FEDERAL INCOME TAXATION OF TRUSTS AND ESTATES
LAW 503
SYLLABUS

COURSE DESCRIPTION:

The course will analyze the income taxation of trusts and estates, their creators, beneficiaries, and fiduciaries, including computation of fiduciary accounting income, distributable net income, taxable net income, taxation of simple and complex trusts, grantor trusts and income in respect of a decedent.

REQUIRED COURSE MATERIALS:


Internal Revenue Code & Regulations. Sections of the Internal Revenue Code and regulations should be reviewed as they are discussed in the Text.

CLASS:

The class will commence on October 16, 2017 until the final exam on December 4, 2017.

ASSIGNMENTS, EXAMINATION AND GRADING:

Your grade will be based on 6 homework assignments given throughout the semester (30%) and an anonymously graded examination that will be two and one-half hours long (70%). The exam is scheduled for December 4, 2017. For the exam, you will be allowed to use the course materials and anything prepared by you (including class notes). A simple calculator may be used.

HOURS PER WEEK PER CLASS:

The American Bar Association standards for accrediting law schools contain a formula for calculating the amount of work that constitutes one credit hour. According to ABA Standard 310(b)(1), "a 'credit hour' is an amount of work that reasonably approximates: (1) not less than
one hour of classroom or direct faculty instruction and two hours of out-of-class student work per week for fifteen weeks, or the equivalent amount of work over a different amount of time.” This is a 2-credit hour class, meaning that we will spend one 2-hour block of time together each week. All told, applying the ABA standard to the number of credits offered for this class, you should plan on spending a total of 6 hours per week (2 hours in class and 4 hours preparing for class) on course-related work.

CONFERENCE HOURS:

Available conference hours will be from 5:00-6:00 p.m. PST on Tuesdays and by appointment.

ASSIGNMENTS:

The assignments will be given during the class. You should do the reading in the order suggested in the syllabus--i.e., first read the Code and Regs. and then the materials in the casebook. When due, the assigned homework problems must be turned in by Saturday at 11:59 p.m. PST on the due date (no exceptions).

ACADEMIC DISHONESTY:

The school has rules against academic dishonesty such as cheating or plagiarism and failure to abide by these rules can lead to suspension or expulsion.

LEARNING OUTCOMES:

1. Know and understand, and apply the fundamentals of trust and estate taxation
2. Read, understand and analyze complex provisions of the IRC and Treasury Regulations in general, and with respect to trust and estate taxation in particular
3. Identify tax issues that arise in estate planning contexts
4. Problem solve and to apply the IRC and regulations to different fact situations involving trust and estate taxation
5. Know and be competent to professional and ethical responsibility.
6. Understand tax policy concerns in trust and estate taxation.

SYLLABUS:

The syllabus may be modified from time to time.
1. Mod 1

CHAPTER ONE: ENTITIES SUBJECT TO INCOME TAXATION UNDER SUBCHAPTER J

1. A. IS AN ENTITY SUBJECT TO TAXATION

Code: 1(e), 641(a), 643(c), 7701(a)(6)
Regs: 1.641(a)-2, 301.7701-(4)(a), (b), -6(b)
Casebook: 3-20

B. HOW IS AN ENTITY TAXED

Code: 641(a), 7701(a)(3)
Regs: 301.7701-(2)(a), -4(a), (b)
Casebook: 21-26

CHAPTER TWO: THE ENTITY AS A TAXPAYER

FIDUCIARY ACCOUNTING INCOME
No formal reading assignment, but skim pages 477-494.

2. A. GROSS INCOME

Code: 1(e), 61(a), 641(a), (b)
Regs: 1.641(a)-1, 1.641(b)-2
Casebook: 27-30

B. DEDUCTIONS

Code: 641(b)
Regs: 1.641(b)-1
Casebook: 30

1. INTEREST

Code: 163(a), (d), (h), 265(a)(2)
Casebook: 31-32

2. TAXES

Code: 164(a), 265(a)(1), 275(a)(1)
Casebook: 32-33
3. INCOME INCURRED IN THE PRODUCTION OF INCOME
   a. In General

   Code: 212  
   Regs: 1.212-1  
   Casebook: 33-40

   Code: 67(a), (b), (c), (e)  
   Regs: 1.67-4  
   Casebook: 40-47

   Homework #1 handed out (Due Oct 21 at 11:59 pm PST)

2. Mod 2

   b. Disallowance of Expenses Attributable to Production
      of Tax-Exempt Income

   Code: 212, 263(a), 265(a)(1), 643(a)(b)  
   Regs: 1.212-1(i), (k), 1.265-1  
   Casebook: 47-73  
   Problems: 73-74

4. PERSONAL EXEMPTIONS
   Code: 642(b)  
   Regs: 1.642(b)-1  
   Casebook: 74

5. INCOME FOR CHARITY

   Code: 642(c)(1)(2)  
   Regs: 1.642(c)-1, -2(a), -3(a), (b)  
   Casebook: 74-86

6. EXPENSES DEDUCTED FOR ESTATE TAX PURPOSES

   Code: 642(g), 2053(a), 2054  
   Regs: 1.642(g)-1, -2  
   Casebook: 101-103  
   Problems: 103

7. PASSIVE ACTIVITY RULES

   Skip
CHAPTER THREE: THE ENTITY AS CONDUIT

3. A. INCOME OR BEQUEST

1. Problem
   Code: 61(a), 102(a)(b)
   Casebook: 109-111

2. Solution
   Code: 102(a), 661-663
   Regs: 1.102-1
   Casebook: 111-123
   Homework #2 handed out (Due Oct 28 at 11:59 pm PST)

