

NOTE: References are to section numbers in Parts 1–8, followed by page numbers in boldface.

A

- Abandonments of property, 31.11:532
- Abode test for qualifying children as exemption, 21.3:423–24
- Abstract of title fees, 29.5:497
- Accelerated cost recovery system (ACRS), 5.20:119–20, 42.4:655–56, 42.11:661, 42.12:662, 42.15:664, 42.16:664, 42.17:665, 44.1:683, 779
- Accelerated death benefits, 11.18:278, 17.16:358
- Accelerated depreciation, 42.5:656, 42.6:657–58, 42.7:658, 42.8:659, 779
- Accountable reimbursement plan, 20.31:417–18, 20.32:418–19, 779
- Accountants, travel costs, 20.2:398
- ACRS. *See* Accelerated cost recovery system
- Accrual method of accounting, 40.3:619, 779
- Accumulated earnings and profits, 4.5:75–76
- Acquisition debt, 15.2:323–24, 779
- Acquisition premium, 4.18:83–84, 4.19:84–85
- Acknowledgment for charity contributions, 14.15:315–17
- Accrual basis accounting for business income, 16.7:340, 617, 40.3:618–20
- Active participant status in employer plan, 8.5:189–90
- Active participation, 8.4:186–89, 779
- Adequate accounting, importance of, 20.31:417–18
- Address changes, notifying IRS of, 46.7:704
- Adjusted basis, 779
- for casualty losses, 18.8:367–68
 - how to find, 5.20:119–20
 - of sale of home, 29.5:497, 29.6:498, 499
- Adjusted gross income (AGI), 779.
- See* Chapter 12 (283–90)
 - deductions allowed in figuring, 12.1:284, 12.2:284–86, 12.3:286–87, 12.4:287–88, 12.5:288–89, 12.6:289, 12.7:289, 12.8:290, 41.10:647–48, 41.11:648–49, 41.12:649–50, 41.13:650
 - deductions for personal exemptions for higher income taxpayers, 21.12:432–33
 - excess, 34.9:568–69
 - figuring, 12.1:284, 13.7:295–98
 - hobby expenses, 40.10:627–28
 - lottery and sweepstakes winnings, 11.2:264
 - medical expenses, 17.1:343
 - reduction of certain itemized deductions, 292, 13.7:295–98
 - reporting child's income on your return, 24.4:453–54
 - Roth IRA contributions, 8.6:190–91
 - 7.5% AGI floor on itemized deductions for medical costs, 3.15:69, 17.1:343
 - 10% AGI floor, on losses to personal-use property, 18.12:370, 18.14:374, 18.18:376
 - 2% AGI floor, 2.8:41, 10.8:249, 11.7:270, 11.17:278, 19.1:383, 19.2:384, 19.3:384, 19.4:385, 19.5:385, 19.6:386, 19.7:389, 19.8:387–88, 19.9:388–89, 19.10:389–90, 19.12:390, 19.15:391–92, 19.16:393, 19.17:394–95, 20.4:400–401, 20.15:409, 20.28:416, 20.29:416, 23.2:444–46, 24.4:454, 32.6:539, 32.8:540, 33.15:558, 35.8:579, 40.7:625
- Adopted children
- adoption credit, 7, 23.5:447, 25.14:465, 25.15:465–67, 710
 - benefit as fringe benefit, 35, 3.6:60–61
 - expenses, employer-provided assistance, MAGI and, 8.4:186–89, 10.2:240
 - group health plans for, 3.1:52–53
 - medical expenses of, 17.7:351
 - not a U.S. citizen or resident, exemption for, 21.8:431
 - relationship test for claiming an exemption, 21.3:423–24
 - scholarship for, not a support item, 21.5:428
- Ad valorem tax, 16.8:341, 40.6:624
- Advance payment
- accounting method for reporting business income, 40.3:618–20
 - of earned income credit, 25.13:465
 - health coverage credit, 25.18:468
 - song publishers to composers, amortizing song rights, 42.20:667
 - time limits for receiving, 20.31:417–18
- Advances, against unearned commissions, 2.4:38
- Aide of elementary and secondary school. *See* Educator expenses
- Airfares, subject to 2% AGI floor, 19.3:384, 20.5:401–2
- Airline deregulation benefits, 2.5:39
- Airline employees
- free or low-cost flights provided to, 3.16:70–71
 - IRS meal allowance, 20.4:400–401
 - pilot, 19.9:388, 20.7:403
- Airplane
- company plane, 3.8:62, 3.9:63, 20.22:411
 - depreciate business property, 6.2:136
 - donated, special acknowledgment requirements for, 14.7:308–9, 14.15:315–17
 - fuel-related credits, 40.26:639–40
- Alaska, IRS meal allowance for travel in, 20.4:401
- Alcohol fuels credit, 40.26:639
- Aliens. *See also* Nonresident aliens; Resident aliens
- dual tax status, 1.16:26–27, 1.18:28, 13.1:293–94
 - in first year of residency, 1.18:28–29
 - in last year of residency, 1.18:29
 - leaving U.S., 1.19:29
 - moving to U.S., 12.4:288
 - verifying employment status, 38.1:599
- Alimony, 779. *See* Chapter 37 (591–97).
- See also* Divorce; Separation
 - annuity or endowment policy, 594
 - cash payments required, 37.3:593
 - child support not deductible as, 594
 - decree or agreement required, 37.2:592–93
 - IRA contributions and, 8.2:183–84
 - key to alimony and marital settlement issues, 594
 - legal fees of marital settlements, 37.4:595, 37.8:597
 - minimum payment period for alimony, 37.6:596
 - pendente lite, 37.2:593
 - planning agreements, 37.1:592
 - recapture rules, 37.7:596–97
 - record-keeping, 706, 708–11
 - tax rules for alimony payments, 12.1:284, 12.2:286, 37.1:592, 37.2:592–93, 37.3:593, 37.4:593–95, 37.5:595–96
 - tax form to file, 7
 - trust to pay, 594
 - voluntary payments in excess of required alimony, 594
- Alternative depreciation system (ADS), 42.9:659–60, 42.10:661
- Alternative Motor Vehicle Claim, 22.7:440, 25.22:470
- Alternative Minimum Tax (AMT), xxv, xxvi, 779. *See* Chapter 23 (441–48)
- adjustments for, 442, 23.2:444–46
 - alternative motor vehicle tax credit and, 25.22:471
 - attorney's contingent fee paid from taxable award, 11.7:270–71, 19.18:395
 - avoiding, 23.7:448
 - checklist of items subject to, 23.1:443
 - child's dividends and interest, reporting, 24.4:454
 - child's liability for, 24.1:450–51
 - computing on Form 6251, 1.2:11, 23.1:442–43
 - debts cancelled in bankruptcy, 11.8:271
 - depreciation and, 42.8:659, 42.9:659–60
 - expatriation tax, 1.20:30
 - exemption for 2007, xxv, 23.1:443
 - farmers, income averaging, 22.6:440
 - filing separately versus jointly, 1.3:11–13
 - foreign tax credit, 11.8:271, 23.5:447
 - general business credit and, 40.26:639–40
 - intangible drilling costs and, 9.14:234
 - ISO stock, selling to avoid adjustment, 2.16:46, 23.2:445, 23.7:448
 - key to rules, 442
 - net capital gains and qualified dividends, 1.2:11
 - net operating losses (NOL) and, 23.4:447
 - 150% rate election, 42.8:659
 - personal tax credits, overview of, 25.1:456
 - prior credit, record-keeping, 710
 - recovered deductions and, 11.5:266–68, 11.6:269, 23.2:444–46
 - refundable credit, 23.6:447–48
 - tax credit from regular tax, 23.6:447–48
 - tax credits allowed against, 22.7:440, 23.5:447
 - tax-exempts and, 30.12:516–17
 - tax preference items, 23.3:446
 - vehicle depreciation, 43.5:673–77
- Alternative fuels credit, 40.26:639
- Amended return, 34.12:571, 779. *See* Chapter 47 (711–14)
- American Jobs Creation Act of 2004, 1.20:30, 2.7:39, 11.7:270
- American Red Cross, deductible contributions to, 14.1:300
- American Samoa, 25.16:467, 34.12:571, 36.5:585, 36.9:588, 45.6:695
- Amortization
- adjusted basis and, 5.20:119–20
 - of bond premium, 4.17:82–83, 779

NOTE: References are to section numbers in Parts 1–8, followed by page numbers in boldface.

- for business intangibles, 42.1:652
- expenses in new business, 40.11:626–29
- of goodwill and other intangibles, 42.18:665–66, 779
- method, for annuity schedule payments, 8.12:197–99
- song rights, 42.20:667
- Amount realized**, 5.14:113, 29.5:497, 779
- Amount recognized**, 6.1:135–36, 779
- AMT. See Alternative Minimum Tax**
- Annualized income installment method for estimated taxes**, 27.1:479–80
- Annuity(ies) / annuity income**, 779.
 - See also Retirement plans*
 - commercial, 7.23:171–75, 7.24:175–76, 7.25:176, 26.10:477
 - contracts, 6.12:146
 - employee, 7.21:169–70, 7.26:177, 7.27:177–79, 7.28:179, 7.29:179
 - endorsement of check for another annuity is taxable, 6.12:146
 - penalty on premature withdrawals from deferred annuities, 7.23:175
 - record-keeping, 706
 - schedule payments of IRAs, 8.12:197–99
 - for surviving spouse, 7.11:160–61
 - tax-free contributions, limits on, 7.21:169–70
 - tax-sheltered, distributions from, 7.21:169–70
- Annulment decree**, 37.2:593
- Antarctic region, not meeting foreign residence**, 36.5:585
- Anti-churning rule**, 42.17:665, 42.18:666
- Appeals conference, when disputing audit**, 48.8:721
- Applicable federal rate (AFR), for seller-financed sales**, 4.31:94–96, 4.32:97, 779
- Appraisals**
 - of art objects, 14.6:305, 14.9:310–12
 - for casualty losses, 18.8:367–68
 - for disaster relief, 18.13:372
 - fees, as miscellaneous expense, 14.12:314, 19.16:393
 - of home, 9.5:225
 - penalty for substantial overvaluation of property, 14.12:314, 14.16:317
 - written requirements, 14.12:314
- Appreciated financial position, constructive sales of**, 30.8:513
- Appreciated securities, donating**, 14.1:300, 14.17:317–20
- Appreciation in value**, 14.6:305–8, 779
- Arbitrage bonds**, 4.25:89
- Arbitrage transactions of short sales of stock**, 30.5:510
- Archer MSA (Medical Savings Account)**, 7, 41.13:650, 779
 - contribution deadline, 41.13:650
 - employer contributions to, W-2 form and, 35
 - employer contribution limits, 3.2:55
 - rollover to HSA, 3.2:55
 - tax-free distributions from, 3.3:58
- Architects, travel costs**, 20.2:398
- Armed forces, members of. See Chapter 35 (573–79). See also Foreign service officers; Veterans Administration**
- Armed Forces Health Professions Scholarship Program**, 3.7:61
 - base amount for tax credit, 34.9:568
 - benefits, tax-free, 35.2:574–75
 - benefits and pay, taxable, 35.1:574
 - combat zone death, tax forgiveness for, 35.6:577–78
 - combat zone duty, 2.14:44–45, 25.3:457, 35.4:575–77, 35.5:577
 - Compensated Work Therapy Program (CWT), 35.2:575
 - deductions for, 35.3:575
 - disability pensions for, 2.14:44–45
 - disability retirement pay, 35.2:575
 - income taxes withheld on pay to, 26.2:473
 - IRS email for questions, 35.6:578
 - missing status, 35.6:578
 - moving expenses, 12.3:286, 12.4:287–88
 - permanent duty station of, 20.6:402
 - qualified reservist distribution, 7.15:163–64
 - reservists, 12.1:284, 12.2:285, 35.8:579
 - residence, suspending five-year ownership and use period, 29.2:493
 - retirement plans, penalty-free withdrawals from, 35.8:579
 - Roth IRA contribution based on tax-free combat pay, 8.20:213
 - support test for exemptions and, 21.5:427
 - tax deadlines extended for personnel, 35.5:577, 35.7:578
 - Vietnam MIAs, 35.6:578
 - when to file, 47.2:712
- Artists**, 9.11:232–33, 9.12:233, 40.9:627.
 - See also Performing artists*
- Art objects**, 5.3:101, 14.6:305, 14.9:310–12, 14.16:317, 14.17:317–20
- Assessments**, 48.2:717, 779
 - of real estate, 16.5:339
- Athletes, professional**
 - alien, temporarily in U.S., 1.18:27
 - tax home for travel expense purposes, 20.7:403
- Athletic stadium tickets, deductibility of**, 14.3:303, 14.15:315–17, 20.24:412–13
- At-risk rules**, 779
 - amounts considered at risk, 10.18:259–60
 - amounts not at risk, 10.19:260–61
 - carryover of disallowed losses, 10.21:262
 - Form 6198, 10.17:258, 40.20:636–37
 - loss restrictions, 10.17:258–59, 10.18:259–60, 10.19:260–61, 10.20:261–62, 10.21:262, 10.22:262, 11.12:275
 - partnership loss limitations, 11.12:275
 - passive loss rules, effects of, 10.17:259
 - recapture of losses where at risk is less than zero, 10.22:262
 - several activities, investment in, 10.20:261–62
- At-the-money call option**, 516
- Attorney. See also Legal expenses (legal fees)**
 - contingent fee paid from taxable award, 2.1:36, 11.7:270–71
 - expert advice for estate tax planning, 39.13:611
 - fee for practicing before Tax Court or IRS, recovering, 48.10:723
 - law school costs, not deductible, 33.15:558
 - material participation tests for, 10.6:246–47
- Audit**, 779. *See Chapter 48 (715–24)*
 - agreeing to changes, 48.7:721
 - cost of preparing for, 19.16:393
 - disputing the changes, 48.8:721–22
 - handling, 48.5:719
 - IRS request for extension, 48.2:717
 - Offer in Compromise, 48.9:722–23
 - odds of being audited, 48.1:716–17
 - preparing for, 48.4:718–19
 - random, IRS bringing back, 48.1:716
 - recording the examination, 48.5:719
 - recovering costs of tax dispute, 48.10:723
 - scheduling, 48.4:718
 - statute of limitations, 48.2:717
 - types of, 48.3:718
 - overview, 48.3:718
 - unified, for partnerships, 11.13:275–76
- Aunts, relationship test for claiming an exemption**, 21.4:424
- Authors, self-employed**, 9.11:232–33, 9.12:233, 40.9:627, 45.6:695
- Automobile. See also Travel and transportation expenses; Vehicles**
 - allocations of expenses between business and personal use, 43.2:671
 - alternative depreciation system for, 42.9:660, 43.3:671–72
 - business use, deducting expenses. *See Chapter 43 (668–81)*
 - company cars as fringe benefit, 3.8:61–62, 3.9:63
 - damage to, deducting, 18.1:361, 18.7:367
 - demonstration cars as fringe benefit, 3.8:62
 - depreciation of, xxvii, 42.9:660, 43.4:672–73, 43.6:677–78, 43.7:678, 43.8:678
 - donations, 14.7:308–9, 14.15:315–17
 - employee deduction limit of 2% AGI, 43.2:671
 - employer reporting taxable benefits on company cars, 3.8:62
 - exotic cars, 42.1:652–53
 - expenses, subject to 2% AGI floor, 19.3:384, 19.4:385, 43.1:669–70, 43.2:671
 - gasoline taxes, 16.2:337
 - leased vehicles, 43.2:671, 43.12:681
 - license fees, 16.8:341
 - like class exchange, 6.2:136
 - loans, 43.1:669–70, 43.2:671
 - local transportation costs for job-related travel, 19.8:387–88
 - MACRS recovery periods and rates, 42.4:655–56, 43.1:669–70, 43.3:671–72, 43.5:673–77
 - maximum depreciation deduction for, 43.4:672–73
 - mileage rates, xxvi, xxx, 19.8:388, 20.33:418–20, 43.1:669–70
 - more-than-50% business-use test, 43.3:671–72, 43.5:673–74
 - recapture of deductions on, 43.10:679–80
 - recapture of first-year expensing, 44.3:684
 - recordkeeping, 43.11:680
 - sale of, 5.3:101
 - school, transportation to, 33.17:560–61
 - as support item, 21.5:427
 - trade-in of, 43.9:679, 44.10:687
 - unreimbursed, deduction record-keeping, 709
 - unreimbursed accident damage as casualty loss, 18.7:367
 - volunteer services, 14.4:303–4
 - winterize, failure to, 18.7:367
- Average Cost Basis Method**, 32.10:542, 32.11:543, 544
- Awards and prizes**
 - charity-organized benefit tickets, 14.3:302–3
 - to employees, 20.25:413–14

NOTE: References are to section numbers in Parts 1–8, followed by page numbers in boldface.

