

Divorce and Bad Debt

Course Description

This mini-course will teach participants how to apply, implement, and evaluate the strategic tax aspects of marital and financial setbacks. Property transfers, asset divisions, alimony, filing status, exemptions, and child support are examined.

The cancellation of indebtedness income inclusion rules are discussed in the context of debt forgiveness and property foreclosure. Emphasis is given to the exceptions from income inclusion contained in §108. The tax treatment of property repossession under §1038 and bad debt treatment under §166 is reviewed.

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: Making the Best of Bad Situations

1. Recognize tax considerations and tax guidance for marital breakdowns, and identify marital status specifying the effect marital status has on filing status and federal income tax obligations.
2. Identify the state marital property provisions, cite elements of §1041 identifying at least two tax traps for the unaware, and specify variables that determine whether a payment is alimony.
3. Determine the exceptions to the general income inclusion rule specifying their tax impact, and recognize the various issues related to calculating gain or loss resulting from foreclosure or repossession including the differences between personal and real property repossession, amount realized on sale or other distribution of property in a foreclosure, and basis calculation on repossession of property.
4. Identify nonbusiness and business bad debts under §166 determining their differences in Code requirements and amount allowed.