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## 2015 TAX FACTS ON INVESTMENTS



**Robert Bloink, J.D., LL.M.,**  
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# 2015 TAX FACTS ON INVESTMENTS

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Robert Bloink, Esq., LL.M.  
William H. Byrnes, Esq., LL.M., CWM®

2015 Edition

*Tax Facts on Investments* (formerly *Tax Facts 2*) is published annually by the Professional Publishing Division of The National Underwriter Company. This edition reflects selected pertinent legislation, regulations, rulings and court decisions as of August 1, 2014. For the latest developments throughout the year, check out [www.TaxFactsUpdates.com](http://www.TaxFactsUpdates.com).

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- Property That Can Be Given Under Uniform Gifts to Minors Act (by state)
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# INTRODUCTION TO 2014 TAX FACTS ON INVESTMENTS

Welcome to the 2015 edition of *Tax Facts on Investments*. The 2015 edition features an expansion of some of our most popular materials based upon subscriber feedback. As in past years, we have also incorporated analysis of the most important recent judicial rulings and Internal Revenue Service guidance into all of the content in Tax Facts.

This year's edition of *Investments* includes an expansion of our coverage of tax considerations in regard to real estate investment trusts (REITS) as well as updating our coverage of recent final regulations issued in this area. In addition, we expanded our coverage on reverse mortgages to include key developments from this area and added new information on Exchange Traded Funds (ETFs).

Our Tax Facts on Insurance & Employee Benefits features a significant expansion of our section on international law to include the most pressing tax issues faced by U.S. individuals who have frequent business or other ties with Canada. Additionally, we have once again expanded our popular annuities materials as well as additional questions on inherited IRAs and Roth conversions.

Throughout Tax Facts, you will find an expansion of our “planning points,” each offering a piece of practical advice written by a practitioner who is an expert in his or her field, which will assist you in providing your clients with the most knowledgeable guidance possible. We have continued to reorganize many of our more complicated questions, splitting almost 75 questions into discrete subparts that make these questions simpler and easier to understand. When combined with our updated Code-based index, we believe this will streamline your research process and save you time and effort.

As always, please keep in mind that updated information on critical tax law changes will be available as they occur for all subscribers at [www.TaxFactsUpdates.com](http://www.TaxFactsUpdates.com). This includes any tax code changes that may emerge from the negotiations over the various expired tax code provisions that continue to progress through Congress as we go to press with this edition.

Additional changes throughout the year—including revenue rulings, case law decisions, and legislative and regulatory activity—are available through subscription to our online tax service, *Tax Facts Online*. *Tax Facts Intelligence*, a monthly newsletter that provides the most current analysis of recent IRS rulings and industry developments, rounds out the suite of *Tax Facts* publications.

This edition of *Tax Facts* was developed with the assistance of authors Professor William H. Byrnes and Professor Robert Bloink. Prof. Byrnes currently serves as the Dean of Thomas Jefferson Law School and has been the author of numerous books, treatises and scholarly articles. Prof. Bloink is an insurance industry expert whose practice incorporates sophisticated wealth transfer techniques, as well as counseling institutions in the context of their insurance portfolios. He is also a professor of tax for the Graduate Program of International Tax and Financial Services, Thomas Jefferson School of Law.



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### ABOUT THE AUTHORS

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William Byrnes' weekly articles are published in National Underwriter Advanced Markets, Tax Facts Online, ThinkAdvisor and LifeHealthPro. "The authors' knowledge and experience in tax law and practice provides the expert guidance for National Underwriter to once again deliver a valuable resource for the financial advising community," (Reuters, January 21, 2014). "In the field of international tax, Prof. William Byrnes is among LexisNexis's best-selling authors ..." Ray Camiscioli, Esq., LexisNexis, Inc.

William Byrnes served in senior positions of Coopers and Lybrand where he consulted for multi nationals and high net wealth business owners. He has been commissioned and consulted by a number of governments on their tax, fiscal, and education policy. He was a tenured law faculty member in Miami, Florida, and in the early nineties pioneered online tax and financial services

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Mr. Ellis frequently speaks to a variety of groups, including attorneys, accountants and financial planners throughout Pennsylvania, New Jersey, Delaware and Maryland. Mr. Ellis is also the Course Planner for the PBI Courses “Drafting Wills and Trusts in Pennsylvania”, “Wills v. Trusts: A Primer on the Right Tool for Your Clients”, “Use of Trusts”, and “Post-Mortem Estate Planning”, and a participant in a variety of additional courses for PBI. He is also an annual participant in the Villanova University’s annual tax conference, cosponsored with the Internal Revenue Service.