- employee achievement, 3.11:64, 11.1:264, 20.25:413–14
- gambling winnings and losses, 11.3:264–65
- installment payments, 11.2:264
- sweepstakes and lottery winnings, 11.2:264
- taxable income tests, 11.1:264
- Away from home, 779**
- deducting travel expenses, 20.5:401–2, 20.6:402, 20.7:403, 20.8:403–4, 20.9:404–5
- definition of, 20.3:398, 20.6:402, 33.15:558, 33.17:561
- for armed forces personnel, 35.3:575
- B**
- Babysitters**
- of charity volunteer workers, 14.4:303–4
- self-employment tax rules, 45.6:694
- Backup withholding, 26.11:477**
- Bad debt deductions, 5.33:131–32, 5.34:132–33, 5.35:133, 18.5:365–66, 40.7:625**
- Baggage charges as business trip deduction, 20.5:401–2**
- Balanced funds, 32.1:537. See also Mutual funds**
- Bank checking fees, 19.16:393**
- Bank deposit loss, 5.32:131, 18.5:365–66, 19.15:391–92**
- Bank drafts of \$10,000 or less, reporting to IRS, 40.5:620–21**
- Bankruptcy**
- debts cancelled in, 11.8:271
- employer, higher contribution limit for 401(k) participants, 8.2:184
- interest on bonds and, 4.15:80–81
- separate bankruptcy estate, 11.8:272
- Bar review courses, not deductible, 33.15:558**
- Basis, 779**
- adjustments, AMT and, 5.20:119–20, 23.2:444–46
- additions and decreases to, 5.20:119–20
- allocation of, 5.19:119, 31.7:528–29
- of convertible stocks and bonds, 30.7:511–12
- joint tenancy rules for surviving tenants, 5.18:117–19
- of inherited property, 5.17:115–17, 6.7:142–44
- of repossessed property, 31.12:533
- of stock dividends, 30.3:506–7
- of stock rights, 30.4:507–8
- of taxable stock dividend, 4.6:76, 30.3:507
- unadjusted, of your property, 5.16:113–15
- Beneficiaries. See also Estate; Gifts; Inheritance; Surviving spouse**
- annuities received by, death benefit exclusion, 7.28:179
- consistent reporting by, 11.15:277
- death before September 30 determination date, 8.14:207
- distributions after death of Roth IRA owner, 8.24:218–19
- of inherited traditional IRAs, 8.14:204–9
- of lump-sum distributions from retirement plans, 7.2:151, 7.6:154–55, 7.7:155–56
- multiple, of inherited traditional IRA, 8.14:206
- nonspouse, distribution of retirement plans, xxvi, 7.8:158–59, 7.14:162
- retirement plan distributions to, 7.14:162; 7.15:163–64
- Schedule K-1, IRS matching program for, 11.9:273
- Benefit tickets, deductibility of, 14.3:302–3
- Bequest received by executor, tax-free, 2.9:41
- Bingo games organized by charities, 14.3:302–3
- Blind people, deductions for, 11.5:267, 13.1:293–94, 13.4:295, 13.5:295–97, 17.10:353–54
- Blood bank donations, nondeductible contributions for, 14.2:301**
- Board and lodging, tax-free, 3.12:65–67, 12.1:284. See also Meal expenses**
- Boats, special acknowledgment requirements for donation of, 14.7:308–9, 14.15:315–17**
- Bodyguard-chauffeur services, 3.8:62**
- Boilers, as home energy improvement, 25.21:469**
- Bonds**
- accrual dates for, 30.14:518–19
- amortization of bond premium, 4.17:82–83
- bought at premium or acquisition premium, 4.18:83–84
- callable, 4.17:83
- capital or ordinary gains and loss from sale of, 5.2:99–100
- convertible, 4.17:83, 30.7:511–12
- discount on, 4.18:83–84
- Freedom Shares, 4.28:92, 30.14:519
- I bonds, 4.28:91–92, 28.1:486, 28.2:487, 30.15:519–20
- interest on bonds bought or sold, 4.15:80–81
- market discount, 4.18:83, 4.20:85–86
- municipal bond funds, 30.12:517
- original issue discount (OID), 4.18:83–84, 4.19:84–85
- private activity, 4.24:89, 4.25:89, 23.3:446
- public-purpose, 30.12:517
- redemptions, timing, 30.14:518
- qualified private activity bonds, 30.12:517
- sale or retirement of, 4.23:88, 706
- saving notes, 30.14:519
- savings bonds, 30.14:518–19
- selling at a flat price, 4.15:81
- Series E and EE bonds, 28.1:486, 28.2:487, 30.14:518–19
- Series H and HH bonds, 30.14:519
- state and local (municipal bonds; tax-exempts), 4.24:89, 4.25:89, 4.26:90, 12.1:284
- taxable municipals, 30.12:517
- tax-exempt
- bought before May 1, 1993, 4.20:85
- funds, 32.5:538–39, 540
- investing in, 30.12:516–17
- Treasury bonds, 4.27:90–91
- Treasury I bonds, 4.28:91–92, 28.1:486, 28.2:487, 30.15:519–20
- U.S. Savings Bond
- interest on, 4.28:91–92, 4.29:92–93
- tax-free exchange rules not applicable to, 6.7:142–43
- tuition plans, 33.4:546–47
- wash-sale rules, 30.6:510–11
- Bonus depreciation for property, basis reduction for, 42.5:656**
- Bonuses**
- employee, 20.25:413–14
- Stock Appreciation Rights (SARs), 2.15:45
- Books used on the job, subject to 2% AGI floor, 19.3:384, 19.4:385**
- Boot, 6.3:137–39, 6.9:145, 31.3:526–27, 779**
- Boy Scouts, deductible contributions to, 14.1:300**
- Bribes and kickbacks, 40.8:626–27
- Building, demolishing a, 42.14:664
- Building contractor, fraud by, 18.9:368
- Bullion, tax-free exchanges of, 6.11:146
- Burglar alarms, 18.1:361
- Business**
- bad debt for loan to employer, 5.33:131–32, 19.3:384
- equipment, capital or ordinary gains and loss from sale of, 5.2:100
- income or loss from. *See* Chapter 40 (615–40)
- intangibles, amortization for, 42.1:652
- tax liability limits, 31.8:529. *See* Chapter 40 (615–40)
- use of personal residence, 29.7:498–501, 44.9:686–87
- Business activities**
- classifying, 10.5:244–46
- material participation tests, 10.6:246–47
- Business expenses. See also Itemized deductions; Home office**
- inventory, 14.13:314
- medical expenses deductible as, 17.14:357
- minister's, allocable to taxable compensation, 3.13:68
- taxes deductible as, 16.9:341
- trip deductions, 20.5:401–2, 20.26:414, 20.27:415–16, 20.28:416, 20.29:416
- Business income, 706**
- accounting methods for. *See* Accrual basis; Cash basis
- home office deductions for. *See* Home office
- net operating losses, 40.18:635–36, 40.19:636, 40.20:636–37, 40.21:637–38, 40.22:638
- Business interruption insurance proceeds, as self-employment income, 45.1:689**
- Business premises test, for employer-furnished meals or lodging, 3.12:65–66**
- Business property**
- capitalize costs of, 40.3:620
- casualty or theft loss deduction of, 18.2:362–63, 18.13:372
- disaster area, 18.23:380
- rent, deducting on Schedule C, 40.6:624
- sales of, 29.7:500, 29.9:502–3. *See* Chapter 44 (682–87)
- tangible, depreciable, 6.2:136
- Business tax credits, 40.26:639–40**
- Business tax planning. See Chapter 40 (615–40); Chapter 41 (641–50); Chapter 42 (651–67); Chapter 43 (668–81); Chapter 44 (682–87); Chapter 45 (688–95)**
- Business travel**
- business-vacation trips, 20.10:405–6, 20.11:406–7, 20.12:407–8, 20.13:408, 20.14:409
- conventions and seminars, 20.12:407–8, 20.14:409
- deductions, 20.5:401–2
- taking family along on temporary job site, 20.9:404–5
- travel expenses of spouse or dependent, 20.13:408
- weekend expenses, 20.10:405–6, 20.11:407
- C**
- C corporation, 10.15:256–57, 11.13:276, 40.3:618**
- accounting method for, 40.3:618
- material participation, 10.15:256–57

NOTE: References are to section numbers in Parts 1–8, followed by page numbers in boldface.

- Cab fare
 as business trip deductions, 20.5:401–2
 as de minimis fringe benefit, 3.10:64
- Cafeteria plan, 3.1:52–53, 3.14:68–69
- Calculators, 19.11:390
- Calendars for 2008 and 2009, 6
- Calendar year, 40.3:618–20
- Callable bonds, 4.17:83
- Calls (options), 30.11:515–16
- Canada, aliens who commute from,
 183-day test and, 1.18:27
- Cancellation of debt, 11.8:271, 11.14:276–77, 780
- Cantor, housing allowance for, 3.13:67
- Capital asset, 5.2:99–100, 780
- Capital gain (or loss), xxxii, 780
 abandonments, 31.11:532
 bad debt deductions, 5.32:130–31, 5.33:131–32,
 5.34:132–33, 5.35:133
 bank deposit loss, 5.32:131
 bonds and notes, 4.21:87, 4.23:88
 calculating, 5.13:112, 5.14:113, 5.15:113
 cancellation of a lease, 31.5:527
 conversion transactions, gains restricted on,
 30.10:514–15
 deemed sale and suspended losses, 10.13:254–56
 distributions, from mutual funds, 4.1:73, 32.5:538–
 39, 32.6:539
 easement, granting of, 31.7:528–29
 foreclosure sales and voluntary conveyances to credi-
 tors, 31.9:529–31, 31.10:531
 holding period for capital assets, 5.9:110, 5.10:110–
 11, 5.11:111, 5.12:111
 long-term, as tax-saving opportunity, 28.1:486
 long-term or short-term, 5.2:99–100
 losses. *See also* Net operating losses
 capital loss alternative to amortizing premium,
 4.17:82
 disallowed on sales to related persons, related
 buyer's resale at profit, 5.6:103–4
 loss limit, 5.4:103, 10.13:254
 securities transactions, planning for losses,
 30.1:505
 mutual fund distribution reporting, 540
 mutual funds, investing in, 32.1:537
 postpone, to avoid AMT, 23.7:451
 pre-1974 portion of lump sum distribution of retire-
 ment plan, 7.5:154
 principal residence sale, figuring gain or loss,
 29.5:497
 property sales, 5.1:99, 5.2:99–100, 5.3:100–
 102, 5.4:103, 5.5:103, 5.6:103–4, 5.7:105,
 5.8:106–9
 rates, tax changes after 2007, xxx
 on repossession, 31.12:532–34
 short sales of stock, 30.5:508–10
 short-term, 5.1:99, 5.2:99–100, 5.10:110–11,
 32.5:538–39, 784
 tax rate on net capital gains, 1.2:11, 5.3:100–102
- Capital gain distribution, 32.4:538, 32.5:538–
 39, 780. *See also* Mutual funds
- Capital expenditures, nondeductible, 40.8:626–27
- Capital improvements, 9.3:223–24, 29.5:497
- CARE, deductible contributions to, 14.1:300
- Carryback, 40.18:635–36, 40.21:637–
 38, 40.26:639–40, 780
- Carryforward, 40.18:635–36, 40.22:638,
 40.26:639–40, 46.1:700, 780
- Carryovers
 capital losses and, 5.4:103, 780
 death of taxpayer, 5.4:103
 of disallowed losses, 10.21:262
 as exception to passive activity deduction, 10.8:249
 for excess charitable contributions, 14.17:317–20,
 14.18:320
 non-passive activity deduction, 10.8:249
 suspended losses, 10.13:254
- Car service, as de minimis fringe benefit, 3.10:64
- Cash allowances for meals and lodging, 3.12:66
- Cash-and-carry transactions, 30.9:514, 40.5:621
- Cash and other property, receiv-
 ing, 40.5:621, 6.3:137–39
- Cash awards as employee achievement awards, 3.11:64
- Cash basis. *See* Cash method of accounting
- Cash-basis investor, 4.21:87
- Cash-basis taxpayer
 interest deduction, 15.13:333–34
 Treasury bill maturity, 4.27:90–91
- Cash donations, deduction record-keeping of, 709
- Cash contributions to charity,
 14.15:315–17, 14.17:317–20
- Cashier's checks, of \$10,000 or less, re-
 porting to IRS, 40.5:620–21
- Cash method of accounting, 2.2:37,
 16.7:340, 617, 40.3:618–20, 780
- Cash-out distribution of retirement ben-
 efits, 7.6:154–55; 7.11:160–61
- Cash payments of \$10,000 or less, re-
 porting to IRS, 40.5:620–21
- Cash receipts, reporting to IRS, 40.5:620–21
- Cash reimbursements of qualified trans-
 portation benefits, 3.8:62–63
- Casino jackpots, 11.2:264
- Casualty and theft losses, 780. *See*
 Chapter 18 (359–81)
 adjusted basis and, 5.20:119–20
 automobile damage, 18.7:367
 bank deposit losses as, 18.5:365–66
 calculating deductible loss, 18.13:372–73
 capital gains or losses from, 44.8:686
 figuring and claiming, 18.11:369–70, 18.12:370,
 18.13:372–73, 18.14:374, 18.15:374,
 18.16:375, 18.17:375–76, 18.18:376
 deducting, 11.6:268, 293, 18.2:362–63, 18.3:363–
 65, 18.4:365, 709
 disaster losses, 18.3:363–65
 exceeding your income, 18.18:376
 excess living costs paid by insurance, 18.17:375–76
 figuring your loss on Form 4684, 18.13:372–73
 floors for personal-use property losses, 18.12:370
 incidental expenses, 18.13:372–73
 insurance reimbursements, 18.16:375, 18.17:375–
 76, 18.18:376
 net operating loss, 40.19:636
 nondeductible losses, 18.11:369–70
 property used for both personal and business pur-
 poses, 18.14:374
 proving a casualty loss, 18.8:367–68
 repairs as measure of loss, 18.15:374
 reporting gains from, 18.26:381
 Section 1231 assets, 44.8:686
 sudden event test for casualty losses, 18.1:360–61
 trees and shrubs, damage to, 18.1:361, 18.6:366–
 67
- when to deduct, 11.6:268, 18.2:362–63
 who may claim deduction, 18.4:365
- Cattle, as Section 1231 asset, 44.8:685
- Cellular phone, deduction for, 19.10:389–
 90, 42.4:656, 42.10:660–61
- Certificate of compliance (“sailing” permit), 1.19:29
- Certificate of Deposit (CD), early with-
 drawal on, 4.16:81
- Chambers of commerce, nondeduct-
 ible contributions for, 14.2:301
- Chaplains, allowance for, 3.13:67–68
- Charitable contribution deductions and non-
 deductions. *See* Chapter 14 (299–320)
 accelerating deductions, 28.2:487
 appreciated securities and real estate, 14.17:317–20
 assignment of pay as, 2.1:36
 automobile donations, 14.7:308–9
 bargain sales of appreciated property, 14.8:309–10
 cash contributions, 14.15:315–16, 14.17:317–20
 ceiling on, 14.8:309–10, 14.17:317–20
 charity remainder trusts, 14.14:315
 child support of student in your home, 14.5:304–5,
 14.17:317–20
 deductible contributions, 292, 14.1:300–301,
 14.3:302–3, 14.4:303–4, 28.2:487, 34.10:570
 direct transfer from IRA to charity, 14.1:300
 donations of property, 14.6:305–8, 14.7:308–9,
 14.8:309–10, 14.9:310–12, 14.10:312–
 13, 14.11:313–14, 14.12:314, 14.13:314,
 14.14:315
 dues, 14.3:302
 election to reduce property gift appreciation,
 14.19:320
 five-year carryover for excess donations on,
 14.18:320
 foreign charities, 14.2:301
 foster parent expenses, 14.4:304
 historic house easement after claiming rehab credit,
 31.8:529
 interests in real estate, 14.10:312–13
 life insurance policy, 14.11:313–14
 lotteries organized by charities, 14.3:302–3
 membership in qualified charity, deductibility of,
 14.1:300–301, 14.3:302–3
 mortgaged property donations, 14.6:307,
 31.15:535
 nondeductible, 10.8:248–50, 14.2:301–2,
 14.3:302–3, 14.6:305–8
 organizations qualifying for deductible donations,
 14.1:300–301
 penalty for substantial overvaluation of property,
 14.12:314, 14.16:317
 property donations, 11.6:268, 14.1:300–301,
 14.6:305–8, 14.7:308–9, 14.8:309–10,
 14.12:314
 property that has declined below cost, 14.7:308–9
 substantiating your donations, xxv, 14.15:315–17
 qualifying donations, 14.1:300–301, 14.2:301–2,
 14.3:302–3, 14.4:303–4, 14.5:304–5
 recapture of deduction for property sold within three
 years, 14.6:306
 records needed to substantiate contributions,
 14.12:314, 14.15:315–17
 reporting, 14.15:315–17, 14.16:317, 14.17:317–20,
 14.18:320, 14.19:320
 sports event tickets, 14.3:303, 14.15:315–17,
 20.24:412–13

NOTE: References are to section numbers in Parts 1–8, followed by page numbers in boldface.

