

Federal Income Taxation

A Systemic Approach

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Preface

This book is based on a course I have taught over the last 35 years using a variety of commercially published casebook. While it covers the same material covered in other introductory courses on federal income taxation, it covers it in an unusual order and with an unusual emphasis. I seek to instill in students an understanding of how an income tax ought to work, how our current tax system actually works, and why the differences generally offer opportunities for tax minimization. That is, I want to help my students develop a solid understanding of the basic themes that pervade an income tax, and to me, the most important theme is the realization doctrine and the problems it generates. Accordingly, the course starts with basis and its consequences. It then moves on to income more generally and then additional timing issues. Considerable attention is paid to assignment of income concerns and to the capital gain provisions as well as to the relations between the two. Time value of money issues will be found throughout.

A first course on taxation should also help students develop the skills necessary to read a complex and detailed statute. In a survey course, few Code provisions can be examined in detail, but it is important that some be read closely. I use the like-kind exchange provision in §1031 early in the course to introduce common statutory techniques and to impress upon students the need to read the statute. The OID rules also are covered in detail as an example of a very modern provision.

With few exceptions, I cover only currently applicable law. Even those provisions that have expiration dates are taught with the same dignity as Code provisions that do not automatically expire: all provisions potentially are temporary and even temporary provisions can have great staying power.

Cases have been edited, sometimes heavily, with footnotes renumbered and string citations removed.

Some thanks are in order. My Harvard colleagues, Tom Brennan, Dan Halperin, Louis Kaplow, Steve Shay, and Al Warren, are a constant source of inspiration and assistance. Fingerprints of my former colleague, Richard Doernberg, can be found everywhere. And without the remarkable effort of my administrative assistant, Ms. Kim Petersen, there would be no book.

The law changes so quickly now that it seems best to eschew traditional publishing to ensure its contents can be kept current. This book will be updated twice each year as of the start of both the fall and spring semesters.

HEA

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CONTENTS

Chapter 1: Introduction

A.	The Federal Tax Law.....	1
B.	The Basic Issues	2
C.	The Tax Base	3
D.	The Tax Rates	5
E.	Cost Recovery, Depreciation and Basis.....	6
F.	The Value of Deferral.....	7

Chapter 2: Basis and Its Implications

A.	Computation of Gain and Loss: Taxation Under the Code	9
1.	Gain: The Underlying Economics and the Realization Doctrine	10
2.	Mark-to-Market Taxation	11
3.	Computation of Loss	11
4.	Taxation of Cash Dividends and Stock Dividends	12
a.	Cash Dividends.....	12
b.	Stock Dividends.....	13
B.	Nonrecognition Provisions.....	15
1.	Like-Kind Exchanges Under Section 1031	15
a.	Simultaneous Exchanges.....	15
b.	Deferred and Three-Party Exchanges	17
2.	Involuntary Conversions Under Section 1033	18
3.	Implicit Nonrecognition	18
	<i>Cottage Savings Assn. v. Commissioner</i>	18
4.	Gifts	23
a.	Exclusion	23
	<i>Commissioner v. Duberstein</i>	23
b.	Transfer of Unrealized Appreciation.....	29
	<i>Taft v. Bowers</i>	29
5.	Claims in Property Divided Over Space and Time.....	31
a.	Spatial Divisions	31
b.	Sophisticated Non-Temporal Divisions.....	32
	<i>Inaja Land Co. v. Commissioner</i>	32
	<i>Raytheon Production Corp. v. Commissioner</i>	35
c.	Transfers at Death	38
d.	Temporal Divisions.....	38
	<i>Irwin v. Gavit</i>	39
6.	Recovery of Loss and Deduction.....	42
a.	The Loss Deduction.....	42
	<i>Zakon v. Commissioner</i>	42
	<i>Revenue Ruling 84-145</i>	45

b.	The Tax Benefit Rule	50
	<i>Alice Phelan Sullivan Corp. v. United States</i>	50
c.	Recovery of Loss	54
	<i>Clark v. Commissioner</i>	54
7.	Current Expense or Capital Expenditure.....	56
	<i>Welch v. Helvering</i>	57
	<i>INDOPCO, Inc. v. Commissioner</i>	60
8.	Repair or Maintenance	65
	<i>Midland Empire Packing Co. v. Commissioner</i>	65
	<i>Revenue Ruling 94-38</i>	68
	<i>Norwest Corp. v. Commissioner</i>	72
9.	Rent or Purchase.....	77
	<i>Estate of Starr v. Commissioner</i>	77
10.	Depreciation, Amortization, Expensing and Bonus Depreciation.....	79
a.	Theory	79
b.	Practice	80
c.	Depreciation Recapture	84
d.	Expensing and Bonus Depreciation	85
e.	Goodwill and Intangibles	86
	<i>Houston Chronicle Publishing Co. v. United States</i>	86
11.	Start-Up Costs	92
12.	Education	93
	<i>Carroll v. Commissioner</i>	93
	<i>Duecaster v. Commissioner</i>	95

Chapter 3: Income

A.	Noncash Benefits	99
1.	Indirect or Unearned Benefits	99
	<i>Old Colony Trust Co. v. Commissioner</i>	99
	<i>Commissioner v. Glenshaw Glass</i>	102
	<i>Haverly v. Commissioner</i>	104
2.	Imputed Income.....	106
	<i>Commissioner v. Minzer</i>	106
3.	Fringe Benefits	108
a.	Section 119	108
	<i>Silba v. Commissioner</i>	108
b.	Section 132	114
c.	Cafeteria Plans	116
4.	Economic Effects.....	117
B.	Loans and Discharge of Indebtedness	117
1.	True Discharge	118
	<i>United States v. Kirby Lumber Co.</i>	118
	<i>Commissioner v. Rail Joint Co.</i>	119
2.	Medium of Payment	124