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In addition to teaching, Mr. Gardner is a member of WealthCounsel, LLC, serves on the Editorial Board of *The Journal of Financial Planning*, and is former member of the Council on Examinations of the Certified Financial Planner Board of Standards. He is a member of the AICPA, the Missouri Society of CPAs, and the Kansas Bar Association. He has also written many articles for publications such as the *Journal of Financial Planning*, *Taxation for Accountants*, *Practical Tax Strategies*, and *Tax Adviser*.

### **Johni Hays, J.D.**



Johni Hays is Vice-President of Thompson and Associates. With almost 20 years' experience as a practicing attorney in charitable and estate planning, Johni Hays is a recognized expert on the subject of charitable gift planning. Johni is the author of the book, *Essentials of Annuities* and co-author of the book, *The Tools and Techniques of Charitable Planning*. Johni serves on the Editorial Advisory Board for the books *Tax Facts on Investments* and *Tax Facts on Insurance and Employee Benefits*. She serves as a charitable planning author of Steve Leimberg's electronic newsletter service, LISI, found at [www.leimbergservices.com](http://www.leimbergservices.com). Johni has been quoted in the Wall Street Journal and has published charitable planning articles in Estate Planning Magazine, Planned Giving Today, Fundraising Success, Life Insurance Selling and the National Underwriter magazines.

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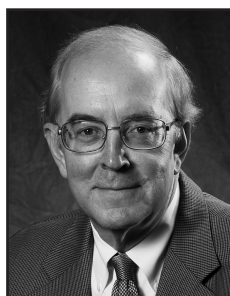


stages of tax controversies, including all administrative and judicial levels from examination through court proceedings.

Mr. Hodges has represented a broad range of taxpayers, including individuals, estates, closely held businesses, tax-exempt organizations, and publicly traded corporations. A substantial number of these engagements have involved the defense of TEFRA partnerships and limited liability companies. He has represented taxpayers in many different federal courts, including the U.S. Tax Court, the U.S. District Court for the Northern District of Georgia, the U.S. District Courts for the Middle District and Southern District of Florida, the U.S. District Court for the Southern District of Mississippi, the U.S. District Court for the District of Arizona, the U.S. District Court for the District of South Carolina, the U.S. Court of Federal Claims, and the U.S. Court of Appeals for the Fifth, Ninth and Eleventh Circuits.

Mr. Hodges has been a key litigator in various cases earning him honors and recognition. He has been listed as a "Leader in the Field" for Taxation by Chambers USA: *America's Leading Lawyers for Business* each year since 2005. He was recognized by his peers in the 2015 edition of *The Best Lawyers in America*<sup>®</sup>, and each of the five years immediately preceding, for the area of Tax Law. In 2014 and each of the five years immediately preceding, Mr. Hodges was named a Georgia "Super Lawyer" and previously a Georgia "Rising Star" by *SuperLawyers* magazine. Throughout his career, Mr. Hodges has provided insight as an industry leader for some of the nation's top news outlets including the *Wall Street Journal*, *Bloomberg*, *BusinessWeek*, *Forbes* and *Law360*. He is AV<sup>®</sup> rated by Martindale-Hubbell.\*

### **Erik M. Jensen**



Erik Jensen is the Burke Professor of Law at Case Western Reserve University in Cleveland, Ohio, where he has been on the faculty for over thirty years. Professor Jensen has also taught at the Cornell Law School, from which he earned his law degree in 1979. His work has been recognized through election as a fellow of the American College of Tax Counsel and as a member of the American Law Institute.

Professor Jensen's professional activities have been extensive. Before entering teaching, Professor Jensen was a tax associate with the New York City law firm of Sullivan & Cromwell.

He has spoken widely on tax matters and is author of *The Taxing Power* (Praeger 2005) and of several dozen articles on taxation and other subjects. He is also Editor of the *Journal of Taxation of Investments*. He serves as Vice-Chair for Law Development of the Sales, Exchanges, and Basis Committee of the American Bar Association Section of Taxation.

### **Jay Katz, J.D., LL.M.**



Jay Katz is a tax attorney in Delaware with more than a decade of experience in private practice litigating tax cases and handling audits, collection matters, and offers in compromise for corporate and individual clients. He has earned LL.M.s in taxation from both the NYU and University of Florida graduate tax programs. During twelve years as a professor at Widener University Law School and Beasley School of Law at Temple University, Jay has taught virtually every tax and estate planning course on the curriculum and was the director of the Widener tax clinic.

In addition to being a coauthor of the 4th Edition of *The Tools & Techniques of Income Tax Planning*, Jay has penned seven published tax articles, including “An Offer in Compromise You Can’t Confuse: It is not the Opening Bid of a Delinquent Taxpayer to Play Let’s Make a Tax Deal with the Internal Revenue Service,” 81 *Miss. L.J.* 1673 (2012) (lead article); “The William O. Douglas Tax Factor: Where Did the Spin Stop and Who Was He Looking Out For?” 3 *Charlotte Law Review* 133 (2012) (lead article); and “The Untold Story of Crane v. Commissioner Reveals an Inconvenient Tax Truth: Useless Depreciation Deductions Cause Global Basis Erosion to Bait A Hazardous Tax Trap For Unwitting Taxpayers,” 30 *Va. Tax Rev.* 559 (2011).