- student in your home, support of, 14.5:304–5
 substantiation requirements, 14.1:300–301
 tax-free distribution to, if age 70¹/₂ or older, 8.8:192
 tax form to file, 7
 timing of, 14.1:300
 token gifts, 14.3:303
 vacation home use, 14.10:312–13
 when deductible, 14.1:300–301
- Charitable split-dollar insurance plan**, 2.10:42
- Charity reports transfer within two years**, 14.12:314
- Chauffeur services, as fringe benefit**, 3.8:62
- Checking account**
 cancelled checks, keeping copies of, 46.1:700, 706, 14.15:315–17, 708–9, 710
 payments from, for loan proceeds, 15.12:332
 personal, nondeductibility of, 19.16:393
- Checklist of deductible and nondeductible taxes as itemized deduction**, 16.1:336
- Childbirth classes, as deductible medical expense**, 17.2:344, 345
- Child-care facilities and services, employer-provided**, 40.26:639
- Children.** *See also* **Adopted children; Dependents; Family income planning; Kiddie tax; Relatives; Stepchildren**
 bond registered in child's name, 4.28:92
 born in foreign country, 21.8:431
 continuing coverage for group health plans (COBRA coverage), 3.1:53
 court-ordered distributions of retirement benefits to, 7.12:161–62
 custodial accounts, 39.5:606–7
 default on support, 5.35:133
 as dependent, 1.3:11–13, 21.1:422, 13.3:294, 21.3:423–24
 dependent care credit for, 25.4:458, 25.7:460–61, 25.9:462, 780
 education credit, parent's option to forego child's exemption, 33.10:552–53
 employer's educational benefits for, 2.11:42–43
 as exemptions, 21.1:422, 21.3:423–24
 FICA tax on wages paid to, 25.11:464–65
 filing returns for, 1.13:24, 24.1:450–51
 foreign, 25.15:466
 as head of household, 1.12:22–23
 kiddie tax, 1.13:24, 4.28:92, 24.1:450–51, 24.2:451–52, 24.3:453, 24.4:453–54
 investment strategies for children under 18, 24.2:451–52
 married child, as qualifying child for EIC, 25.10:464
 newspaper home delivery pay, income taxes not withheld on, 26.2:473
 not a U.S. citizen or resident, exemption for, 21.8:431
 of divorced or separated parents, 21.7:430
 qualifying child
 for child tax credit, 25.2:457
 for dependent care credit, 25.7:460–61, 25.9:462
 for earned income credit, 25.10:463–64
 of noncustodial parent, 21.3:423–24, 21.7:430
 rule for divorced or separated parents, 13.3:294, 21.7:430
 relationship test for claiming an exemption, 21.3:423–24, 21.4:424–26
 reporting child's income on parent's return, 24.4:453–54
 reporting parent's income on child's return, 24.3:453
 Social Security benefits paid on behalf of, 34.2:563–64
 Social Security numbers for, 1.13:24, 21.11:431–32
 subjecting parents to AMT, 23.2:444
 U.S. Savings Bonds bought in name of, 4.28:92
 wages paid to, 1.13:24, 26.9:477
- Child support**
 court-ordered distributions of retirement benefits, 7.12:161–62
 defaulted payments not basis for bad debt deduction, 5.35:133
 not considered alimony, 37.5:595–96
- Child tax credit**, xxvii, xxxi, 22.7:440, 23.5:447, 25.2:456–57, 25.3:457
- Chronically ill**, 3.1:52, 3.3:56. *See also* **Long-term care**
- Church employees, annuities for**, 7.21:169
- Circulation expenses, alternative minimum tax and**, 23.1:443
- Citizenship**
 loss of, expatriation tax for, 1.20:30
 renouncing, tax rules for U.S. citizens, 1.20:30
 or resident test for dependents, 21.8:431
- Civic leagues, nondeductible contributions to**, 14.2:301
- Clear business setting test for dining and entertainment expenses**, 20.17:410
- Clergy**
 rental allowance for, 3.13:67–68
 self-employment tax rules, 45.6:694
- Clients and customers**
 business gift deductions, 20.25:413–14
 entertainment expenses for, 20.15:409, 20.16:409, 20.17:410, 20.18:410–11, 20.19:411
- Closed-end funds**, 32.1:537. *See also* **Mutual Funds**
- Closely held corporations**, 6.10:145–46, 10.15:256
- Closing costs for buying home**, 29.5:497
- Clothing, used, donating**, 14.7:308–9
- Club dues**, 20.22:411, 20.30:417
- COBRA coverage**, 3.1:53, 25.18:468, 41.12:649, 41.13:650
- Coins**
 restrictions on investments in, 8.1:182
 sale of, 5.3:101
 tax-free exchanges of, 6.11:146
- College courses, out-of-town trips**, 400, 33.17:560–61
- Combat.** *See also* **Armed Forces, members of**
 -related injury or illness, disability payments for, 2.14:44–45, 35.2:575
 pay, 8.20:214, 35.2:574
 zone, service in, 1.4:13, 25.3:457, 35.4:575–77, 35.5:577, 35.6:577–78
- Commercial buildings, deducting energy-efficient standards**, 40.7:625
- Commissions**
 executor's and trustee's, 2.9:41
 paid to collect rentals, 9.2:222
 as taxable income, 2.4:38
- Commodities, holding period for**, 5.10:111
- Commodity Credit Corporation loans, withholding on payment**, 26.6:475
- Common law marriage, filing status and**, 1.1:10
- Common stock, dividends on**, 4.6:76
- Community development corporations, credit for**, 40.26:639
- Community income**, 1.6:15, 780
- Community property rules**
 death of spouse and, 1.6:15, 5.17:115–17
 divorce or separation and, 1.6:15
 innocent spouse rules and, 1.6:15
 lump-sum distributions from retirement plans and, 7.4:152–54
 for military personnel, 35.1:574
 moving to and from community property, 1.6:15
 self-employment income and, 45.1:689
 separate property and, 1.6:14–15
 supporting a dependent with separate income and, 1.6:15
- Commuting expenses**, 17.9:353, 20.1:397, 20.2:397–98, 20.3:398, 20.4:400–401. *See also* **Travel and transportation expenses**
 under unsafe circumstances, car service or taxi fare for employees, 3.10:64
- Company plane**, 3.8:62, 3.9:63, 20.22:411
- Company products, discounts on**, 3.17:71
- Company stock**
 dividend reinvestment in, 4.8:76–77
 selling back to employer, taxable as ordinary income, 5.2:100
- Compensated Work Therapy Program (CWT)**, 35.2:575
- Computer**
 deducting depreciation of, 19.15:391–92
 deduction for, 19.10:389–90
 depreciation on, 42.9:660, 42.10:660–61, 42.19:667
 like class exchange, 6.2:136–37
 software. *See* **Software, computer**
 subject to 2% AGI floor, 19.3:384, 19.10:390
- Condemnation**, 780. *See also* **Involuntary conversions**
 award, cost of replacement property and postponed gain from, 18.24:380
 gain from, 18.19:376–77, 18.20:377
 grant of an easement under, 31.7:528–29
 of property, as involuntary conversion qualifying for tax deferral, 18.20:377, 18.22:378
- Condition of employment, for employer-furnished lodging**, 3.12:66
- Condominiums**
 deductions on, 15.9:329, 16.4:338
 as principal residence, 29.1:490
- Constant yield method**, 4.20:86
- Construction.** *See also* **Home improvements**
 expenses for home, 15.4:324–25
 fault, as casualty loss deduction, 18.1:361
 long-term contracts, accounting for, 40.3:620
 as qualified production activity, 40.24:638
 real estate, taxes and, 16.5:339
 to residence, figuring gain or loss on sale of, 29.5:497
- Constructive receipt rule**, 2.2:37, 780
- Constructive sales of appreciated financial positions**, 30.8:512–13
- Consultants**, 10.6:247, 45.6:694
- Contingent legal fees**
 paid out of taxable awards, 19.18:395, 23.2:444
 salary or wage income (compensation), 2.1:36–37
- Contingent payment sales**, 5.25:125–26
- Continuing care facilities, xxxii**, 4.31:96, 17.11:354–55, 21.5:428, 34.10:569–70, 34.11:570

NOTE: References are to section numbers in Parts 1–8, followed by page numbers in boldface.

- Contract cancellations, 30.9:514
- Contract price, 5.22:122, 5.30:129
- CONUS meals and incidental expenses, 20.4:400–401
- CONUS federal travel rates, 20.32:418
- Convenience of employer test, employer-furnished meals or lodging, 3.12:65
- Convention, for MACRS, 42.5:656, 42.6:657–58, 42.7:658, 780
- Convention travel
- conventions and seminars, deducting expenses of, 402, 20.12:407–8
 - delegate to charitable or veterans' convention, 14.4:304, 400
 - foreign conventions and cruises, 20.14:409
 - medical conferences, 17.9:352
 - nondeductible, 19.15:391–92
 - outside North American area, deducting expenses at, 20.14:409
- Conversion of traditional IRA to Roth IRA, 8.21:214–15
- Conversion transaction, capital gain restricted on, 30.9:514, 30.10:514–15
- Convertible securities (stocks and bonds), 4.17:83, 6.8:145, 30.7:511–12
- Cooperative housing unit
- basis for gain or loss, 29.5:497
 - deductions on, 15.2:323, 15.9:329, 16.4:338
 - depreciation on, 9.5:225
 - home office in, 40.17:635, 42.1:652
 - residence ownership requirement, 29.1:490, 29.2:493
- Copiers, 19.11:390, 42.4:656
- Copyrights. *See also* Intangible personal property; Royalty income and deductions
- amortizing, 42.18:665
 - depreciation of costs over life of, 9.13:233
- Corporate dividends, qualified, taxed at favorable capital gains rates, 4.2:74–75
- Corporation. *See also* C corporation; S corporation
- benefits to shareholder-employee, 4.7:76
 - closely held
 - passive activity rules, 10.15:256–57
 - tax-free exchanges with, 6.10:145–46
 - controlling interest, buying, 18.23:380
 - earnings and profits of, 4.5:75–76
 - foreign, dividends from, 4.2:74–75
 - form of doing business, 40.1:616
 - liquidation, 44.11:687
 - organizational costs, 40.11:626–29
 - reorganizations or mergers, exchanging market discount bonds in, 4.20:85–86
 - tax-free exchanges of stock, 6.8:145
- Correspondence audit, 48.3:718
- Cosmetic surgery, 3.3:56, 17.2:343, 17.3:347, 19.9:389
- Cost basis, 4.11:78, 29.5:497, 29.6:498, 46.1:700
- Cost depletion, 9.15:234
- Cost less depreciation method, 18.13:373
- Counselor of elementary and secondary school. *See* Educator expenses
- Coupon bonds, 4.22:87–88
- Coverdell Education Savings Accounts, xxx, 780
- contributing to and distribution from, xxx, 33.11:553–54, 33.12:554–55
 - education tax credits, effect on, 28.1:486, 33.4:546–47, 33.5:548, 33.6:548–50, 33.7:551
 - student loan interest deduction, 33.14:556–58
 - tuition and fees deductions, 33.13:556
- Credit card
- fees not deductible, 19.16:393
 - insurance payments, taxable, 11.8:272
 - paying taxes with, 46.2:701, 46.5:703
 - statements and receipts, as record, 16.3:337, 414, 20.27:415
- Crop damage payments, withholding on payment, 26.6:475
- Cruise ships
- business trips on, 20.5:401–2
 - conventions on, deductions for, 20.14:409
- Custodial parent
- dependent care credit rules for separated couples, 25.9:462
 - special rule for claiming exemption for child, 21.7:430
- Custodial accounts for minors, 39.5:606–7
- ## D
- Damages, legal, 11.6:269–71
- Day care center/services
- dependent care credit and, 25.8:461–62
 - employer-provided, tax-free exclusion, 3.5:60
 - home used to provide, 40.12:629–31
- Deadline for
- donation receipts, 14.15:315–17
 - estimated tax installments for 2008, 27.3:481
 - filing refund claims, 47.2:712
 - filing returns, 6, 48.2:717
 - gains on publicly traded securities, 30.1:505
 - nominee distribution—joint accounts, 4.1:73
 - Keogh plans, 41.2:642–43, 41.5:646
 - recharacterization, 8.22:215–16
 - Roth IRA, 8.20:214
 - SEPs, 41.3:643
 - SIMPLE IRAs, 8.17:210–11
 - W-2 distribution, 38.2:599
- Dealer in commodities, options, and securities, self-employment tax rules for, 30.16:520–21, 45.1:689, 45.6:694
- Dealer sales, installment plan, 5.21:121
- Death. *See also* Accelerated death benefits; Decedent (deceased person)
- of Armed Forces personnel, 35.6:577–78
 - of dependent, 21.4:425
 - of investor in a passive interest, 10.13:254–56
- Death of dependent, claiming exemption, 21.1:422
- Death of spouse. *See also* Surviving spouse
- before sale of home, 29.3:493–94
 - claiming any unused loss carryover, 5.5:103
 - community property rules and, 1.6:15
 - estimated taxes, 27.4:481
 - exemption claim, 21.2:423
 - filing new Form W-4, 26.5:475
 - IRA transfer upon, 8.11:196–97
 - prior to 2005, 1.11:22
 - in 2006 or 2005, qualifying widow(er) rates, 1.11:22
 - in 2007, 1.10:21–22
- Debt obligations, 4.23:88. *See also* Bonds
- Debts. *See also* Bad debt deductions; Interest (paid or owed); Loans; Mortgage
- business real estate, restructuring, 31.10:531
 - cancellation of, 11.8:271, 11.14:276–77
 - cancellation of debts you owe, as taxable income, 2.3:37–38
 - mortgage debt, restructuring, 31.10:531
 - owed to you, interest income on, 4.14:80
 - partnerships, 11.8:272
 - S corporation, 11.8:272, 11.14:276–77
 - tax debt, unable to pay in full, 48.9:722–23
- Decedent (deceased person). *See also* Executor or administrator; Surviving spouse
- capital loss carryover and, 5.4:103
 - distribution of Roth IRAs to beneficiaries, 8.24:218–19
 - filing returns for, 1.14:24–26
 - final return of, 1.14:24–26
 - income in respect of a decedent (IRD), 1.14:25–26, 11.16:277–78, 11.17:278
 - joint tenancy basis rules for surviving tenants, 5.18:117–19
 - medical expenses of, 1.14:25, 17.8:351–52
 - partnership income, 1.14:25
 - promptly closing estate, 1.14:25
 - refund due to, 1.14:26
 - reporting income of deceased spouse, 1.10:21
 - survivors of workers abroad returning to U.S., 36.6:587
 - transfer of depreciable property, 44.4:684–85
 - transfer of installment notes, 5.28:127–28
- Declining balance method, 42.5:656, 42.8:659, 780
- Deductions, 780. *See also* Itemized deductions; Self-employed income (or loss), Standard deduction
- accelerating, 28.2:487
 - of deceased person, 1.14:25
 - depreciation. *See* Chapter 42 (651–67)
 - domestic production activities deduction, 12.1:284, 12.2:286, 617, 40.23:638, 40.24:638, 40.25:639, 708
 - first-year expensing, 40.8:626–27, 42.3:653–55
 - from gross income, 12.2:284–86
 - mortgage insurance premiums, 15.6:326
 - record-keeping, 46.1:700, 706–7, 708–9, 710
 - rental, 9.2:221–23
 - subject to recapture, 42.10:661
 - taxes. *See* Chapter 16 (335–41)
- Deep-in-the-money option, 30.9:513
- Deferral of salary-reduction, limit on, 7.17:166
- Deferred compensation plans, 2.7:39–41, 7.22:170, 780. *See also* Annuities; 401(k) plans
- Deferred exchange distinguished from a reverse exchange, 6.4:139
- Deferred payment sales, minimum interest, 5.27:127
- Deficiency, 48.8:721–22, 780
- Defined-benefit Keogh plan, 41.2:642–43, 41.4:643
- Defined benefit plans, 8.5:190, 41.2:642–43, 780
- Defined-contribution plans, 8.5:189–90, 41.2:642–43, 41.4:643, 780
- Degree test, for scholarships, fellowships, and grants, 33.1:546
- De minimis*, 20.24:413
- employee achievement awards, 3.11:64
 - fringe benefits, 3.10:64
 - meal charges by employer, 3.12:65
 - parking provided by employer, 3.8:63
- Dental services, deductible medical expenses, 34.5, 708
- Department of Homeland Security, 1.20:30
- Departure permit for aliens leaving U.S., 1.19:29
- Dependent(s), 780
- care credit for, 1.3:11–13, 25.4:458, 25.5:458–60, 25.6:460, 25.7:460–61, 25.8:461–62, 25.9:462, 25.16:467

NOTE: References are to section numbers in Parts 1–8, followed by page numbers in boldface.

