

Interest and Debt Deductions:

A Tax Analysis

Course Description

This course focuses on tax issues affecting the treatment of interest and debt. It covers the definition of bona fide debt, the impact of related parties, the avoidance of equity and lease characterization, and deductible versus nondeductible interest factors. Sticky cross issues such as the impact of at-risk rules under Section 465, passive loss restrictions of Section 469, and below-market rate loans under Section 7278 are examined. In addition, accounting method treatment of interest, points, prepaid interest, and discounted loans are reviewed. Particular attention is given to imputed interest and original issue discount.

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.

CPE Credits: 2 (CPA, EA)

Category: Taxation

Prerequisite: General understanding of federal income taxation.

Advanced Preparation: None

Course Learning Objectives

Lesson 1: Interest & Debt

1. Determine “interest” and select how much is tax deductible under Section 163 by:
 - a. Identifying what constitutes bona fide debt considering economic substance and purpose and the differences that such debt has from installment sales, long-term & leveraged leases, and annuities;
 - b. Specifying how transactions with family members and controlled corporations can recharacterize alleged indebtedness into gift or business equity naming the factors used in this recharacterization and;