	<i>Diedrich v. Commissioner</i>	124
3.	Below-Market Loans	128
4.	Transfer of Property Subject to Debt.....	129
	<i>Woodsam Associates, Inc. v. Commissioner</i>	130
	<i>Commissioner v. Tufts</i>	132
	Summary of Dealings in Encumbered Property.....	141
	<i>Estate of Franklin v. Commissioner</i>	142
	<i>Pleasant Summit Land Corp. v. Commissioner</i>	146
5.	Illegal Income and Expense.....	150
C.	Exempt Income	151
1.	Section 103 as a Leaky Subsidy	151
2.	Section 103 as an Indirect Subsidy	152
3.	Arbitrage and Private Activity Bonds.....	152
4.	Expenses Related to Exempt Income.....	153
D.	Personal Injuries	153
E.	Life Insurance	154

Chapter 4: Timing Rules

A.	Methods of Accounting.....	155
1.	Statutory Methods of Accounting	155
2.	Accrual Accounting	156
	<i>United States v. General Dynamics</i>	156
3.	The Cash Receipt and Disbursements Method of Accounting	165
	<i>Amend v. Commissioner</i>	165
	<i>Pulsifer v. Commissioner</i>	167
4.	Clear Reflection of Income.....	171
	<i>Thor Power Tool v. Commissioner</i>	171
5.	Contested Amounts	177
B.	Open Transactions, Installments Sales, Deferral and Deferred Sales.....	179
1.	Open Transactions	179
	<i>Burnet v. Logan</i>	179
2.	Installment Sales.....	181
3.	Deferral	183
a.	Using Options to Defer Gain	183
b.	Taxation of Options.....	184
c.	Collars	185
d.	Deferring Compensation.....	185
	<i>Cramer v. Commissioner</i>	188
4.	Deferred Sales.....	193
	<i>Alstores Realty Corp. v. Commissioner</i>	193

Chapter 5: Attribution of Income

A.	Introduction	199
B.	Transfers Between Spouses and Ex-Spouses	199
C.	Attribution of Income from Labor	200
	<i>Lucas V. Earl</i>	200
	<i>Poe v. Seaborn</i>	201
D.	Attribution of Income from Capital	205
	<i>Blair v. Commissioner</i>	205
	<i>Horst v. Commissioner</i>	206
E.	A Mix of Labor and Capital.....	211
	<i>Commissioner v. Eubank</i>	211
F.	Non-Gratuitous Assignments of Income.....	213
	<i>Cotlow v. Commissioner</i>	213
	<i>Estate of Stranahan v. Commissioner</i>	215

Chapter 6: Capital Gains and Losses

A.	Overview	219
B.	The Technical Definitions.....	219
	1. Definition of a Capital Asset.....	219
	a. The Inventory Exception	219
	<i>Bielfeldt v. Commissioner</i>	219
	<i>Biedenhard Realty Co. v. United States</i>	219
	b. Substitutes for Ordinary Income	228
	<i>Commissioner v. Gillette Motor Transport, Inc.</i>	228
	<i>Hort v. Commissioner</i>	231
	2. Definition of a “Sale or Exchange”	234
	3. Definition of a Capital Gain and a Capital Loss	234
C.	Limitations on the Deductibility of Capital Losses	235
D.	Taxation of “Net Capital Gain” for Noncorporate Taxpayers	236
E.	Additional Implications of Capital Gains	239
	1. Depreciation Recapture Under Sections 1245 and 1250.....	239
	2. Limitations on the Charitable Deduction.....	241
	3. Qualified Dividends.....	241
	4. Property Described in Section 1231	241
F.	Correlations with Prior Transactions	242
	<i>Arrowsmith v. Commissioner</i>	242
G.	Implicit Interest and the OID Rules.....	245
	1. Original Issue Discount	245
	2. Acquisition Premium.....	245
	3. Market Discount	246
	4. Coupon Stripping	247
F.	Character of Option Transactions.....	248

1.	Section 1234	248
2.	Section 1234A	248

Chapter 7: Deductions

A.	Introduction	249
1.	Itemized Deductions	250
2.	Miscellaneous Itemized Deductions	250
B.	Business Deductions	251
1.	What Is a Trade or Business.....	251
	Higgins v. Commissioner	251
	Commissioner v. Groetzinger	254
	Nickerson v. Commissioner.....	262
2.	Sections 162, 165 and 167	269
3.	Section 199A	269
4.	The Business Interest Deduction and Its Limitation	271
C.	Non-Business Profit-Seeking Deductions.....	272
1.	Sections 212, 165 and 167	272
2.	The Origin of the Claim Doctrine	272
3.	The Investment Interest Deduction and Its Limitation.....	277
D.	Personal Deductions	279
1.	The Charitable Deduction	279
a.	The Contribution Requirement.....	280
b.	The Statutory Limitations	281
c.	The Percentage Limitations	282
d.	Substantiation Requirements	282
e.	Policy Limitations	283
	Bob Jones University v. United States	283
2.	Interest on a Home Mortgage	293
3.	State and Local Income and Property Taxes.....	295
E.	Mixed-Motive Expenditures	295
1.	Commuting Expenses.....	296
	Commissioner v. Flowers	296
2.	The Home Office Deduction	301
3.	Entertainment and Recreation	302
	Notice 2018-76	303