

CHAPTER 2
WORKING WITH THE TAX LAW
SOLUTIONS TO PROBLEM MATERIALS

Question/ Problem	Learning Objective	Topic	Status: Present Edition	Q/P in Prior Edition
1	LO 1	Sources of tax law	New	
2	LO 1	Codification of tax law	New	
3	LO 1	Joint Conference Committee	New	
4	LO 1	Committee reports	New	
5	LO 1	Code section numbers	New	
6	LO 2, 5	Treaties	Unchanged	6
7	LO 1, 2	Regulation citation	New	
8	LO 1, 2	Regulations	Unchanged	8
9	LO 1, 4	Types of Regulations	Unchanged	9
10	LO 1	Revenue Procedure citation	New	
11	LO 1, 4	Authority	Unchanged	11
12	LO 1	Citations	New	
13	LO 1	Using the judicial system	Unchanged	13
14	LO 1	Small Cases Division	Unchanged	14
15	LO 1	U.S. District Court	Unchanged	15
16	LO 1, 5	Judicial alternatives: trial courts	Unchanged	16
17	LO 1	U.S. Court of Federal Claims	Unchanged	17
18	LO 1	Judicial system	Unchanged	18
19	LO 1	Writ of Certiorari	New	
20	LO 1	Appellate court and fact-finding determination	New	
21	LO 1	Circuit Court of Appeals	Unchanged	21
22	LO 1	Circuit Court of Appeals	Unchanged	22
23	LO 1, 4	Court decision validity	Unchanged	23
24	LO 2	Summary Opinion versus Regular versus Memo Tax Court decision	Unchanged	24
25	LO 2	Citations	Unchanged	25
26	LO 1, 2	Abbreviations	Unchanged	26

Instructor: For difficulty, timing, and assessment information about each item, see p. 2-3.

<u>Question/ Problem</u>	<u>Learning Objective</u>	<u>Topic</u>	<u>Status: Present Edition</u>	<u>Q/P in Prior Edition</u>
27	LO 2	Commerce Clearing House citations	Unchanged	27
28	LO 2	Location of decision of U.S. Court of Federal Claims	Unchanged	28
29	LO 1, 2	Cumulative Bulletin	Unchanged	29
30	LO 3	Tax research	Modified	30
31	LO 3	Computerized versus paper tax research	Unchanged	31
32	LO 1, 2	Judicial system	Unchanged	32
33	LO 1, 2	Judicial system	Unchanged	33
34	LO 1, 2	Citations	New	
35	LO 1, 2	Publishers' citations	Unchanged	35
36	LO 6	Tax avoidance versus tax evasion	Unchanged	36

Instructor: For difficulty, timing, and assessment information about each item, see p. 2-3.

<u>Research Problem</u>	<u>Topic</u>	<u>Status: Present Edition</u>	<u>Q/P in Prior Edition</u>
1	Reliability	Unchanged	1
2	Library research	Unchanged	2
3	Internet activity	New	

Question/ Problem	Difficulty	Est'd completion time	Assessment Information	
			AICPA* Core Comp	AACSB* Core Comp
1	Easy	5	FN-Research	Analytic Reflective Thinking
2	Easy	5	FN-Research	Analytic Reflective Thinking
3	Easy	5	FN-Research	Analytic
4	Easy	5	FN-Research	Analytic
5	Easy	5	FN-Research	Analytic
6	Medium	20	FN-Reporting FN- Research	Communication Analytic
7	Easy	5	FN-Research	Analytic
8	Medium	10	FN-Research	Analytic
9	Hard	15	FN-Research	Analytic
10	Easy	5	FN-Research	Analytic
11	Hard	15	FN-Research	Analytic
12	Medium	10	FN-Research	Analytic
13	Hard	15	FN-Research FN- Risk Analysis	Analytic
14	Easy	10	FN-Research	Analytic
15	Medium	10	FN-Research	Analytic
16	Hard	25	FN-Research	Communication Analytic
17	Medium	10	FN-Research	Analytic
18	Medium	10	FN-Research	Analytic
19	Easy	5	FN-Research	Analytic Reflective Thinking
20	Easy	5	FN-Research	Analytic
21	Easy	10	FN-Research	Analytic
22	Easy	10	FN-Research	Analytic
23	Hard	20	FN-Research	Analytic
24	Medium	10	FN-Research	Analytic
25	Medium	15	FN-Research	Analytic
26	Medium	20	FN-Research	Analytic
27	Easy	5	FN-Research	Analytic
28	Easy	5	FN-Research	Analytic
29	Medium	15	FN-Research	Analytic
30	Medium	15	FN-Research	Analytic
31	Easy	15	FN-Leverage Technology FN- Research	Analytic Technology
32	Medium	15	FN-Research	Analytic
33	Medium	15	FN-Research	Analytic
34	Easy	15	FN-Research	Analytic
35	Easy	15	FN-Research	Analytic
36	Medium	10	FN-Research	Analytic

***Instructor:** See the Introduction to this supplement for a discussion of using AICPA and AACSB core competencies in assessment.

DISCUSSION QUESTIONS

1. The sources of the rules of law include not only legislative provisions in the form of the Internal Revenue Code, but also Congressional Committee Reports, Treasury Department Regulations, other Treasury Department pronouncements, and court decisions. Thus, the *primary sources* of tax information include pronouncements from all three branches of the government: legislative, executive, and judicial. p. 2-2
2. In 1939, Congress codified all of the Federal tax laws. Known as the Internal Revenue Code of 1939, the codification arranged all Federal tax provisions in a logical sequence and placed them in a separate part of the Federal statutes. A further rearrangement took place in 1954 and resulted in the Internal Revenue Code of 1954, which continued in effect until 1986 when it was replaced by the Internal Revenue Code of 1986. Although Congress did not recodify the law in the Tax Reform Act (TRA) of 1986, the magnitude of the changes made by TRA of 1986 did provide some rationale for renaming the Federal tax law the Internal Revenue Code of 1986. p. 2-2
3. When the Senate version of a tax bill differs from that passed by the House of Representatives, the Joint Conference Committee, which includes members of both the House Ways and Means Committee and the Senate Finance Committee, usually produces a compromise between the two versions, which is then voted on by both the House and the Senate. If both bodies accept the bill, it is referred to the President for approval or veto. p. 2-3
4. Referrals from the House Ways and Means Committee, the Senate Finance Committee, and the Joint Conference Committee are usually accompanied by Committee Reports. These Committee Reports often explain the provisions of the proposed legislation and are therefore a valuable source for ascertaining the *intent of Congress*. What Congress had in mind when it considered and enacted tax legislation is, of course, the key to interpreting such legislation by taxpayers, the IRS, and the courts. Since Regulations normally are not issued immediately after a statute is enacted, taxpayers often look to Committee Reports to determine Congressional intent. p. 2-4
5. When there is not enough space between Code sections, subsequent Code sections are given A, B, C, etc. designations. A good example is the treatment of §§ 280A through 280H. p. 2-5 and Footnote 4
6. Maloney, Hoffman, Raabe, and Willis, CPAs
5191 Natorp Boulevard
Mason, OH 45040

March 22, 2009

Mr. Paul Bishop
Teal, Inc.
100 International Drive
Tampa, Florida 33620

Dear Mr. Bishop:

This letter is in response to your request about information concerning a conflict between a U.S. treaty with France and a section of the Internal Revenue Code. The major reason for treaties between the U.S. and certain foreign countries is to eliminate double taxation and to render mutual assistance in tax enforcement.

Section 7852(d) provides that if a U.S. treaty is in conflict with a provision in the Code, neither will take general precedence. Rather, the more recent of the two will have precedence. In your case, the French treaty takes precedence over the Code section.

A taxpayer must disclose on the tax return any positions where a treaty overrides a tax law. There is a \$1,000 penalty per failure to disclose for individuals and a \$10,000 penalty per failure for corporations.

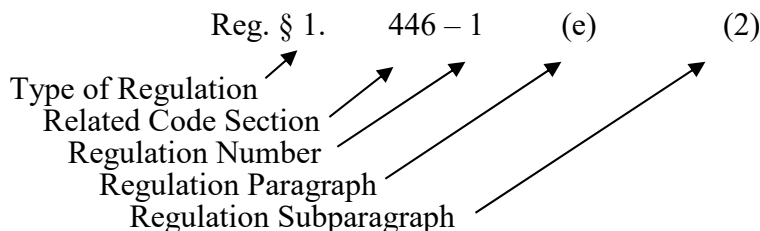
Should you need more information, feel free to contact me.

Sincerely,

Alice Hanks, CPA
Tax Partner

pp. 2-19 and 2-20

7. Income tax



p. 2-7

8. Since Regulations interpret the Code, they are arranged in the same sequence as the Code. Regulations are prefixed by a number that designates the type of tax or administrative, procedural, or definitional matter to which they relate. These Regulations would be cited as follows with subparts added for further identification. The subparts have no correlation with the subsections in the Code.

- a. Reg. § 1.265.
- b. Prop. Reg. § 1.707.
- c. Temp. Reg. § 1.125.
- d. Reg. § 1.1001.

pp. 2-7 and 2-8

9. In many Code sections, Congress has given to the “Secretary or his delegate” the authority to prescribe Regulations to carry out the details of administration or otherwise to complete the prevailing administrative rules. Under such circumstances, it almost could be said that Congress is delegating its legislative powers to the Treasury Department. Regulations that are issued pursuant to this type of authority truly possess the force and effect of law and often are called “legislative” Regulations. Examples of “legislative” Regulations include those that address consolidated returns issued under §§ 1501 through 1505 and those that addressed the debt/equity question issued under § 385 (withdrawn).

Legislative Regulations are to be distinguished from “interpretive” Regulations, which purport to rephrase and elaborate on the meaning (i.e., intent of Congress) of a particular Code Section. An example of interpretive Regulations are those issued under § 1031 for like-kind exchanges.

Procedural Regulations are “housekeeping-type” instructions indicating information that taxpayers should provide to the IRS as well as information about the management and conduct of the IRS itself.