3. Mod 3

B. DISTRIBUTABLE NET INCOME

   Code: 643(a)(b)
   Regs: 1.643(a)-0, -1, -2, -3(a), (b), (e), -4, -5,
       1.643(b)-1, 1.643(d)-2
   Casebook: 123-149
   Problems: 149-150

C. DISTRIBUTIONS TO BENEFICIARIES

   Code: 643(c), 651(a), 661(a)
   Regs: 1.643(c)-1
   Casebook: 150-159

D. SIMPLE TRUSTS

   Code: 643(b), 651, 652
   Regs: All of 1.651 and 1.652 and 1.643(b)-1
   Casebook: 159-176
   Homework #3 handed out (Due November 4 at 11:59 pm PST)
4. Mod 4

Problems: 176-178

E. COMPLEX TRUSTS

1. In general

Code: 661, 662, 663(a)(b)
Regs: 1.661(a)-1, -2(a), (b), (c), (d), (e), 1.661(b)-1;
1.661(c)-1; 1.662(a)-1,-2,-3; 1.662(b)-1, 1.662(c)-1,-
2,-3,-4
Casebook: 178-182

Homework #4 handed out (Due Nov 11 at 11:59 pm PST)

5. Mod 5

2. Separate Share Rule

Code: 663(c)
Regs: 1.663(c)-1,-2,-3,-4,-5
Casebook: 182-186
Problems: 186-187 (skip 3-24, 3-25 and 3-26)

MEDICARE SURTAX
Code: 1411
Code 469(a), (c)(1), h(1)
Reg 1.469-1T(b)
Pages 103-107

F. ESTATES

1. In General

Code: 661, 662
Casebook: 188-196

2. Exclusion of Particular Distributions
Code: 663(a)
Regs: 1.661(a)-2(e), 1.663(a)-1,-2,-3,
Casebook: 196-205

3. Trapping Distributions

Skip
4. Termination

a. How Long Do Estates Last?

Regs: 1.641(b)-3
Casebook: 214-221

b. Excess Deductions

Code: 642(d),(h)
Regs: 1.642(d)-1; 1.642(h)-2,-3,-4
Casebook: 221-229

G. REALIZATION OF GAIN UPON DISTRIBUTION OF PROPERTY IN KIND

1. By the Entity
   a. Mandatory
      No Code Sections (both 1022 and 1040 were repealed, see supplement to book)
      Regs: 1.651(a)-2(d); 1.661(a)-2(f); 1.663(a)-1(b)(1)
      Casebook: 230-234 (skip next 6 pages)

   b. Elective
      Code: 643(e)
      Casebook: 240-242
      Problems: 242

      Homework #5 handed out (Due Nov 18 at 11:59 pm PST)

6. Mod 6

2. By the Beneficiary
   Casebook: 242-243
CHAPTER FOUR: THE ENTITY IGNORED

4. A. ASSIGNMENT OF INCOME
   Skip

B. GRANTOR TRUSTS: INCOME TAXATION UNDER SUBPART E

1. Grantor as Owner

   a. Judicial Origins
      Casebook 257-261

   b. The Code
      i. General Principles
         Code: 671
         Regs: 1.671-1
         Casebook: 261-262

      ii. Definitions
          Code: 672
          Regs: 1.672(a)-1; 1.672(b)-1; 1.672(c)-1
          Casebook: 262-263

      iii. Reversions
          Code: 673
          Casebook: 263-266
          Problems: 266

      iv. Powers Over Beneficial Enjoyment
          Code: 674
          Regs: 1.674 (all)
          Casebook: 267-274
          Problems: 274

   v. Administrative Powers
      Code: 675
      Regs: 1.675-1
      Casebook: 275-281 (skip next ten pages), 291
      Problems: 292

Homework #6 handed out (Due Nov. 25 at 11:59 pm PST)
7. Mod 7

vi. Powers of Revocation
Code: 676
Regs: 1.676(a)-1
Casebook: 292-294
Problems: 294

vii. Retained Income Interests
   a. In General
      Code: 677(a)
      Regs: 1.677(a)-1
      Casebook: 294-302
      Problems: 302

   b. Discharge of Obligations
      Code: 677(a)(b)
      Regs: 1.677(a)-1(d); 1.677(b)-1
      Casebook: 302-317
      Problems: 317

2. Others as Owners
   a. Judicial Origins
      Casebook 317-322

   b. The Code
      Code: 678
      Regs: 1.678(a)-1, 1.678(b)-1, 1.678(c)-1
      Casebook: 322-328
      Problems: 328

3. The Consequences of Grantor Trust Status
   Code: 671
   Regs: 1.671-2,-3,-4
   Casebook: 329-333
   Problems: 334

Skip rest of chapter

CHAPTER FIVE: MANIPULATION OF ENTITIES

Skip chapter
CHAPTER SIX: INCOME IN RESPECT OF DECEDEDENT

6. A. INCLUSION IN RECIPIENT’S GROSS INCOME
   Code: 691(a); 1014(a)(c)
   Regs: 1.691(a)-1,-2,-3,-4

   1. Investment Income
      a. Rent
         Casebook: 391-399
      b. Interest
         Skip
      c. Dividends
         Skip
      d. Annuities
         Skip

   2. Sales Proceeds
      Casebook: 407-419 (skip next seven pages), 426-434

   3. Compensation for Personal Services
      Casebook: 434-443 (skip next ten pages)

   4. Miscellaneous Deferred Receipts
      Casebook: 454-457

B. DEDUCTIONS IN RESPECT OF A DECEDEDENT
   Code: 691(b)
   Regs: 1.691(b)-1
   Casebook: 458-462

C. DEDUCTION OF ESTATE TAX
   Code: 691(c)
   Regs: 1.691(c)-1,-2
   Casebook: 462-465 and 476 n.2

END OF COURSE