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Mr. Keebler frequently represents clients before the IRS National Office in the private letter ruling process and in estate, gift, and income tax examinations and appeals, and he has received more than 150 favorable private letter rulings including several key rulings of first impression. He is the author of over 100 articles and columns and is the editor, author, or coauthor of many books and treatises on wealth transfer and taxation.

### **Sonya King, J.D., LL.M.**



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Before that, Ms. King served as a judicial law clerk to the Honorable Donald R. Ford at the Eleventh District Court of Appeals in Warren, Ohio, and also as a trust officer with Key Bank. Prior to attending law school, she was a registered principal (Series 24) and licensed insurance agent for a major life insurance company.

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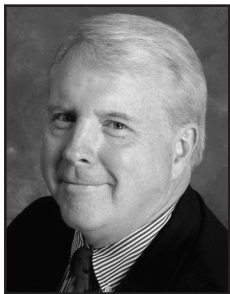


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Jonathan Neal has more than thirty years of experience in the retirement planning industry dealing directly with seniors. He writes both public and industry related articles on retirement planning issues and products that are primarily focused on the senior marketplace. In April 2009 his book "Reverse Mortgages – What Every Financial Advisor Should Know" was released. This book tackles the complexities of reverse mortgages and the various perceptions that seniors, financial and insurance advisors, and mortgage brokers are presently dealing with.

Over the years his articles have introduced some unique ideas and tools designed to help seniors better understand different insurance and investing concepts, such as The LTC Calculator, which is a tool that helps LTCi representatives and seniors work together to find a realistic daily LTCi coverage needs. Another example is the premium versus cost formula he developed in order to provide advisors with an functional mathematical formula to provide seniors with realistic quantified numbers based on their individual situation to help them understand not only what it would take to fund a LTCi policy, but also identify where those funds can be found in their present portfolio.

In addition to his articles, he has written twenty-five continuing education courses that have been approved by various state insurance departments, which include but are not limited to the following: Basic Long-Term Care, Long-Term Care, The History of Long-Term Care in the United States,

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Lou Richey is recognized as an experienced executive and employee benefits attorney and consultant, with special expertise on 409A nonqualified deferred compensation plans and other retirement plans. He has over 30 years of experience in executive and employee benefits compensation consulting, planning and insurance for Fortune 1000 public companies as well as closely-held and tax-exempt organizations and their employees. He is also the founder of the Retirement Plans Nexus, an organization that designs and implements retirement & benefit plans for companies.

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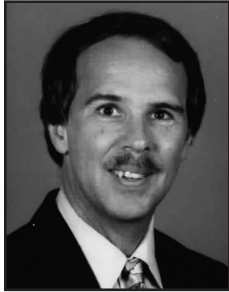
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Mr. Richey's comments have appeared in Business Week, The Wall Street Journal, Forbe's Magazine, and Investor's Daily, and he has appeared on the Financial News Network for National Public Radio. He has authored or co-authored a number of books, and BNA portfolios, plus more than 300 articles, audios and videos on compensation and tax topics.

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Jeff Sadler began his career as an underwriter in the disability income brokerage division of the Paul Revere Life Insurance Company following his graduation from the University of Vermont in 1975. Disability income and long-term care insurance have been the primary focus of his career, leading to the founding of Sadler Disability Services, Inc. with his father, Raymond Sadler, in 1989.

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He has been very active in the industry, currently serving as the Chair of the National Association of Health Underwriters' Long-Term Care Advisory Group. He is a past president of the Central Florida Association of Health Underwriters, the Gulf Coast Health Underwriters, the Florida Association of Health Underwriters, and the Central Florida General Agents and Managers Association. He is a past winner of the Stanley Greenspun Health Insurance Person of the Year Award and the NAHU Distinguished Service Award.

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He has also published multiple articles including those in the *Journal of Financial Service Professionals*, *AALU Quarterly Magazine*, *BrokersWorld Magazine* and *Life Insurance Selling*.