- citizenship or resident test for, 21.8:431
 claiming as, on someone else's tax return, 13.1:293–94, 21.1:422
 court-ordered distributions of retirement benefits to, 7.12:161–62
 determining status, 13.5:295–97
 disabled, advance payment for lifetime care, 17.2:344
 earmarking support to one, 21.5:428
 with earned income, standard deductions for, 13.5:295–97
 exemptions, claiming as, 21.1:422, 21.3:423–24, 21.4:424–26
 age or student test for qualifying children, 21.3:424
 of divorced or separated parents, special rule, 21.7:430
 spouse or former spouse, 21.2:422–23, 21.4:425
 unrelated or distantly related dependents living with you, 21.4:425
 filing jointly with another, unable to claim exemption for, 21.9:431
 filing tests for returns, 3–4
 gross income limit test for, 21.4:426
 group-term life insurance for, employer-paid, 3.4:58–59
 head of household tests and, 1.12:22–23
 household with several, 21.5:428
 medical expense deductions of, 17.7:350–51
 separate returns and, 1.6:14–15
 Social Security number for, 21.1:422, 21.2:423
 Social Security number of, reporting, 21.11:431–32
 standard deduction for, 13.5:295–97
 student loan interest deduction, 33.14:556–58
 travel expenses of, 20.13:408
- Dependent care benefits**, 34, 3.5:60
- Dependent care credit**, 1.3:13, 22.7:440, 25.3:457, 25.4:458, 25.5:458–60, 25.6:460, 25.7:460–61, 25.8:461–62, 25.9:462, 25.16:467
 care of qualifying persons, 25.7:460–61
 earned income test for, 25.6:460
 expenses qualifying for, 25.8:461–62
 limits on, 25.5:458–60
 qualifying for, 25.4:458
 for separated couples, 25.9:462
- Dependent care flexible spending arrangements (FSAs)**, 3.15:70
- Depletion deduction**, 780
 alternative minimum tax, subject to, 23.1:443
 oil and gas percentage, 9.16:235–36
 properties subject to, 9.15:234–35
- Depreciable property**, 42.1:652, 780.
See also **Business property**
 classes of, 6.2:136
 sales to related party, 5.24:124–25
- Depreciation**, 780. *See* **Chapter 42 (651–67)**. *See also* **ACRS**; **MACRS**
 adjusted basis and, 5.20:119–20
 annual ceilings on, 43.4:672–73
 alternative minimum tax (AMT) and, 42.8:659, 42.9:659–60
 assets in service before 1987, 42.11:661
 basis for, 5.16:113–15, 5.17:115–17, 5.18:117–19, 5.19:119, 5.20:119–20, 39.2:605, 42.1:653
 bonus depreciation for property, basis reduction for, 42.5:656
 claiming on tax return, 42.2:653
 of computers and other listed property, 42.10:660–61
 convention rules affecting, 42.4:655–56, 42.5:656–57, 42.6:657–58, 42.7:658
 on converting home to rental property, 9.5:224–26
 on cooperative apartments, 9.5:225, 40.17:635
 cost less depreciation method for household items, 18.13:373
 deducting on Schedule C, 40.6:622
 deductions, claiming. *See* **Chapter 42 (651–67)**
 first-year expensing deduction, 40.8:626–27, 42.3:653–55
 on gift property, basis for, 5.17:115–17, 39.2:605
 home office, 29.7:498–501, 40.12:629–31, 40.13:631–32, 40.17:635
 household items, cost less depreciation method for, 18.13:373
 installment sale of property, 44.6:685
 key to reporting income and loss, 617
 MACRS recovery periods and rates for, 42.4:655–56, 43.5:673–77
 property, nonresidential, deductibility of, 633
 property, sale of, 44.1:683, 44.2:683–84, 44.3:684, 44.4:684–85
 property, types of, 42.1:652–53
 real estate, placed in service after 1980 and before 1987, 42.16:664
 real estate, sale of, depreciation recaptured on ordinary income on, 44.2:683–84
 recapture of, 5.21:121, 42.16:664, 44.1:683, 44.2:683–84, 44.3:684, 44.8:686, 780
 of rental building, 9.2:222
 passenger cars, 43.4:672–73
 reporting business income, 40.3:618–20
 straight-line, 42.9:659–60, 42.12:662
 tables, 42.5:656–57
 vehicle, 43.1:669–70, 43.3:671–72, 43.4:672–73, 43.5:673–77, 43.6:677–78, 43.7:678, 43.8:678
- Determination date of September 30 for beneficiary of inherited IRA**, 8.14:206–7
- Diplomats, exempt from permit requirement**, 1.19:29
- Directly related dining and entertainment**, 20.17:410
- Directors, self-employment tax rules**, 45.6:694
- Disabled**. *See also* **Long-term care**
 access credit, 40.26:639
 adoption credit for children who are, 25.15:466
 business expenses deductions, 17.14:357
 of dependent, advance payment for lifetime care, 17.2:344
 disability before minimum retirement age, employee annuity and, 7.26:177
 earned income credit (EIC) and, 25.6:460, 25.10:463
 exception to IRA early-withdrawal penalty, 7.15:163–64, 8.12:197
 extended COBRA coverage to, 3.1:53
 gross income test for dependents, 21.4:426
 home improvements as medical expenses, 17.13:355–57
 impairment-related work expenses, 17.14:357
 limitation period for filing refund claim, 47.2:712
 medical expenses for, 17.10:353–54, 17.11:354–55, 17.12:355, 17.13:355–57, 17.14:357, 17.15:357–58
 nurses' wages, 17.12:355
 pensions, 2.12:43, 2.14:44–45, 7.26:177
 schooling, 17.10:353–54
 spouse, dependent care credit, 25.6:460
 student, gross income test for, 21.4:426
 tax credit for, 23.5:447, 25.3:457, 34.7:567–68, 34.8:568, 34.9:568–69, 710
 when to file tax refund claim, 47.2:712
- Disaster, federal**. *See also* **Hurricane**
 deducting casualty loss, 18.2:362–63
 FEMA disaster mitigation grants not taxable, 18.3:364
 losses, 18.3:363–65, 780
 net operating losses, 40.18:635–36
 qualifying replacement property, 18.23:379–80
 relief loans, 18.16:375
 unemployment assistance, 2.5:38–39
- Disaster Relief Act of 1974**, 2.5:39, 18.3:363
- Disclosure statement from charity**, 14.15:315–17
- Discount(s)**
 bonds, 4.18:83–84, 4.20:85–86
 on company products or services, as fringe benefit, 3.17:71
 on short-term obligations, 4.21:87
- Disposition**
 of amortizable Section 197 intangible, 42.18:666
 of installment notes, 5.28:127–28
- Dispossessing tenants, legal expenses for**, 9.2:222
- Disqualifying income, earned income credit and**, 25.11:464
- District of Columbia first-time home-buyer credit**, 25.20:468
- Dividend**, 780. *See* **Chapter 4 (72–97)**
 capital gain, 4.1:73
 corporate, taxed at favorable capital gain rates, 4.2:74–75
 earnings and profits of corporation and, 4.5:75–76
 income, record-keeping, 706
 in kind, 4.7:76
 life insurance policy, 4.11:78
 mutual fund, 4.1:73
 nominee, 4.9:77–78
 paid in property, 4.7:76
 partnership, 4.3:75
 qualified, tax calculation for, 22.4:439–40
 qualified corporate dividends, 4.2:74–75
 qualifying, earning, 28.1:486
 real estate investment trusts (REITs), 4.2:74, 4.4:75
 reporting, 4.1:73, 4.9:77–78, 4.10:78, 32.4:538, 32.8:539–40
 S corporation, 4.3:75
 self-employment income and, 45.1:689
- Divorce (divorced persons; ex-spouses)**. *See also* **Alimony**; **Qualified domestic relations order (QDRO)**
 children of, claiming as exemption, 21.1:422, 21.7:430
 court-ordered distributions of retirement benefits, 7.12:161–62
 dependent care credit rules for, 25.9:462
 decree required for alimony, 37.2:592–93
 equitable relief, 1.9:20–21
 ex parte divorce, 37.2:593
 filing status of, 1.1:10, 13.3:294
 Form W-4, 26.5:475
 joint return
 community property rules, 1.6:14–15
 separate liability election, 1.4:13–14

NOTE: References are to section numbers in Parts 1–8, followed by page numbers in boldface.

- head of household status, 1.12:22–23
home sales after, 29.3:493–94
IRA, division of, 8.12:199
IRA, transfer of, 8.11:196–97
kiddie tax and, 24.3:453
lump-sum distribution received by former spouse
 may be eligible for tax-free rollover or special
 averaging treatment, 7.2:151
medical expense deductions and, 17.7:350–51
property transfers between spouse and ex-spouse,
 6.7:144
-related redemptions of stock in closely held corpora-
 tion, 6.7:143–44
rollover of distribution of former spouse's retirement
 benefits, 7.8:156–58
special rule for claiming exemption for child,
 21.7:430
spouse, exemption for, 21.2:423
tax-free exchanges and, 6.7:142–44
Dollar for dollar of debt discharge, 11.8:271
Domestic help, nondeductible mov-
ing expenses of, 12.3:287
Domestic production activities deduction,
 xxvii, 12.1:284, 12.2:286, 617,
 40.23:638, 40.24:638, 40.25:639, 708
Domicile vs. residence, 36.5:585
Donations. See Charitable contributions
Double-category averaging of basis when
selling mutual funds, 544
Drilling
 alternative minimum tax and, 23.1:443
 expense prepayments, 9.14:234
Drought damage, 18.1:361
Drug costs, deductible versus nondeduct-
ible, 292, 17.2:343, 345, 346
Dual citizens, expatriation tax for, 1.20:30
Dual status aliens, 1.5:14, 1.16:26–27,
 1.18:28, 13.1:293–94
Dues
 for armed forces personnel, 35.3:575
 for clubs, as entertainment expense, 20.22:411
 as deductions, 14.3:302–3, 19.1:383, 19.3:384,
 19.5:385
 to professional associations, as fringe benefit,
 3.9:63
- E**
- Earned income**, 770
 of \$550 or less, dependents with, standard deduction
 for, 13.5:295–97
 for a deductible IRA, 8.2:183–84
Earned income credit (EIC), xxxii
 advance payment of, 25.13:465
 children qualifying for claiming, 25.10:463–64
 claiming, 1.3:11–13
 for household employees, 38.3:600–602
 income tests for, 25.11:464–65
 independent care credit, test for, 25.6:460
 qualifying tests for, 25.10:463–64
 reducing tax liability, 22.7:440, 25.10:463–64,
 25.11:464–65, 25.12:465, 25.13:465
 record-keeping, 710
 tables, 25.12:465, 770
Easements, granting of, 14.10:312–13,
 31.7:528–29, 31.8:529
Eating facilities for employees, as de mini-
mis fringe benefit, 3.10:64
Educational courses, out-of-town col-
lege trips, 400, 33.17:560–61
Education tax benefits, xxx, xxxi. *See Chapter*
33 (545–61). See also Coverdell Educa-
tion Savings Accounts; Tuition plans
education tax credits, 25.3:457, 28.1:486, 33.7:550–
 51, 33.8:551–52, 33.9:552, 33.10:552–53,
 710
for employees' children, 2.11:42–43
Fulbright awards, 33.3:546
Hope credit, 33.7:550–51, 33.8:551–52, 33.10:552–
 53
Lifetime learning credit, 33.7:550–51, 33.9:552,
 33.10:552–53
Qualified Tuition Programs (QTPs), 33.5:548,
 33.6:548–50
scholarships and grants, 33.1:546
student loan interest deduction, 33.14:556–58
tuition and fees deduction, 33.13:556
tuition reductions for college employees, 33.2:546
U.S. Saving Bond tuition plans, 33.4:546–47
work-related education expenses, 33.15:558,
 33.16:558–60, 33.17:560–61
Education costs. See also Education tax benefits
assistance plans as fringe benefit, 3.7:61
business deductions, 33.15:558, 33.16:558–60,
 33.17:560–61
courses not leading to qualification for new profes-
 sion, 33.16:558–60
degree program, 33.16:558–60
deductions affected by excludable, 33.13:556
job-skill improvement, deducting, 33.16:558–60
law school costs, deductibility of, 33.15:558,
 33.16:558–60
MBA courses, 33.16:558–60
medical school courses, 33.16:558–60
professional courses, nondeductibility of, 40.7:625
qualified loans and expenses, 33.14:556–58
required by employer, 33.16:560
self-employed business owner or professional,
 33.15:558
Series EE bonds used to pay for, 4.28:91–92
as support item, 21.5:426
of teachers, 33.16:558–60
transportation to take courses, 400, 33.17:560–61
trips for educational purposes, 33.17:560–61
work-related tests for, 33.16:558–60
Educational institutions
annuities for employees of, 7.21:169–70
employees of, tuition reductions for, 3.7:61,
 33.2:546
lodging provided by, 3.12:66–67
Education IRA, 780. *See also Coverdell*
 Education Savings Accounts
Educator expenses, 21.5:427, 708
deductions, 12.1:284, 12.2:284–86, 19.4:385
record-keeping, 708
as support test for claiming relative as exemption,
 21.5:427
EFTPS. See Electronic Federal Tax Payment System
Elderly. See Senior citizens
Elective deferral limits to retirement
 plans, xxx, xxxi, 34, 7.17:166
Electricity production credit, 40.26:639
Electronic Federal Tax Payment System
 (EFTPS), 27.2:480, 46.5:703, 781
Electronic filing of return, 46.5:703, 46.6:704
Embezzlement losses, 18.9:368
Emotional distress, 11.7:270
Employees. See also Fringe benefits
achievement awards, as fringe benefit, 3.11:64
annuities for, 7.26:177, 7.27:177–79, 7.28:179,
 7.29:179
awards, 20.25:413–14
bonuses for, 20.25:413–14
children, educational benefits for, 2.11:42–43
definition of household employee, 38.1:599
of educational institutions, 3.7:61, 7.21:169–70,
 33.2:546
eligibility for SIMPLE IRA, 8.17:210–11
expenses, record-keeping, 708
housing costs and foreign earned income, 36.4:584,
 36.5:585–86
leave-sharing plans, 2.1:37
mandatory employee contribution to state unem-
 ployment fund, 16.3:337
meals and incidental expenses, 20.4:400–401
on medical or family leave, 3.15:70
over age 70^{1/2}, minimum distribution from em-
 ployer SEP plan, 7.13:162, 8.15:209
pension distribution to, 40.5:621
related to employer, IRS per diem rules for,
 20.32:418–19
retirement plan contributions for your, 41.2:642,
 41.4:646, 41.5:646
with self-employed enterprise on the side, 41.1:642
self-employed versus, 45.6:694–96
statutory. *See Statutory employees*
Stock Appreciation Rights (SARs), 2.15:45
stock options, holding period for, 5.10:110–11
stock purchase plans (ESPPs), 2.16:46–47
39-week test for moving expenses, 12.5:288–89
vehicle expenses and, 43.1:669–70, 43.2:671,
 43.3:671–72, 43.12:681
wages to, 40.5:621
work-related education expenses, 33.15:558
Employer identification number, 26.11:477, 38.3:602
Employer plan. See Qualified employer plan
Employers. See also specific topics
adoption plans, 25.13:465
allowance for uniforms and work clothes, 19.6:386
contribution limits to Archer MSA, 3.2:55
convenience test for vehicles, 43.3:671–72
dependent care financed by, credit base reduced by,
 25.8:461–62
dependent care assistance, 3.5:60
gifts from, 2.1:36
groceries furnished by, 3.12:66
group life insurance, 2.10:41–42
more than one, withholding allowances, 26.4:474
reimbursement plans, automobile expenses,
 20.3:398–400, 43.1:670
reimbursement plans, tax treatment of, 20.30:416–
 17
retirement plan, active participation in, 8.5:189–
 90
securities, distribution of, 7.10:159–60
tangible personal property award from, 3.11:64
withholding on retirement distributions,
 26.10:477
Employment agency fees, 19.7:389
Employment discrimination cases, contingency-
fee portion of taxable award, 11.7:270–71
Employment suits, legal costs for, 19.17:394

NOTE: References are to section numbers in Parts 1–8, followed by page numbers in boldface.

