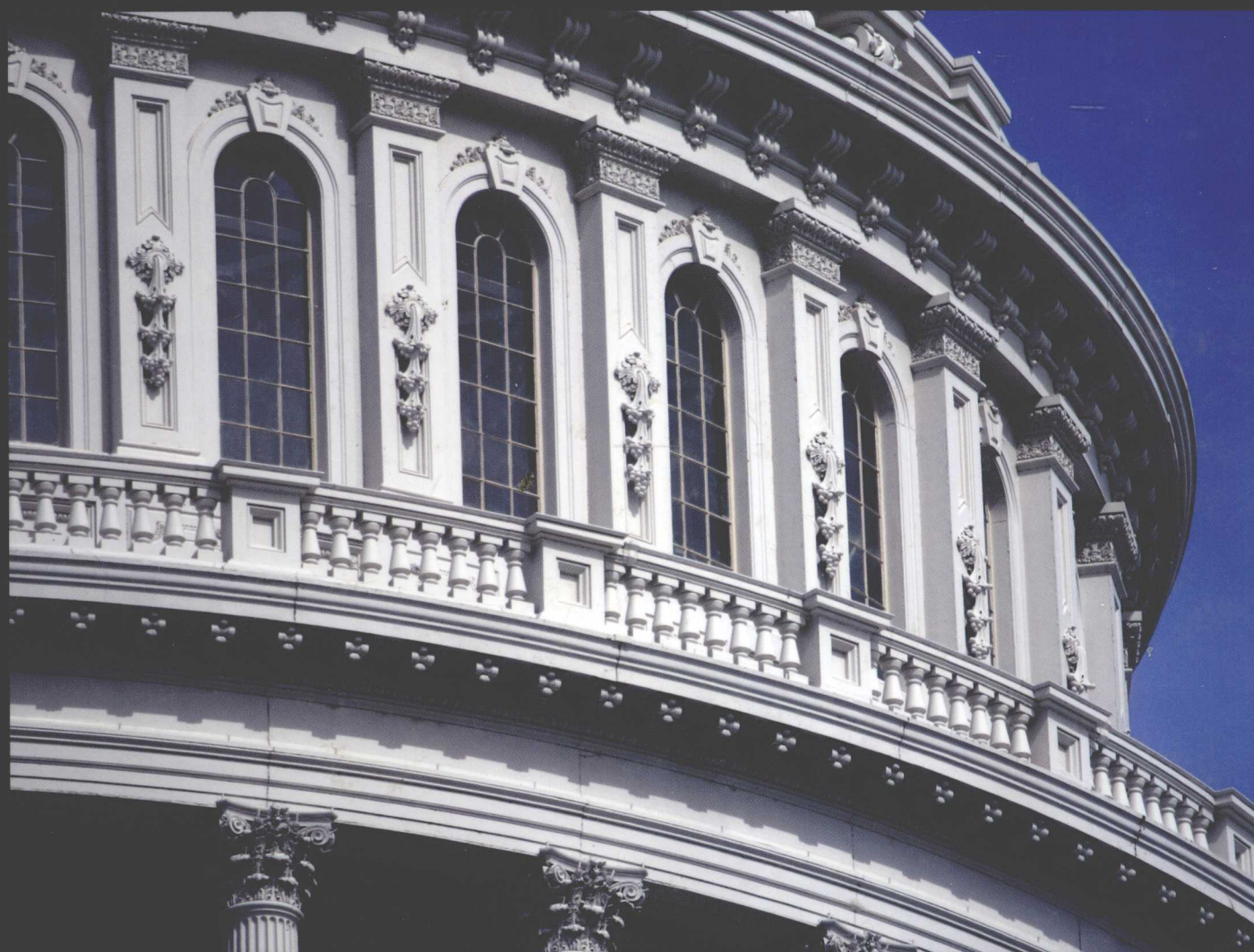


2012

CCH Federal Taxation

COMPREHENSIVE TOPICS



Smith
Harmelink
Hasselback



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CCH FEDERAL TAXATION

Comprehensive Topics

General Editors: **Ephraim P. Smith**
California State University
Philip J. Harmelink
University of New Orleans
James R. Hasselback
University of West Florida

Contributing Authors: **Ted D. Englebrecht**
Louisiana Tech University
Christopher J. Fenn
Georgia State University
Edward C. Foth
DePaul University
Philip J. Harmelink
University of New Orleans
James R. Hasselback
University of West Florida
Thomas M. Porcano
Miami University (Ohio)
Robert Ricketts
Texas Tech University
Ephraim P. Smith
California State University
Larry Tunnell
New Mexico State University



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Revision Author and Consultant: David L. Gibberman, J.D.
CCH® Study MATE™ Author: David L. Gibberman, J.D.