The need to distinguish between these three types of Regulations relates to their validity as a tax law source.

pp. 2-8, 28, and 2-29

10. Rev. Proc. 91-31 is the 31st revenue procedure issued during 1991, and it appears on page 566 of Volume 1 of the Cumulative Bulletin in 1991. p. 2-9

11. The items would probably be ranked as follows (from highest to lowest):

- (1) Internal Revenue Code.
- (2) Legislative Regulation.
- (3) Interpretive Regulation.
- (4) Revenue Ruling.
- (5) Proposed Regulation (most courts ignore Proposed Regs.).
- (6) Letter ruling (valid only to the taxpayer to whom issued).

pp. 2-7 to 2-11, 2-29 and 2-30, and Exhibit 2.1

12. a. A regular Regulation, with 1 referring to the type of regulation (i.e., income tax), 7701 is the related code section number, (b) is the subsection number, 2 is the paragraph designation, and (a) is the subparagraph designation.
- b. Revenue Ruling number 64, appearing on page 97 of Volume 1 of the Cumulative Bulletin issued in 1966.
- c. Technical Advice Memorandum number seventeen issued during the third week of 2008.

pp. 2-7 to 2-11

13. Caleb must consider several factors in deciding whether to take the dispute to the judicial system:
- How expensive will it be?
 - How much time will be consumed?
 - Does he have the temperament to engage in the battle?
 - What is the probability of winning?

Once a decision is made to litigate the issue, the appropriate judicial forum must be selected.

- Tax Court judges have more expertise in tax matters.
- The tax deficiency need not be paid to litigate in the Tax Court. However, if Caleb loses, interest must be paid on any unpaid deficiency.
- If a trial by jury is preferred, the U.S. Tax Court is the appropriate forum.
- The tax deficiency must be paid before litigating in the District Court or the Court of Federal Claims.
- If an appeal to the Federal Circuit is important, Caleb should select the Court of Federal Claims.

A survey of the decisions involving the issues in dispute is appropriate. If a particular court has taken an unfavorable position, that court should be avoided.

pp. 2-11 to 2-17

14. a. No. There is no appeal from the Small Cases Division.
- b. No. Deficiency cannot exceed \$50,000.
- c. Yes.
- d. No. However, decisions are now published on the Tax Court's website.
- e. Yes.
- f. Yes.

p. 2-12

15. The major advantage of a U.S. District Court is the availability of a trial by a jury. One disadvantage of a U.S. District Court is that the tentative tax deficiency first must be paid before the Court will hear and decide the controversy. In the U.S. Tax Court, the tax need not be paid prior to litigating the controversy (although interest will be due on an unpaid deficiency). pp. 2-12 to 2-14

16. Raabe, Hoffman, Maloney, and Willis, CPAs
5191 Natorp Boulevard
Mason, OH 45040

July 14, 2009

Mr. Dwain Toombs
200 Mesa Drive
Tucson, AZ 85714

Dear Mr. Toombs:

You have three alternatives should you decide to pursue your \$311,000 deficiency in the court system. One alternative is the U.S. Tax Court, the most popular forum. Some people believe that the Tax Court judges have more expertise in tax matters. The main advantage is that the

U.S. Tax Court is the only trial court where the tax need not be paid prior to litigating the controversy. However, interest will be due on an unpaid deficiency. The interest rate varies from one quarter to the next as announced by the IRS.

One disadvantage of the U.S. Tax Court is the possible delay that might result before a case is decided. The length of delay depends on the Court calendar, which includes a schedule of locations where cases will be tried. Another disadvantage is being unable to have the case heard before a jury.

The major advantage of another alternative, the U.S. District Court, is the availability of a trial by jury. One disadvantage of a U.S. District Court is that the tentative tax deficiency first must be paid before the Court will hear and decide the controversy.

The Court of Federal Claims, the third alternative, is a trial court that usually meets in Washington, D.C. It has jurisdiction for any claim against the United States that is based on the Constitution, any Act of Congress, or any regulation of an executive department. The main advantage of the U.S. Court of Federal Claims occurs when a taxpayer's applicable Circuit Court previously has rendered an adverse decision. Such a taxpayer may select the Court of Federal Claims, since any appeal instead will be to the Federal Circuit. One disadvantage of the Court of Federal Claims is that the tentative deficiency first must be paid before the Court will hear and decide the controversy.

I hope this information is helpful, and should you need more help, please contact me.

Sincerely,

Agnes Reynolds, CPA
Tax Partner

pp. 2-11 to 2-15, Figure 2.3, and Concept Summary 2.1

17. The main advantage of the U.S. Court of Federal Claims occurs when a taxpayer's applicable Circuit Court previously has rendered an adverse decision. Such a taxpayer may select the U.S. Court of Federal Claims since any appeal will be to the Federal Circuit.

One disadvantage of the U.S. Court of Federal Claims is that the tentative tax deficiency first must be paid before the Court will hear and decide the controversy. Another disadvantage is that a jury trial is not available.

The U.S. Court of Federal Claims is a trial court that usually meets in Washington, D.C. It has jurisdiction for any claim against the United States that is based on the Constitution, any Act of Congress, or any Regulation of an executive department.

pp. 2-11 to 2-15

18. See Figure 2.3 and Concept Summary 2.1.
- a. There is no appeal by either the taxpayer or the IRS from a decision of the Small Cases Division of the U.S. Tax Court. p. 2-11
 - b. The first appeal would be to the Sixth Circuit Court of Appeals. Further appeal would be to the U.S. Supreme Court. pp. 2-13, 2-15, and Figures 2.3 and 2.4

- c. Same as b. above. pp. 2-13, 2-15, and Figures 2.3 and 2.4
 - d. The appeal would be to the Federal Circuit Court of Appeals and then to the U.S. Supreme Court. pp. 2-13, 2-15, and Figures 2.3 and 2.4
19. Appeal to the U.S. Supreme Court is by Writ of Certiorari. If the Court agrees to hear the case, it will grant the Writ (Cert. granted). Most often, it will deny jurisdiction (Cert. denied). For whatever reason or reasons, the Supreme Court rarely hears tax cases. The Court usually grants certiorari to resolve a conflict among the Courts of Appeals (e.g., two or more appellate courts have assumed opposing positions on a particular issue) or where the tax issue is extremely important. The granting of a Writ of Certiorari indicates that at least four members of the Supreme Court believe that the issue is of sufficient importance to be heard by the full court. p. 2-15
20. Both the Code and the Supreme Court indicate that the Federal appellate courts are bound by findings of facts unless they are clearly erroneous. Thus, the *role* of appellate courts is limited to a review of the record of trial compiled by the trial courts. Thus, the appellate process usually involves a determination of whether the trial court applied the proper law in arriving at its decision. Rarely will an appellate court disturb a lower court's fact-finding determination. p. 2-15
21. A U.S. District Court decision from Florida (choice c.) may be appealed to the Eleventh Circuit Court of Appeals. Other states in the jurisdiction of the Eleventh Circuit Court of Appeals are Georgia and Alabama. p. 2-14 and Figure 2.4
22. The appropriate Circuit Court for an appeal depends on where the litigation originated. For example, an appeal from Texas would go to the Fifth Circuit, or an appeal from Colorado would go to the Tenth Circuit. p. 2-14 and Figure 2.4
23. a. If the taxpayer chooses a U.S. District Court as the trial court for litigation, the U.S. District Court of Wyoming would be the forum to hear the case. Unless the prior decision has been reversed on appeal, one would expect the same court to follow its earlier holding. pp. 2-12 and 2-30
- b. If the taxpayer chooses the U.S. Court of Federal Claims as the trial court for litigation, the decision that previously was rendered by this Court should have a direct bearing on the outcome. If the taxpayer selects a different trial court (i.e., the appropriate U.S. District Court or the U.S. Tax Court), the decision that was rendered by the U.S. Court of Federal Claims would be persuasive, but not controlling. It is, of course, assumed that the result that was reached by the U.S. Court of Federal Claims was not reversed on appeal. pp. 2-12, 2-15, and 2-30
- c. The decision of a U.S. Circuit Court of Appeals will carry more weight than will one that was rendered by a trial court. Since the taxpayer lives in California, however, any appeal from a U.S. District Court or the U.S. Tax Court would go to the Ninth Circuit Court of Appeals (see Figure 2.2). Although the Ninth Circuit Court of Appeals might be influenced by what the Second Circuit Court of Appeals has decided, it is not compelled to follow such holding. pp. 2-12, 2-15, 2-30, and Figure 2.4
- d. Because the U.S. Supreme Court is the highest appellate court, one can place complete reliance upon its decisions. Nevertheless, one should investigate any decision to see whether the Code has been modified with respect to the result that was reached. There also exists the rare possibility that the Court may have changed its position in a later decision. pp. 2-12, 2-15, 2-30, and Figure 2.3