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# ABBREVIATIONS

Acq. (Nonacq.)	Commissioner's acquiescence (nonacquiescence) in decision
AFTR	American Federal Tax Reports (Research Institute of America, early decisions)
AFTR2d	American Federal Tax Reports (Research Institute of America, second series)
AJCA 2004	American Jobs Creation Act of 2004
AOD	Action on Decision
ARRA 2009	American Recovery and Reinvestment Act of 2009
ATRA 2012	American Taxpayer Relief Act of 2012
BTA	Board of Tax Appeals decisions (now Tax Court)
BTA Memo	Board of Tax Appeals memorandum decisions
CA or Cir.	United States Court of Appeals
CB	Cumulative Bulletin of Internal Revenue Service
CCA	Chief Counsel Advice
CFR	Code of Federal Regulations
Cl. Ct.	U.S. Claims Court (designated U.S. Court of Federal Claims in 1992)
CLASS Act	Community Living Assistance Services and Support Act
CRTRA 2000	Community Renewal Tax Relief Act of 2000
Ct. Cl.	Court of Claims (designated U.S. Claims Court in 1982)
EGTRRA 2001	Economic Growth and Tax Relief Reconciliation Act of 2001
EIEA 2008	Energy Improvement and Extension Act of 2008
ERTA	Economic Recovery Tax Act of 1981
EUCA '91	Emergency Unemployment Compensation Act of 1991
Fed.	Federal Reporter (early decisions)
Fed. Cl.	U.S. Court of Federal Claims
Fed. Reg.	Federal Register
F.2d	Federal Reporter, second series (later decisions of U.S. Court of Appeals to Mid-1993)
F.3rd	Federal Reporter, third series (decisions of U.S. Court of Appeals since Mid-1993)
F. Supp.	Federal Supplement (decisions of U.S. District Court)
FS	Fact Sheet
FSA	Field Service Advice
FSA	Flexible spending account
FTE	Full-time equivalent employee
GCM	General Counsel Memorandum (IRS)
General Explanation	General Explanation of the revenue provisions (of a particular Act) by the Joint Committee on Taxation
GOZA 2005	Gulf Opportunity Zone Act of 2005
HCE	Highly compensated employee
HHS	The Department of Health and Human Services
HIPAA '96	Health Insurance Portability and Accountability Act
HIREA (2010)	Hiring Incentives to Restore Employment Act
HRA	Health Reimbursement Account
HSA	Health Savings Account
INFO	IRS Information Letter
IR	Internal Revenue News Release
IRB	Internal Revenue Bulletin of Internal Revenue Service
IRC	Internal Revenue Code
IRS	Internal Revenue Service
IRSRA '98	IRS Restructuring and Reform Act of 1998



ITCA	Installment Tax Correction Act of 2000
JCWAA	Job Creation and Worker Assistance Act of 2002
JGTRRA 2003	Jobs and Growth Tax Relief Reconciliation Act of 2003
Let. Rul.	Letter Ruling (issued by IRS)
MERP	Medical Expense Reimbursement Plan
MFDRRA 2007	Mortgage Forgiveness Debt Relief Act of 2007
MFTRA	Military Family Tax Relief Act of 2003
MHPAEA	Mental Health Parity and Addiction Equity Act
MSA	Archer medical savings account
NHCE	Non highly compensated employee
NMHPA	Newborns' and Mothers' Health Protection Act
OBRA	Omnibus Budget Reconciliation Act of (year of enactment)
PHSA	Public Health Service Act
P.L.	Public Law
PLR	Private Letter Ruling
PPA 2006	Pension Protection Act of 2006
PPACA	Patient Protection and Affordable Care Act
Prop. Reg.	Proposed Regulation
RA '87	Revenue Act of 1987
Rev. Proc.	Revenue Procedure (issued by IRS)
Rev. Rul.	Revenue Ruling (issued by IRS)
SBJPA '96	Small Business Job Protection Act of 1996
SCA	Service Center Advice
SBWOTA 2007	Small Business and Work Opportunity Tax Act of 2007
TAM	Technical Advice Memorandum (IRS)
TAMRA '88	Technical and Miscellaneous Revenue Act of 1988
TC	Tax Court (official reports)
TC Memo	Tax Court memorandum decisions (official reports)
TC Supp.	Tax Court Summary Opinion (unofficial)
T.D.	Treasury Decision
TEAMTRA 2008	Tax Extenders and Alternative Minimum Tax Relief Act of 2008
TEFRA	Tax Equity and Fiscal Responsibility Act of 1982
Temp. Reg.	Temporary Regulation
TIPA 2007	Tax Increase Prevention Act of 2007
TIPRA 2005	Tax Increase Prevention and Reconciliation Act of 2005
TIR	Technical Information Release (from the IRS)
TRA	Tax Reform Act of (year of enactment)
TRA '97	Taxpayer Relief Act of 1997
TRA 2010	Tax Relief Act of 2010
TRHCA 2006	Tax Relief and Health Care Act of 2006
TTCA 2005	Tax Technical Corrections Act of 2005
TTCA 2007	Tax Technical Corrections Act of 2007
TTREA '98	Tax and Trade Relief Extension Act of 1998
US	United States Supreme Court decisions
USTC	United States Tax Cases (Commerce Clearing House)
VTTRA 2001	Victims of Terrorism Tax Relief Act of 2001
WFTRA 2004	Working Families Tax Relief Act of 2004
WHBAA 2009	Worker, Homeownership, and Business Assistance Act of 2009
WHCRA	Women's Health and Cancer Rights Act

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# **2015 TAX FACTS ON INVESTMENTS COMPLETE LIST OF QUESTIONS**

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7666. May the interest on Series EE or Series I bonds used to meet education expenses be excluded from income?

