

Family Tax Planning

Key Issues

Course Description

This course provides a general overview of the key issues facing families, focusing on how federal taxation affects their current economic situation and their future plans. A wide range of topics include marital tax implications, children, education, retirement, estate planning and more. This course is designed to cover the most important topics that will have a direct impact on the financial planning for a family, today and tomorrow. The emphasis is on providing the tax practitioner with key tax solutions to help alleviate the economic concerns of most families.

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: 24 (CPA, EA)

Category: Taxation

Prerequisite: None

Advanced Preparation: None

Course Learning Objectives

Chapter 1: Basic Marital Tax Matters

1. Determine how filing status affects taxpayers' filing requirements, standard deductions, and correct tax by:
 - a. Specifying divorce tax implications and the requirements and effects of filing as married or unmarried;
 - b. Identifying the requirements of filing a joint return and how to avoid being penalized;
 - c. Recognizing the key elements of filing separate returns including what items to report and whether or not married taxpayers should file separate returns; and

- d. Identifying the requirements for filing as head of household and the tax advantages and disadvantages of this filing status.
 2. Select the number of exemptions a client has and state the impact said exemptions will have by:
 - a. Recognizing the phaseout of exemptions showing its tax impact on taxpayers, identifying when exemptions can be taken for spouses, and specifying reporting requirements for dependent exemptions;
 - b. Citing the requirements for pre-2005 dependency particularly relationship, married person, citizen or resident, and income;
 - c. Identifying the former regular and special method for determining support noting complications from back child support and multiple support agreements;
 - d. Determining the current “qualified child” standard using residency, relationship, age, and joint return prohibition; and
 - e. Specifying the requirements to treat a child as a qualifying child of a non-custodial parent.
 3. Determine the differences between deductible and nondeductible divorce expenditures, identify which spouse is subject to tax imposed upon withheld wages, and specify the effects of making separate estimated tax payments or joint declarations of estimated tax.
 4. Recognize the special rules that apply to community property states and identify whether clients are affected by these rules by:
 - a. Determining what constitutes community property noting community property states and the effects of conversion and commingling of property including how to avoid such issues;
 - b. Identifying community income earned by married couples by:
 - i. Specifying reporting guidelines, identifying how to separating income earned and received into community property and separate property and recognizing what income and property belongs to which spouse when they have different residency statuses;
 - ii. Identifying requirements for the special community income allocation rules of §66(a) and determining a community property termination and the treatment of alimony payments; and
 - iii. Recognizing importance of statements and records to provide estimates of a former spouse’s income and identifying four conditions for tax relief.
 5. Determine the effect of living together on filing statuses and dependency noting differences between the married tax rate and other tax rates, identify the tax consequences of having a living together contract noting tax traps, and specify the results of *Marvin v. Marvin*.

Chapter 2: Children

1. Identify the child tax credit noting the requirements for qualifying child and determine the tax treatment of earned and unearned income for children.
2. Recognize the elements of the adoption tax credit noting qualifying costs and fees, specify the tests for the §21 dependent care credit and identify qualifications for §129 dependent care assistance.

Chapter 3: Education

1. Determine the differences between qualifying §162 deductible and nonqualifying education and specify education expense credits under §25A noting covered costs and fees.
2. Identify the benefits and requirements of the §530 education savings accounts, specify the deductible portion of student loan interest payments and determine the §108 exclusion for the forgiveness of certain student loans.
3. Recognize the mechanics and requirements of available educational benefits by:
 - a. Identifying the benefits of prepaying or contributing to a student's education noting how taxpayers may deduct higher education expenses;
 - b. Specifying the tax consequence of withdrawing amounts from an IRA for education expenses under §72(t) and the employee advantages §127 employer-provided educational assistance; and
 - c. Determining the differences between §117 tax-free scholarships and fellowships payments and those that are taxable and identifying which education savings bonds qualify for the §135 exclusion of interest from gross income.
4. Identify educational incentives and financial aid available to students and parents.