- Endowment policies, 6.12:146, 7.25:176
- Energy-efficient standards for commercial buildings, deducting, 40.7:625
- Energy tax credits for residential property, xxvii, 25.21:468–70, 40.26:639
- Engineers, travel costs, 20.2:398
- Entertainment and meal expenses.
See also Meal expenses
- automobile mileage allowances, xxvi, xxx, 14.4:303–4, 19.8:388, 20.33:418–20, 43.1:669–70
 - business gift deductions, 20.25:413–14
 - club dues, 20.22:411
 - directly related test, 20.17:410
 - entertainment and business discussions, 20.16:409
 - 50% cost limitation and exceptions on, 20.24:412–13
 - 50% deduction limit, 20.15:409, 20.24:412–13
 - goodwill entertaining, 20.18:410–11
 - home entertaining, 20.19:411
 - hotel room charge, allocation of, 20.20:411
 - maintaining and operating facilities, costs of, 20.22:411
 - per diem travel allowance, 20.32:418–19
 - personal share of expenses, 20.20:411
 - for professionals, nondeductibility of meals, 40.7:620
 - record-keeping requirements, 20.26:414, 20.27:415–16
 - reimbursement allocation, 20.31:417–18
 - reimbursement plans, 20.30:416–17, 20.34:420
 - repayment of disallowed, 2.8:41
 - reporting, where you are not reimbursed, 20.29:416
 - restrictive tests, 20.16:409, 20.23:412
 - Schedule C, filing, 40.6:624–25
 - self-employed professionals, 40.6:621–25, 40.7:625–26
 - skybox rental costs, 20.24:413
 - spouse's share of expenses, 20.21:411
- Entertainment facilities, 20.22:411
- Equipment
- business, 42.4:655–56, 44.9:686–87, 44.10:687
 - business, first-year expensing deduction, 42.3:653–55
 - for home improvements as medical expenses, 17.13:355–57
 - profits on, 44.1:683
 - in service before 1987, straight-line recovery for, 42.12:662
 - used in a business, 44.8:685–86
- Equitable relief, 1.9:20–21, 594
- Escrow
- earnings, proposed regulations, 6.4:140
 - installment reporting on, 5.26:126
 - settlement fees, 29.5:497
- Estate. *See also* Decedent; Estate tax; Executor or administrator; Inheritance
- as beneficiary of IRA, 8.14:204
 - beneficiary of, record-keeping, 707
 - consistent reporting by beneficiaries of, 11.15:277
 - dividends paid by, 4.3:75
 - fair market value, assessing, 39.8:608, 39.9:608
 - insolvency, concern about, 1.10:21
 - lump-sum distributions from retirement plans to, 7.6:155, 7.7:155–56
 - periodic review of estate plans, 39.12:611
 - prompt closing of decedent's (deceased person's), 1.14:25
 - replacement of condemned property by, 18.22:378
 - reporting of income by beneficiaries, 11.15:277
 - separate bankruptcy estate, 11.8:272
- Estate tax. *See* Chapter 39 (603–11)
- Congressional reform of, 39.11:609
 - custodial account, treatment of, 39.5:607
 - deductions for income subject to, 11.16:277–78, 11.17:278
 - defining, 39.7:607
 - exclusion, 39.11:609
 - freeze advisory, 39.13:611
 - generation-skipping transfers, 39.2:604, 39.10:609
 - how tax is applied, 39.10:608–9
 - legal costs of planning services, 19.16:393
 - lifetime gift tax credit and exemption, 39.4:605–6
 - marital deduction, 39.12:610–11
 - rates, 39.11:609
 - reducing or eliminating, 39.12:610–11
 - repeal scheduled of, 39.11:609
 - reductions prior to scheduled repeal, 39.11:609
 - undervaluation of, 48.6:720
 - unified credit for gift tax and, 39.4:606, 39.11:609
 - U.S. Savings Bonds and, 4.29:92–93
- Estimated taxes, 781. *See* Chapter 27 (478–82)
- adjusting payments during the year, 27.5:482
 - annualized income method, 27.1:479
 - computing your tax liability, 27.1:479–80
 - crediting refund to future estimated taxes, 27.2:480–81
 - credit for payments, record-keeping, 710
 - deadlines for paying, 27.1:479, 27.3:481
 - farmers or fishermen, 27.1:480, 27.2:481, 27.3:481
 - for household employees, 38.2:600
 - installments, when to file refund claim, 47.2:712
 - late payment penalty not applicable for, 46.9:705
 - married couple, 27.4:481
 - paying by credit card, 27.1:479
 - penalties, 27.1:479–80
 - safe harbor for 2008 based on 2007 tax, 27.2:480
 - for self-employed persons, 26.2:473–74
 - of surviving spouse who had filed jointly, 1.14:24–26
 - underpayment, 27.1:480, 27.5:482
 - tax forms to file, 7
 - withholdings, 26.1:473, 27.5:482
- Exchange accommodation titleholder (EAT), 6.5:141
- Exchanges, taxable, unadjusted basis of property received in, 5.16:113–15
- Exchanges, tax-free. *See* Chapter 6 (134–46)
- acquisition and closing costs, 6.4:141
 - annuity contracts, 6.12:146
 - boot, 6.3:137–39
 - boot payable in installments, 5.30:129–30
 - to closely held corporations, 6.10:145–46
 - foreign real estate, 6.1:136
 - insurance policies, 6.12:146
 - intangible personal property and goodwill, 6.2:136
 - involuntary conversions and, 44.5:685
 - joint ownership interests, 6.9:145
 - like-kind property, 6.1:135–36
 - multiple properties, 6.2:136–37
 - partnership interests, 6.1:135
 - personal property held for business or investment, 6.2:136–37
 - property received before July 19, 1984, disallowance of, 6.7:144
 - real estate, 31.3:526–27
 - related parties, exchanges between, 6.6:142
 - reporting, 6.1:135
 - security arrangements, 6.4:140
 - spouses or ex-spouses, exchanges between, 6.7:142–44
 - stock, exchanges of, in same corporation, 6.8:145
 - time limits, 6.4:139
 - unadjusted basis, 5.16:113–15
- Exchange-Traded Funds (ETFs), 4.2:74–75, 32.1:537
- Excise taxes. *See* Transfer taxes
- Exclusion (\$250,000/\$500,000) from income on sale of principal residence
- adjusted basis, figuring, 29.6:498, 499
 - gain or loss, figuring, 29.5:497
 - meeting ownership and use tests, 29.2:491–93
 - personal and business use of a home, 29.7:498–501
 - principal residence, avoiding tax on sale of, 29.1:490–91
 - reduced maximum exclusion, qualifying for, 29.4:494–96
- Ex-dividend date, stock dividends and, 4.9:77–78
- Executives. *See also* Key employees
- business-vacation trips outside United States, 20.11:406–7
 - job expenses, unusual, 19.9:388
 - restricted stock for, 2.17:48–49
 - stock options for, 2.16:46–48
- Executor or administrator, 1.10:21, 1.14:26, 45.6:694
- Executor or trustee, commissions of, waiver of, 2.9:41
- Exemption, 781
- AMT and, 23.1:443
 - children who qualify for, 21.1:422, 21.3:423–24
 - citizenship or resident test for dependents, 21.8:431
 - for dependents, 21.1:422, 708
 - of divorced or separated parents, special rule, 21.7:430
 - on final return, 1.14:26
 - examples of allocating support, 21.5:428–29
 - gross income limit test for qualifying relatives, 21.4:426
 - increasing withholding, 26.1:473
 - lodging and food as support items, 21.5:427
 - multiple support agreements, 21.6:429–30
 - for parents, 21.1:422
 - phaseout of, xxxii, 21.12:432–33, 23.1:443, 28.3:488
 - record-keeping, 708
 - relatives who qualify for, 21.1:422, 21.4:424–26
 - relationship tests, 21.3:423–24, 21.4:424–28
 - scheduled reduction of phaseout, 21.12:432
 - for spouse, 21.1:422, 21.2:422–23
 - for students under age of 24, 21.3:424
 - support test for, 21.4:426
- Exemption Reduction Worksheet for 2007, 21.12:433
- Exempt-person exception to 183-day test for aliens, 1.18:27–28
- Exercise programs, 17.2:343
- Expatriates, and tax on residence sale, 29.1:490
- Expatriation tax, 1.20:30
- Extensions, filing
- applying for, 46.3:701–2
 - Armed Forces personnel, 35.5:577, 35.7:578

NOTE: References are to section numbers in Parts 1–8, followed by page numbers in boldface.

- foreign earned income exclusion, 36.7:587
 special reasonable cause rule for late payments, 46.9:705
- F**
- Faculty.** *See also* Teachers
 educator expenses, 12.1:284, 12.2:284–86, 19.4:385
 school-provided lodging for, 3.12:66
- Fair market value,** 781
 of community property upon death of spouse, 5.17:116–17
 deduction for charging below, 9.2:222, 9.8:228
 fair market rental price, 9.6:226, 9.7:226, 21.5:427
 of home before converting to rental property, 9.5:224
 of donated property, 14.6:305–8, 14.7:308–9
 of property as wages, 2.3:37
- Fake claims, taxable medical reimbursement for,** 17.4:347
- Family.** *See also* Related persons
 bad debts, 5.35:133
 disallowed loss on sales to, 5.6:103–4
 financing of residence, 15.2:323
 oil and gas percentage depletion, 9.16:235–36
 for reduced maximum exclusion of sale of principal residence, 29.4:494–96
 sales of land within, 4.32:97
 traveling along on business, 20.9:404–5
- Family and Medical Leave Act (FMLA),** 3.15:70
- Family income planning.** *See also* Education Tax Benefits; Estate
 gift planning, 39.1:604, 39.2:604–5, 39.3:605, 39.4:605–6
 life insurance, 11.18:278–80, 11.19:280
- Family income rider policy,** 11.19:280
- Family leave, employees on,** 3.15:70
- Family-owned business, estate tax and,** 39.9:608, 39.13:611
- Farmers**
 debts, 11.8:273
 depreciable tangible business property, 6.2:136
 depreciation of property, 42.1:652, 42.4:655
 disabled, 10.6:247
 estimated taxes, 27.1:479–80, 27.2:480–81, 27.3:481
 fuel-related credits, 40.26:639–40
 income averaging, 22.6:440
 income or loss, 22.6:440, 23.1:443, 23.2:444–46, 40.18:635–36, 45.5:692–93
 installment sales of property, 5.21:120–21
 involuntary conversions, 18.20:377
 materially participation tests, 10.6:246–47
 nondeductible losses, 18.11:369–70
 passive tax-shelter farm losses, 23.2:446
 qualified conservation contribution, increased ceilings for, 14.17:319
 retired, 10.6:247
 self-employment income and, 45.1:689
 tax-shelter, alternative minimum tax and, 23.1:443
- Fax machines,** 19.11:390, 42.4:656
- Federal employees**
 deferred pay plans for, 7.22:170
 living costs on temporary assignment, 20.9:404–5
- Federal Housing Administration,** 4.25:89, 15.6:326
- Federally guaranteed obligations,** 4.25:89
- Federal subsidy recapture,** 29.1:491
- Federal telephone excise tax paid, credit for,** 11.6:269
- Federal tax withholdings**
 key to form W-2, 34
 record-keeping, 710
- Federal Thrift Savings Fund,** 7.22:170
- Federal trade readjustment allowances,** 2.5:39
- FEMA disaster mitigation grants not taxable,** 18.3:364
- FICA tax.** *See also* Medicare tax; Social Security tax
 for household employees, 25.4:458, 38.2:599–600
 self-employment tax and, 45.4:691–92
 withholdings, 25.4:458, 26.7:475–76, 26.9:476–77
- Field audits,** 48.3:718, 48.4:719
- FIFO.** *See* First-in, first-out basis method
- 50% ceiling on charitable contributions,** 14.17:317–20, 14.18:320, 14.19:320
- Filing returns.** *See also* Tax Returns
 abroad on due date, 46.3:702
 basics, 1–7
 for children, 1.13:24, 24.1:450–51
 deadlines, 6, 48.2:717
 deceased persons, 1.14:24–26
 dependents, filing tests for, 3–4
 electronic filing, 46.5:703, 46.6:704
 errors, checking before mailing, 46.2:701
 estimating kiddie tax in case of late filing, 24.3:453
 extension. *See* Extensions, filing forms, choosing which to file, 7
 getting ready to file, 46.2:700–701
 as head of household, 1.12:22–23
 incompetent person, 1.15:26
 installment payment arrangement, 46.3:701–2, 46.5:703–4
 IRS's Electronic Federal Payment System (EFTPS), 27.2:480, 46.5:703
 last-minute mailing, getting timely postmark, 46.2:701
 late filing and payment, penalties, 46.9:705
 online or phone option for checking refund status, 46.4:702–3
 online or phone option for paying taxes due, 46.5:703
 penalties for late filing, 46.9:705
 where to file, 5
 who has to file, 3–4
- Filing status.** *See* Chapter 1 (9–30)
 determining status, 1.1:10
 tax rates based on, 1.2:10–11
- Filmmakers, production costs of,** 9.12:233
- Financial Management Service (FMS) of Treasury Department,** 46.4:703, 47.7:713, 47.8:714
- Finding new job expenses, deductions for,** 400
- First-in, first-out basis method (FIFO),** 5.10:110, 30.2:505–6, 32.10:542, 32.11:543, 544
- First job search,** 19.7:389
- First-time home-buyer**
 District of Columbia first-time homebuyer credit, 25.20:468
 expenses exception to IRA early-withdrawal penalty, 8.12:198
 120-day rollover period for buying, building, or rebuilding a principal residence, 8.10:196
- First-year expensing (Section 179 deduction),** xxv, xxxi, 781
 adjusted basis and, 5.20:119–20
- of automobile expenses, 43.1:669–70, 43.4:672–73
 deductions, 40.8:626–27, 42.3:653–55, 42.10:661
 partnership elections, 11.10:273
 recapture of, 44.3:684
 rules, 19.10:390, 19.11:390, 19.12:390, 40.8:626–27, 42.3:653–55
- Fiscal year,** 781
 for deductions after disaster losses, 18.3:363
 for paying estimated tax installments, 27.3:481
 for self-employed persons, 40.4:620
- Fish, IRS definition of,** 22.6:440
- Fisherman**
 income averaging for, 22.6:440
 estimated tax, 27.1:480, 27.2:481, 27.3:481
- Fishing trips, business-related,** 20.17:410
- Fixed and variable rate allowance (FAVR),** 20.33:420
- Fixed period, contingent payment sales,** 5.25:125–26
- Flexible spending arrangement (FSA),** 3.15:69–70, 781
- Flood mitigation grants from FEMA not taxable,** 18.3:364
- Food.** *See also* Groceries, employer-furnished; Meals special, as medical costs, 17.2:344
 as support item, 21.5:428
- Food and beverage establishments, employer-paid taxes on tips received by employees,** 40.26:639
- Foreclosure or repossession**
 buyer of, 16.7:341
 figuring gain or loss, 29.5:497. *See also* Chapter 31 (523–35)
 on mortgages other than purchase money, 31.13:534
 reporting sale of, 31.10:531
 as sale of property to creditors, 11.8:271, 31.9:529–31
 sale to third party, 31.14:534–35
 proceeds less than outstanding mortgage, 31.9:529–31
 taxes from sale, 16.4:338
- Foreign child, claiming adoption credit for,** 25.15:465–67
- Foreign countries.** *See also* Foreign governments
 business-vacation trips in, 20.11:406–7
 children born in, exemptions for, 21.8:431
 exchanges of U.S. real estate for real estate in, 6.1:135
 subject to travel restrictions, 36.3:583
 tax treaties with, 36.11:588
- Foreign bank accounts, reporting,** 36.13:589
- Foreign currency,** 36.12:588–89
- Foreign earned income.** *See* Chapter 36 (580–90). *See also* Foreign countries
 claiming deductions, 36.6:586–87
 claiming exclusion, xxvii, 36.1:581, 36.6:586–87, 36.7:587, 36.8:588, 781
 countries not considered foreign, 36.5:585, 36.9:588, 36.10:588
 EIC credit, unable to take, 25.11:465
 employer-provided camp, 36.8:588
 foreign tax credit, 4.1:73, 11.8:271, 16.10:341, 36.14:589–90
 housing and meal costs, 36.4:584
 overview, 36.1:581, 36.2:581–83, 36.3:583–84, 36.11:588
 Puerto Rico residents, 36.10:588
 tax worksheet, 22.5:440

NOTE: References are to section numbers in Parts 1–8, followed by page numbers in boldface.

