

Real Estate

Key Tax Issues

Course Description

This course 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.

CPE Credits: 11 (CPA, EA)

Field of Study: Taxes

Prerequisite: General understanding of federal income taxation.

Advanced Preparation: None

Course Learning Objectives

Chapter 1: Tax Economics

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.

Chapter 2: Installment Sales & Time Value of Money

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 personal property, 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.

Chapter 3: Mortgage Finance

1. Identify mortgage financing specifying 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.

Chapter 4: Home Sales & Like-Kind Exchanges

1. Identify the elements of the \$500,000 home sale exclusion, 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 and their effect on like-kind exchanges.
3. Recognize the regulations for related party exchanges, foreign real property exchanges, and multiple property exchanges, and specify the former codification systems and how they related 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.

Chapter 5: Involuntary Conversions

1. Identify condemnations and involuntary conversions under §1033 recognizing 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.

Chapter 6: Passive Loss & At-Risk Rules

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 and 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 and 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..

Chapter 7: Sales by Foreign Investors

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.

Chapter 8: REITs

- 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.