- e. When the IRS acquiesces to a decision of the U.S. Tax Court, it agrees with the result that was reached. As long as such acquiescence remains in effect, taxpayers can be assured that this represents the position of the IRS on the issue that was involved. Keep in mind, however, that the IRS can change its mind and can, at any time, withdraw the acquiescence and substitute a nonacquiescence. pp. 2-16 and 2-17
 - f. The issuance of a nonacquiescence usually reflects that the IRS does not agree with the result that was reached by the U.S. Tax Court. Consequently, taxpayers are placed on notice that the IRS will continue to challenge the issue that was involved. pp. 2-16 and 2-17
24. The differences between a Regular decision, a Memorandum decision, and a Summary Opinion of the U.S. Tax Court are summarized as follows:
- In terms of substance, Memorandum decisions deal with situations that require only the application of previously established principles of law. Regular decisions involve novel issues that have not been resolved by the Court. In actual practice, however, this distinction is not always observed.
 - Memorandum decisions officially were published until 1999 in mimeograph form only, but Regular decisions are published by the U.S. Government in a series that is designated as the *Tax Court of the United States Reports*. Memorandum decisions are now published on the Tax Court website. Both Regular and Memorandum decisions are published by various commercial tax services (e.g., CCH and RIA).
 - A Summary Opinion is a Small Cases Division case involving amounts of \$50,000 or less. They are not precedents for any other court decisions and are not reviewable by any higher court. Proceedings are timelier and less expensive than a Memorandum or Regular decision. Some of these Summary Opinions can be found on the U.S. Tax Court Internet website.
- pp. 2-16 and 2-18
- 25.
- a. This is a citation for a Regular decision of the U.S. Tax Court that was issued in 1970. The decision can be found in Volume 54, page 1514, of the Tax Court of the United States Reports, published by the U.S. Government Printing Office. pp. 2-16 to 2-18 and Concept Summary 2.2
 - b. This is a citation for a decision of the U.S. Second Circuit Court of Appeals that was rendered in 1969. The decision can be found in Volume 408, page 1117, of the Federal Reporter, Second Series (F.2d), published by West Publishing Company. pp. 2-16 to 2-18 and Concept Summary 2.2
 - c. This is a citation for a decision of the U.S. Second Circuit Court of Appeals that was rendered in 1969. The decision can be found in Volume 1 for 1969, paragraph 9319, of the U.S. Tax Cases, published by Commerce Clearing House. pp. 2-16 to 2-18 and Concept Summary 2.2
 - d. This is a citation for a decision of the U.S. Second Circuit Court of Appeals that was rendered in 1969. The decision can be found in Volume 23, page 1090, of the Second Series of American Federal Tax Reports, now published by RIA (formerly P-H). pp. 2-16 to 2-18 and Concept Summary 2.2

[Note that the citations that appear in parts b., c., and d. are for the same case.]

- e. This is a citation for a decision of the U.S. District Court of Mississippi that was rendered in 1967. The decision can be found in Volume 293, page 1129, of the Federal Supplement Series, published by West Publishing Company. pp. 2-16 to 2-18 and Concept Summary 2.2
- f. This is a citation for a decision of the U.S. District Court of Mississippi that was rendered in 1967. The decision can be found in Volume 1 for 1967, paragraph 9253, of the U.S. Tax Cases, published by Commerce Clearing House. pp. 2-16 to 2-18 and Concept Summary 2.2
- g. This is a citation for a decision of the U.S. District Court of Mississippi that was rendered in 1967. The decision can be found in Volume 19, page 647, of the Second Series of American Federal Tax Reports, now published by RIA (formerly P-H). pp. 2-16 to 2-18 and Concept Summary 2.2

[Note that the citations that appear in parts e., f., and g. are for the same case.]

- h. This is a citation for a decision of the U.S. Supreme Court that was rendered in 1935. The decision can be found in Volume 56, page 289, of the Supreme Court Reporter, published by West Publishing Company. pp. 2-16 to 2-18 and Concept Summary 2.2
- i. This is a citation for a decision of the U.S. Supreme Court that was rendered in 1935. The decision can be found in Volume 1 for 1936, paragraph 9020, of the U.S. Tax Cases, published by Commerce Clearing House. pp. 2-16 to 2-18 and Concept Summary 2.2
- j. This is a citation for a decision of the U.S. Supreme Court that was rendered in 1935. The decision can be found in Volume 16, page 1274, of the American Federal Tax Reports, now published by RIA (formerly P-H). pp. 2-16 to 2-18 and Concept Summary 2.2

[Note that the citations that appear in parts h., i., and j. are for the same case.]

- k. This is a citation for a decision of the former U.S. Court of Claims that was rendered in 1970. The decision can be found in Volume 422, page 1336, of the Federal Reporter, Second Series, published by West Publishing Company. This court is the Claims Court (renamed the Court of Federal Claims effective October 30, 1992) and current cases are in the Federal Claims Reporter. pp. 2-16 to 2-18, Footnote 22, and Concept Summary 2.2
- 26.
- a. CA-2. An abbreviation that designates the U.S. Second Circuit Court of Appeals. pp. 2-16 to 2-18
 - b. Fed.Cl. An abbreviation for the Federal Claims Reporter published by West Publishing Company. It includes the decisions of the U.S. Court of Federal Claims and begins with Volume 27. pp. 2-16 to 2-18
 - c. aff'd. An abbreviation for "affirmed," which indicates that a lower court decision was affirmed (approved of) on appeal. p. 2-16
 - d. rev'd. An abbreviation for was "reversed," which indicates that a lower court decision was reversed (disapproved of) on appeal. p. 2-16
 - e. rem'd. An abbreviation for "remanded," which indicates that a lower court decision is being sent back by a higher court for further consideration. p. 2-16

- f. Cert. denied. The Writ of Certiorari has been denied by the U.S. Supreme Court. This writ means that the Court will not accept an appeal from a lower court and, therefore, will not consider the case further. p. 2-15
 - g. Acq. An abbreviation for “acquiescence” (agreement). The IRS follows a policy of either acquiescing or nonacquiescing to certain decisions. p. 2-16
 - h. B.T.A. An abbreviation for the Board of Tax Appeals. From 1924 to 1942, the U.S. Tax Court was designated as the Board of Tax Appeals. p. 2-16
 - i. USTC. U.S. District Court, U.S. Circuit Court of Appeals, U.S. Court of Federal Claims, and U.S. Supreme Court decisions that address Federal tax matters are reported in the Commerce Clearing House U.S. Tax Cases (USTC) and the RIA (formerly P-H) American Federal Tax Reports (AFTR) series. p. 2-17 and Concept Summary 2.2
 - j. AFTR. See the solution to i. above. p. 2-17 and Concept Summary 2.2
 - k. F.3d. All of the decisions (both tax and nontax) of the U.S. Claims Court (before October 1982) and the U.S. Circuit Court of Appeals are published by West Publishing Company in a reporter that is designated as the Federal Reporter, Second Series (F.2d). Volume 999, published in 1993, is the last volume of the Federal Second Series. It is followed by the Federal Third Series (F.3d). p. 2-17 and Concept Summary 2.2
 - l. F.Supp. Most Federal District Court decisions, dealing with both tax and nontax issues, are published by West Publishing Company in their Federal Supplement Series (F.Supp.). p. 2-17 and Concept Summary 2.2
 - m. USSC. An abbreviation for the U.S. Supreme Court. p. 2-18
 - n. S.Ct. West Publishing Company publishes all of the U.S. Supreme Court decisions in its Supreme Court Reporter (S.Ct.). p. 2-18 and Concept Summary 2.2
 - o. D.Ct. An abbreviation for a U.S. District Court decision. p. 2-18
27. a. None.
- b. USTC.
- c. USTC.
- d. USTC.
- e. TCM.
- pp. 2-17 to 2-18 and Concept Summary 2.2
28. Decisions of the U.S. Court of Federal Claims (formerly named the Claims Court) are published in the USTCs, AFTRs, and the West Publishing Co. reporter called the Federal Reporter, Second Series (F.2d) (before October 1982) and Claims Court Reporter (beginning October 1982 through October 30, 1992). The name of the U.S. Court of Federal Claims was changed from the Claims Court effective October 30, 1992. Currently, this court’s decision are published in the Federal Claims Reporter. p. 2-17 and Concept Summary 2.2

29. a. Yes. Exhibit 2.1
b. No. Not published there. Concept Summary 2.2 and p. 2-9
c. No. Published by private publishers. Exhibit 2.1 and p. 2-9
d. Yes. Exhibit 2.1 and p. 2-8
e. Yes. Exhibit 2.1 and p. 2-8
f. No. Concept Summary 2.2 and p. 2-19
g. Yes, when major tax legislation has been enacted by Congress. p. 2-9 and Footnote 12
h. Yes. pp. 2-16 and 2-17
i. No. Concept Summary 2.2
30. After understanding the relevant facts:
- Ashley may begin with the index volumes of the available tax services: RIA, CCH, BNA Portfolios, etc.
 - A key word search on an online service could be helpful—WESTLAW, LEXIS, CCH, and RIA Checkpoint.
 - Ashley may employ a key word search of a CD-ROM and browse through a tax service, IRS publications, etc. West Publishing, CCH, Kleinrock, and RIA offer CD-ROM products.
 - Ashley could consult CCH's Federal Tax Articles to locate current appropriate articles written about alimony payments. RIA's Tax Service also has a topical "Index to Tax Articles" section that is organized using the RIA paragraph index system.
 - Ashley may consult The Accounting & Tax Index which is available in three quarterly issues and a cumulative year-end volume covering all four quarters.
 - Up-to-date information may be found on the World Wide Web feature of the Internet. Various legal, accounting, and financial gateways can be found by clicking on highlighted words or phrases.
- pp. 2-20 to 2-30
31. Accessing tax documents through electronic means offers a number of important advantages over a strictly paper-based approach.
- Materials generally are available to the practitioner faster through an electronic system, as delays related to typesetting, proofreading, production, and distribution of the new materials are streamlined. Online services are updated daily and can be accessed from remote locations.
 - Some tax documents, such as so-called slip opinions of trial-level court cases and interviews with policymakers, are available only through electronic means.
 - Commercial subscriptions to electronic tax services are likely to provide, at little or no additional cost, additional tax law sources which the researcher would normally have to buy separately with a paper-based system. For example, the full texts of letter rulings are quite costly to acquire in a paper-based format, but electronic publishers may bundle the rulings with other material for a reasonable cost.

