

PRENTICE HALL'S
**FEDERAL
TAXATION
1999**

INDIVIDUALS

**THOMAS R. POPE
JOHN L. KRAMER**

KENNETH E. ANDERSON

D. DALE BANDY

N. ALLEN FORD

ROBERT L. GARDNER

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1999

Individuals

EDITORS

THOMAS R. POPE

University of Kentucky

JOHN L. KRAMER

University of Florida

CO-AUTHORS

KENNETH E. ANDERSON

University of Tennessee

D. DALE BANDY

University of Central Florida

N. ALLEN FORD

University of Kansas

ROBERT L. GARDNER

Brigham Young University

ANNOTATIONS

EDMUND D. FENTON

Belmont University



PRENTICE HALL, Upper Saddle River, NJ 07458

Acquisitions Editor: Diane deCastro
Editor-in-Chief: P.J. Boardman
Editorial Assistant: Elaine Oyzon-Mast
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Senior Manufacturing Supervisor: Paul Smolenski
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Interior Design: BB&K Design Inc.
Cover Design: Lorraine Castellano
Composition: Black Dot Graphics
Cover Photo: Marc Muench/Tony Stone Images
Photo Credits: Anita Duncan/Prentice Hall College Archives; courtesy of the Architect of the Capitol



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A Simon & Schuster Company
Upper Saddle River, New Jersey 07458

Statements on Responsibilities in Tax Practice Nos. 1-8 and
S RTP Interpretation 1-1 Copyright © 1988 by American Institute
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ISBN 0-13-646860-8
ISBN 0-13-682261-4 (IE)
ISBN 0-13-682253-3 (Looseleaf)

Prentice-Hall International (UK) Limited, *London*
Prentice-Hall of Australia Pty. Limited, *Sydney*
Prentice-Hall Canada Inc., *Toronto*
Prentice-Hall Hispanoamericana, S.A., *Mexico*
Prentice-Hall of India Private Limited, *New Delhi*
Prentice-Hall of Japan, Inc., *Tokyo*
Prentice-Hall of Southeast Asia Pte. Ltd., *Singapore*
Editora Prentice-Hall do Brasil, Ltda., *Rio de Janeiro*

Printed in the United States of America
10 9 8 7 6 5 4 3 2 1

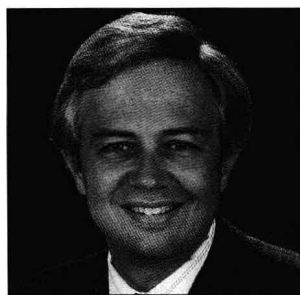
ABOUT THE EDITORS



THOMAS R. POPE

Thomas R. Pope is an Associate Professor of Accounting at the University of Kentucky. He received a B.S. from the University of Louisville and an M.S. and doctorate in business administration from the University of Kentucky where he now serves as Director of Graduate Studies for the Masters of Accountancy program. He teaches partnership and S corporation taxation, tax research and policy, and introductory taxation and has won outstanding teaching awards at the University, College, and School of Accountancy levels. He has published articles in *The Accounting Review*, *The Tax Adviser*, *Taxes*, and a number of other journals.

Pope's extensive professional experience includes eight years with Big Six accounting firms. Five of those years were with Ernst & Young, where he earned a position with their National Tax Department in Washington, D.C. He subsequently attained the position of Senior Manager in charge of the Tax Department in Lexington, Kentucky. He has also been a leader and speaker at professional tax conferences all over the United States and is active as a tax consultant.



JOHN L. KRAMER

John L. Kramer is the Arthur Andersen Professor of Accounting at the Fisher School of Accounting at the University of Florida. He is a recipient of a Teaching Improvement Program award given by the University of Florida in 1994. He holds a Ph.D. in Business Administration, an M.B.A. from the University of Michigan (Ann Arbor), and a B.B.A. from the University of Michigan (Dearborn). He is a past-president of the American Taxation Association and the Florida Association of Accounting Educators, as well as a past editor of *The Journal of the American Taxation Association*.