Chapter 4: Medical, Charitable & Casualty

1. Identify deductible §213 medical care expenses for federal tax purposes by:
 - a. Recognizing deductible medical costs paid for spouses and dependents noting dependency requirements;
 - b. Determining the deductibility of specific medical care expenses including medical insurance premiums, costs for meals and lodging, transportation expenses, costs for cosmetic surgery, expenditures for making permanent improvements to a home and lifetime care advance payments;
 - c. Specifying the benefits of medical savings accounts showing differences such accounts have with health savings accounts, recognizing the benefits and qualifications of HSAs, and determining high deductible health plans noting how they relate to HSAs;

- d. Recognizing the mechanics of prescription drug plans and specifying what constitutes accelerated death benefits; and
 - e. Determining the deductibility of health insurance by self-employed taxpayers.
- 2. Specify variables that impact the deductibility of §170 charitable contributions identifying qualified organizations and limitations for these purposes noting the types of contributions that can be made, their tax treatment, and substantiation requirements.
- 3. Determine what constitutes casualty and theft, and specify the rules for taking a deduction for all or part of each loss under §165.

Chapter 5: Home Sales & Moving Expenses

- 1. Recognize the relationship between home sales and the capital gains rates, and specify the rate baskets created by the capital gain provisions noting how to treat capital assets in each category.
- 2. Determine the key elements of the §121 home sale exclusion and its application, and specify the safe harbor proration provisions associated with the home sale exclusion.
- 3. Identify whether a taxpayer meets distance and time tests for deductible moving expenses under §217.

Chapter 6: Home Mortgage Interest

- 1. Identify categories of mortgages and characteristics of secured debt that influence the deductibility of interest, determine what constitutes a “qualified home,” and specify special situations that affect qualified home mortgage interest.
- 2. Recognize the general rule for the tax treatment of points noting exceptions, and identify when a taxpayer will receive a Mortgage Interest Statement – Form 1098 and which information is included on this statement to figure interest deductions.
- 3. Determine when a stock in a cooperative housing corporation owned by a tenant-stockholder is a qualified home, and identify the limits on the home mortgage deduction.

Chapter 7: Transfers Incident to Divorce

- 1. Identify forms of marital property noting their likely division in marital property settlements and specify the legal principles used in dividing assets and providing support on divorce or separation.
- 2. Recognize the benefits of premarital agreements in avoiding potential divorce problems, determine elements of the Uniform Premarital Act, and specify the provisions that are allowed in such agreements.
- 3. Determine the tax consequences of various property settlements by:

- a. Identifying the requirements of §1041 noting how it changed the result of U.S. v. Davis and their application to common interspousal transfers;
 - b. Specifying factors that influence whether a property transfer is “incident to divorce” noting how to meet these factors or avoid §1041 altogether;
 - c. Recognizing the treatment of transfers in trust under §1041(e), and specifying the tax treatment of third party transfers on behalf of a spouse or former spouse;
 - d. Determining property basis as a result of §1041 transfers noting the application of §1041 where the transferee assumes liabilities encumbering the property; and
 - e. Identifying the holding period for assets transferred between spouses incident to divorce.
4. Specify the dangers of interspousal purchases including deferred tax liability, determine three effects of purchasing an interest in tangible personal property or real property used in a trade or business or held for investment, and identify potential depreciation recapture.
 5. Determine the tax consequences of selected asset divisions incident to divorce and those that follow bankruptcy.

Chapter 8: Alimony & Child Support

1. Determine what constitutes “alimony” and “separate maintenance payments” under §71 and their deduction or income treatment under §215, specify types of §71 “divorce or separation instruments” and identify how having an invalid decree, an amended instrument, or a premarital agreement impacts such an instrument.
2. Identify the tax treatment of alimony under instruments executed after 1984 based on the seven alimony requirements by:
 - a. Determining whether a cash payment is deemed made to or on behalf of a former spouse in order to characterize it as alimony noting the recharacterization of otherwise deductible alimony payments as nondeductible;
 - b. Specifying when spouses are members of different households and the alimony pitfall of being required to make payments after a former spouse’s death;
 - c. Determining what constitutes child support and alimony noting their different tax treatment particularly of payments made by a spouse who files a joint return with the recipient spouse; and
 - d. Selecting which payments are subject to the provision establishing a minimum term for alimony.
3. Identify the alimony and child support tax provisions that currently apply with those that applied to instruments executed prior to 1985 by:

- a. Specifying pre-1985 alimony requirements, and determining periodic payments noting whether certain payments would have qualified under these rules; and
 - b. Determining a marital or familial relationship noting the similarities and differences in the treatment of child support under current law and previous law.
- 4. Recognize the deduction of alimony paid and reporting of alimony received noting the use of alimony trusts to realize tax advantage and security, determine alimony recapture, and identify the use of annuity contracts and the tax treatment of alimony paid by an estate.
- 5. Specify the tax treatment of child support noting events that determine whether a contingency is clearly child-related recalling how to rebut this presumption of child support and identify COBRA rules and qualified medical child support orders to make the most of health care coverage plans.