- When consulting a topical or annotated paper tax service, a user is relying on someone else's judgment while searching the topical index. The key word that the researcher is searching for may not be used by the editor.
- A computerized tax service allows a user to create his or her own key words and indexes, and the software will electronically scan all of the files and retrieve all of the documents that contain those words.
- Content in electronic services is linked. So, for example, if a researcher wants to read a particular document referred to in a court case, all the researcher has to do is to click on the link.
- A computerized tax service may retrieve documents that are no longer in print and may obtain regularly published documents to which a researcher does not have access.

pp. 2-20 and 2-23

PROBLEMS

32. a. Tom has some false notions. He must sue in the U.S. District Court of his locality and not in any other U.S. District Court. p. 2-12 and Concept Summary 2.1
- b. Tom has four choices of courts with respect to his Federal tax question, and a state court is not one of the choices. He may go to the U.S. Tax Court, Small Cases Division of the U.S. Tax Court, U.S. District Court, or U.S. Court of Federal Claims. pp. 2-11, 2-12, and Figure 2.3
- c. The B.T.A. decision is an old U.S. Tax Court decision that may have little validity today. Even if the decision still is good law, it probably will have little impact upon a U.S. District Court and certainly no impact upon a state court. pp. 2-16, 2-30, and 2-31
- d. The U.S. Court of Federal Claims is a trial court that usually meets in Washington, D.C., and Tom cannot appeal from a U.S. District Court to the U.S. Court of Federal Claims. Any appeal from his U.S. District Court would be to the Sixth Circuit Court of Appeals (and not to the Second). pp. 2-11, 2-14, 2-15, Figures 2.3 and 2.4, and Concept Summary 2.1
- e. Few tax decisions reach the U.S. Supreme Court. The U.S. Supreme Court must agree to hear a court case. p. 2-15
33. a. T. p. 2-12 and Concept Summary 2.1
- b. A. p. 2-18 and Concept Summary 2.2
- c. D, C, A, and U. p. 2-18 and Concept Summary 2.2
- d. D, C, A, and U. p. 2-18 and Concept Summary 2.2
- e. U. p. 2-15
- f. C and U. p. 2-12

- g. D. p. 2-13 and Concept Summary 2.1
 - h. D, T, and C. pp. 2-11, 2-12, Figure 2.3, and Concept Summary 2.1
 - i. A and U. pp. 2-14 to 2-16 and Figure 2.3
 - j. C. p. 2-13, Footnote 20, Concept Summary 2.1 and Figure 2.3
 - k. T. p. 2-11 and Figure 2.3
 - l. T. pp. 2-13, 2-14, and Concept Summary 2.1
34. a. N, a cite for an IRS Revenue Ruling.
- b. T, U.S. Tax Court.
- c. A, U.S. Circuit Court of Appeals.
- d. U, U.S. Supreme Court.
- e. T, U.S. Tax Court (previous name of the Tax Court).
- f. D, U.S. District Court.
- g. T, U.S. Tax Court.
- h. N, a cite for an IRS Notice.
- i. T, U.S. Tax Court's Small Cases Division decision.
- pp. 2-9, 2-11, 2-15 to 2-18, and Concept Summary 2.2
35. a. U.S.
- b. CCH.
- c. W.
- d. RIA.
- e. CCH.
- f. RIA.
- g. U.S.
- h. U.S.
- i. W.
- j. U.S.
- pp. 2-8, 2-9, 2-16 to 2-18, and Concept Summary 2.2

36. a. E.
 b. E.
 c. A.
 d. A.
 e. A.

pp. 2-32 and 2-33

The answers to the Research Problems are incorporated into the *Instructor's Guide with Lecture Notes* to accompany the 2010 Annual Edition of *SOUTH-WESTERN FEDERAL TAXATION: COMPREHENSIVE VOLUME*.

Solutions to Appendix E, “Comprehensive Tax Return Problems”

SOLUTION TO THE LEE INDIVIDUAL PROBLEM 1

Form 1040 Department of the Treasury—Internal Revenue Service **U.S. Individual Income Tax Return 2008** (99) IRS Use Only—Do not write or staple in this space.

OMB No. 1545-0074

For the year Jan. 1–Dec. 31, 2008, or other tax year beginning , 2008, ending , 20

Label (See instructions.) Use the IRS label. Otherwise, please print or type.

Label HERE

Your first name and initial: DAVID R Last name: LEE Your social security number: 111-11-1111

If a joint return, spouse's first name and initial: BETTY N Last name: LEE Spouse's social security number: 123-45-6789

Home address (number and street). If you have a P.O. box, see instructions. 641 CODY WAY Apt. no. You must enter your SSN(s) above.

City, town or post office, state, and ZIP code. If you have a foreign address, see instructions. CASPER WY 82609 Checking a box below will not change your tax or refund

Presidential Election Campaign Check here if you, or your spouse if filing jointly, want \$3 to go to this fund (see instructions) ☐ You ☐ Spouse

Filing Status

1 ☐ Single 4 ☐ Head of household (with qualifying person). (See instr.) If the qualifying person is a child but not your dependent, enter this child's name here. ☐

2 ☒ Married filing jointly (even if only one had income)

3 ☐ Married filing separately. Enter spouse's SSN above and full name here. ☐

5 ☐ Qualifying widow(er) with dependent child (see instructions)

Exemptions

6a ☒ Yourself. If someone can claim you as a dependent, do not check box 6a

b ☒ Spouse

c **Dependents:**

(1) First name	Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) X if qualifying child for child tax credit (see instr.)
KIRBY	LEE	111-11-1111	Daughter	
TOBY	LEE	111-11-1111	Son	
VIVIAN	NEWMAN	111-11-1111	Parent	

Boxes checked on 6a and 6b: 2

No. of children on 6c who:

- lived with you: 2
- did not live with you due to divorce or separation (see instructions): 1

Dependents on 6c not entered above: 1

d Total number of exemptions claimed: 5

Income

7 Wages, salaries, tips, etc. Attach Form(s) W-2 7 38,000

8a Taxable interest. Attach Schedule B if required 8a 6,300

b Tax-exempt interest. Do not include on line 8a 8b 1,900

9a Ordinary dividends. Attach Schedule B if required 9a 700

b Qualified dividends (see instructions) 9b 700

10 Taxable refunds, credits, or offsets of state and local income taxes (see instructions) 10 0

11 Alimony received 11

12 Business income or (loss). Attach Schedule C or C-EZ 12 70,454

13 Capital gain or (loss). Attach Schedule D if required. If not required, check here ☐ 13 9,100

14 Other gains or (losses). Attach Form 4797 14 0

15a IRA distributions 15a b Taxable amount (see instr.) 15b 0

16a Pensions and annuities 16a b Taxable amount (see instr.) 16b 0

17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E 17 2,895

18 Farm income or (loss). Attach Schedule F 18 0

19 Unemployment compensation 19

20a Social security benefits 20a b Taxable amount (see instr.) 20b

21 Other income. List type and amount (see instructions) Jury Duty 21 420

22 Add the amounts in the far right column for lines 7 through 21. This is your total income 22 127,869

Adjusted Gross Income

23 Educator expenses (see instructions) 23 0

24 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ 24 0

25 Health savings account deduction. Attach Form 8889 25 0

26 Moving expenses. Attach Form 3903 26 0

27 One-half of self-employment tax. Attach Schedule SE 27 4,978

28 Self-employed SEP, SIMPLE, and qualified plans 28 9,000

29 Self-employed health insurance deduction (see instructions) 29 3,800

30 Penalty on early withdrawal of savings 30 0

31a Alimony paid b Recipient's SSN ☐ 31a

32 IRA deduction (see instructions) 32 5,000

33 Student loan interest deduction (see instructions) 33

34 Tuition and fees deduction. Attach Form 8917 34

35 Domestic production activities deduction. Attach Form 8903 35 0

36 Add lines 23 through 31a and 32 through 35 36 22,778

37 Subtract line 36 from line 22. This is your adjusted gross income 37 105,091

KIA For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see instructions. Form 1040 (2008)

Comprehensive Tax Return Problems

CP-3

Form 1040 (2008) DAVID R LEE 111-11-1111 Page 2

Tax and Credits	38	Amount from line 37 (adjusted gross income)	38	105,091
	39a	Check <input type="checkbox"/> You were born before January 2, 1944, <input type="checkbox"/> Blind. <input type="checkbox"/> Spouse was born before January 2, 1944, <input type="checkbox"/> Blind. Total boxes checked 39a 0		
	b	If your spouse itemizes on a separate return, or you were a dual-status alien, see instructions and check here 39b		
	c	Check if standard deduction includes real estate taxes or disaster loss (see instructions) 39c		
Standard Deduction for— • People who checked any box on line 39a, 39b, or 39c or who can be claimed as a dependent, see instructions • All others: Single or Married filing separately, \$5,450 Married filing jointly or Qualifying widow(er), \$10,900 Head of household, \$8,000	40	Itemized deductions (from Schedule A) or your standard deduction (see left margin)	40	13,742
	41	Subtract line 40 from line 38	41	91,349
	42	If line 38 is over \$119,975, or you provided housing to a Midwestern displaced individual, see instructions. Otherwise, multiply \$3,500 by the total number of exemptions claimed on line 6d	42	17,500
	43	Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-	43	73,849
	44	Tax (see instructions). Check if any tax is from: a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972	44	10,535
	45	Alternative minimum tax (see instructions). Attach Form 6251	45	0
	46	Add lines 44 and 45	46	10,535
	47	Foreign tax credit. Attach Form 1116 if required	47	0
	48	Credit for child and dependent care expenses. Attach Form 2441	48	
	49	Credit for the elderly or the disabled. Attach Schedule R	49	
	50	Education credits. Attach Form 8863	50	
	51	Retirement savings contributions credit. Attach Form 8880	51	0
	52	Child tax credit (see instructions). Attach Form 8901 if required.	52	
	53	Credits from Form: a <input type="checkbox"/> 8396 b <input type="checkbox"/> 8339 c <input type="checkbox"/> 5695	53	0
	54	Other credits from Form: a <input type="checkbox"/> Form 3800 b <input type="checkbox"/> Form 8801 c <input type="checkbox"/>	54	0
	55	Add lines 47 through 54. These are your total credits	55	0
	56	Subtract line 55 from line 46. If line 55 is more than line 46, enter -0-	56	10,535
Other Taxes	57	Self-employment tax. Attach Schedule SE	57	9,955
	58	Unreported social security and Medicare tax from Form: a <input type="checkbox"/> 4137 b <input type="checkbox"/> 8919	58	0
	59	Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required	59	0
	60	Additional taxes: a <input type="checkbox"/> AEIC payments b <input type="checkbox"/> Household employment taxes. Attach Schedule H	60	0
	61	Add lines 56 through 60. This is your total tax	61	20,490
Payments	62	Federal income tax withheld from Forms W-2 and 1099	62	5,100
	63	2008 estimated tax payments and amount applied from 2007 return	63	16,150
	64a	Earned income credit (EIC)	64a	
	b	Nontaxable combat pay election 64b		
	65	Excess social security and tier 1 RRTA tax withheld (see instructions)	65	0
	66	Additional child tax credit. Attach Form 8812	66	
	67	Amount paid with request for extension to file (see instructions)	67	
	68	Credits from Form: a <input type="checkbox"/> 2439 b <input type="checkbox"/> 4136 c <input type="checkbox"/> 8801 d <input type="checkbox"/> 8885	68	0
	69	First-time homebuyer credit. Attach Form 5405	69	
	70	Recovery rebate credit (see worksheet in the instructions)	70	
	71	Add lines 62 through 70. These are your total payments	71	21,250
Refund	72	If line 71 is more than line 61, subtract line 61 from line 71. This is the amount you overpaid	72	760
Direct deposit? See instructions and fill in 73b, 73c, and 73d, or Form 8888.	73a	Amount of line 72 you want refunded to you. If Form 8888 is attached, check here <input type="checkbox"/>	73a	0
	b	Routing number XXXXXXXXXX	c	Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings
	d	Account number XXXXXXXXXXXXXXXXXXXX		
	74	Amount of line 72 you want applied to your 2009 estimated tax	74	760
Amount You Owe	75	Amount you owe. Subtract line 71 from line 61. For details on how to pay, see the instructions	75	
	76	Estimated tax penalty (see instructions)	76	
Third Party Designee	Do you want to allow another person to discuss this return with the IRS (see instructions)? <input type="checkbox"/> Yes. Complete the following <input checked="" type="checkbox"/> No			
	Designee's name	Phone no.	Personal identification number (PIN)	
Sign Here	Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.			
Joint return? See instructions. Keep a copy for your records.	Your signature	Date	Your occupation	Daytime phone number
	Spouse's signature. If a joint return, both must sign.	Date	Spouse's occupation	
	Preparer's signature	Date	Check if self-employed <input type="checkbox"/>	Preparer's SSN or PTIN
	Firm's name (or yours if self-employed), address, and ZIP code			EIN
			Phone no.	

