

Special Problems in Real Estate Taxation

Course Description & Study Guide

Course description and objectives: 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.

Completion Deadline & Exam: This course, including the examination, must be completed within one year of the date of purchase. In addition, unless otherwise indicated, no correct or incorrect feedback for any exam question will be provided.

Course Level: Overview. This program is appropriate for professionals at all organizational levels.

Field of Study: Taxes

Prerequisite: General understanding of federal income taxation.

Advanced Preparation: None

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	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 personality
- * 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 personality, 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.

ASSIGNMENT	SUBJECT
Chapter 3	Mortgage Finance

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 noting 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 noting 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 noting their effect on like kind exchanges.
3. Recognize the regulations for related party exchanges, foreign real property exchanges and personal and multiple property exchanges, and specify the codification systems noting how they relate 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 noting 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 noting 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 noting 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.

ASSIGNMENT	SUBJECT
Chapter 8	REITS

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.

Notice

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