Chapter 9: Financial Tax Planning

- 1. Identify short-term financial goals and investment purposes, recognize the importance of defining realistic goals, noting how investing allocation changes with age.
- 2. Determine the tax consequences of title holding methods by:
 - a. Specifying ways to hold title to assets starting with the simplest and most direct way to hold property;
 - b. Cite the tax benefits and drawbacks of co-tenancies, corporations (both C & S), partnerships, qualified retirement plans, and trusts particularly as they relate to a client's after-tax investment return; and
 - c. Identifying a custodianship under the uniform acts and determining how an estate can be tax beneficial to taxpayers.
- 3. Recognize the impact of retirement planning postponement noting the importance of early planning using the author's suggested step process, specify a balance sheet method to plan retirement, determine how to diversify portfolios by balancing liquid and nonliquid assets, and identify the purpose of savings noting strategies to save.

Chapter 10: Building an Estate

- 1. Identify the goals of money management, noting types of income in order to preserve cash more effectively.
- 2. Determine how to budget income into cash by containing expenditures and developing discretionary income and control cash, specify how to convert income into assets by purchasing investments, and identify asset acquisition rules.
- 3. Recognize tax-advantage investments noting management rules, and determine the economic impact of accelerating deductions, postponing tax liability, and leveraging.

Chapter 11: Income Splitting

1. Determine how splitting income among a family group minimizes overall taxes using major income splitting formats, and recognize the use of an unincorporated business to obtain deductible business expense and the home-office deduction.
2. Identify the benefits and requirements of using a C or an S corporation noting the taxation of these entities including their ability to split income, and determine family members in a §704(e) family partnership.
3. Recognize a custodianship to split income and contain the “kiddie tax,” identify the use gifts to reduce death taxes and split income, and specify how to prevent the recharacterization of a loan under §7872.

Chapter 12: Retirement Plans

1. Determine what constitutes nonqualified and qualified deferred compensation plans identifying their benefits and contributions limits and specify the current and deferred advantages and disadvantages of corporate plans noting fiduciary responsibilities and prohibited transactions.
2. Identify the requirements of basic forms of qualified pension plans enabling clients to compare and contrast such plans.
3. Determine the requirements of defined contribution and defined benefit retirement plans and specify the types of defined contribution plans noting their impact on retirement benefits.
4. Identify the differences between self-employed plans and qualified plans from other business types and owners noting key choice of entity factors.
5. Specify the requirements of IRAs, SEPs, and SIMPLEs, and recognize tax-free Roth IRA distributions noting strategies to maximize plan benefits.

Chapter 13: Distributions from Retirement Plans & IRAs

1. Identify popular ways to receive distributions from a retirement plan or an IRA, specify types of annuities and their effect on how and when participants receive payments, determine the tax on annuity payments using either the general rule or the simplified general rule and recognize lump-sum distributions and their special tax treatment.
2. Cite the key components of rollovers that can be used to reinvest cash or other assets without including the amount in income.
3. Specify the tax consequences of taking premature distributions assisting clients in avoiding the 10% penalty, and recognize the minimum distribution rules noting how to avoid the 50% penalty associated with taking either smaller distributions than required or distributions after the required beginning date for minimum distributions.

Chapter 14: Elderly & Disabled Planning

1. Identify ways to manage an incompetent person's estate noting their uses and benefits.
2. Recognize the basic eldercare benefits of Medicare and Medicaid, specify what constitutes income and the three separate asset groups for Medicaid, determine differences and requirements for Supplemental Security Income and Social Security disability benefits, and identify common health care decisions such as having a living will.

Chapter 15: Wills & Probate

1. Specify types of wills noting functions a will can perform, identify types of bequests, determine the duties of executors and guardians, and recall ways to hold title and their tax ramifications.
2. Identify advantages of a properly drafted will, determine the distribution flow of simple wills, and specify the pros and cons of probate proceedings.

Chapter 16: Estate Planning

1. Recognize the unlimited marital deduction and its effect on the gross estate of the value of property, determine the applicable exclusion amounts for various years of death, and specify what constitutes "stepped-up basis" and the repealed "modified carryover basis" for estate tax purposes.
2. Identify estate-planning goals, recognize the benefits and drawbacks of the primary dispositive plans, specify the various types of estate trusts and family estate documents, and recall the former advantages and disadvantages of the private annuity.