KIA Form 1040 (2008)

SCHEDULES A&B (Form 1040)		Schedule A—Itemized Deductions (Schedule B is on page 2)		OMB No. 1545-0074 2008 Attachment Sequence No. 07	
Department of the Treasury Internal Revenue Service (99)		▶ Attach to Form 1040. ▶ See Instructions for Schedules A&B (Form 1040).		Your social security number 111-11-1111	
Name(s) shown on Form 1040 DAVID R LEE					
Medical and Dental Expenses	Caution. Do not include expenses reimbursed or paid by others.				
	1 Medical and dental expenses (see instructions)	1	9,213		
	2 Enter amount from Form 1040, line 38	2	105,091		
	3 Multiply line 2 by 7.5% (.075)	3	7,882		
	4 Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-	4		1,331	
Taxes You Paid (See instructions.)	5 State and local (check only one box) <input type="checkbox"/> Income taxes, or <input checked="" type="checkbox"/> General sales taxes	5	2,611		
	6 Real estate taxes (see instructions)	6	2,480		
	7 Personal property taxes	7	0		
	8 Other taxes. List type and amount ▶	8	0		
	9 Add lines 5 through 8	9		5,091	
Interest You Paid (See instructions.)	10 Home mortgage interest and points reported to you on Form 1098	10	3,520		
	11 Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address ▶	11	0		
	12 Points not reported to you on Form 1098. See instructions for special rules	12	0		
	13 Qualified mortgage insurance premiums (See instructions)	13	0		
	14 Investment interest. Attach Form 4952 if required. (See instr.)	14			
	15 Add lines 10 through 14	15		3,520	
Gifts to Charity If you made a gift and got a benefit for it, see instructions.	16 Gifts by cash or check. If you made any gift of \$250 or more, see instructions	16	3,800		
	17 Other than by cash or check. If any gift of \$250 or more, see instructions. You must attach Form 8283 if over \$500	17	0		
	18 Carryover from prior year	18	0		
	19 Add lines 16 through 18	19		3,800	
Casualty and Theft Losses	20 Casualty or theft loss(es). Attach Form 4684. (See instructions.)	20		0	
Job Expenses and Certain Miscellaneous Deductions (See instructions.)	21 Unreimbursed employee expenses—job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See instructions.) ▶ Form 2106	21	1,340		
	22 Tax preparation fees	22			
	23 Other expenses—investment, safe deposit box, etc. List type and amount ▶	23	0		
	24 Add lines 21 through 23	24	1,340		
	25 Enter amount from Form 1040, line 38	25	105,091		
	26 Multiply line 25 by 2% (.02)	26	2,102		
	27 Subtract line 26 from line 24. If line 26 is more than line 24, enter -0-	27		0	
Other Miscellaneous Deductions	28 Other—from list in the instructions. List type and amount ▶	28		0	
Total Itemized Deductions	29 Is Form 1040, line 38, over \$159,950 (over \$79,975 if married filing separately)? <input checked="" type="checkbox"/> No. Your deduction is not limited. Add the amounts in the far right column for lines 4 through 28. Also, enter this amount on Form 1040, line 40. <input type="checkbox"/> Yes. Your deduction may be limited. See instructions for the amount to enter. } ▶	29		13,742	
	30 If you elect to itemize deductions even though they are less than your standard deduction, check here				

KIA For Paperwork Reduction Act Notice, see Form 1040 instructions.

Schedule A (Form 1040) 2008

Schedules A&B (Form 1040) 2008

OMB No. 1545-0074 Page 2

Name(s) shown on Form 1040. Do not enter name and social security number if shown on other side.

DAVID R LEE

Your social security number

111-11-1111

Schedule B—Interest and Ordinary Dividends

Attachment
Sequence No. 08

		Amount	
Part I Interest (See the instructions for Form 1040, line 8a.) Note: If you received a Form 1099-INT, Form 1099-OID, or substitute statement from a brokerage firm, list the firm's name as the payer and enter the total interest shown on that form.	1 List name of payer. If any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see instructions and list this interest first. Also, show that buyer's social security number and address ► Wells Fargo Bank Bank of America Interest on Installment Sale City of Cheyenne Bonds	1,100 400 4,800 0	
	2 Add the amounts on line 1	6,300	
	3 Excludable interest on series EE and I U.S. savings bonds issued after 1989. Attach Form 8815		
	4 Subtract line 3 from line 2. Enter the result here and on Form 1040, line 8a . . . ►	6,300	
Note: If line 4 is over \$1,500, you must complete Part III.			
Part II Ordinary Dividends (See the instructions for Form 1040, line 9a.) Note: If you received a Form 1099-DIV or substitute statement from a brokerage firm, list the firm's name as the payer and enter the ordinary dividends shown on that form.	5 List name of payer ► Meadowlark Corporation	700	
	6 Add the amounts on line 5. Enter the total here and on Form 1040, line 9a . . . ►	700	
Note: If line 6 is over \$1,500, you must complete Part III.			
Part III Foreign Accounts and Trusts (See instructions.)	You must complete this part if you (a) had over \$1,500 of taxable interest or ordinary dividends; or (b) had a foreign account; or (c) received a distribution from, or were a grantor of, or a transferor to, a foreign trust.		
	7a At any time during 2008, did you have an interest in or a signature or other authority over a financial account in a foreign country, such as a bank account, securities account, or other financial account? See instructions for exceptions and filing requirements for Form TD F 90-22.1	Yes	No
	b If "Yes," enter the name of the foreign country ►		X
8 During 2008, did you receive a distribution from, or were you the grantor of, or transferor to, a foreign trust? If "Yes," you may have to file Form 3520. See instructions.		X	

KIA For Paperwork Reduction Act Notice, see Form 1040 instructions.

Schedule B (Form 1040) 2008

SCHEDULE C
(Form 1040)
Profit or Loss From Business

(Sole Proprietorship)

OMB No. 1545-0074

2008
Attachment
Sequence No. **09**Department of the Treasury
Internal Revenue Service (99)

► Partnerships, joint ventures, etc., generally must file Form 1065 or 1065-B.
 ► Attach to Form 1040, 1040NR, or 1041. ► See Instructions for Schedule C (Form 1040).

Name of proprietor DAVID R LEE		Social security number (SSN) 111-11-1111
A Principal business or profession, including product or service (see the instructions) ENGINEER, SERVICES TO MINING COMPANIES		B Enter code from instructions ► 541990
C Business name. If no separate business name, leave blank.		D Employer ID number (EIN), if any
E Business address (including suite or room no.) City, town or post office, state, and ZIP code 641 CODY WAY CASPER WY 82609		
F Accounting method: (1) <input checked="" type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify) _____		
G Did you "materially participate" in the operation of this business during 2008? If "No," see instructions for limit on losses . . . <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
H If you started or acquired this business during 2008, check here . . . <input type="checkbox"/>		

Part I Income

1 Gross receipts or sales. Caution. See instructions and check box if: • This income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked, or • You are a member of a qualified joint venture reporting only rental real estate income not subject to self-employment tax. Also, see instructions for limit on losses.		1	117,620
2 Returns and allowances		2	
3 Subtract line 2 from line 1		3	117,620
4 Cost of goods sold (from line 42 on page 2)		4	0
5 Gross profit. Subtract line 4 from line 3		5	117,620
6 Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)		6	
7 Gross income. Add lines 5 and 6		7	117,620

Part II Expenses. Enter expenses for business use of your home **only** on line 30.