Kramer has taught for the American Institute of CPAs, American Tax Institute of Europe, and a number of national and regional accounting firms. He is a frequent speaker at academic and professional conferences, as well as having served as an expert witness in a number of court cases. He has published over fifty articles in *The Accounting Review*, *The Journal of the American Taxation Association*, *The Tax Adviser*, *The Journal of Taxation* and other academic and professional journals.

ABOUT THE AUTHORS



KENNETH E. ANDERSON

Kenneth E. Anderson is Professor of Accounting at the University of Tennessee. He earned a B.B.A. from the University of Wisconsin-Milwaukee and subsequently attained the level of tax manager with Arthur Young & Company (now part of Ernst & Young). He then earned a Ph.D. from Indiana University. He teaches introductory taxation, corporate taxation, partnership taxation, and tax policy and has twice won the Beta Alpha Psi Outstanding Educator Award (1994 and 1995).

Anderson has published articles in *The Accounting Review*, *The Journal of the American Taxation Association*, *The Journal of Accountancy*, and a number of other journals. In addition, he is an associate editor of *The Journal of the American Taxation Association* and is on the editorial board of *Advances in Taxation*.



D. DALE BANDY

D. Dale Bandy is the C.G. Avery Professor of Accounting in the School of Accounting at the University of Central Florida. He received a B.S. from the University of Tulsa, an M.B.A. from the University of Arkansas, and a Ph.D. from the University of Texas at Austin. He helped to establish the Master of Science in Taxation programs at the University of Central Florida and California State University, Fullerton, where he previously taught. In 1985, he was selected by the California Society of Certified Public Accountants as the Accounting Educator of the year.

Bandy has published 8 books and more than 30 articles in accounting and taxation. His articles have appeared in *Journal of Taxation*, *Journal of Accountancy*, *Advances in Taxation*, *Tax Adviser*, *CPA Journal*, *Management Accounting* and a number of other journals.



N. ALLEN FORD

N. Allen Ford is the Larry D. Homer/KPMG Peat Marwick Distinguished Teaching Professor of Professional Accounting at the University of Kansas. He received an undergraduate degree from Centenary College in Shreveport, Louisiana, and both the M.B.A. and Ph.D. in Business from the University of Arkansas. He has published over 30 articles related to taxation, financial accounting, and accounting education in journals such as *The Accounting Review*, *The Journal of the American Taxation Association*, and *The Journal of Taxation*. He served as president of the American Taxation Association in 1979-80.

Ford has received numerous teaching awards, at the college and university levels. In 1993, he received the Byron T. Shutz Award for Distinguished Teaching in Economics and Business. In 1996 he received the Ray M. Sommerfeld Outstanding Tax Educator Award, which is jointly sponsored by the American Taxation Association and Ernst & Young.



ROBERT L. GARDNER

Robert L. Gardner is the Robert J. Smith Professor of Accounting and the Associate Director of the School of Accountancy and Information Systems at Brigham Young University. He received a B.S. and M.B.A. from the University of Utah and a Ph.D. from the University of Texas at Austin. He has authored or coauthored two books and over 25 articles, and has received several teaching awards. Gardner has served on the Board of Trustees for the American Taxation Association and has consulted with several national CPA firms in their continuing education programs.

P R E F A C E

OBJECTIVES AND USE

This text is designed for use in a first course in federal taxation for undergraduate accounting and business students. The text materials have been updated to reflect recent legislative (through January 1, 1998), judicial, and administrative changes in the tax law.

A companion volume, *Prentice Hall's Federal Taxation, 1999: Corporations, Partnerships, Estates, and Trusts*, is published for use in the second course in federal taxation. A combined two-semester volume, *Prentice Hall's Federal Taxation, 1999: Comprehensive*, joins 14 chapters of the *Individuals* volume with 14 chapters of the *Corporations, Partnerships, Estates, and Trusts* volume. Either the *Individuals* text or the *Comprehensive* volume may be used with a one-term survey course for undergraduate or graduate students.

