacterization	3-16
Option & Conversion Rights	3-17
Original Issue Discount - A Special Issue for Conversion & Option Rights	3-17
Convertible Indebtedness	3-18
Tax Consequences of Conversion	3-18

## **CHAPTER 4 - HOME SALES & LIKE-KIND EXCHANGES.....4-1**

Home Sales - §121	4-1
Ownership & Use Requirements	4-1
Special Rules	4-2
Occasional Absences	4-3
Tacking of Prior Holding Period	4-3
Rental of Personal Residence	4-3
Depreciation	4-4
Vacant Land	4-4
Mixed Personal & Business Use of Home	4-4
Depreciation after May 6, 1997	4-5
Divorce	4-5
Prorata Exception	4-6
Safe Harbor Regulations	4-6
Change in Place of Employment	4-6
Health	4-7
Unforeseen Circumstances	4-7
Use of Old §1034 & §121	4-8
Limitations on Exclusion	4-8
Remainder Interests	4-9
Section 1031 "Like Kind" Exchanges	4-10
Exchange Advantage	4-10
Importance of Deferral	4-11
Three Elements	4-11
Exchange Requirement	4-11
Two-party Exchanges	4-11
Multi-party Exchanges	4-12
Alderson	4-13
Baird	4-14
Delayed Exchanges	4-15
Qualified Property Requirement	4-16
Like-Kind Requirement	4-16
Rules of Boot	4-17
Related Party Exchanges	4-20
Definition of Related Party	4-20
Exceptions to the Two Year Rule	4-21
Contractual Protection	4-21
Transactions Between A Partner & Partnership	4-22
Foreign Real Property Exchanges	4-22
Qualified §1031 Exchange of Personal Property Repealed	4-22
Requirements for Personal Property - Prior to 2018	4-22
Like-Kind or Like-Class	4-23
Like-Kind Personal Property - Identical	4-23
Like Class Personal Property - General Asset or Product Class	4-23
Five, Four, Then Six Digit Product Classes	4-24

Other Personal Property	4-27
Multiple Asset Exchanges	4-27
Exchange Groups	4-27
Aggregation & Allocation	4-27
Delayed (Deferred) Exchange Regulations	4-28
Deferred (Delayed) Exchange Definition	4-28
Identification Requirements	4-28
Identification & Exchange Periods	4-28
Application of §7503	4-30
Method of Identification	4-30
Property Description	4-30
Incidental Property - 15% Rule	4-31
Revocation	4-31
Substantial Receipt	4-31
Multiple Replacement Properties	4-31
Actual & Constructive Receipt Rule	4-33
Four Safe Harbors	4-33
Safe Harbor #1 - Security	4-33
Safe Harbor #2 - Escrow Accounts & Trusts	4-34
Disqualified Person	4-34
Who Is An Agent?	4-34
Safe Harbor #3 - Qualified Intermediary	4-35
Who Is A Qualified Intermediary?	4-35
Direct Deeding	4-36
Assignment	4-36
Simultaneous Exchanges	4-36
Safe Harbor #4 - Interest	4-36
Interest Reporting - §468B(g)	4-37
Restrictions On Rights to Money & Other Property - “g(6)” Limitations	4-37
Outside Transfers of Money or Other Property	4-38
Exchanges of Partnership Interests	4-40
Effective Date of Partnership Provisions	4-40
Reverse Exchanges - R.P. 2000-37	4-40

## **CHAPTER 5 - INVOLUNTARY CONVERSIONS .....5-1**

Condemnations	5-1
Threat of Condemnation	5-2
Reports of Condemnation	5-2
Property Voluntarily Sold	5-2
Easements	5-3
Condemnation Award	5-3
Amounts Withheld From Award	5-3
Net Condemnation Award	5-3
Interest on Award	5-4
Payments to Relocate	5-4
Severance Damages	5-5
Treatment of Severance Damages	5-5
Expenses of Obtaining an Award	5-6
Special Assessment Withheld from Award	5-6
Severance Damages Included in Award	5-7
Gain or Loss from Condemnations	5-7