8 Advertising	8	2,400	18 Office expense	18	1,200
9 Car and truck expenses (see instructions)	9	5,390	19 Pension and profit-sharing plans	19	
10 Commissions and fees	10		20 Rent or lease (see instructions):		
11 Contract labor (see instructions)	11		a Vehicles, machinery, & equipment	20a	0
12 Depletion	12		b Other business property	20b	
13 Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13	9,480	21 Repairs and maintenance	21	
14 Employee benefit programs (other than on line 19)	14		22 Supplies (not included in Part III)	22	3,200
15 Insurance (other than health)	15		23 Taxes and licenses	23	300
16 Interest:			24 Travel, meals, and entertainment:		
a Mortgage (paid to banks, etc.)	16a		a Travel	24a	14,320
b Other	16b		b Deductible meals and entertainment (see instructions)	24b	3,050
17 Legal and professional services	17		25 Utilities	25	
			26 Wages (less employment credits)	26	
			27 Other expenses (from line 48 on page 2)	27	1,280
28 Total expenses before expenses for business use of home. Add lines 8 through 27			28 40,620		
29 Tentative profit or (loss). Subtract line 28 from line 7			29 77,000		
30 Expenses for business use of your home. Attach Form 8829			30 6,546		
31 Net profit or (loss). Subtract line 30 from line 29. • If a profit, enter on both Form 1040, line 12, and Schedule SE, line 2, or on Form 1040NR, line 13 (if you checked the box on line 1, see instructions). Estates and trusts, enter on Form 1041, line 3. • If a loss, you must go to line 32.			31 70,454		
32 If you have a loss, check the box that describes your investment in this activity (see instructions). • If you checked 32a, enter the loss on both Form 1040, line 12, and Schedule SE, line 2, or on Form 1040NR, line 13 (if you checked the box on line 1, see the line 31 instructions). Estates and trusts, enter on Form 1041, line 3. • If you checked 32b, you must attach Form 6198. Your loss may be limited.			32a <input checked="" type="checkbox"/> All investment is at risk. 32b <input type="checkbox"/> Some investment is not at risk.		

KIA For Paperwork Reduction Act Notice, see the instructions.

Schedule C (Form 1040) 2008

Schedule C (Form 1040) 2008

DAVID

R LEE

111-11-1111

Page 2

Part III Cost of Goods Sold (see instructions)

33	Method(s) used to value closing inventory:	a <input type="checkbox"/> Cost	b <input type="checkbox"/> Lower of cost or market	c <input type="checkbox"/> Other (attach explanation)
34	Was there any change in determining quantities, costs, or valuations between opening and closing inventory? <input type="checkbox"/> Yes <input type="checkbox"/> No If "Yes," attach explanation			
35	Inventory at beginning of year. If different from last year's closing inventory, attach explanation	35		
36	Purchases less cost of items withdrawn for personal use	36		
37	Cost of labor. Do not include any amounts paid to yourself	37		
38	Materials and supplies	38		
39	Other costs	39		
40	Add lines 35 through 39	40	0	
41	Inventory at end of year	41		
42	Cost of goods sold. Subtract line 41 from line 40. Enter the result here and on page 1, line 4	42	0	

Part IV Information on Your Vehicle. Complete this part **only** if you are claiming car or truck expenses on line 9 and are not required to file Form 4562 for this business. See the instructions for line 13 to find out if you must file Form 4562.

43 When did you place your vehicle in service for business purposes? (month, day, year) ▶ _____

44 Of the total number of miles you drove your vehicle during 2008, enter the number of miles you used your vehicle for:

a Business _____ b Commuting (see instructions) _____ c Other _____

45 Was your vehicle available for personal use during off-duty hours? ☐ Yes ☐ No

46 Do you (or your spouse) have another vehicle available for personal use? ☐ Yes ☐ No

47a Do you have evidence to support your deduction? ☐ Yes ☐ No

b If "Yes," is the evidence written? ☐ Yes ☐ No

Part V Other Expenses. List below business expenses not included on lines 8–26 or line 30.

Trade journals	240
Professional dues	180
Telephone/internet service	860
48 Total other expenses. Enter here and on page 1, line 27	48 1,280

KIA

Schedule C (Form 1040) 2008

SCHEDULE D
(Form 1040)Department of the Treasury
Internal Revenue Service (99)

Capital Gains and Losses

▶ Attach to Form 1040 or Form 1040NR. ▶ See instructions for Schedule D (Form 1040).

▶ Use Schedule D-1 to list additional transactions for lines 1 and 8.

OMB No. 1545-0074

2008

Attachment
Sequence No. 12

Name(s) shown on return

DAVID R LEE

Your social security number

111-11-1111

Part I Short-Term Capital Gains and Losses—Assets Held One Year or Less

(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold (Mo., day, yr.)	(d) Sales price (see the instructions)	(e) Cost or other basis (see the instructions)	(f) Gain or (loss) Subtract (e) from (d)
1					
2 Enter your short-term totals, if any, from Schedule D-1, line 2	2		0		0
3 Total short-term sales price amounts. Add lines 1 and 2 in column (d)	3		0		
4 Short-term gain from Form 6252 and short-term gain or (loss) from Forms 4684, 6781, and 8824	4				0
5 Net short-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1	5				
6 Short-term capital loss carryover. Enter the amount, if any, from line 8 of your Capital Loss Carryover Worksheet in the instructions.	6				(-4,000)
7 Net short-term capital gain or (loss). Combine lines 1 through 6 in column (f)	7				-4,000

Part II Long-Term Capital Gains and Losses—Assets Held More Than One Year

(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold (Mo., day, yr.)	(d) Sales price (see the instructions)	(e) Cost or other basis (see the instructions)	(f) Gain or (loss) Subtract (e) from (d)
8					
Cormorant common stock	03/07/07	WORTHLES	WORTHLESS	3,900	-3,900
Antique gun collection	INHERIT	07/10/08	29,000	22,000	7,000
9 Enter your long-term totals, if any, from Schedule D-1, line 9	9		0		0
10 Total long-term sales price amounts. Add lines 8 and 9 in column (d)	10		29,000		
11 Gain from Form 4797, Part I; long-term gain from Forms 2439 and 6252; and long-term gain or (loss) from Forms 4684, 6781, and 8824	11				10,000
12 Net long-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1	12				
13 Capital gain distributions. See the instructions	13				0
14 Long-term capital loss carryover. Enter the amount, if any, from line 13 of your Capital Loss Carryover Worksheet in the instructions	14				(0)
15 Net long-term capital gain or (loss). Combine lines 8 through 14 in column (f). Then go to Part III on page 2	15				13,100

KIA For Paperwork Reduction Act Notice, see Form 1040 or Form 1040NR instructions.

Schedule D (Form 1040) 2008

Part III Summary

16	Combine lines 7 and 15 and enter the result	16	9,100
<p>If line 16 is:</p> <ul style="list-style-type: none"> • A gain, enter the amount from line 16 on Form 1040, line 13, or Form 1040NR, line 14. Then go to line 17 below. • A loss, skip lines 17 through 20 below. Then go to line 21. Also be sure to complete line 22. • Zero, skip lines 17 through 21 below and enter -0- on Form 1040, line 13, or Form 1040NR, line 14. Then go to line 22. 			
17	Are lines 15 and 16 both gains? <input checked="" type="checkbox"/> Yes . Go to line 18. <input type="checkbox"/> No . Skip lines 18 through 21, and go to line 22.		
18	Enter the amount, if any, from line 7 of the 28% Rate Gain Worksheet in the instructions ▶	18	3,000
19	Enter the amount, if any, from line 18 of the Unrecaptured Section 1250 Gain Worksheet in the instructions ▶	19	0
20	Are lines 18 and 19 both zero or blank? <input type="checkbox"/> Yes . Complete Form 1040 through line 43, or Form 1040NR through line 40. Then complete the Qualified Dividends and Capital Gain Tax Worksheet in the Instructions for Form 1040 (or in the Instructions for Form 1040NR). Do not complete lines 21 and 22 below. <input checked="" type="checkbox"/> No . Complete Form 1040 through line 43, or Form 1040NR through line 40. Then complete the Schedule D Tax Worksheet in the instructions. Do not complete lines 21 and 22 below.		
21	If line 16 is a loss, enter here and on Form 1040, line 13, or Form 1040NR, line 14, the smaller of: <div style="display: flex; align-items: center;"> <ul style="list-style-type: none"> • The loss on line 16 or • (\$3,000), or if married filing separately, (\$1,500)] <div style="flex-grow: 1; border-bottom: 1px solid black; margin-left: 10px;"></div> </div> <p>Note. When figuring which amount is smaller, treat both amounts as positive numbers.</p>	21	()
22	Do you have qualified dividends on Form 1040, line 9b, or Form 1040NR, line 10b? <input type="checkbox"/> Yes . Complete Form 1040 through line 43, or Form 1040NR through line 40. Then complete the Qualified Dividends and Capital Gain Tax Worksheet in the Instructions for Form 1040 (or in the Instructions for Form 1040NR). <input type="checkbox"/> No . Complete the rest of Form 1040 or Form 1040NR.		

KIA

Schedule D (Form 1040) 2008

SCHEDULE E
(Form 1040)

 Department of the Treasury
 Internal Revenue Service (99)

Supplemental Income and Loss

 (From rental real estate, royalties, partnerships,
 S corporations, estates, trusts, REMICs, etc.)

Attach to Form 1040, 1040NR, or Form 1041.

See Instructions for Schedule E (Form 1040).

OMB No. 1545-0074

2008

 Attachment
 Sequence No. **13**

Name(s) shown on return

DAVID R LEE

Your social security number

111-11-1111

Part I Income or Loss From Rental Real Estate and Royalties Note. If you are in the business of renting personal property, use Schedule C or C-EZ (see instructions). If you are an individual, report farm rental income or loss from Form 4835 on page 2, line 40.