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7691. Are state or local sales taxes imposed on the purchase of precious metals?
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7817. What is the enhanced oil recovery credit?
7818. How does the enhanced oil recovery credit work in conjunction with the general business credit?
7819. What items of tax preference (for purposes of the alternative minimum tax) are unique to an oil and gas program?

## **PART XI: EQUIPMENT LEASING**

7820. What is equipment leasing?
7821. What is a “wrap lease”?
7822. In general, what are the tax effects of equipment leasing programs?
7823. Will an equipment leasing arrangement be treated as a lease or a sale?
7824. What is the investment tax credit?
7825. Can the owner of leased equipment take depreciation deductions? How large may the first year deduction be?
7826. Is property leased to governments and other tax-exempt entities eligible for accelerated cost recovery?
7827. Is property used outside the United States eligible for accelerated cost recovery?
7828. Can the owner of leased equipment deduct interest on amounts borrowed to purchase the property?
7829. What expenses can the owner of leased equipment deduct?
7830. Does the “at risk” limitation on losses apply to individual investors in an equipment leasing program? If so, what effect will it have?
7831. Are equipment leasing activities subject to the passive loss rules? If so, what is the effect to an investor in an equipment leasing program?
7832. When is deferred rental income included in income?
7833. How is gain or loss on sale of leased equipment treated?
7834. What items does an equipment leasing program generate which require that adjustments be made to or tax preferences added to alternative minimum taxable income?

## **PART XII: CATTLE**

7835. What is a cattle feeding program? What is the tax effect of such programs?
7836. In the context of a cattle feeding program, when must expenses incurred in connection with the cattle program be added to inventory or capitalized?
7837. How are expenses incurred in connection with a cattle program treated if they are not required to be capitalized?
7838. What is a cattle breeding program?
7839. Are breeding cattle depreciable?
7840. What costs of a breeding program must be capitalized? When may a deduction be taken for costs that are expensed?
7841. How is gain taxed when breeding cattle are sold?

## TAX FACTS ON INVESTMENTS

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7842. What adjustments and tax preference items are generated by a cattle breeding program for purposes of the alternative minimum tax?

### **PART XIII: FINANCIAL INSTITUTIONS**

7843. What forms of deposits or other services are available in banks and other financial institutions?

7844. How is interest earned on a time or savings deposit taxed? In what year should the interest be reported?

7845. If deposits are made to a joint savings account, who should report the interest income?

7846. Are “gifts” received from a financial institution for opening a savings account or making a time deposit taxed?

7847. If an individual borrows the minimum required deposit on a certificate of deposit, is his interest expense on the loan deductible?

7848. May an individual deduct the fees charged by a bank with respect to an interest bearing account on which checks may be drawn?

7849. Is the penalty paid for early withdrawal of funds in a time deposit tax deductible?

### **PART XIV: MUTUAL FUNDS AND TRUSTS**

#### **Mutual Funds**

7850. What are mutual funds?

7851. How are dividends received from a mutual fund taxed?

7852. How is the shareholder taxed if the mutual fund pays a dividend in its portfolio stocks or securities rather than in cash?

7853. How are dividends that are automatically reinvested taxed?

7854. How is a mutual fund shareholder taxed on undistributed capital gains?

7855. How is a mutual fund dividend taxed if it is declared for a prior year?

7856. How is a return of capital taxed?

7857. How is a shareholder taxed when a mutual fund passes through a foreign tax credit?

7858. Do mutual fund dividends give rise to tax preference items for purposes of the alternative minimum tax?

7859. Can a shareholder deduct the interest paid on a loan used to purchase mutual fund shares?

7860. How is a shareholder taxed when selling, exchanging, or redeeming mutual fund shares?

7861. How does a shareholder determine the basis of mutual fund shares?

7862. How is a wash sale of mutual fund shares taxed?

7863. What is a “money market fund”?

7864. How is a money market fund shareholder taxed?

7865. What is a closed-end fund? How are shareholders in a closed-end fund taxed?

## **Exchange-Traded Funds (ETFs)**

- 7866. What is an exchange-traded fund (ETF)?
- 7867. How do ETFs operate?
- 7868. How are ETFs taxed?
- 7869. What are the tax advantages of owning ETFs?
- 7870. What are the exceptions to the general rules for how ETFs are taxed?
- 7871. What are the differences between mutual funds and ETFs?
- 7872. What are the advantages of ETFs over mutual funds?
- 7873. What is the advantage of owning an ETF rather than individual stocks?
- 7874. What is the advantage of being able to sell an ETF short?
- 7875. What is the advantage of being able to purchase ETFs on margin?
- 7876. What is a leveraged ETF?
- 7877. What are currency ETFs?
- 7878. What is a “Double Gold” ETF? How is its yield taxed?