How to Figure Gain or Loss	5-7
Part Business or Part Rental	5-8
Postponement of Gain	5-8
Choosing to Postpone Gain	5-8
Cost Test	5-8
Replacement Period	5-8
Condemnation	5-8
Replacement Property Acquired Before the Condemnation	5-9
Extension	5-10
Time for Assessing a Deficiency	5-10
Related Party Rule	5-11

## **CHAPTER 6 - PASSIVE LOSS & AT-RISK RULES.....6-1**

Passive Loss Rules	6-1
Application	6-1
Active Losses	6-1
Credits	6-2
Calculating Passive Loss - The Fish Rules	6-2
Categories of Income & Loss	6-2
Passive	6-2
Portfolio	6-2
Material Participation	6-3
Suspension of Disallowed Losses	6-6
Fully Taxable Disposition	6-6
Abandonment & Worthlessness	6-6
Related Party Transactions	6-6
Credits	6-6
Disallowance	6-7
Increase Basis Election	6-7
Other Transfers	6-7
Transfer By Reason Of Death - §469(g)(2)	6-7
Transfer By Gift - §469(j)(6)	6-7
Installment Sale - §469(g)(3)	6-7
Activity No Longer Treated As Passive Activity - §469(f)(1)	6-8
Closely Held To Nonclosely Held Corporation - §469(f)(2)	6-8
Nontaxable Transfer	6-8
Ordering of Losses	6-9
Capital Loss Limitation - §1211	6-10
Carryforwards	6-10
Allocation of Suspended Losses	6-11
Taxpayers Affected	6-13
Noncorporate Taxpayers	6-13
Regular Corporations	6-13
Personal Service Corporations	6-13
Definition - Temp. Reg. §1.469-1T(g)(2)(i)	6-15
Personal Services	6-15
Principal Activity - 50% Test	6-15
Substantially Performed by Employee-Owners - 20% Test	6-15
Material Participation	6-16
"Trade or Business" Definition	6-16
February 19, 1988 Regulations	6-16

General Rule for Individuals	6-16
Record keeping	6-19
Meaning of Participation	6-19
Exceptions to Definition - The “Unwork” Rules	6-19
Husband & Wife Counted as One	6-20
Annual Test	6-20
Pre-'87 Participation - 500 Hours	6-20
Special Rules for Entities	6-21
Limited Partnership Interests Presumption	6-21
Exceptions to Presumption	6-21
Trusts and Estates	6-21
Retired & Disabled Farmers	6-22
Corporations	6-22
Activity Definition	6-24
Final Regulations	6-26
Relevant Factors	6-26
Rental Activities	6-26
Limited Partnership Activities	6-27
Partnership & S Corporation Activities	6-27
Consistency	6-27
Regrouping	6-28
Partial Dispositions	6-28
Passive & Nonpassive Activities	6-28
Trade or Business	6-28
Characterization Based on Participation	6-28
Rental Activity	6-29
Exceptions	6-29
Non-Passive Activities	6-31
Rental Activities of Real Estate Professionals	6-31
Eligibility Standards	6-32
Working Interests in Oil & Gas	6-34
Entities That Limit Liability	6-34
Activities within Activities	6-34
Passive Activity Loss	6-35
Husband & Wife	6-35
Special Rule for Closely Held Corporations	6-35
Net Active Income	6-35
Carryover of Disallowed Losses	6-36
Treatment of Carryover Losses	6-36
Allocation Process	6-36
Significant Participation Activities	6-37
Income from Dispositions of Property Used in Passive Activities	6-38
Mixed Use Property	6-38
Alternating Use	6-38
De Minimis Use Rule - 10/10 Test	6-38
Disposition of Appreciated Property Formerly Used in a Nonpassive Activity	6-39
Rental Activities	6-39
Special Rule for Rental Real Estate	6-39
Five Conditions	6-39
Active Participation	6-42
Change in Participation	6-42



