

Passive Loss and At-Risk Rules

Course Description

With the adoption of the passive loss limitation rules, taxpayers are looking to CPAs for guidance related to what deductions are allowed, disallowed, or suspended. Updating practitioners on the practical aspects of Section 469, this course addresses the needed skill to handle these pragmatic issues. Fundamentals are reviewed, planning opportunities are identified, and creative strategies are discussed and evaluated along with remaining traditional approaches. The goal of this instructive course is to understand and solve client problems under Section 469, with emphasis on tax savings ideas. Participants will learn to master the proper administration of these complex and often cumbersome provisions.

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: 3 (CPA, EA)

Category: Taxation

Prerequisite: General understanding of federal income taxation.

Advanced Preparation: None

Course Learning Objectives

Lesson 1: Passive Loss & At-Risk Rules

1. Identify affected taxpayers, categories of income and loss and passive losses under Section 469 and necessary calculation steps, and specify the Section 469 & Section 1211 limits and the ordering and suspension of any disallowed losses.
2. Recognize a taxpayer's material participation in an activity by:
 - a. Identifying the material participation tests and their application to entities such as partnerships and corporations;
 - b. Specifying the activity grouping rules noting exempt activities;
 - c. Determining passive activity particularly, the treatment of rental activity as passive; and

- d. Identifying “nested” activities.
3. Identify special passive loss rules and calculations by:
 - a. Determining alternating use affects on amount realized and adjusted basis and citing additional loss limitations outside of Section 469;
 - b. Recognizing five requirements for the special \$25,000 allowance; and
 - c. Specifying re-characterization rules and their purpose.
4. Recognize the passive activity audit guidelines identifying audit issues, determine the real estate rental activity credit exception, and cite the at-risk limit rules as they relate to Section 469.