## **Hedge Funds**

- 7879. What is a hedge fund?
- 7880. How are shareholders in a hedge fund taxed?

## **Unit Funds**

- 7881. What is a unit trust?
- 7882. How are unit holders taxed?

## **Real Estate Investment Trust (REITs)**

- 7883. What is a real estate investment trust (REIT)?
- 7884. How is income earned by a REIT taxed?
- 7885. How is a shareholder (or beneficiary) in a real estate investment trust taxed?
- 7886. How are REIT stock dividends taxed?
- 7887. Do REIT dividends give rise to tax preference items for purposes of the alternative minimum tax?
- 7888. How is a REIT shareholder taxed when the shareholder sells, exchanges, or redeems shares?
- 7889. What types of REITs are commonly formed?
- 7890. What rules exist to restrict the ability of REITs to actively conduct a trade or business?
- 7891. What are the general requirements that must be met in order for a REIT to qualify for pass-through tax treatment?
- 7892. What is the 90 percent distribution requirement applicable to REITs?
- 7893. What is a deficiency dividend? How can a REIT use deficiency dividends to avoid disqualification based on the 90 percent distribution requirement?



## TAX FACTS ON INVESTMENTS

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7894. What asset tests apply in determining whether a trust qualifies as a REIT?
7895. What is the definition of “land” for determining whether an asset qualifies as a real estate asset for purposes of the REIT asset tests?
7896. When is an asset considered to be an “inherently permanent structure” so that it qualifies as a real estate asset? Are there any safe harbor provisions?
7897. What is a structural component? When will a structural component qualify as a real estate asset for purposes of the REIT asset tests?
7898. When will an asset be characterized as “cash items, receivables or government securities” for purposes of the 75 percent asset test?
7899. When will an asset be characterized as a real estate asset for purposes of the 75 percent asset test?
7900. When will a loan qualify as a real estate asset?
7901. How are the assets and income of a REIT classified if the REIT owns interests in a partnership?
7902. What diversification requirements apply in determining whether a trust qualifies as a REIT?
7903. What are the income-related qualification requirements that a REIT must satisfy?
7904. What is gross income of a REIT for purposes of the income qualification tests?
7905. What is the penalty if a REIT fails to satisfy the income tests?
7906. What are the differences between publicly traded, public unlisted REITs and private REITs?
7907. What is a taxable REIT subsidiary (TRS)?
7908. What is a qualified REIT subsidiary?
7909. Does the Foreign Investment in Real Property Tax Act (FIRPTA) impose any special rules upon foreign individuals who invest in U.S. REITs?
7910. Are there any exceptions to the 35 percent tax that is imposed upon certain REIT distributions to foreign individuals under FIRPTA?

## PART XV: LIMITATION ON LOSS DEDUCTIONS

7911. What are the “at risk” rules with respect to losses?
7912. To what types of investment activities do the “at risk” rules apply?
7913. Under the at risk rules, how is an individual’s “amount at risk” determined?
7914. What “losses” will be disallowed by the at risk rules? May disallowed losses be carried over to other years?
7915. May a limited partner aggregate amounts “at risk” in different tax shelters in order to determine allowable deductions?
7916. May an individual’s “amount at risk” in an activity be less than zero (i.e., a negative amount)? If so, what are the tax effects of a negative amount at risk?
7917. Do the “at risk” rules affect an individual’s tax basis in a tax shelter limited partnership?
7918. What are the “passive loss” rules?
7919. Under the passive loss rules, what is a passive activity?

7920. Under the passive loss rules, when do rental activities constitute passive activities?
7921. When is a taxpayer considered to “materially participate” in an activity for purposes of the passive loss rules?
7922. How are income and expenses characterized for purposes of the passive loss rules?
7923. What are the self-charged interest rules under the passive loss rules?
7924. How is an activity defined for purposes of the passive loss rules?
7925. How do the passive loss rules and other limitations on the use of credits interact with each other?
7926. How is a passive loss treated if the taxpayer is subject to other limitations on loss deductions?
7927. May disallowed passive losses and credits be carried over and taken in a later year? How are passive losses and credits treated on the disposition of an interest in a passive activity?
7928. How are suspended passive losses treated when an activity ceases to be passive or if a closely held C corporation or personal service corporation changes status?
7929. What amount of passive losses (and the deduction-equivalent of credits) from rental real estate activities may an individual deduct against nonpassive income?
7930. What is material participation in rental real estate?
7931. What is the “hobby loss” rule? How does it limit deductions?