Application of \$25,000 Allowance Rule	6-42
Aggregation & Ordering:	6-42
Net Operating Loss	6-43
Net Leases	6-43
Definition	6-43
Recharacterization of Passive Income	6-43
Active Business Recharacterization	6-43
Significant Participation Income Rules	6-43
Ratable Portion of Income	6-44
Formula	6-44
Significant Participation Losses	6-44
Rental of Property Developed by Taxpayer	6-44
Self-Rented Property	6-44
Portfolio Income Recharacterization Rules	6-45
Rental of Nondepreciable Property	6-45
Equity Financed Lending Activities	6-45
Limitation on Recharacterization	6-45
Passive Activity Credits	6-45
Regular Tax Liability Allocable to Passive Activities	6-46
Formula	6-46
Exception for Real Estate Rental Activity Credits	6-46
Application	6-47
Credits Subject to Passive Activity Limits	6-47
Allocation of Disallowed Credits	6-47
Treatment of Carryover Credits	6-48
Passive Activity Audit Guide	6-48
Indicators of Audit Issues	6-48
Investment Interest	6-49
Material Participation	6-49
Significant Participation Activities	6-49
Active Participation	6-50
Net Lease Properties	6-50
Vacation Rentals	6-50
Self-Charged Expenses	6-51
Rental & Nonrental Activity Grouping	6-51
Divorce	6-51
At-Risk Limits	6-51
Amount At Risk	6-51
Taxpayers Affected	6-52
Closely Held Corporation	6-52
Qualified Corporation Exception	6-54
Qualifying Business Requirements	6-54
Loss Defined	6-55
Disallowed Losses	6-55
Form 6198	6-55
Partnership & S Corporation Limits	6-55
Activities Covered by the At-Risk Rules	6-56
Equipment Leasing	6-56
Real Property	6-57
Grouping of Activities	6-57
Partners & S Corporation Shareholders	6-58

At-Risk Amounts	6-58
Borrowed Amounts	6-58
Related Persons	6-59
Subsequent Years	6-60
Amounts Not At Risk	6-60
Nonrecourse Financing	6-60
Other Loss Limiting Arrangements	6-61
Reductions of Amounts At Risk	6-61

## **CHAPTER 7 - SALES BY FOREIGN INVESTORS .....7-1**

FIRPTA	7-1
United States Real Property Interests	7-1
U.S. Property Holding Corporations	7-2
Definition	7-2
Exceptions	7-2
Foreign Corporations	7-2
Distributions	7-2
Withholding & Reporting Requirements	7-3
Non-foreign Affidavit	7-3

## **CHAPTER 8 - REITS.....8-1**

REIT Pools	8-1
Benefits	8-1
Advantages Over Limited Partnerships	8-1
Organizing a REIT	8-2
Management	8-2
Income & Growth	8-2
Self-Liquidating REITs	8-3
Taxation	8-3
Organization & Operation	8-3
Assets & Income	8-4
Tax Reform Act of 1986	8-4
Taxpayer Relief Act of 1997	8-5
Penalties for Failure to Request Information	8-5
De Minimis Rule For Tenant Service Income	8-5
Attribution Rules	8-5
Credit for Tax Paid By REIT on Retained Capital Gains	8-5
Repeal Of 30% Gross Income Requirement	8-5
REIT Earnings & Profits from Non-REIT Year	8-5
Treatment of Foreclosure Property	8-6
Payments under Hedging Instruments	8-6
Excess Noncash Income	8-6
Prohibited Transaction Safe Harbor	8-6
Shared Appreciation Mortgages	8-6
Wholly-Owned REIT Subsidiaries	8-6
Repeal of 30% Requirement of RICs	8-6
Glossary	8-36
Index of Keywords & Phrases	8-37