EDITORIAL STAFF

Production: Jennifer Schencker, Linda Barnich
Cover Design: Don Torres
Index: Lynn Brown

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4025 W. Peterson Ave.
Chicago, IL 60646-6085
1 800 248 3248
www.CCHGroup.com

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2011 TAX RATES AND AMOUNTS

TAX RATE SCHEDULES FOR 2011

Schedule X: Single Individuals

Taxable Income		Pay	+	% on Excess	of the
Over	But Not Over				amount over
\$ 0	\$8,500	\$ 0.00		10%	\$ 0
8,500	34,500	850.00		15	8,500
34,500	83,600	4,750.00		25	34,500
83,600	174,400	17,025.00		28	83,600
174,400	379,150	42,449.00		33	174,400
379,150	—	110,016.50		35	379,150

SCHEDULE Y-1: Married Filing Jointly and Surviving Spouses

Taxable Income		Pay	+	% on Excess	of the
Over	But Not Over				amount over
\$ 0	\$17,000	\$ 0.00		10%	\$ 0
17,000	69,000	1,700.00		15	17,000
69,000	139,350	9,500.00		25	69,000
139,350	212,300	27,087.50		28	139,350
212,300	379,150	47,513.50		33	212,300
379,150	—	102,574.00		35	379,150

SCHEDULE Y-2: Married Individuals Filing Separately

Taxable Income		Pay	+	% on Excess	of the
Over	But Not Over				amount over
\$ 0	\$8,500	\$ 0.00		10%	\$ 0
8,500	34,500	850.00		15	8,500
34,500	69,675	4,750.00		25	34,500
69,675	106,150	13,543.75		28	69,675
106,150	189,575	23,756.75		33	106,150
189,575	—	51,287.00		35	189,575

SCHEDULE Z: Heads of Households

Taxable Income		Pay	+	% on Excess	of the
Over	But Not Over				amount over
\$ 0	\$12,150	\$ 0.00		10%	\$ 0
12,150	46,250	1,215.00		15	12,150
46,250	119,400	6,330.00		25	46,250
119,400	193,350	24,617.50		28	119,400
193,350	379,150	45,323.50		33	193,350
379,150	—	106,637.50		35	379,150

TAX RATE SCHEDULES FOR 2011**Tax Rate for Corporations**

Taxable Income		Pay	+	% on Excess	of the amount over
Over	But Not Over				
\$ 0	\$ 50,000	\$ 0		15%	\$ 0
50,000	75,000	7,500		25	50,000
75,000	100,000	13,750		34	75,000
100,000	335,000	22,250		39	100,000
335,000	10,000,000	113,900		34	335,000
10,000,000	15,000,000	3,400,000		35	10,000,000
15,000,000	18,333,333	5,150,000		38	15,000,000
18,333,333	—	6,416,667		35	18,333,333

Tax Rate for Estates and Trusts

Taxable Income		Pay	+	% on Excess	of the amount over
Over	But Not Over				
\$ 0	\$2,300	\$ 0.00		15%	\$ 0
2,300	5,450	345.00		25	2,300
5,450	8,300	1,132.50		28	5,450
8,300	11,350	1,930.50		33	8,300
11,350	—	2,937.00		35	11,350

PREFACE

CCH Federal Taxation—Comprehensive Topics introduces students of accounting to the complex and absorbing study of federal taxation. *Comprehensive Topics* covers a broad range of subjects from the definition of income to corporate reorganizations.

The order in which topics are introduced in this book represents a simple and clear division among the basic taxable entities. The initial chapters deal with topics affecting individual taxpayers. As the cornerstone for the foundation of federal taxation, these topics constitute an extensive outline of the basics. This book distills the major ideas and operational techniques for dealing with problems encountered in these areas. The second major focus of the book is on corporations and partnerships. Eight chapters examine the tax complexities of these entities. In addition, three chapters cover the taxation of estates, gifts, and trusts and the techniques for retirement and estate planning. The final chapter covers multijurisdictional taxation. Chapter 2, "Tax Research, Practice, and Procedure," is pertinent to all tax entities and acquaints the student with the fundamentals necessary for understanding complex tax issues. Also, it gives students an introduction to doing tax research online.