- test to qualify for exclusion, 36.5:585–86
- Foreign governments**
 aliens working in U.S. for, 1.17:27
 confiscations by, 18.9:369
 U.S. citizen employees of, self-employment tax rules, 45.6:694
- Foreign investments, dividends from**, 4.1:73
- Foreign service officers**
 compulsory home leave, 36.6:587
 disability pensions for, 2.14:44–45
 residence, suspending five-year ownership and use period, 29.2:493
- Foreign tax credit**, 4.1:73, 11.8:271, 16.10:341, 23.1:443, 23.5:447, 25.3:457, 32.7:539, 32.8:540, 36.14:589–90, 710, 781
- Forms for taxes**
 choosing which tax form to file, 7
 Form 433-A, 433-B, and 433-C, 48.9:722–23
 Form 656 and 656-A, 48.9:722–23
 Form 706, 39.2:604, 39.11:609
 Form 706-QDT, 39.12:610
 Form 709, 39.2:604–5
 Form 843, 48.8:722
 Form 870, 48.5:719, 48.7:721
 Form 872, 48.2:717
 Form 940 and 940-EZ, 38.2:600
 Form 941, 38.2:600
 Form 982, 11.8:271, 31.10:531
 Form 911, 48.1:717
 Form 1040, 7, 2.8:41, 4.1:73, 4.9:77, 4.12:78–80, 4.17:83, 1.14:25, 1.15:26, 1.18:29, 3.3:58, 4.2:74, 4.13:80, 4.16:81, 4.23:88, 4.24:89, 5.1:99, 5.3:100–102, 5.4:103, 5.21:121, 5.31:130, 7.4:154, 7.5:154, 8.7:191, 8.8:192, 8.9:194, 8.10:195, 8.12:197, 8.13:200, 9.4:224, 10.2:240, 11.5:267, 11.7:270, 11.10:274, 11.15:277, 12.1:284, 12.2:284–86, 12.7:289, 13.2:294, 15.1:322, 15.6:326, 17.1:343, 17.5:349, 19.1:383, 19.2:384, 19.4:385, 21.12:432–33, 22.1:438, 22.2:438, 22.4:439–40, 22.5:440, 22.6:440, 22.7:440, 23.2:444–46, 23.6:448, 24.1:450, 25.2:456, 25.10:463–64, 25.13:465, 25.16:467, 25.19:468, 26.7:475–76, 29.5:497, 31.10:531, 32.7:539, 32.8:539–40, 33.6:549, 33.14:557, 33.15:558, 34.7:568, 35.6:578, 35.8:579, 36.4:584, 36.14:589–90, 38.2:600, 38.3:600–602, 617, 41.2:642, 41.12:650, 45.3:691, 45.4:691–92, 46.1:700, 46.2:700–701, 46.4:702. *See also* Schedule A; Schedule B; Schedule C; Schedule D; Schedule E; Schedule H; Schedule SE
 reporting on, 706–7, 708–9, 710
 separate form, 727–28
 Form 1040A, 7, 4.1:73, 4.9:77, 4.13:80, 1.14:25, 4.2:74, 4.24:89, 7.26:177, 8.8:192, 8.10:195, 12.1:284, 22.1:438, 22.2:438, 24.1:450, 25.2:456, 25.5:458–60, 25.10:463–64, 25.13:465, 25.16:467, 26.7:475–76, 32.8:539–40, 33.14:557, 34.7:568, 35.6:578, 46.1:700, 46.2:700–701, 46.4:702. *See also* Schedule 2
 reporting on, 706, 708, 710
 Form 1040-C, 1.19:29
 Form 1040-ES, 27.1:479–80, 27.2:480
 Form 1040EZ, 7, 4.1:73, 4.24:89, 22.1:438, 22.2:438, 24.1:450, 26.7:476, 32.8:539, 34.7:568, 46.1:700, 46.2:700–701, 707
 Form 1040 EZ-T, 710
 Form 1040NR, 1.16:26–27, 1.18:28–29
 Form 1040NR-EZ, 1.18:28–29
 Form 1040V, 46.2:701
 Form 1040X, 18.3:363, 24.3:453, 30.9:513, 35.6:578, 40.21:637–38, 47.1:712, 47.2:712, 47.8:714
 Form 1041, 11.8:272, 1.14:24, 11.15:277, 442, 707
 Form 1041-ES, 1.14:25
 Form 1045, 30.9:513, 40.20:636–37, 40.21:637–38, 47.5:713, 47.6:713
 Form 1065, 10.11:253, 11.10:273–75, 442, 617, 41.2:642, 45.1:689, 707
 Form 1066, 31.1:525
 Form 1096, 4.1:73, 4.9:77–78, 4.12:79
 Form 1098, 15.5:325, 15.6:326, 15.8:329
 Form 1098-C, 14.1:300
 Form 1098-T, 33.7:551
 Form 1099, 4.9:77, 4.12:78, 46.1:700, 709, 710, 48.1:716
 Form 1099-A, 31.9:530
 Form 1099-B, 5.8:106, 5.13:112, 26.11:477, 706
 Form 1099-C, 11.8:271, 14.7:308–9
 Form 1099-DIV, 4.1:73, 4.2:74, 4.4:75, 4.9:77–78, 5.3:102, 19.15:391, 22.4:439–40, 31.1:524, 32.4:538, 32.5:538–39, 32.6:539, 32.7:539, 32.8:540, 706, 707
 Form 1099-G, 706, 707
 Form 1099-H, 25.18:468
 Form 1099-INT, 4.1:73, 4.12:78–80, 4.13:80, 4.15:80–81, 4.16:81, 4.19:84–85, 4.21:87, 31.1:524, 706, 707
 when E or EE bond is cashed, 4.29:92–93
 Form 1099-LTC, 17.15:358
 Form 1099-MISC, 2.1:37, 2.7:40, 4.2:75, 20.23:412, 26.11:477, 40.5:620, 706, 707
 Form 1099-OID, 4.12:79, 4.16:81, 4.19:84–85, 4.21:87, 4.22:87–88, 31.1:524, 706, 707
 Form 1099-Q, 33.6:548
 Form 1099-R, 2.1:36, 7.1:149–50, 7.4:152, 7.5:154, 7.8:156, 7.10:159–60, 7.15:163–64, 7.23:171–75, 7.24:175–76, 8.7:191, 8.8:192, 8.12:197, 40.5:621, 706
 Form 1099-S, 16.7:340, 29.1:490
 Form 1116, 36.10:588, 36.14:589–90, 710
 Form 1120, 617
 Form 1120-S, 11.14:276–77, 442, 617, 707
 Form 1128, 40.4:620
 Form 1310, 1.14:25, 35.6:578, 47.3:712
 Form 2063, 1.19:29
 Form 2106, 3.8:62, 12.2:285, 17.14:357, 19.3:384, 19.4:385, 19.6:386, 19.10:390, 20.4:401, 20.23:412, 20.28:416, 20.29:416, 20.31:417–18, 33.15:558, 43.1:669–70
 sample form, 737
 Form 2106-EZ, 19.3:384, 19.4:385, 19.10:390, 20.4:401, 20.29:416, 33.15:558
 Form 2119, 29.6:498
 Form 2120, 1.6:15, 21.6:429–30
 Form 2210, 27.1:479–80
 Form 2210-F, 27.1:480
 Form 2350, 36.7:587
 Form 2439, 32.7:539, 32.8:540, 32.10:541
 Form 2441 (Child and Dependent Care Expenses), 3.5:60, 25.4:458, 25.5:458–60, 710
 sample form, 739
 Form 2555, 36.1:581, 36.3:583–84, 36.4:584–85
 Form 2555-EZ, 36.1:581
 Form 2848, 1.4:14, 48.3:718, 48.4:718
 Form 3115, 30.17:521–22, 40.3:620
 Form 3468, 40.26:639
 Form 3800, 40.26:640
 Form 3903, 12.7:289, 708
 Form 4070, 26.7:475, 706
 Form 4136, 40.26:640
 Form 4137, 26.7:476
 Form 4235, 31.8:529
 Form 4361, 45.6:694
 Form 4506-T, 46.1:700
 Form 4562 (Depreciation and Amortization), 19.10:390, 40.11:626–29, 42.2:653, 42.3:654, 42.13:662–63, 43.1:669–70, 43.4:672–73
 sample form, 741
 Form 4563, 36.9:588
 Form 4684 (Casualties and Theft), 18.13:372–73, 18.26:381, 44.8:686
 sample form, 371, 743
 Form 4797, 5.21:120, 5.23:124, 11.14:276, 18.13:373, 18.26:381, 29.7:500, 29.8:501, 29.9:502, 30.17:521–22, 31.10:531, 31.11:532, 40.15:633, 42.3:655, 42.10:661, 44.1:683, 44.2:683–84, 44.3:684, 44.6:685, 44.8:686, 706
 Form 8582 and, 10.12:253–54
 Form 4835, Form 8582 and, 10.12:253–54
 Form 4868, 46.3:701–2
 Form 4952 (Investment Interest Expense Deduction) 15.10:330, 23.2:444–46
 Form 8582 and, 10.12:253–54
 Form 4972, 7.4:152–54, 7.5:154, 7.6:154–55, 7.10:160, 11.16:277–78
 Form 5213, 40.10:627–28
 Form 5304-SIMPLE, 8.17:210–11, 8.18:211–12
 Form 5305, 8.1:182
 Form 5305-SER, 41.6:646
 Form 5305-SIMPLE, 8.18:211–12
 Form 5329, 7.15:163–64, 7.23:175, 8.7:191, 8.12:197, 8.13:200, 33.6:549
 Form 5500, 41.7:646–47
 Form 5500-EZ, 40.5:621, 41.7:646–47
 Form 5695 (Residential Energy Costs), 25.21:469
 Form 5754, 26.8:476
 Form 5884, 40.26:639
 Form 6198, 10.17:258–59, 10.20:261–62, 15.10:330, 40.20:636–37
 Form 6251 (Alternative Minimum Tax—Individuals), 1.2:11, 22.6:440, 23.1:442–43, 23.2:444–46, 23.4:447, 23.5:447, 23.6:447, 24.1:450, 24.4:454, 36.1:581, 40.23:638, 40.26:640, 43.5:673–77, 710
 Form 6252, 5.21:120, 5.22:124, 5.23:124, 5.24:125
 Form 6478, 40.26:639
 Form 6765, 40.26:639
 Form 6781, 30.9:513–14
 Form 8275 and 8275-R, 48.6:720
 Form 8282, 14.12:314
 Form 8283, 14.7:308–9, 14.9:310–12, 14.12:314, 312
 Form 8300, 40.5:621
 Form 8308, 11.10:274

NOTE: References are to section numbers in Parts 1–8, followed by page numbers in boldface.

- Form 8332, 21.7:430
 Form 8379, 46.4:702
 Form 8396, 15.1:322, 25.19:468
 Form 8586, 40.26:639
 Form 8582, 9.4:224, 10.2:240, 10.12:253–54, 10.13:254, 15.10:330, 42.2:653, 46.1:700, 706
 Form 8582-CR, 10.2:242, 10.14:256, 31.8:529, 40.26:640
 Form 8586, 31.8:529
 Form 8594, 44.7:685
 Form 8606, 8.2:184, 8.6:190–91, 8.8:192, 8.9:193, 8.14:204, 8.21:214–15, 8.23:217
 Form 8609, 31.8:529
 Form 8613, 710
 Form 8615 (Tax for Children Under Age 14 With Investment Income of More Than \$1,500), 1.13:24, 24.1:450, 24.2:451, 24.3:453
 Form 8752, 11.11:275
 Form 8801, xxvi, 23.6:447–48, 710
 Form 8810, 10.15:256
 Form 8812, 25.2:456, 25.3:457, 710
 Form 8814, 24.4:453–54, 707
 Form 8815, 33.4:547
 Form 8820, 40.26:639
 Form 8824, 6.1:135, 6.3:137–38
 Form 8826, 40.26:639
 Form 8828, 15.1:322, 29.1:491
 Form 8829 (Expenses for Business Use of Your Home), 634, 19.13:390, 40.12:630, 40.13:632, 40.15:633–34, 40.16:635
 sample form, 634, 745
 Form 8830, 40.26:639
 Form 8835, 40.26:639
 Form 8839, 3.7:61, 25.13:465, 25.15:466, 710
 sample form, 747
 Form 8840, 1.18:27
 Form 8843, 1.18:28
 Form 8845, 40.26:639
 Form 8846, 40.26:639
 Form 8847, 40.26:639
 Form 8853, 17.15:358, 17.16:358, 41.13:650
 Form 8854, 1.20:30
 Form 8857, 1.7:16–17, 1.8:17, 1.9:20
 Form 8859, 25.20:468
 Form 8861, 40.26:639
 Form 8863 (Education Credits/Hope and Lifetime Learning Credits), 33.7:550–51, 33.8:551–52, 710
 sample form, 749
 Form 8864, 40.26:639
 Form 8874, 40.26:639
 Form 8880, 25.16:467
 sample form, 751
 Form 8881, 40.26:639
 Form 8882, 40.26:639
 Form 8885, 25.18:468
 Form 8886, 48.6:720
 Form 8889, 3.3:58, 41.10:647–48, 41.11:648–49, 41.12:650, 708
 Form 8896, 40.26:639
 Form 8898, 36.8:588
 Form 8899, 14.6:308
 Form 8900, 40.26:639
 Form 8903, 40.23:638, 708
 Form 8910 (Alternative Motor Vehicle Credit), 25.22:470
 Form 8913 11.6:269
 Form 8915, 7.30:179, 8.25:219, 8.26:219
 Form 8917, 33.13:555–56
 sample form, 753
 Form 9465, 46.3:702, 46.5:703
 Form I-9, 38.1:599
 Form SS-4, 38.3:602
 Form SS-5, 1.13:24, 21.10:431, 21.11:431–32
 Form SSA-1099, 34.2:563–64, 707
 Form SSA-7004, 34.5:566
 Form TDF 90-22.1, 36.13:589
 Form W-2, 2.1:36–37, 2.7:40, 3.8:62, 8.5:189, 11.14:276, 14.15:315–17, 20.4:400–401, 20.29:416, 20.32:418–19, 21.10:431, 25.13:465, 26.2:474, 26.9:476–77, 29.5:497, 33.1:546, 35.6:578, 38.1:599, 38.3:602, 40.25:639, 46.1:700, 46.2:700–701, 706, 710, 48.1:716
 key to, 34–35
 sample form, 35
 Form W-2G, 26.8:476, 707
 Form W-3, 38.3:602
 Form W-4, 25.2:457, 25.4:458, 26.1:473, 26.3:474, 26.3:474, 26.4:474–75, 26.5:475, 38.3:600
 for children, 1.13:24
 Form W-4P, 7.7:156, 8.8:191, 26.10:477
 Form W-4S, 2.12:43
 Form W-4V, 26.6:475, 710
 Form W-5, 25.13:465, 38.3:600
 Form W-7 and W-7A, 21.11:431–32
 Form W-9, 4.12:80
 Form W-10, 25.4:458
Fortune tellers, 18.9:368
Foster children
 child tax credit for, 25.2:457
 claiming support costs exceeding reimbursements, 14.5:304–5
 earned income credit (EIC) and, 25.10:463–64
 tests for claiming exemptions, 21.1:422, 21.3:423–24, 21.5:427
Foundations
 loans cancelled by, 11.8:271
 private non-operating, donating to, 14.6:307
401(k) plan, 781
 corrective distributions from, 7.15:164
 elective deferral limit, 7.17:166
 higher contribution limit for 401(k) participants of certain bankrupt companies, 8.2:184
 limit on salary reduction deferrals, 7.18:166–67, 8.18:211–12
 nondiscrimination rules, 7.17:166
 one-person 401(k) plan, 41.2:642
 ordinary income, taxed as, 4.2:75
 partnership plans, 7.17:166
 restrictions on withdrawals, 7.19:167–68
 Roth 401(k) contributions, 7.20:168
 SIMPLE IRA, contribution to both, 8.18:211–12
 SIMPLE plans, 7.17:166, 8.17:210–11, 41.9:647
 tax benefits of, 7.17:165–66
 tax-favored retirement plan, key to, 148
 withdrawals before age 59½, 7.19:167
403(b) plans, annuities for employees of tax-exempts and schools, 6.12:146, 7.8:156, 7.16:164–65, 7.20:168, 7.21:169–70
 retirement savings contributions credit, 25.16:467
 Roth contributions to, 7.20:168
 Fractional shares, 4.6:76
 Franchises, Section 197, 42.18:665
 Fraternal organizations, 14.2:301, 20.12:408
Fraud
 no limitation period for, 48.2:717
 theft losses due to, 18.9:368–69
 Freedom shares, 4.28:92, 30.14:519
 Freelancer fees, 40.5:620, 45.1:689. *See also* Self-employed persons
 Frequency of exclusion, of sale of principal residence, 29.1:490
Fringe benefits. See Chapter 3 (50–71)
 adoption benefits as, 3.6:60–61
 automobile benefits, taxable, 3.8:61–63
 cafeteria plans, 3.14:68–69
 company services provided at no additional cost, 3.16:70–71
 day care as, 3.5:60
 de minimis, 3.10:64
 dependent care assistance, 3.5:60
 discounts on company products or services, 3.17:71
 education assistance plans, 3.7:61
 employee achievement awards, 3.11:64
 flexible spending arrangements (FSAs), 3.15:69–70
 foreign earned income and, 36.2:582
 group-term life insurance premiums, 3.4:58–59
 health and accident plans, 3.1:52–53, 3.2:53–55
 key to, 51
 meals or lodging, 3.12:65–67
 minister's allowance, 3.13:67–68
 tax-free, 12.1:284. *See also* Chapter 3 (50–71)
 working condition, 3.9:63–64
Frozen deposits, interest on, 4.13:80
FSAs. See Flexible spending arrangements
Fuel credit, 40.26:639–40
Fuel cell power plants to U.S. residence, tax credit for, 25.21:469–70
Fulbright awards and grants, 33.3:546, 36.12:589
Funeral expenses, not a support item, 21.5:428
Fund-raiser, hosting, 14.4:303–4
Furnaces, as home energy improvement, 25.21:469
Furniture
 depreciate business property, 6.2:136
 donating, 14.7:308–9, 14.17:317–20
 sale of, 5.3:101
FUTA (federal unemployment taxes), for household employees, 25.4:458, 25.8:461, 38.2:600, 38.4:602
Futures contracts, gain or loss on, 30.9:513–14
"F" visa, 1.18:27

G

- Gain(s). See also** Capital gain (or loss)
 capital, tax calculation for, 22.4:439–40
 damaged property, sale of, 18.15:374
 deferring, by replacing property, 18.19:376–77
 as exception to self-employment income, 45.1:689
 home sale, reporting, 29.1:490
 from insurance reimbursements, 18.16:375
 from mutual funds, 32.1:537, 32.8:540
 net tax rate on, 1.2:11, 5.3:100–102
 rates, 5.3:100–102
 restricted on conversion transactions, 30.10:514–15
 Section 1256 contracts, 30.9:513–14

NOTE: References are to section numbers in Parts 1–8, followed by page numbers in boldface.