## **PART XVI: DEDUCTION OF INTEREST AND EXPENSES**

7932. Is interest expense deductible?
7933. What is personal interest? Is it deductible?
7934. Is interest on debt secured by a taxpayer’s residence deductible?
7935. What deduction is permitted for premiums paid by a taxpayer for qualified mortgage insurance?
7936. What limitations apply to a taxpayer’s ability to deduct mortgage interest?
7937. How does refinancing of a taxpayer’s mortgage debt impact the taxpayer’s mortgage interest deduction?
7938. Can a taxpayer deduct mortgage interest overcharges that are later reimbursed?
7939. How is mortgage interest debt that is incurred to acquire the interest of a taxpayer’s spouse or former spouse pursuant to a divorce treated?
7940. How are prepaid interest and points treated for tax purposes?
7941. Is interest on amounts borrowed in order to make or hold taxable investments deductible?
7942. How is interest traced to personal, investment, and passive activity expenditures?
7943. Is interest on indebtedness incurred to purchase or carry tax-exempt obligations deductible?
7944. Is interest paid on amounts borrowed to purchase or carry Treasury bills or short-term taxable corporate obligations deductible?

## TAX FACTS ON INVESTMENTS

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7945. Is interest paid on amounts borrowed to purchase or carry market discount bonds deductible for bonds issued after July 18, 1984, and bonds issued before July 19, 1984 and acquired after April 30, 1993?

7946. Is interest paid on amounts borrowed to purchase or carry market discount bonds deductible for bonds issued before July 19, 1984 and acquired before May 1, 1993?

7947. Is student loan interest deductible?

7948. What expenses paid in connection with the production of investment income are deductible?

7949. Are expenses paid for the production of tax-exempt income deductible?

7950. Are expenses relating to tax questions deductible?

7951. How are business expenses reported for income tax purposes?

7952. Are expenses relating to higher education deductible?

7953. What limitations apply to a taxpayer's ability to deduct higher education expenses?

## PART XVII: CHARITABLE GIFTS

7954. What general rules apply to charitable deductions?

7955. How is fair market value of a gift of property determined?

7956. What verification is required to substantiate a deduction for a charitable contribution of money? What enhanced recordkeeping requirements apply for contributions of money?

7957. What verification is required to substantiate a deduction for a charitable contribution of \$250 or more?

7958. What verification is required to substantiate a deduction for a charitable contribution of \$500 or more?

7959. What verification is required to substantiate a deduction for a charitable contribution of \$5,000 or more?

7960. What verification is required to substantiate a deduction for a charitable contribution of \$500,000 or more?

7961. What requirements apply if a taxpayer makes a donation to charity that is subsequently disposed of by the charity within three years of the donation?

7962. What verification is required to substantiate a deduction for a charitable contribution of a qualified vehicle?

7963. What penalty applies if a taxpayer overvalues property donated to charity?

7964. What are the income percentage limits for deduction of a charitable contribution?

7965. When is the deduction for charitable contributions taken?

7966. Can an individual deduct the fair market value of appreciated real estate or intangible personal property such as stocks or bonds given to a charity?

7967. May an individual deduct the fair market value of appreciated tangible personal property, such as art, stamps, coins, and gems given to a charitable organization?

7968. May an individual take a deduction for charitable contributions to private foundations?

7969. How is the charitable deduction computed when property is sold to a charity at a reduced price?
7970. How is the amount of a charitable contribution affected when a taxpayer donates property subject to a mortgage or other debt?
7971. Can a deduction be taken for a charitable contribution of less than the donor's entire interest?
7972. What charitable deduction is permitted when a taxpayer donates the right to use property to charity?
7973. What is a charitable remainder trust? How are charitable remainder trusts used as planning tools?
7974. What considerations impact a taxpayer's choice as to which type of charitable remainder trust to form?
7975. What safe harbor provisions are available to avoid disqualification of a charitable remainder annuity trust (CRAT) or charitable remainder unitrust (CRUT) if spousal election rights are provided by the grantor?
7976. What resources has the IRS provided for charitable remainder trusts to follow in meeting the various qualification requirements?
7977. What filing requirements apply to charitable remainder trusts?
7978. Can a deduction be taken for a contribution to a charitable remainder trust or a pooled income fund?
7979. What is a charitable remainder annuity trust?
7980. What is a charitable remainder unitrust?
7981. What is the noncharitable beneficiary requirement for charitable remainder unitrusts?
7982. To qualify as a charitable remainder unitrust, how frequently must the payouts be made?
7983. What are net income unitrusts (NICRUTs) and net income with makeup unitrusts (NIM-CRUTs)? How are payouts under these trusts determined?
7984. What are FLIP unitrusts?
7985. Can a charitable remainder unitrust be reformed in order to qualify for a charitable deduction?
7986. What grantor powers can a trust provide and still qualify as a charitable remainder trust?
7987. How are unmarketable assets in a charitable remainder trust treated? Is an appraisal required?
7988. What is a pooled income fund?
7989. What is a donor advised fund?
7990. How much can be deducted for a gift to a charitable remainder annuity trust or unitrust? When is the deduction taken?
7991. How are the payments from a charitable remainder trust to a beneficiary taxed?
7992. What are the ordering rules that are used to characterize distributions from a charitable remainder trust?