The twentieth edition of *CCH Federal Taxation—Comprehensive Topics* has been prepared to ensure that all material presented is complete and reflects all tax acts, issued regulations, and case developments through March 2011. *Comprehensive Topics* is designed to be used either in a one-semester class or in a two-semester sequence. This book was not prepared as a restatement of the Internal Revenue Code and related tax law. Many such works currently exist. It was designed as a learning device to present federal tax information in a way that will stimulate thought and planning as well as mastery of the difficult, tightly interwoven intricacies of federal tax law in a sequence different from that presented in the Code. This was done so that common ideas and underlying similarities could be linked in the mind of the student and unifying characteristics could be drawn together to present a clearer and more functional picture of the whole.

This edition continues the practice instituted last year of using Tax Return Problems. The problems are highlighted as such in the Problems section of the following chapters: 4-7, 10-12, 14, 19, 22, 23, and 25. For faculty teaching the course in the fall semester of 2011, draft copies of Form 1040 and accompanying schedules are usually available in September.

The contributing authors of this volume wish to thank many of their colleagues for helpful suggestions and for the time and energy they have given to improving the manuscript.

March 2011

Ephraim P. Smith

HOW TO USE THIS BOOK

CCH Federal Taxation—Comprehensive Topics has been organized to make it easy to study the fundamental concepts of federal tax laws affecting individuals. Special features, end-of-chapter materials, an appendix, and supplementary materials are provided to further assist in the learning process.

Chapter Openings

All chapters begin with the same elements: a list of the learning objectives and an overview. This information provides a framework for understanding the material that will be studied in the chapter.

Special Features

Special features—Keystone Problems, Planning Pointers, and Tax Blunders—appear throughout the book. Their purpose is to make familiar the specific applications of the tax law, suggest tax-saving strategies, and illustrate methods of avoiding undesired tax consequences. Additionally, vivid and realistic examples to illustrate salient points are included within the chapters to show application of the law and accounting techniques.

End-of-Chapter Materials

Every chapter ends with a summary of the material covered. Questions and Problems follow for applying the principles learned and allowing the instructor to evaluate and recall the main ideas discussed in the chapter. The problems are sequenced in the order in which the topics are presented in the chapter. Also included are Comprehensive Problems and Research Problems. Comprehensive Problems are designed to develop computational skills, while the purpose of the Research Problems is to provide an opportunity to learn and utilize the methodology of tax research.

End-of-Book Materials

In addition to the Topical Index, other useful research materials are found at the end of the book. The Appendix covers various Tax Rate Schedules, and the Glossary of Tax Terms contains over 200 definitions. In addition, the Finding Lists and Table of Cases detail the textbook's citations by Internal Revenue Code Sections, Regulation Sections, Revenue Procedures, Revenue Rulings, and court cases.

Supplementary Materials

A *Study Manual*, sold separately, outlines and highlights the in-depth textbook presentation and contains Objective Questions (and Answers) for self-evaluation. It also includes a series of Tax Return Problems designed to complement conceptual study of federal taxation and to provide exposure to various aspects of tax return preparation.

To order the *Study Manual* for this volume (*CCH Federal Tax Study Manual, 2012*), contact your bookstore or write or call: CCH, a Wolters Kluwer business, 4025 W. Peterson Ave., Chicago, Illinois 60646-6085 (1-800-248-3248; www.CCHGroup.com).

FREE ONLINE AIDS

CCH® *Study MATE*™ is an online learning center for college students. The *Study MATE Fundamental Tax Topics* library was created to supplement this textbook by providing an easy online tutor to help students with difficult concepts and test them on their knowledge. Each course contains online learning features to capture student attention and “Test Your Knowledge” questions to aid comprehension. At the end of each course, a 15-question final exam is presented. Students have the opportunity to take the exam three times. After passing the exam, students can e-mail a completion certificate to their professor.

Professors and students who use CCH textbooks have free access to the Fundamental Tax Topics library for a full year! To view the courses available, visit www.cchstudymate.com. To enroll, follow the instructions provided on the tear-out instruction card bound into the book and use the access code as payment.

Anyone with questions, comments, or feedback can contact us at studymate@cch.com.

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