- on subdivided land sales, 31.2:525–26
 - Gambling winnings and losses, 11.3:264–65, 26.8:476, 26.11:477, 707
 - Gasoline taxes, deductibility of, 16.2:337
 - Gay and lesbian companion, not treated as spouse under health and accident plans for, 3.1:52. *See also* Unmarried Mate
 - Gender reassignment surgery (sex change operation), cost not deductible, 17.3:347
 - General Asset Classes “like” class, 6.2:136
 - General business credit, 40.26:639–40
 - General Depreciation System (GDS)
 - depreciation tables, 42.5:656
 - MACRS depreciation, 23.2:445
 - MACRS recovery periods, 42.4:655–56
 - General Services Administration (GSA), IRS meal allowance and, 20.4:400–401
 - Generally related test, for dining and entertainment expenses, 20.17:410
 - General sales taxes, 16.3:337
 - G.I. Bill education assistance, support test for exemption, 21.5:427
 - Gift(s). *See also* Charitable contributions
 - appreciated property, 39.1:604
 - basis of property received as, 5.17:115–17, 39.2:605
 - to business customers, 20.25:413–14
 - of depreciable property, 44.4:684–85
 - from employers, tax free, 2.1:36
 - gross income and, 12.1:284
 - holding period for, 5.12:111
 - of home, sale of, 29.10:503
 - loans as, 4.31:95
 - nontaxable, 11.4:265
 - of passive activity interest, 10.13:254–56
 - prizes and awards, 11.1:264
 - of residence, loss on sale of, 29.10:503
 - sale of stock received as, 5.8:106
 - of Series E or EE bonds, 4.28:91–92
 - sponsorship gift, to life-care retirement facility, 34.10:570
 - strike and lockout benefits as, 2.6:39
 - taxable gifts, 39.2:604–5
 - you make and receive, 11.4:265
 - Gift certificates as employee achievement awards, 3.11:64
 - Gift tax, 781
 - basics, xxxii, 39.2:604–5
 - basis of property received as gift and, 5.17:115–17, 39.2:605
 - credit, 39.4:605–6
 - custodial account, 39.5:606–7
 - filing a return, 39.3:605
 - lifetime gift tax credit and exemption, 39.4:605–6
 - taxable gifts, 39.2:604–5
 - to qualified tuition programs, consequences, 33.5:548
 - undervaluation of, 48.6:720
 - unified gift and estate tax rates, 39.4:606, 39.11:609
 - Girl Scouts, deductible contributions to, 14.1:300
 - Glossary of terms, 779–84
 - Going-concern value, Section 197, 42.18:666
 - Golden parachute payments, 35, 2.1:37
 - Goodwill
 - amortization of, 42.1:652, 42.18:665–66
 - entertaining, 20.18:410–11
 - exchanges of, 6.2:136
 - Government agencies, penalties or fines to, 40.8:626–27
 - Government benefits. *See also* Social Security benefits
 - support test for claiming qualifying relatives as exemption, 21.5:427
 - withholding on payment, 26.6:475
 - Government employees, deferred pay plans for, 7.22:170
 - Graduate courses, assistance for, 3.7:61, 33.2:546
 - Grandchildren, claiming as exemption, 21.1:422, 21.4:425. *See also* Relatives
 - Grandparent, as dependent relative, 21.4:425. *See also* Relatives
 - Grantor trust rules, 11.15:277, 39.6:607, 781
 - Green cards. *See* Resident aliens
 - Groceries, employer-furnished, 3.12:66
 - Gross income, 3, 781
 - deductions from, 11.10:274, 12.2:284–86
 - limit test for exemption, 21.4:425
 - Gross profit, 5.22:122
 - Gross receipts, 40.6:622, 781
 - Group rent arrangement, 15.6:327
 - Group health plans, employer’s, 3.1:52–53, 3.2:53–55
 - Group-term life insurance, 781
 - premiums, 3.4:58–59
 - tax-free to employee, 2.10:41–42
 - Growth funds, 32.1:537. *See also* Mutual funds
 - Guam, 20.14:409, 34.12:571, 36.5:585, 36.9:588, 45.6:695
 - Guardian
 - of incompetent person, 1.15:26
 - self-employment tax rules, 45.6:694
 - Gulf Opportunity (GO) Zone
 - basis reduction for bonus depreciation, 42.5:656
 - demolition and cleanup costs, 42.14:664
 - first-year expensing deduction, 42.3:653
 - net operating losses, five-year carryback, 40.18:635
 - rehabilitating buildings, special tax credits for, 31.8:529
- H**
- Half-year convention for depreciation deduction
 - MACRS, 42.6:657–58, 43.5:673–77
 - straight-line rate, 42.9:659–60
 - Handicapped persons. *See also* Disabled; Medical or dental expenses
 - job expenses not subject to 2% AGI floor, 19.4:385
 - Hardship withdrawals from 401(k) or 403(b) plans, 7.15:164, 7.19:167–68
 - Haying machines, product class, 6.2:136
 - Hazardous duty area, military in, 35.4:575–77
 - Hawaii, IRS meal allowance for travel in, 20.4:401
 - HDHP. *See* High-deductible health plan
 - Head of household, 781
 - advantages of filing as, 1.12:22
 - AMT exemptions for 2007, 23.1:443
 - child as, 1.12:23
 - claiming deductions, 1.12:22–23, 13.3:294
 - determining, 1.1:10; 1.3:11–13
 - exemption phaseout, 21.12:432–33
 - figuring recoveries of itemized deductions, 11.5:266–68
 - filing as, 1.1:10, 1.2:10–11, 1.12:22–23
 - housing, separate, 1.12:23
 - phaseout of child tax credit, 25.2:457
 - qualifying tests, 1.12:22–23
 - standard deduction for dependents with earned income of \$550 or less, 13.5:295–97
 - standard deduction if 65 or older or blind, 13.4:295
 - tax rates, 1.2:10–11
 - temporary absences and, 1.12:23
 - unmarried, filing as, 1.3:11–13
 - Health and accident plans, employer’s
 - continuing coverage for group health plans (COBRA coverage), 3.1:53
 - employer contribution to Archer MSA, 3.2:55, 41.13:650
 - flexible spending arrangements, 3.15:69–70
 - payments may be tax free, 3.3:55–58
 - Health-care flexible spending arrangements (FSAs), 3.15:69–70
 - Health facilities, payment to, as support item, 21.5:428
 - Health insurance. *See also* Health and accident plans, employer’s
 - key to reporting income and loss, 617
 - paid by S Corporation, 11.14:276
 - self-employed deduction, 7, 12.1:284, 12.2:285–86, 17.5:349
 - premiums, 3.1:52–53, 11.10:274, 40.3:618–20, 40.6:624
 - Health professional, material participation tests for, 10.6:246–47
 - Health Reimbursement Arrangement (HRA), 3.3:56, 781
 - Health savings account (HSA), xxvi, 35, 3.2:53–55, 3.3:55–58, 41.10:647–48, 41.11:648–49, 41.12:649–70, 781
 - Archer MSA, replacing, 3.2:55
 - distributions from, 41.12:649–50
 - employer contributions to, W-2 form and, 35
 - inherited, 41.12:649
 - limits on contributions, 41.11:648–49
 - maximum annual contribution for employees, 3.2:54–55
 - record-keeping, 708
 - tax-free distributions from, 3.3:58
 - Hedging transactions, not subject to straddle tax rules, 30.9:513–14
 - Heroes Earned Retirement Opportunities Act of 2006, 8.20:213
 - High-deductible health plan (HDHP), 3.2:53–55, 12.1:284, 41.10:647–48, 41.11:648–49, 41.12:649–50, 41.13:650, 781
 - Higher education expenses. *See* Education Tax Benefits
 - exception to IRA early-withdrawal penalty, 8.12:198
 - Highly compensated employees. *See also* Executives; Key employees
 - company services provided at no additional cost to, 3.16:70–71
 - eating facility for, 3.10:64
 - medical expenses, reimbursements from employer plan, 3.3:57
 - salary deferrals for, 7.18:166–67
 - Historic house easement after claiming rehab credit, donating, 14.10:312–13, 31.8:529
 - Historic structure, certified, 31.8:529
 - Hobby business, deducting expenses, 9.12:233, 19.15:391–92, 40.10:627–28, 781. *See also* Side business

NOTE: References are to section numbers in Parts 1–8, followed by page numbers in boldface.

- Holding period, capital gain or loss, 781**
for convertible stocks and bonds, 30.7:511–12
gifts, 5.12:111
inherited property, 5.12:111
involuntary conversions, 5.12:111
partnership property, 5.12:111
rates and, 5.2:99, 5.3:100–102
real estate transactions, 5.11:111
rules for counting holding period, 5.9:110
securities transactions, 5.10:110–11
wash sales, 5.10:111, 30.6:510–11
- Holocaust restitution payments, 11.7:270**
- Home (house; principal residence).** *See also Mortgage; Real estate*
bought for resale, loss allowed on, 29.9:502–3
business use of, 29.7:498–501, 44.9:686–87
converted to rental property
depreciation on, 9.5:224–26
holding period for, 5.11:111
destroyed or condemned, 29.1:490, 29.2:493
District of Columbia first-time homebuyer credit, 25.20:468
fair rental value of, as support item, 21.5:427
head of household costs, 1.12:22–23
improvements as medical expenses, 17.13:355–57
inherited residence, sale of, 29.10:503
involuntary conversion of, 18.19:376–77
loans for construction and improvement, 15.4:324–25, 15.5:325
meeting ownership and use tests, 29.2:491–93
nondeductible expenses of selling, purchasing, or leasing old or new residence, 12.3:286–87
partially rented home, 29.9:502
personal use of, 29.7:498–501
purchase of, under tax deferral rule, unadjusted basis of, 5.16:113–15
Roth IRA distribution for first-time home-buyer expenses, 8.23:217–18
renting
allocation of expenses of residence to rental days, 9.9:229–31
to close relatives, 9.6:226
sale of, at a loss, 29.8:501, 29.9:502–3, 29.10:503
sale of, due to illness or unforeseen circumstances, 29.4:495
sale of, figuring gain or loss, 29.5:497
sale of, reducing maximum exclusion, 29.4:494–96
sales by married persons, 29.3:493–94
second home or vacation home, 14.10:312–13, 29.8:501
selling at a loss, 29.8:501, 29.9:502–3
reimbursement for, 12.8:290
settlement fees, 29.5:497
tax savings for, Chapter 29 (489–503)
\$250,000/\$500,000 exclusion, 29.1:490–91, 29.2:491–93, 29.3:493–94, 29.4:494–96, 29.5:497, 29.6:498, 29.7:498–501
worksheet for determining adjusted basis of home sold, 499
worksheet for gain (or loss) exclusion, and taxable gain on sale, 499
worksheet for reduced exclusion, 496
- Home entertaining, 20.19:411**
- Home equity debt, 292, 15.3:324, 23.1:443, 781**
- Home improvements**
energy tax credit, 25.21:468–70
examples of, when figuring adjusted basis in home, 29.6:498
loans for, 15.5:325
as medical expenses, 17.13:355–57
recording, 29.6:498
- Home mortgage.** *See Mortgage*
- Home office.** *See also names of specific equipment*
business use of, 19.13:390–91, 40.12:629–31, 40.13:631–32, 40.14:632, 40.15:633–34, 40.16:635, 40.17:635, 42.10:661
deductions from employee, 19.13:390–91
expenses, record-keeping, 708
investor's, 19.15:392
key to reporting income and loss, 617
landlord's unit, depreciation on, 40.13:632
reporting business income, 40.3:618–20
residential property, consideration as, 29.7:498–501
sideline business, deducting expenses, 19.13:390–91, 617, 40.10:627–28, 40.16:635
telephone costs, 19.14:391
- Homeowner's associations, assessments by, 16.5:339**
- Homeowners Protection Act, 15.6:326**
- Hope credit, xxvii, xxx, 1.3:13, 23.5:447, 25.17:467, 33.7:550–51, 33.8:551–52, 33.12:554–55, 33.13:556.** *See also Education Tax Benefits; Lifetime Learning Credits*
- Horses, as Section 1231 asset, 44.8:685**
- Hospitality rooms, as business expense, 20.17:410**
- Hospitals, operated for profit, nondeductible contributions to, 14.2:301**
- Hospital services, deductible medical expenses, 345**
- Hotel/motel/inn exception to reporting rental income and expenses, 9.7:226**
- Hotel room charge, allocating between meals, entertainment and lodging, 20.20:411**
- Houseboat as principal residence, 29.1:490**
- Household, head of status.** *See Head of household.*
- Household employees**
check state requirements, 38.3:602
expenses qualifying for dependent care credit, 25.8:461–62
federal unemployment taxes (FUTA) for, 38.4:602
FICA withholdings on wages paid to, 26.9:476–77. *See Chapter 38 (598–602)*
paying and withholding taxes for, 38.3:600–602
Social Security and Medicare taxes (FICA) for, 38.2:599–600
- Household expenses**
nondeductible casualty or theft losses of items, 18.11:369–70
as support item, 21.5:428
- Housing as job requirement, 3.12:66**
- Housekeeper, withholding tax for, 25.4:458, 38.3:600–602.** *See also Household employees*
- Housing costs, foreign earned income exclusion and, 36.3:583, 36.4:584.** *See also Lodging*
- HRAs.** *See Health Reimbursement Arrangements*
- HSA.** *See Health savings account.*
- Hunting trips, business-related, 20.17:410**
- Hurricane Katrina**
car use for providing volunteer services, deductibility of, 14.4:303–4
charitable contributions, 14.17:318
deducting disaster loss, 18.2:362, 18.3:363
deferring game by replacing property, 18.19:376–77
distributions pre-2007, 8.8:192
exemption from early distribution withdrawal penalty, 7.15:163–64
exemption to taxpayers who provide free housing to displaced persons, 21.1:422
FEMA disaster mitigation grants not taxable, 18.3:364
net operating losses, five-year carryback, 40.18:635–36
qualified hurricane distributions, 7.16:164, 7.30:179, 7.31:180, 8.25:219, 8.26:219
qualifying loans to victims of, 7.31:180
replacement property period extension, 18.22:378
sale of land underlying destroyed principal residence or second home, 18.3:364
time period for buying replacement property, 18.22:378
- Hurricanes Rita and Wilma, 7.16:164, 7.30:179, 7.31:180, 8.8:192, 8.25:219, 8.26:219, 14.17:318**
- Hybrid vehicle, 25.22:470, 43.4:672–73**
- I bonds, 4.28:91–92, 28.1:486, 28.2:487, 30.15:519–20**
- Impairment-related job expenses, 17.14:357, 19.4:385**
- Improvements.** *See also Home improvements*
rental income and, 9.3:223–24
- Imputed interest, 4.31:94–96, 4.32:97, 34.11:570, 781**
- Incentive stock option (ISO), 781**
alternative minimum tax and, 23.1:443, 23.2:445, 23.6:447, 23.7:448
for executives, 2.16:46–48
- Incidental expenses**
due to casualty or theft, 18.13:373
IRS standard meal allowance, 20.4:401
- Income.** *See also Business income; Tips*
accelerating, to avoid AMT, 23.7:448
additional, tax cost of, 28.3:488
aliens (resident and nonresident) subject to taxation, aliens, 1.17:27
averaging, farmers, 22.6:440
bankruptcy laws, debt cancellations under, 11.8:271
business, deferring, 28.2:487
damages and debt cancellation, 11.7:269–71, 11.8:271–73
deferring, 28.1:486
disposition of, suspended losses allowed on, 10.13:254–56
income in respect of a decedent (IRD), 11.16:277–78, 11.17:278
from investment, 15.10:330
life insurance proceeds, 11.18:278–80, 11.19:280, 11.20:280
low, optional method and, 45.5:692–93
nonfarm, 45.5:692–93
partnerships, 11.10:273–75, 11.11:275, 11.12:275, 11.13:275–76
phaseout limits, 8.4:186–89
phaseout of education credits, 33.10:552–53
prizes, lottery and gambling winnings, 11.1:264, 11.2:264, 11.3:264–65, 11.4:265
protecting against excess donations, 14.18:320
record-keeping, 707
recovered deductions, 11.6:268–69
S corporation shareholders, 11.14:276–77

NOTE: References are to section numbers in Parts 1–8, followed by page numbers in boldface.

- splitting, 28.1:486
state and local tax refunds, 11.5:265–68
tax, withheld on wages, 26.6:475
tax-free, earning, 28.1:486
withholding allowances, 26.2:473–74, 26.3:474, 26.4:474–75
- Inclusion amount for leased cars**, 43.12:681, 781
- Income funds**, 32.1:537. *See also* **Mutual funds**
- Income in respect of a decedent (IRD)**, 1.14:24–25, 11.16:277–78, 11.17:278, 781
- Incompetent persons, filing a return for**, 1.15:26
- Independent contractor**, 781. *See also*
Self-employed persons
backup withholding, 26.11:477
freelance fees, 45.1:689
parking benefits provided by employer, 3.8:63
payments to, 40.5:620
Section 409A, plans subject to, 2.7:39
tax rules for restricted property, 2.17:48
- Index funds**, 32.1:537. *See also* **Mutual funds**
- Index options**, 30.11:515–16
- Indian employment credit**, 40.26:639
- Indian tribal government, gift to**, 14.1:301
- Individual's note, obligations on**, 4.23:88
- Individual retirement account (IRA)**, 781. *See* **Chapter 8 (181–219)**
contribution limit, higher for 401(k) participants of certain bankrupt companies, 8.2:184
conversion of traditional to Roth, 7.1:149
credit for contributing to, 25.17:467
deductible contribution, record-keeping, 708
deducting from gross income, xxvi, 8.4:186–89, 12.1:284
direct transfer from IRA to charity, 14.1:300
direct transfers from one IRA to another, 8.10:194–96
divorce, division of IRA in, 8.12:199
education IRAs. *See* **Coverdell Education Savings Accounts**
earnings as basis for traditional IRA contributions, 8.2:183–84
exception to early-withdrawal penalty, 8.12:197–98
investing in, as tax-free income, 28.1:486
IRS seizure of, as distribution, 8.8:193
key to, 148
life expectancy method, 8.12:199–200, 8.13:200–203, 8.14:207–8
loans from, 60-day loan, 8.10:195
married couples, 8.3:184–86
nondeductible contributions, 8.4:188, 8.6:190–91
nonspouse beneficiary rollover, 7.14:162
penalties for withdrawals before age 59½, 8.12:197–99
penalty for excess contributions to, 8.7:191
post-death distribution rules to beneficiaries, 8.14:204–9
qualified hurricane distributions pre-2007, 8.8:192
recharacterization and reconversions, 8.22:215–17
record-keeping, 46.1:700
retirement plan participants, active participation in, 8.5:189–90
retirement savings contributions credit, 25.16:467
rollovers, 7.2:151, 7.3:152, 7.7:155–56
Roth IRAs, xxvi, 8.19:212, 8.20:212–14, 8.21:214–15, 8.22:215–17, 8.23:217–18, 8.24:218–19
- Roth versus deductible, 8.4:188
self-directed, investment restrictions for, 8.1:182
self-employed contributions, 8.2:184
SIMPLE IRAs, 8.1:182, 8.17:210–11, 8.18:211–12
- Simplified Employee Pension Plans (SEPs)**, 8.15:209, 8.16:209–10
60-day rollover deadline, 8.10:194
starting a traditional, 8.1:182–83
tax forms to file, 7
tax-free rollovers to, 8.10:194–96
- traditional**
beneficiary designations, importance of reviewing, 8.13:201
beneficiary's death before September 30 determination date, 8.14:207
contributing same year to Roth IRA and, 8.20:213–14
contributions, after end of taxable year, 8.1:183
deduction, xxvi, 8.4:186–89, 12.1:284, 12.2:286
direct transfers to, 8.10:194–96
distributions allocable to nondeductible contributions, 8.9:193–94
estate as beneficiary, 8.14:204
figuring minimum required distributions, 8.13:198–204
figuring the taxable portion of a, 8.9:193–94
inherited, 8.14:204–9
loan treated as distribution, 8.8:191–93
mandatory distributions after age 70½, 8.13:198–204
multiple beneficiaries, splitting account among, 8.14:206
ordinary income, taxed as, 4.2:75
owner's death, 8.14:207
restrictions, 8.1:182
rollovers, 8.10:194–96
Roth IRA, converting to, 8.6:190–91, 8.8:191–93, 8.21:214–15
spousal beneficiaries, exemptions from pre-age 59½ penalty, 8.12:197, 8.14:208–9
spouses, younger, exception for minimum distribution, 8.13:202
starting and contributing to, 8.1:182–83, 8.2:183–84, 8.3:184–86, 8.4:186–89, 8.5:189–90, 8.6:190–91, 8.7:191
surviving spouse as sole beneficiary, 8.14:209
taking money out of, 8.8:191–93, 8.9:193–94, 8.10:194–96, 8.11:196–97, 8.12:197–99, 8.13:198–204, 8.14:204–9
taxable distributions from, 8.8:191–93
transfer to spouse at divorce or death, 8.11:196–97
trust as beneficiary, 8.14:207
Uniform Lifetime Table for distribution from traditional IRA, 8.13:204
types of traditional, 8.1:182
withdrawals from
before age 59½, 8.8:191–93
nondeductible contributions, 8.6:190–91
withholding taxes on, 26.10:477
working for spouse, 8.2:183–84
- Information base, Section 197**, 42.18:666
- Inheritance (inherited property)**. *See also*
Beneficiaries; Estate; Trusts
basis of, 5.17:115–17, 39.2:605
of depreciable property, 44.4:684–85
- holding period for, 5.12:111
IRAs, traditional, 8.14:204–9
nontaxable versus taxable, 11.4:265, 12.1:284
- Inherited residence, loss on sale of**, 29.10:503
- Injury or illness**
combat-related, disability payments for, 2.14:44–45
permanent physical injuries, tax-free payments for, 3.3:57–58
- In-laws, relationship test for claiming an exemption**, 21.4:425
- Innocent spouse rules**
avoiding liability with, 1.7:16–17, 1.8:17–20, 1.9:20, 594
community property rules and, 1.6:14–15
deadline for election, 1.7:16–17
Form 8857, 1.7:16–17
joint vs. separate returns and, 1.3:11–13
knowledge test, 1.7:16–17
qualifying tests for election, 1.7:16–17
for understated joint return, 1.4:13–14
- Installment arrangements to pay taxes**, 46.3:702, 46.5:703–4
- Installment notes, donating to qualified philanthropy**, 14.6:308
- Installment obligations, disposition of**, 5.28:127–28
- Installment payments of lottery, sweepstakes, and casino winnings**, 11.2:264
- Installment sale**, 781
alternative minimum tax and, 23.1:443
deferring income, 28.1:486
about installment method, 5.21:120–21
of depreciable business property, 44.6:685
mutual fund dividends, 4.1:73
of passive activity interest, 10.13:254
of property, 44.3:684
release of restrictive covenants, 31.7:528–29
reporting, 5.21:120–21, 5.22:121–24, 5.23:124, 5.24:124–25, 5.25:125–26, 5.26:126, 5.27:127, 5.28:127–28, 5.29:129, 5.30:129–30, 5.31:130
- S corporation stock**, 5.32:131
of Section 1231 assets, 44.8:686
on subdivided land sales, 31.2:525
Small Business Investment Company (SBIC) stock, 5.32:131
stock and bond sales, 44.11:687
stock received as dividend or in a stock split, 30.3:506–7
tax advantage of, 5.21:120–21
- Instructor of elementary and secondary school**. *See* **Educator expenses**
- Insubstantial value test**, 14.3:303
- Insulin, deduction for**, 292
- Insurance**. *See also* **Life insurance**
business interruption, proceeds from, 45.1:689
excess living costs paid by, 18.17:375–76
failure to make claim, 18.16:375
group life, 2.10:41–42
malpractice, 40.7:625
mortgage, premiums, 15.6:325–27
plans, 2.10:41–42
policies, tax-free exchanges of, 6.12:146
reimbursements, 18.16:375
split-dollar, 2.10:42
- Insurance proceeds**
disaster losses, 18.3:364

