

FEDERAL INCOME TAXATION (day & night sections)  
Fall, 2009

Our text will be Gunn & Ward, Cases, Text and Problems on Federal Income Taxation (6<sup>th</sup> ed., 2006). In addition, you should purchase Commerce Clearing House's Federal Income Tax Code and Regulations, Selected Sections (2009-2010 edition). Students who use a version of the Code published by another publisher, or who use an earlier edition of the CCH version, do so at their own risk. Be aware that in class, I frequently shall direct you to material in the Code volume by reference to page number, so if you were using another edition you would be at a disadvantage. Moreover, because you will be allowed during the exam to use the Code volume together with anything you have personally written in it, you should not use a Code volume that has notations made by other students (which is another reason that you should not purchase a used Code volume). (A used text, by contrast, is perfectly ok.)

Many hornbooks and other study guides are available for optional purchase, or can be consulted in the library. In my opinion, study of the two required texts, together with regular attendance and effort in and out of class, should stand most students in good stead. If you decide to buy a hornbook, I certainly recommend that you buy only one.

This initial assignment will take us at least through the first week of class. In the text, read over the Preface (pages v-vi), study pages 1-23, and quickly read over the balance of Chapter One.

In the Code volume, begin by quickly glancing through the Table of Code and Regulation Sections at pages xix-xlii. This quick examination should begin to acquaint you with the scope and structure of the Code. We shall spend the bulk of our time on Subtitle A, Chapter 1, Subchapters A, B, O and P, with brief forays into other subchapters of Chapter 1 and into Chapters 61 et seq. Glance at the rate schedules in Code section 1(a)-(e), and the inflation adjustments to those schedules in Code section 1(f)(1)-(4). Also briefly note sections 1(h)(1) and 1(h)(11), which we shall consider in more detail later.

When you consider Problem 1 on page 17, work through the problem using only section 1(c). Do not utilize Appendix B of the text. Nor should you use the tables under the Consumer Price Index Adjustments for 2009 beginning on page ix of the Code

volume (particularly Table 3 of Rev. Proc. 2008-67, at the bottom of page 9.) In class, I shall talk about the reasons that Appendix B and Table 3 would lead to different answers, but I ask that you work through the problem based on Code section 1(c) alone. (This makes it easier, you will be pleased to know. Also making it easier is the fact that I have offered a possible answer to the problem; see two paragraphs below.)

A few Code provisions relating to procedural matters should be noted in connection with this introductory material. With regard to penalty provisions, glance over sections 6651, 6662, and 6694; read section 6663 with some care; and simply thumb through the remainder of the sections between 6651 and 6702. (By "thumb through," I am asking merely that you glance at the titles of the sections in order to gain an appreciation for the scope of the penalty provisions.) With respect to the promulgation and status of regulations, note section 7805. With respect to statute of limitations matters, examine with some care section 6501(a); (b) (1); (c) (1)-(4); (e) (1) (A), first sentence; and section 6511(a). Read with some care sections 7201, 7203, and 7206(1) and (2). Finally, read section 7491 with some care.

With each assignment, I shall include a list of possible answers to the problems. For the first assignment, these are included on a separate page following this memorandum.

#### Office hours and administrative announcements

The simplest way to ask a brief question is to talk with me after class. My office is #410, telephone 501-324-9943. My office hours are Wednesdays, 5:15-6:00 pm, and by appointment. To make an appointment, please speak to me after class, knock on my door, telephone me, or e-mail me at [pdoliver@ualr.edu](mailto:pdoliver@ualr.edu). (Please note that I prefer to discuss questions of substance in person rather than via e-mail.)

Copies of my attendance policy and of the UALR Policy Statement Concerning Students with Disabilities are attached. While not part of the policy, I note that students with disabilities should be aware that the Associate Dean for Academic Programs is also available to assist with accommodation.

I look forward to seeing you on August 20. (Please note that under the Law School's fall calendar, Monday classes meet on Thursday, August 20. This means that our first day of class will fall on Monday, August 20.)

Philip D. Oliver  
July 21, 2009

Copy: Dean Epps

POSSIBLE ANSWERS TO PROBLEMS

Note: Throughout all answers,  $k = \$1,000$ .

Page 9

1. No; the Service will not rule on valuation issues.

Page 17

1. The authors of the text ask that you use section 1(c) as modified by section 1(f)(8) and section 1(i), and as found in Appendix B of the text. However, I have asked that you simply consider what the answers would be under section 1(c) as it appears at page 1 of your Code volume, without the modifications of subsections (f) and (i).
  - (a) \$26,522.
  - (b) 31 percent.
  - (c) 26.522 percent.
2. Does alcohol consumption rise with income? If so, does it rise proportionately to income, or rise more slowly or more rapidly than does income? (Clearly, the answer will be either that alcohol consumption does not rise with income, or that it rises more slowly than income, in either case making the answer be that the proposed tax increase would be regressive. Note that the answer would likely be different if the proposed excise tax were to be imposed on yachts.)

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1. B.

Page 26

2. Probably the theoretically correct answer is that the taxpayer would not be subject to penalty for taking the position. However, if we assume that the matter were litigated and the taxpayer in fact lost (i.e., the judge accepted the Service's position and thus rejected the taxpayer's analysis), the judge would probably not agree that "the only 'reasonable' interpretation of the statute favors the taxpayer." Once the judge rejected

the taxpayer's argument based on the supposed purposes behind the statute, there would seem to be a serious practical risk that the taxpayer's position, unsupported by "authority," might then be deemed unreasonable by that same judge, and thus subject to penalty.

**FEDERAL INCOME TAXATION (day and night sections)**  
**Professor Philip Oliver**  
**Fall, 2009**  
**Attendance Policy**

Regular attendance and thorough preparation is expected of all students. I strongly urge that you make an effort to attend all classes, because I think class attendance is quite important, especially for this difficult course.

I think it likely that a student's performance on the examination will be adversely affected by missing class. In addition, a student missing more than nine hours of class should expect to have his grade lowered, according to the following schedule:

<u>Hours of class missed</u>	<u>Effect on grade</u>
10 - 13	lowered one level (e.g., C to C-)
13-1/2 - 16-1/2	lowered two levels (e.g., C to D+)
17 - 20	lowered three levels (e.g., C to D)

Please note that this policy can result in a student receiving a failing grade despite having written a passing examination. For example, a student who has written an examination graded as D and has missed ten hours of class should expect a final grade of F.

Students who miss more than twenty hours of class will not be permitted to take the final examination, and should expect a final grade of F. I shall not routinely approve a drop from a student who has missed more than twenty hours of class.

Make-up classes will be held at hours other than the normal meeting hours. For purposes of this attendance policy, attendance at any make-up class will be noted and considered the same as at any other class.

The final grade of any student may be raised or lowered based on performance in class. Attendance is a major factor in my evaluation of class performance.

Copy: Dean Epps

**FEDERAL INCOME TAXATION (day and night sections)  
Professor Philip Oliver  
Fall, 2009**

**UALR Policy Statement Concerning Students with Disabilities**

It is the policy and practice of the University of Arkansas at Little Rock to create inclusive learning environments. If there are aspects of the instruction or design of this course that result in barriers to your inclusion or to accurate assessment of achievement – such as time-limited exams, inaccessible web content, or the use of non-captioned videos – please notify the instructor as soon as possible. Students are also welcome to contact the Disability Resource Center, telephone 501-569-3143 (v/tty). For more information, visit the DRC website at [www.ualr.edu/disability](http://www.ualr.edu/disability).