1 List the type and location of each rental real estate property:		2 For each rental real estate property listed on line 1, did you or your family use it during the tax year for personal purposes for more than the greater of: • 14 days or • 10% of the total days rented at fair rental value? (See instructions.)		Yes	No
A	B	C			
Rental house 100.0%	4620 Cottonwood Ln Casper WY				X
B					
C					

Income:		Properties			Totals
		A	B	C	(Add columns A, B, and C.)
3 Rents received	3	28,600			3 28,600
4 Royalties received	4	0	0	0	4 0
Expenses:					
5 Advertising	5	0			
6 Auto and travel (see instructions)	6	0			
7 Cleaning and maintenance	7	1,200			
8 Commissions	8	0			
9 Insurance	9	3,100			
10 Legal and other professional fees	10	0			
11 Management fees	11	0			
12 Mortgage interest paid to banks, etc. (see instructions)	12	0			12 0
13 Other interest	13	0			
14 Repairs	14	800			
15 Supplies	15	0			
16 Taxes	16	2,400			
17 Utilities	17	0			
18 Other (list) ▶	18	0			
		0			
		0			
		0			
19 Add lines 5 through 18	19	7,500	0	0	19 7,500
20 Depreciation expense or depletion (see instructions)	20	18,205			20 18,205
21 Total expenses. Add lines 19 and 20	21	25,705	0	0	
22 Income or (loss) from rental real estate or royalty properties. Subtract line 21 from line 3 (rents) or line 4 (royalties). If the result is a (loss), see instructions to find out if you must file Form 6198	22	2,895	0	0	
23 Deductible rental real estate loss. Caution. Your rental real estate loss on line 22 may be limited. See instructions to find out if you must file Form 8582. Real estate professionals must complete line 43 on page 2	23	(0)	()	()	
24 Income. Add positive amounts shown on line 22. Do not include any losses	24				24 2,895
25 Losses. Add royalty losses from line 22 and rental real estate losses from line 23. Enter total losses here.	25				25 (0)
26 Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Form 1040, line 17, or Form 1040NR, line 18. Otherwise, include this amount in the total on line 41 on page 2	26				26 2,895

KIA For Paperwork Reduction Act Notice, see instructions.

Schedule E (Form 1040) 2008

SCHEDULE SE
(Form 1040)Department of the Treasury
Internal Revenue Service (99)

Self-Employment Tax

OMB No. 1545-0074

2008

Attachment
Sequence No. 17

▶ Attach to Form 1040. ▶ See Instructions for Schedule SE (Form 1040).

Name of person with self-employment income (as shown on Form 1040)

DAVID R LEE

Social security number of person
with self-employment income ▶

111-11-1111

Who Must File Schedule SE

You must file Schedule SE if:

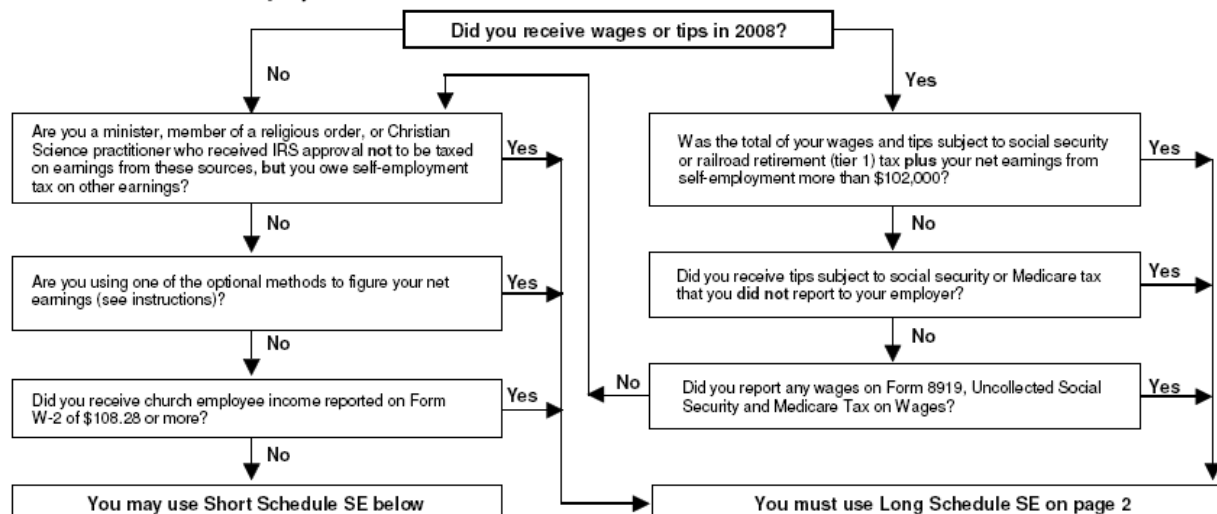
- You had net earnings from self-employment from **other than** church employee income (line 4 of Short Schedule SE or line 4c of Long Schedule SE) of \$400 or more, **or**
- You had church employee income of \$108.28 or more. Income from services you performed as a minister or a member of a religious order is **not** church employee income (see instructions).

Note. Even if you had a loss or a small amount of income from self-employment, it may be to your benefit to file Schedule SE and use either "optional method" in Part II of Long Schedule SE (see instructions).

Exception. If your only self-employment income was from earnings as a minister, member of a religious order, or Christian Science practitioner **and** you filed Form 4361 and received IRS approval not to be taxed on those earnings, **do not** file Schedule SE. Instead, write "Exempt-Form 4361" on Form 1040, line 57.

May I Use Short Schedule SE or Must I Use Long Schedule SE?

Note. Use this flowchart **only** if you must file Schedule SE. If unsure, see *Who Must File Schedule SE*, above.



Section A—Short Schedule SE. Caution. Read above to see if you can use Short Schedule SE.

1a	Net farm profit or (loss) from Schedule F, line 36, and farm partnerships, Schedule K-1 (Form 1065), box 14, code A	1a	0
b	If you received social security retirement or disability benefits, enter the amount of Conservation Reserve Program payments included on Schedule F, line 6b, or listed on Schedule K-1 (Form 1065), box 20, code X	1b	(0)
2	Net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; and Schedule K-1 (Form 1065), box 14, code A (other than farming); and Schedule K-1 (Form 1065-B), box 9, code J1. Ministers and members of religious orders, see instructions for types of income to report on this line. See instructions for other income to report	2	70,454
3	Combine lines 1a, 1b, and 2	3	70,454
4	Net earnings from self-employment. Multiply line 3 by 92.35% (.9235). If less than \$400, do not file this schedule; you do not owe self-employment tax ▶	4	65,064
5	Self-employment tax. If the amount on line 4 is: • \$102,000 or less, multiply line 4 by 15.3% (.153). Enter the result here and on Form 1040, line 57. • More than \$102,000, multiply line 4 by 2.9% (.029). Then, add \$12,648 to the result. Enter the total here and on Form 1040, line 57	5	9,955
6	Deduction for one-half of self-employment tax. Multiply line 5 by 50% (.5). Enter the result here and on Form 1040, line 27	6	4,978

KIA For Paperwork Reduction Act Notice, see Form 1040 instructions.

Schedule SE (Form 1040) 2008

Form 2106 <small>Department of the Treasury Internal Revenue Service (99)</small>	Employee Business Expenses ▶ See separate instructions. ▶ Attach to Form 1040 or Form 1040NR.	<small>OMB No. 1545-0074</small> <div style="font-size: 24pt; font-weight: bold;">2008</div> <small>Attachment Sequence No. 129</small>
Your name BETTY N LEE	Occupation in which you incurred expenses PARALEGAL	Social security number 123-45-6789

Part I Employee Business Expenses and Reimbursements

Step 1 Enter Your Expenses	Column A Other Than Meals and Entertainment	Column B Meals and Entertainment
1 Vehicle expense from line 22c or line 29. (Rural mail carriers: See instructions.)	1 0	
2 Parking fees, tolls, and transportation, including train, bus, etc., that did not involve overnight travel or commuting to and from work	2 0	
3 Travel expense while away from home overnight, including lodging, airplane, car rental, etc. Do not include meals and entertainment	3	
4 Business expenses not included on lines 1 through 3. Do not include meals and entertainment	4 1,340	
5 Meals and entertainment expenses (see instructions)		
6 Total expenses. In Column A, add lines 1 through 4 and enter the result. In Column B, enter the amount from line 5	6 1,340	

Note: If you were not reimbursed for any expenses in Step 1, skip line 7 and enter the amount from line 6 on line 8.

Step 2 Enter Reimbursements Received From Your Employer for Expenses Listed in Step 1

7 Enter reimbursements received from your employer that were not reported to you in box 1 of Form W-2. Include any reimbursements reported under code "L" in box 12 of your Form W-2 (see instructions)	7 0	
--	-----	--

Step 3 Figure Expenses To Deduct on Schedule A (Form 1040 or Form 1040NR)

8 Subtract line 7 from line 6. If zero or less, enter -0-. However, if line 7 is greater than line 6 in Column A, report the excess as income on Form 1040, line 7 (or on Form 1040NR, line 8)	8 1,340	0
Note: If both columns of line 8 are zero, you cannot deduct employee business expenses. Stop here and attach Form 2106 to your return.		
9 In Column A, enter the amount from line 8. In Column B, multiply line 8 by 50% (.50). (Employees subject to Department of Transportation (DOT) hours of service limits: Multiply meal expenses incurred while away from home on business by 80% (.80) instead of 50%. For details, see instructions.)	9 1,340	0
10 Add the amounts on line 9 of both columns and enter the total here. Also, enter the total on Schedule A (Form 1040), line 21 (or on Schedule A (Form 1040NR), line 9). (Reservists, qualified performing artists, fee-basis state or local government officials, and individuals with disabilities: See the instructions for special rules on where to enter the total.) ▶	10	1,340

KIA For Paperwork Reduction Act Notice, see instructions.

