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## Course Information

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

**#490824**

**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** (Accepted in 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.

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Texas State Board of Accountancy: 009349

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

### 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.

### Course Content

Publication/Revision date: 9/23/2024.

Author: Danny Santucci, J.D.

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

**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

**Instructions for Taking This Course**

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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.

After studying the materials in Chapter 1, answer 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 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 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 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 §121.
2. Determine the advantages of §1031 exchanges, their requirements, and the types of true exchanges including delayed exchanges.
3. Recognize the regulations for related party exchanges and the disallowance of personal property exchanges.
4. Identify the provisions of 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 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 sales under threat of condemnation and their impact on the recognition of gain or loss.
2. Specify variables of a condemnation award including their effect on income and determine a taxpayer's net condemnation award.
3. Identify severance damages and recognize the complexity of their treatment.
4. Cite the §1033 gain postponement choices and specify the related party rule.

After studying the materials in Chapter 5, answer 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 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 transfers 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 the effects of the §469 limitations on credits and losses from passive activities and determine how to qualify for material participation.
5. Identify an activity and its passive activity loss, determine the treatment of carryover suspended losses, and recognize the tax treatment property formerly used in a nonpassive Activity.
6. Determine passive activity credits and recognize the benefits and uses of the passive activity audit guide.

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

## **ASSIGNMENT**

### **Chapter 7**

## **SUBJECT**

### **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 the Foreign Investment in Real Property Tax Act of 1980, and 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 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. Recognize the requirements of the Foreign Investment in Real Property Tax Act of 1980, and identify interests in foreign corporations that can be used to avoid taxes on their disposition.

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

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# REAL ESTATE TAX PLANNING



By  
Danny C. Santucci

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