Our objective is to provide a readable format with a high level of technical content. We accomplish this through a process of continuous review, improvement, and clarification of the text, examples, and problem material. If you find what you believe is an error, please provide the item to one of the editors along with your comments. We maintain this level of content by focusing on primary topics and relegating minor exceptions to footnotes.

NEW TO THE 1999 EDITION

► Chapter 15: Tax Research. This chapter has been completely rewritten to (1) provide more information on the steps in the research process and (2) explain the role of computers in tax research. A special supplement available from Prentice Hall further enhances this coverage by explaining how to electronically research a problem based on an actual case.

FEATURES RETAINED FROM PREVIOUS EDITIONS

► A careful choice of topics. Users have found favor with the choice of topics and the extent of detail presented throughout the text. They are particularly pleased with our balance between exhaustive detail and too little detail for topics such as the history of taxation, tax research, passive activity losses, and alternative minimum tax.

► Unique chapter organization. The *Individuals* volume differs from other texts on the market with its early coverage of property transactions, two chapters on the taxation of business entities, and a capstone chapter on tax considerations for investors.

► Clear examples. Users regularly praise the clarity and number of examples in this text.

► Margin notes. Students appreciate learning about more than just tax rules so we developed a series of comments in the margin to enrich their learning experience.

Key Points emphasize areas where students require repetition and reinforcement.

Typical Misconceptions identify concepts that students are likely to misunderstand and help them correct their thinking before they take a wrong approach.

Real World Examples provide facts and anecdotes about actual companies and real-life strategies.

Additional Comments elaborate on material presented in the text.

Self-Study Questions provide an in-text study guide. Each question is accompanied by a full solution.

Historical Notes offer a comprehensive understanding of concepts by examining them in their historical context.

Ethical Points focus on ethical questions that confront the tax practitioner, and are designated with an ethics icon.

► Topic Reviews. Each chapter contains several topic reviews to help students organize their understanding of the material and aid in preparing for exams. Many of these reviews are in tabular form for easy reference.



**TAX
CUT**

- ▶ Tax Planning Considerations. For the forward-looking part of the tax profession, students need to learn how to offer tax-saving advice for their clients. Our Tax Planning Considerations offer this insight once the basics of the rules have been established.
- ▶ Compliance and Procedural Considerations. Forms, procedures, and timing are addressed in the Compliance and Procedural Consideration section at the end of each chapter.
- ▶ Footnotes. An important component of “learning to learn” is knowing where to turn for authoritative information. We collected important references to the tax authorities in the footnotes for students to use as sources.
- ▶ A full complement of assignment material. The typical format for each chapter includes: Discussion Questions, Issue Identification Questions, Problems, Comprehensive Problems, Tax Form/Return Preparation Problems, Case Study Problems, and Tax Research Problems. Tax return problems that can be solved using the TaxCut software are marked with an icon.
- ▶ Oral and written communications. More emphasis is being placed on oral and written communication skills by the various accounting professional organizations (e.g., the American Institute of CPAs and the Accounting Education Change Commission). The case study problems at the end of each chapter are designed to meet this need by requiring students to consider a number of alternatives and present a written or oral solution to the problem. None of these case studies require the student to research the tax law.
- ▶ Expanded coverage of ethics. Nine boxes (labeled “What Would You Do in This Situation?”) and a reprinting of the AICPA’s Statements on Responsibilities in Tax Practice in an appendix expand our coverage of ethics. The boxes include many controversies that are as yet unresolved or currently being considered by the courts. They represent choices that are put the practitioner at odds with the client, and are grounded on ethical parameters discussed in various standards, codes of conduct, or Treasury Department circulars. Students are asked to indicate what they would do if they found themselves in the same situation as well as the ethical implications of their actions. The boxes and the Statements on Responsibilities enhance the Ethical Point margin notes and the Case Studies already found in the text.
- ▶ Stop & Think feature. These “speedbumps” ask students to stop and think about a business application of tax, or an extension of the basic material, at various points in the chapter. These are not “boxes,” which typically fall outside the running text and can be bypassed. They are part of the text, complete with solutions to show students “how to do it,” and identified by the icon you see here in the margin.
- ▶ Issue identification questions. Part of the process of learning involves sorting out important information from unimportant details. In an area as detail-oriented as taxation, developing the ability to identify key issues is of paramount importance. We include questions at the end of each chapter that call on students to focus on the important questions that a practitioner faces on a daily basis.
- ▶ Improvements in the Test Bank. Aside from the Solutions Manual, no other supplement is as important to educators as the Test Bank. This year the Test Bank author has placed special emphasis on refining and polishing the test questions.
- ▶ TaxCut® software. This tax return preparation software was rated #1 by Money Magazine. We believe that every tax student should be given the opportunity to learn how to prepare and file returns electronically—and at low cost. Block Financial Corporation sells TaxCut to Prentice Hall customers for \$14.95 and offers the software in 3.5" Windows and CD-ROM (for Windows) versions. Students order their copy of the software by using the order form found in their textbook.
- ▶ OneDisc CD-ROM. This CD provides all the basic information tools that tax professionals use: Code, regulations, revenue rulings, revenue procedures, and court decisions. Tax Analysts sells the OneDisc to Prentice Hall customers for just \$19.99 and has the software available in DOS and Windows versions. Students may order their copy of the CD-ROM by using the order form in their textbook.

