

PREFACE

This text differs from most current income tax casebooks in a number of respects. Many tax texts, with their particularized analysis of the law's subtle twists, are more akin to treatises than casebooks. Unfortunately, when inundated by detail on entering the complex world of income taxation, readers often become confused and frustrated. This text seeks to mitigate that problem by focusing on major concepts and their underlying policies.

The text stresses a problem-solving approach through the use of numerous, short problems interspersed among the relevant materials. This problem-solving approach parallels a “real world” experience and thus helps to develop legal and analytic skills. Moreover, the text and problems focus on property transactions and their attendant tax consequences. Because federal income taxation is a prerequisite to other tax courses, such as corporate or partnership taxation, the taxation of property transactions—an essential building block for the advanced tax courses—has been emphasized.

Although much of the study of federal income taxation focuses on acquiring a technical knowledge of the tax system, one should also be able to integrate this information and its intended policy into a broader social context. Toward that goal, Chapter 1 presents a broad introductory overview of the federal income tax system. It does so by offering a collection of readings that highlight the components of the taxing system. Thus, the major considerations of the tax system are confronted—constitutionality, economic impact, revenue generation, administration, and illegality and ethical concerns. It should also be noted that the selections of Chapter 1 reflect the various “sources” of the tax law—case law (Tax Court and circuit court decisions), governmental studies, legislative histories, and law review articles.

Starting with Chapter 2, the text follows the taxing formula, beginning with gross income and then moving through tax deductions and credits to tax rates and tax returns. The statutory taxing formula begins with gross income, a concept encompassing the “accessions to wealth” on which an individual is taxed. This is discussed in Chapter 2. Although “gross income” is a broad concept, Congress has narrowed its scope by excluding various specific items on policy grounds. These exclusions are discussed in Chapter 3. Additional gross income issues, including *to*

whom gross income is attributed and *when* a particular item of gross income is includable, are presented in Chapters 4 and 5 respectively.

After determining gross income, taxable income is calculated by subtracting statutorily prescribed deductions. Issues involving deductions are discussed in Chapters 6 through 9. The permissible deductions fall into four classes: (1) those associated with the conduct of the taxpayer's trade or business; (2) those associated with an activity that, while not a trade or business, is engaged in for the production of income; (3) those not within the first two categories (i.e., personal expenses that typically would be denied deductibility) but that, for specific policy reasons, Congress has authorized as deductions; and (4) artificial deductions—those for which the taxpayer did not expend funds but that are allowed in support of various other policies (for example, the personal exemption).

Issues involving the calculation of taxable income and the different tax rates, including the alternative minimum tax (AMT), are discussed in Chapter 10. In addition, the Code authorizes various credits that may be subtracted and, in limited cases, mandates additional taxes that must be added to the regular tax liability. These issues are also presented in Chapter 10.

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In order to ease the reading of the cases, some citations have been omitted without the use of ellipses, and in some instances footnotes in cases and other quoted material have been eliminated without indication. Any footnotes that were not edited retain their original numbers, while footnotes of the editors are indicated by an asterisk or other symbol.

In this text, the word "section" or a section symbol (§) refers to sections of the Internal Revenue Code and the Regulations promulgated thereunder; Regulation or Reg., or Proposed Regulation or Prop. Reg. refers to Treasury Department Regulations; Revenue Ruling or Rev. Rul. refers to Rulings published by the Internal Revenue Service; Revenue Procedure or Rev. Proc. refers to Service-published Procedures; and Private Letter Ruling or Priv. Let. Rul. refers to Private Rulings (without precedential value) issued by the Service.

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