

**Preliminary Outline of
2011 National Income Tax Workbook
16 May 2011**

New Legislation

This chapter covers tax legislation that was enacted late in 2010 and in 2011. It is organized by subject matter to help participants quickly find topics of interest and includes:

- A brief summary of each provision
- Cross-references to other chapters to help participants find further information on some of the topics
- IRS guidance to help participants implement prior legislation enacted in recent years that is first effective in 2011
- A table of effective dates to help participants keep track of when provisions first apply and when they expire

Rulings and Cases

This chapter summarizes selected rulings and cases that were issued from September 2010 through August 2011 to give participants an update on issues that are being addressed by the IRS and the courts. The rulings and cases are organized under topic headings that match the titles of other chapters. The introduction explains the hierarchy of authority among legislation, cases, and IRS documents.

Individual Taxpayer Issues

This chapter covers several issues tax practitioners encounter when preparing individual income tax returns, including:

- Filing status: requirements for each of the five filing statuses and how to choose the best status when a taxpayer qualifies for more than one filing status
- Kiddie tax
- Tuition refunds
- Self-employed health deduction for members of the clergy
- Schedule H (Form 1040), Household Employment Taxes
- Interest deductions on Schedule A (Form 1040), Itemized Deductions
- Government grants for individuals

Casualty Gains and Losses

The BP oil spill in the Gulf of Mexico and severe weather in many parts of the United States raise income tax issues for victims of these disasters. This chapter explains the rules for reporting income tax gains and losses from these events for both individuals and businesses and illustrates the rules with examples.

Business Issues

This chapter discusses some of the issues tax practitioners encounter when they prepare returns for clients who operate a business. Topics include:

- Taxation of grants to businesses
- Selected like-kind exchange issues
- Related-party issues
- Distinguishing commuting expenses from business travel and transportation expenses
- Recordkeeping requirements for listed property
- Standard mileage rate
- Transportation fringe benefits
- Self-employment income

Agricultural Issues

Preparing tax returns for farmers raises unique tax issues such as:

- Wineries and vineyards
- Like-kind exchange of equipment
- Like-kind exchange of livestock
- Timber farming
- Tax consequences for both the lessee and the lessor of improvements installed by a lessee
- Sales at farmer's markets

Retirement

This chapter reviews the retirement plan options for business entities and compares the requirements for each of the plans, the contribution limits, and some of the administrative rules.

Foreign Issues

- Foreign currency transactions: reporting gain or loss
- Foreign tax credit
- Disclosure of foreign accounts
- Funds received from family members abroad—what is proper reporting?
- Due-diligence guidance for practitioners

Business Entities

- Bargain sale of an interest in an entity with debt
- S corporation shareholder basis
- Owner's compensation
- Schedules M-1, M-2, and M-3
- Bad-debt deductions for shareholder loans that are not repaid when a corporation goes bankrupt
- Purchase of term interest in real estate by corporation

IRS Issues

- Office of Professional Responsibility and Return Prepare Office
- Return preparer registration, testing, and fingerprinting
- Electronic filing requirements and handling client refusal
- Circular 230 changes (if final)
- Auditing with electronic accounting software—revenue agents are asking for electronic records
- Fresh-start collection initiative
- Changed criteria for lien filing
- Offer in compromise update
- Form 1099K (credit card receipts)
- On-line IRS resources for webinars, phone forum, etc.
- Exempt organizations that lost their exemption
- Payroll taxes (940 credit reduction—DOL information)
- HIRE act tax reduction and retention credit

Ethics

This chapter applies ethical philosophy to practical situations that tax practitioners encounter in preparing tax returns. Cross references to Circular 230 give practitioners guidance on resolving ethical issues in the context of the IRS rules that govern tax return preparation.

Real Estate Issues

This chapter covers selected issues that arise for clients who own real estate.

- Financial distress
- Installment sales
- Easements
- Vacation rentals
- Like-kind exchanges
- Information reporting
- Real estate professionals

Trusts and Estates

This chapter presents and illustrates the income tax rules for trusts and estates through a case study of an estate with an operating business that is transferred to a trust after the estate is closed

Tax Rates and Useful Tables

This chapter reports the updated income tax rate brackets and other income tax and credit rates and thresholds that are adjusted each year.