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## Course Information

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**Course Title:** *Real Estate Tax Planning #490820*

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

**CFP®: 7.5** (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(ethics): 002146

Ohio State Board of Accountancy: M0021

Pennsylvania Board of Accountancy: PX 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.

**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: 3/20/2020.

Author: Danny Santucci, J.D.

Final exam (online): Eighty 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 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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**Additional Information**

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- 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.
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# Learning Assignments & Objectives

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(Table of Contents follows the Learning Objectives)

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

**ASSIGNMENT                      SUBJECT**

## **Chapter 1 Tax Economics**

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.

**ASSIGNMENT                      SUBJECT**

## **Chapter 2                      Installment Sales & Time Value of Money**

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.

<b>ASSIGNMENT</b>	<b>SUBJECT</b>
<b>Chapter 4</b>	<b>Home Sales &amp; Like-Kind Exchanges</b>

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.

<b>ASSIGNMENT</b>	<b>SUBJECT</b>
<b>Chapter 5</b>	<b>Involuntary Conversions</b>

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.

<b>ASSIGNMENT</b>	<b>SUBJECT</b>
<b>Chapter 6</b>	<b>Passive Loss &amp; At-Risk Rules</b>

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 the basic types 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

### **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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