## **TAX FACTS ON INVESTMENTS**

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7993. What is the netting procedure applied to determine capital gains (or losses) of a charitable remainder trust?

7994. Is a charitable remainder annuity trust or unitrust subject to income tax?

7995. What is unrelated business taxable income (UBTI)? When does a charitable remainder trust have UBTI?

7996. Can a deduction be taken for a charitable contribution to a charitable lead trust of a right to payment to the charity?

7997. Is the deduction for a gift to a charitable lead annuity trust of a right to payment taken in the year of the gift?

7998. Is the deduction for a gift to a charitable lead unitrust of a right to payment taken in the year of the gift?

7999. Is a gift of a “conservation easement” deductible?

8000. Is a gift of a “facade easement” deductible?

8001. What are the tax consequences of a charitable contribution of a partnership interest?

8002. What is a charitable IRA rollover or qualified charitable distribution?

## **PART XVIII: INTELLECTUAL PROPERTY**

8003. What are the most critical tax issues involving companies that own, acquire, sell, and/or create intellectual property?

8004. When are the costs incurred in creating intellectual property currently deductible?

8005. What are the requirements for the IRC Section 41 credit for increasing research activities?

8006. How do the capitalization rules of IRC Section 263A apply to work performed by authors, photographers, and artists?

8007. How are costs treated for intellectual property that is acquired by a taxpayer rather than created?

8008. What is the character of income received from the licensing of intellectual property?

8009. What is the character of income received from the sale of intellectual property?

## **PART XIX: CAPTIVE INSURANCE**

8010. What is captive insurance?

8011. What are the different types of captives?

8012. What tax benefits that can be realized by a captive?

8013. What is an IRC Section 831(b) captive? When are the insurance profits earned by an IRC Section 831(b) captive taxed?

8014. What are the risk shifting and distribution requirements that allow a captive insurance contract to qualify for favorable tax treatment?

8015. Are there any safe harbors that can be used in a captive to ensure that an insurance arrangement will be found to exist?

8016. How does the tax-exempt status of the captive's owner affect the captive?
8017. How can captive insurance be used as an estate planning tool in closely held businesses?
8018. What taxes apply to a foreign captive that do not apply to a captive formed domestically?
8019. Can a foreign captive avoid excise taxes and elect to be taxed as a domestic insurance company?
8020. What are the state-level taxes that may apply to a captive entity? What are the corresponding state tax benefits that a captive may realize?

## **PART XX: REVERSE MORTGAGES**

8021. What is a reverse mortgage?
8022. How is eligibility for a reverse mortgage determined?
8023. How much money can a person expect to receive from a reverse mortgage?
8024. How are the funds generated from a reverse mortgage distributed to the borrower?
8025. Are the proceeds received from a reverse mortgage taxable?
8026. Is the interest accrued on the reverse mortgage deductible by the borrower?
8027. Is it possible for an estate or heirs of the borrower(s) to receive funds after the final settlement of a reverse mortgage?
8028. Do the heirs have to sell the property to repay the loan?
8029. Will proceeds received from a reverse mortgage affect Social Security, Medicare, other government benefits, or pension benefits?
8030. Can a reverse mortgage be put into a trust?
8031. Is a Reverse Mortgage borrower required to purchase Mortgage Insurance Premium (MIP)?
8032. Can a HECM be used to purchase a new home?
8033. Is the flexible rate option still available on the Hickam Standard?
8034. Can a surviving spouse remain in a home that is subject to a reverse mortgage even though the surviving spouse is not the borrower under the mortgage?
8035. Are there any financial assessments that are required in determining a taxpayer's eligibility for a reverse mortgage?
8036. Are there any limits on the amount of reverse mortgage disbursements that a taxpayer is entitled to receive within the first 12 months of closing?
8037. What are the consequences if a taxpayer receives disbursements from a reverse mortgage that exceed the new limitations that apply for 2013 and beyond?
8038. Are borrowers under a reverse mortgage responsible for any costs relating to the property underlying the mortgage?