SUPPLEMENTAL MATERIALS

The text includes a full complement of supplementary materials. Adopters are encouraged to use these materials to enhance their teaching effectiveness and the students’ learning experience. The following aids are available for instructor and student use:

INSTRUCTOR AIDS

- ▶ **Course Manager**—This three-ring binder of the textbook allows the professor complete flexibility in course customization and is available on demand from Prentice Hall.
- ▶ **Instructor's Guide**—This specially crafted Instructor's Guide includes: a sample syllabus for semester- and quarter-length courses, instructor outlines, and solutions to the tax return/tax form problems, case study problems, and tax research problems. Instructor outlines are available in WordPerfect computer files to enable faculty members to make their own modifications to the master outlines prior to using them in class without having to retype the entire outline. Also, there is a cross reference table which cross references problems in the 1998 and the 1999 Editions as well as indicates the nature of the change (if any) to the problems from the 1998 Edition.
- ▶ **Test Bank**—Carefully edited, this bank of test questions now includes fully worked-out solutions to many of the more complex problems.
- ▶ **Solutions Manual**—Prepared by the authors and thoroughly reviewed by the editors and a pool of graduate tax students, this volume includes solutions to the discussion questions, problems, and comprehensive problems. Solutions to all problems are available in WordPerfect computer files to facilitate the preparation of transparencies. The solutions to the tax form/return preparation problems, case studies, and the tax research problems are included in the *Instructor's Guide*.
- ▶ **PowerPoint Transparencies**—Approximately 300 full color electronic transparencies are available to enrich the teaching experience. Instructors can make additions or modifications to the files prior to using them in class.
- ▶ **Prentice Hall Custom Test, Windows version**—Unmatched by other computerized testing software, Prentice Hall Custom Test is a state-of-the-art classroom management system designed to take the tedium out of creating exams.
- ▶ **Supplemental Tax Law Update**—Whenever major tax legislation is passed, we provide an updating supplement. In addition, a mid-year supplement is provided when the inflation-adjusted numbers are available for the new tax year.
- ▶ **Registered Adopter Service**—By returning the registration card provided in the Instructor's Edition of *Prentice Hall's Federal Taxation: Individuals* you can add your name to the list of adopters who receive regular tax law updates, product information on books and supplements, and information on Prentice Hall's Tax seminars for educators.