Form **2106** (2008)

Form 6252 Department of the Treasury Internal Revenue Service	Installment Sale Income ▶ Attach to your tax return. ▶ Use a separate form for each sale or other disposition of property on the installment method.	OMB No. 1545-0228 <div style="font-size: 24pt; font-weight: bold;">2008</div> Attachment Sequence No. 79
Name(s) shown on return DAVID R LEE		Identifying number 111-11-1111
1 Description of property ▶ Grazing Land Converse		
2a Date acquired (month, day, year) ▶ 07/12/98		b Date sold (month, day, year) ▶ 08/02/07
3 Was the property sold to a related party (see instructions) after May 14, 1980? If "No," skip line 4		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
4 Was the property you sold to a related party a marketable security? If "Yes," complete Part III. If "No," complete Part III for the year of sale and the 2 years after the year of sale		<input type="checkbox"/> Yes <input type="checkbox"/> No
Part I Gross Profit and Contract Price. Complete this part for the year of sale only.		
5 Selling price including mortgages and other debts. Do not include interest whether stated or unstated	5	
6 Mortgages, debts, and other liabilities the buyer assumed or took the property subject to (see instructions)	6	
7 Subtract line 6 from line 5	7	0
8 Cost or other basis of property sold	8	
9 Depreciation allowed or allowable	9	
10 Adjusted basis. Subtract line 9 from line 8	10	0
11 Commissions and other expenses of sale	11	
12 Income recapture from Form 4797, Part III (see instructions)	12	
13 Add lines 10, 11, and 12	13	0
14 Subtract line 13 from line 5. If zero or less, do not complete the rest of this form (see instructions)	14	0
15 If the property described on line 1 above was your main home, enter the amount of your excluded gain (see instructions). Otherwise, enter -0-	15	0
16 Gross profit. Subtract line 15 from line 14	16	0
17 Subtract line 13 from line 6. If zero or less, enter -0-	17	
18 Contract price. Add line 7 and line 17	18	
Part II Installment Sale Income. Complete this part for the year of sale and any year you receive a payment or have certain debts you must treat as a payment on installment obligations.		
19 Gross profit percentage (expressed as a decimal amount). Divide line 16 by line 18. For years after the year of sale, see instructions	19	0.3333
20 If this is the year of sale, enter the amount from line 17. Otherwise, enter -0-	20	0
21 Payments received during year (see instructions). Do not include interest, whether stated or unstated	21	6,000
22 Add lines 20 and 21	22	6,000
23 Payments received in prior years (see instructions). Do not include interest, whether stated or unstated	23	15,000
24 Installment sale income. Multiply line 22 by line 19	24	2,000
25 Enter the part of line 24 that is ordinary income under the recapture rules (see instructions)	25	0
26 Subtract line 25 from line 24. Enter here and on Schedule D or Form 4797 (see instructions)	26	2,000
Part III Related Party Installment Sale Income. Do not complete if you received the final payment this tax year.		
27 Name, address, and taxpayer identifying number of related party		
28 Did the related party resell or dispose of the property ("second disposition") during this tax year?		<input type="checkbox"/> Yes <input type="checkbox"/> No
29 If the answer to question 28 is "Yes," complete lines 30 through 37 below unless one of the following conditions is met. Check the box that applies.		
a <input type="checkbox"/> The second disposition was more than 2 years after the first disposition (other than dispositions of marketable securities). If this box is checked, enter the date of disposition (month, day, year) ▶		
b <input type="checkbox"/> The first disposition was a sale or exchange of stock to the issuing corporation.		
c <input type="checkbox"/> The second disposition was an involuntary conversion and the threat of conversion occurred after the first disposition.		
d <input type="checkbox"/> The second disposition occurred after the death of the original seller or buyer.		
e <input type="checkbox"/> It can be established to the satisfaction of the Internal Revenue Service that tax avoidance was not a principal purpose for either of the dispositions. If this box is checked, attach an explanation (see instructions).		
30 Selling price of property sold by related party (see instructions)	30	
31 Enter contract price from line 18 for year of first sale	31	
32 Enter the smaller of line 30 or line 31	32	
33 Total payments received by the end of your 2008 tax year (see instructions)	33	
34 Subtract line 33 from line 32. If zero or less, enter -0-	34	
35 Multiply line 34 by the gross profit percentage on line 19 for year of first sale	35	
36 Enter the part of line 35 that is ordinary income under the recapture rules (see instructions)	36	
37 Subtract line 36 from line 35. Enter here and on Schedule D or Form 4797 (see instructions)	37	
KIA For Paperwork Reduction Act Notice, see instructions.		Form 6252 (2008)

Form 8824 <small>Department of the Treasury Internal Revenue Service</small>	Like-Kind Exchanges (and section 1043 conflict-of-interest sales) ► Attach to your tax return.	OMB No. 1545-1190 2008 Attachment Sequence No. 109
Name(s) shown on tax return DAVID R LEE		Identifying number 111-11-1111

Part I Information on the Like-Kind Exchange

Note: If the property described on line 1 or line 2 is real or personal property located outside the United States, indicate the country.

- 1 Description of like-kind property given up:
Undeveloped land Teton
- 2 Description of like-kind property received:
Undeveloped land Laramie
- 3 Date like-kind property given up was originally acquired (month, day, year)

3	06/01/80
---	----------
- 4 Date you actually transferred your property to other party (month, day, year)

4	03/04/08
---	----------
- 5 Date like-kind property you received was identified by written notice to another party (month, day, year). See instructions for 45-day written notice requirement

5	
---	--
- 6 Date you actually received the like-kind property from other party (month, day, year). See instructions

6	03/04/08
---	----------
- 7 Was the exchange of the property given up or received made with a related party, either directly or indirectly (such as through an intermediary)? See instructions. If "Yes," complete Part II. If "No," go to Part III ☐ Yes ☒ No

Part II Related Party Exchange Information

8 Name of related party	Relationship to you	Related party's identifying number
Address (no., street, and apt., room, or suite no., city or town, state, and ZIP code)		

- 9 During this tax year (and before the date that is 2 years after the last transfer of property that was part of the exchange), did the related party sell or dispose of any part of the like-kind property received from you (or an intermediary) in the exchange or transfer property into the exchange, directly or indirectly (such as through an intermediary), that became your replacement property? ☐ Yes ☐ No
- 10 During this tax year (and before the date that is 2 years after the last transfer of property that was part of the exchange), did you sell or dispose of any part of the like-kind property you received? ☐ Yes ☐ No

*If both lines 9 and 10 are "No" and this is the year of the exchange, go to Part III. If both lines 9 and 10 are "No" and this is **not** the year of the exchange, stop here. If either line 9 or line 10 is "Yes," complete Part III and report on this year's tax return the deferred gain or (loss) from line 24 **unless** one of the exceptions on line 11 applies.*

- 11 If one of the exceptions below applies to the disposition, check the applicable box:

- a ☐ The disposition was after the death of either of the related parties.
- b ☐ The disposition was an involuntary conversion, and the threat of conversion occurred after the exchange.
- c ☐ You can establish to the satisfaction of the IRS that neither the exchange nor the disposition had tax avoidance as its principal purpose. If this box is checked, attach an explanation (see instructions).

KIA For Paperwork Reduction Act Notice, see instructions.

Form **8824** (2008)

Comprehensive Tax Return Problems

CP-15

Form 8824 (2008)

Page 2

Name(s) shown on tax return. Do not enter name and social security number if shown on page 1.

DAVID R. LEE

Your social security number

111-11-1111

Part III Realized Gain or (Loss), Recognized Gain, and Basis of Like-Kind Property Received**Caution:** If you transferred and received (a) more than one group of like-kind properties or (b) cash or other (not like-kind) property, see Reporting of multi-asset exchanges in the instructions.**Note:** Complete lines 12 through 14 **only** if you gave up property that was not like-kind. Otherwise, go to line 15.

12	Fair market value (FMV) of other property given up	12	
13	Adjusted basis of other property given up	13	
14	Gain or (loss) recognized on other property given up. Subtract line 13 from line 12. Report the gain or (loss) in the same manner as if the exchange had been a sale	14	0
Caution: If the property given up was used previously or partly as a home, see Property used as home in the instructions.			
15	Cash received, FMV of other property received, plus net liabilities assumed by other party, reduced (but not below zero) by any exchange expenses you incurred (see instructions)	15	8,000
16	FMV of like-kind property you received	16	792,000
17	Add lines 15 and 16	17	800,000
18	Adjusted basis of like-kind property you gave up, net amounts paid to other party, plus any exchange expenses not used on line 15 (see instructions)	18	50,000
19	Realized gain or (loss). Subtract line 18 from line 17	19	750,000
20	Enter the smaller of line 15 or line 19, but not less than zero	20	8,000
21	Ordinary income under recapture rules. Enter here and on Form 4797, line 16 (see instructions)	21	0
22	Subtract line 21 from line 20. If zero or less, enter -0-. If more than zero, enter here and on Schedule D or Form 4797, unless the installment method applies (see instructions)	22	8,000
23	Recognized gain. Add lines 21 and 22	23	8,000
24	Deferred gain or (loss). Subtract line 23 from line 19. If a related party exchange, see instructions	24	742,000
25	Basis of like-kind property received. Subtract line 15 from the sum of lines 18 and 23	25	50,000

Part IV Deferral of Gain From Section 1043 Conflict-of-Interest Sales**Note:** This part is to be used **only** by officers or employees of the executive branch of the Federal Government or judicial officers of the Federal Government (including certain spouses, minor or dependent children, and trustees as described in section 1043) for reporting nonrecognition of gain under section 1043 on the sale of property to comply with the conflict-of-interest requirements. This part can be used **only** if the cost of the replacement property is more than the basis of the divested property.

26	Enter the number from the upper right corner of your certificate of divestiture. (Do not attach a copy of your certificate. Keep the certificate with your records.)		
27	Description of divested property		
28	Description of replacement property		
29	Date divested property was sold (month, day, year)	29	
30	Sales price of divested property (see instructions)	30	
31	Basis of divested property	31	
32	Realized gain. Subtract line 31 from line 30	32	0
33	Cost of replacement property purchased within 60 days after date of sale	33	
34	Subtract line 33 from line 30. If zero or less, enter -0-	34	0
35	Ordinary income under recapture rules. Enter here and on Form 4797, line 10 (see instructions)	35	
36	Subtract line 35 from line 34. If zero or less, enter -0-. If more than zero, enter here and on Schedule D or Form 4797 (see instructions)	36	0
37	Deferred gain. Subtract the sum of lines 35 and 36 from line 32	37	0
38	Basis of replacement property. Subtract line 37 from line 33	38	0

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Form 8824 (2008)