STUDENT AIDS

Our foremost goal has been to provide students with a perspective that stresses readability, accuracy, and familiarity with technical aids to tax practice. The following student aids are currently available:

- ▶ **Loose-Leaf Edition**—The text is now available for students in a 3-hole punched, shrinkwrapped format, which allows them to carry only the sections of the text they need as well as add in hand-outs from class. Binder is NOT included.
- ▶ **On-line Study Guide**—This electronic supplement replaces the print-based version. By purchasing a text shrinkwrapped with a password, students can access multiple choice, true/false, and computation questions and tax return preparation problems through Prentice Hall's website (<http://www.prenhall.com/phtax>). Students can look at hints for help before they answer questions and submit them to the server for grading. Additional hints are supplied for wrong answers when the graded material is returned so students can try again.
- ▶ **On-line Tax Practice Problems**—This electronic supplement replaces the print-based version. By purchasing a text shrinkwrapped with a password, students can access a series of cases that require them to analyze an individual's tax situation throughout various stages of his life (income from a summer job, first job after college, marriage, purchase of a home, etc.) Based on each scenario, students will complete a tax return for the individual and answer a tax research, tax planning, and tax compliance question.

ACKNOWLEDGMENTS

Our policy is to provide annual editions and to prepare timely updated supplements when major tax revisions occur. We are most appreciative of the suggestions made by outside reviewers for the 1999 Edition because these extensive review procedures have been valuable to the authors and editors during the revision process.

We wish to acknowledge the following reviewers, whose contributions over the past several years have helped shape the 1999 Edition:

Cynthia Bolt Lee	The Citadel
Faye Bradwick	Indiana University of Pennsylvania
George Britton	Florida Southern College
Sharen Brougham	Metropolitan State College
Arthur Cassill	University of North Carolina at Greensboro
Anthony P. Curatola	Drexel University
Carl Farinacci	Clarion University
Ramon Fernandez	University of St. Thomas (Texas)
Philip R. Fink	University of Toledo
George Frankel	San Francisco State University
Edward J. Gac	University of Colorado at Boulder
Harold Goedde	
Raymond L. Gonzalez	Los Angeles Trade Technical College
W. Michael Gough	DeAnza College
Jay S. Horton	Greenville Technical College
Patricia Janes	San Jose State University
Philip D. Landers	Pennsylvania College of Technology
David Lanning	Tompkins Cortland Community College
William C. Lathen	Boise State University
Bruce Lubich	Syracuse University
A. David Mayer	City University
Yvonne Phang-Hatami	Borough of Manhattan Community College
Nelson Pion	University of Massachusetts
Janis Reeder	University of Delaware
Ragnor Seglund	California State University—Sacramento
Caroline Strobel	University of South Carolina
Ronald R. Tidd	Syracuse University
Anne Townsend	University of Texas at Dallas
James Trebby	Marquette University
Patricia Elliott Williams	Friends University
William F. Yancey	Texas Christian University

Special thanks to Larry Garrison (University of Missouri-Kansas City) for super reviewing the 1998 edition.

We are also grateful to the various graduate assistants, doctoral students, and colleagues who have reviewed the text and supplementary materials and checked solutions to maintain a high level of technical accuracy. In particular, we would like to acknowledge the following colleagues who assisted in the preparation of supplemental materials for this text:

Priscilla Kenney (Supplements Coordinator)	University of Florida
Sally Baker	DeVry Institute of Technology
Arthur D. Cassill	University of North Carolina at Greensboro
Ann Burstein Cohen	SUNY at Buffalo
Edmund Fenton	Belmont University
Craig J. Langstraat	University of Memphis
Thomas Omer	University of Illinois-Chicago

In addition, we want to thank Myron S. Scholes and Mark A. Wolfson for allowing us to use the model discussed in their text, *Taxes and Business Strategy: A Planning Approach*, as the basis for material in Chapter 18.

Thomas R. Pope
John L. Kramer

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