NOTE: References are to section numbers in Parts 1–8, followed by page numbers in boldface.

- taxable, 11.18:278–80, 11.19:280, 11.20:280
tax-free, 12.1:284
- Insurance agents, advances against un-earned commissions, 2.4:38**
- Intangible assets, 782**
amortization for, 42.1:652, 42.18:665–66
drilling costs, 9.14:234, 23.1:443
licensing of, 10.9:252
not Section 197 intangibles, 42.18:666
personal property. *See also* Copyrights; Patents
like-kind exchanges of, 6.2:136
passive activity rules, 10.9:250–52
- Intellectual property, donating, 14.6:308**
- Intelligence officers, ownership and use test, 29.2:492–93**
- Interest (income)**
bonds bought or sold, 4.15:80–81
on debts owed you, 4.14:80
on deferred payment sales, 5.27:127
deferring, 28.2:487
forfeiture of interest on premature withdrawals, 4.16:81
on frozen accounts, 4.12:78–80
installment sale of, 10.13:255–56, 10.16:257
on loans, 4.30:94, 4.31:94–96
marital property settlements, 6.7:142–44
on qualified private activity bonds, 30.12:517
record-keeping, 706
reporting, 4.12:78–80
self-employment income and, 45.1:689
on seller-financed sales, 4.32:96–97
on state and local obligations, 30.12:516
tax, how to report, 7, 5.31:130
tax-exempt, 4.12:78–80
on tax underpayments, 46.8:704–5
on Treasury securities, 4.27:90–91
on U.S. Savings Bonds, 4.28:91–92, 4.29:92–93
- Interest (paid or owed)**
abatement of interest due to errors or delays by IRS audit, 48.8:721–22
business tax deficiency, deducting on Schedule C, 40.6:624
cooperative and condominium apartments, 15.9:329
deduction, timing of, 15.13:333–34, 15.14:334
deductions on, market discount bonds, deferral of deduction on borrowing to buy, 4.20:85–86
expenses, itemized deductions for. *See* Chapter 15 (321–34)
expenses, land investor and deal, 31.2:525
frozen accounts, 4.13:80
home mortgage loans, 15.1:322–23, 15.2:323–24, 15.3:324, 15.4:324–25, 15.5:325, 15.6:325–27, 15.7:327–28, 15.8:328–29, 15.9:329
investment loans, 15.10:329–31, 15.11:331, 15.12:331–33
key to, 292
passive activities and, 10.8:248–50
premature fund withdrawals, forfeiture of interest on, 4.16:81
prepaid, on loans, 15.14:334
on refund claims, 47.6:713
short-term obligations, borrowing to buy, 4.21:87
Treasury bills, interest on loans used to buy, 4.27:90–91
vehicle loans, 43.2:671
- Internal Revenue Service (IRS). *See also* Filing returns**
audits by, 19.16:393. *See also* Chapter 48 (715–24)
business activities, classification, 10.5:244–46
educational grants guidelines, 2.11:42–43
Electronic Federal Payment System (EFTPS), 27.2:480, 46.5:703
email for military personnel to ask questions, 35.6:578
installment payment arrangement, 46.3:701–2, 46.5:703–4
interest abatement, 18.3:364
interest rate on taxes owed, 46.8:704–5
levy, involuntary distributions as exception to early distribution penalty, 7.15:163–64
material participation tests, 10.6:246–47
mileage rate, xxvi, xxx, 14.4:303–4, 19.8:388, 20.33:418–20, 43.1:669–70
nonqualified deferred compensation, guidelines for, 2.7:40
notifying about address changes, 46.7:704
online or phone option for making payments to, 46.5:703
points reported to, 15.8:328–29
publications. *See* IRS publications
refunds withheld by Treasury Department's Financial Management Service, 47.7:713
reporting nonexempt retirement plans, 40.5:621
reporting transfers of interest to, 11.10:274
seizure of IRA as distribution, 8.8:193
standard allowances, 20.4:400–401, 20.5:401–2
suing for unauthorized collection, 48.11:724
tax-shelter claims, 47.5:713
website, 46.2:700, 46.5:703, 46.6:704, 48.1:717
when IRS can assess additional taxes, 48.2:717
where to file, 5
of W-4 form, 26.4:474–75
wrong advice, no penalty for, 48.6:720
- International organizations**
employees of, 1.19:29
U.S. citizen employees of, self-employment tax rules, 45.6:694
- Inter vivos, 39.6:607, 782**
- In-the-money call option, 516**
- Intrinsic value, 516**
- Inventory(ies)**
accrual basis for, 40.3:618
business, charitable donation of, 14.13:314
control systems, Section 197 intangible, 42.18:666
in home office, 40.12:631
losses, 18.13:372
- Investment**
credit, 5.20:120, 40.26:639
expenses, alternative minimum tax and, 23.1:443
expenses, deductible, checklist of, 19.15:391–92
income. *See also specific types of investments*
of nonresident aliens, 1.16:26–27
in tax-exempts, 30.12:516–17
in the contract, 7.23:171–75, 7.28:179, 7.29:179, 782
interest, 292, 15.10:329–31, 15.11:331, 15.12:331–33, 15.13:333–34, 15.14:334, 23.2:444–45, 30.5:509, 782
loans, 15.10:329–31, 15.11:331, 15.12:331–33
loss, due to bond deposit loss, 18.5:365–66
property, in disaster area, 18.23:379–80
- Investor**
home office of, 19.15:392
real estate, tax savings for. *See* Chapter 31 (523–35)
reporting royalty income, 9.11:232–33
of securities, tax savings for. *See* Chapter 30 (504–22)
- Involuntary conversion, 782**
cost of replacement property as determining postponed gain, 18.24:380
deferral rule for, 18.19:376–77
holding period for, 5.12:111
how to elect to defer tax, 18.21:377–78
not subject to Section 1231 netting, 44.8:686
nullifying deferral election on amended return, 18.22:378–79
of personal residence, 18.19:376–77
property acquired with proceeds, unadjusted basis of, 5.16:115
qualifying for tax deferral, 18.20:377
qualifying replacement property, 18.23:379–80
recapture of depreciation, 44.1:683
replacement property, time period for buying, 18.22:378–79
reporting gains from, 18.26:381
special assessments and severance damages, 18.25:381
taxable gain from, 18.19:376–77, 18.20:377, 18.21:377–78, 18.22:378–79, 18.23:379–80, 18.24:380, 18.25:381, 18.26:381
tax-free exchanges and, 44.5:685
- IRA. *See* Individual retirement account**
- IRD. *See* Income in respect of a decedent**
- IRS. *See* Internal Revenue Service**
- IRS Publication 1, 48.1:716**
- IRS Publication 3, 35.4:576, 35.5:577**
- IRS Publication 5, 48.8:721**
- IRS Publication 15, 40.6:624**
- IRS Publication 54, 36.12:589**
- IRS Publication 54, 36.2:583, 36.12:589**
- IRS Publication 225, 11.8:273, 40.26:640, 42.1:652**
- IRS Publication 378, 40.26:640**
- IRS Publication 463, 43.9:679, 43.12:681**
- IRS Publication 504, 594**
- IRS Publication 505, 27.2:480**
- IRS Publication 514, 36.3:584, 36.14:589–90**
- IRS Publication 515, 594**
- IRS Publication 519, 1.16:26–27, 1.18:28–29, 1.19:29, 1.20:30, 34.2:564**
- IRS Publication 525, 11.5:266**
- IRS Publication 526, 14.6:308, 14.9:310–12, 14.19:320**
- IRS Publication 534, 42.12:662**
- IRS Publication 535, 42.18:666**
- IRS Publication 536, 40.18:636, 40.21:638**
- IRS Publication 537, 5.22:122, 31.12:532**
- IRS Publication 538, 40.3:620, 40.4:620**
- IRS Publication 541, 11.10:274, 11.11:275**
- IRS Publication 550, 5.7:105, 4.20:86, 4.21:87, 30.9:513–14, 30.17:521–22**
- IRS Publication 556, 48.1:716**
- IRS Publication 560, 41.6:646**
- IRS Publication 561, 14.9:310–12**
- IRS Publication 570, 36.9:588**
- IRS Publication 571, 7.21:169**
- IRS Publication 590, 8.13:202, 8.7:191, 34.3:565**
- IRS Publication 594, 48.1:716**
- IRS Publication 600, 16.3:337**

NOTE: References are to section numbers in Parts 1–8, followed by page numbers in boldface.

- IRS Publication 915, 34.2:564, 34.4:565
 IRS Publication 925, 10.9:252
 IRS Publication 926, 38.3:600–602
 IRS Publication 939, 7.23:172, 7.24:175–76
 IRS Publication 946, 42.10:661
 IRS Publication 949, 43.9:679
 IRS Publication 972, 25.2:456, 25.3:457
 IRS Publication 1212, 4.17:82, 4.18:84,
 4.19:84–85, 4.20:86, 4.22:87–88, 4.23:88
 IRS Publication 1542, 20.4:401, 20.32:418–19
 IRS Publication 1546, 48.1:717
 IRS Statement of Value (SOV), 14.9:310–12
Itemized deductions, 782
 alternative minimum tax, subject to, 23.1:443,
 23.2:444–46
 average, 48.1:716
 for business, 16.9:341
 changing from standard deduction to, 13.2:294
 for interest expenses. *See* Chapter 15 (321–34)
 key to, 292–93
 prepaying or postponing deductible expenses,
 13.6:297
 reduction of, 292, 13.7:295–98, 19.18:395,
 28.3:488
 standard deduction for figuring recoveries,
 11.5:267
 state taxes, 16.1:336, 16.3:337
 when to itemize, 13.2:294
- J**
- J.K. Lasser's Your Income Tax, deducting cost of*, 19.16:393
Job
 hunting costs, 19.7:389, 40.11:629
 loss of, 12.5:288–89
 related injury or illness, as tax free workers' compensation, 2.13:43–44
 transfers, 12.5:288–89
Job expenses. See also Home office
 AMT and, 23.2:444–46
 for equipment use, 19.10:389–90
 job-placement assistance, as working condition fringe benefit, 3.9:63–64
 looking for a job, 19.3:384, 19.7:389, 40.11:629
 moving to new location, 12.3:286–87, 12.4:287–88,
 12.5:288–89, 12.6:289, 12.7:289, 12.8:290
 net operating loss, 40.19:636
 2% AGI floor, not subject to, 19.4:385
 2% AGI floor, subject to, 19.3:384
 uniforms and work clothes, 19.3:384, 19.6:386,
 40.19:636
 unusual, 19.9:388–89
Joint accounts
 nominee distribution, dividends on, 4.1:73
 reporting income interest on, 4.12:78–80
Joint filing, standard deduction for figuring recoveries of itemized deductions, 11.5:267
Jointly owned property
 claiming casualty and theft loss deduction, 18.2:362
 home sales, 29.5:497
 mortgage payment rules, 15.6:325–27
Joint ownership (joint tenancy)
 basis rules, 5.18:117–19
 of dividends, 4.9:77–78
 division of properties, 6.9:145
 interests, 6.9:145
 tax-deferral on replacement property made by deceased owner's estate, 18.22:378–79
Joint returns, 782
 AMT exemptions for 2007, 23.1:443
 benefits that require, 1.3:11–13
 capital losses and, 5.5:103
 death of spouse during year, 1.10:21–22
 dependents who file, 21.9:431
 divorced individual, 1.9:20
 exemption for a dependent and, 21.9:431
 exemption for spouse and, 21.2:422–23
 exemption phaseout and, 23.1:443, 21.12:432–33
 \$500,000 exclusion of sale of principal residence, 29.1:490
 home sales by married persons, 29.3:493–94
 with incompetent persons, 1.15:26
 innocent spouse rules and, 1.4:13, 1.7:16–17
 IRA deduction restrictions, 8.4:186–89
 limited liability, innocent spouse rule, 1.7:16–17,
 1.8:17–20, 1.9:20, 594
 with missing spouse, 1.15:26
 moving expenses, 12.6:289
 \$100 floor for casualty loss, 18.12:370
 phaseout of child tax credit, 25.2:457
 qualified retirement savings contributions, 25.17:467
 refund claims, 47.3:712
 relief from liability on, 1.6:14–15
 resident alien, marriage to, 1.18:28
 revocation of, by executor or administrator, 1.10:21
 signing, 1.4:13–14
 death of spouse during year and, 1.10:21–22
 Social Security benefits, 34.7:568
 spouse's debt, refund for withheld payment, 46.4:703
 spouses' names and Social Security numbers on, 21.10:431
 standard deduction if 65 or older or blind, 13.4:295
 switching from separate returns to, 1.3:12
 tax liability and, 1.4:13–14, 13.4:295
 tax rates, 1.2:10–11
 U.S. resident, treated as, 1.18:28
 withholding allowances, 26.4:474–75
Joint tenants, 5.18:117–19, 782
Jury duty pay turned over to employee, 12.1:284, 12.2:286
 "J" visa, 1.18:27
- K**
- Keogh plan, 782. See Chapter 41 (641–50).**
See also Retirement plans
 choosing type of, 41.2:642–43
 claiming deductions, 41.5:646
 contributions, deductible, 41.2:642, 41.4:643, 708
 deadline for setting up, 41.2:642, 41.5:646
 deducting from gross income, 12.1:284
 deductions, 12.1:284, 12.2:285. *See* Chapter 41 (641–50)
 distributions, how taxed, 41.8:647
 employees, contributions for, 41.4:646
 including employees in plan, 41.2:642
 investing in, as tax-free income, 28.1:486
 partnership plans and, 41.2:642
 qualifying for, 41.6:646
 who may set up, 41.1:642
- Key employees. See also Employees; Executives; Highly compensated employees**
 cafeteria plans and, 3.14:68–69
 company services provided at no additional cost to, 3.16:70–71
 eating facility for, 3.10:64
 education benefit trusts, 2.11:43
 employer-paid group-term life insurance premiums, 3.4:58–59
 gifts from employers, 2.1:36, 3.11:64
 salary deferrals, 7.18:166–67
 stock gifts to, 11.4:265
Key Tax Numbers for 2007, xxix–xxx
Key to
 alimony and marital settlement issues, 594
 AMT (alternative minimum tax) rules, 442
 automobile expenses deductions, 43.1:669–70
 business and professional income and loss, reporting, 617
 casualty loss, proving, 18.8:367–68
 deductible travel and entertainment expenses, 399–400
 Form W-2, 34–35
 fringe benefits, 51
 itemized deductions and standard deduction for 2007, 292–93
 mutual-fund distributions, reporting, 32.4:538,
 32.8:539–40
 option terms, 516
 service center map, 5
 standard deductions for 2007, 292–93
 tax-favored retirement plans, 148
Kickbacks, 40.8:626–27
Kickbacks of insurance agent's commission, 2.4:38
Kiddie tax, xxxi, 782. See Chapter 24 (449–54)
 age limit, increases for 2008, 24.2:451
 children not subject to, 24.1:450
 children subject to, 4.2:74, 24.2:451–52, 39.1:604
 computing on child's return, 24.2:451, 24.3:453
 computing on parent's return, 24.2:451, 24.3:453
 filing child's return, 24.1:450–51
 income tax treatment of, 1.13:24, 39.5:606,
 39.6:607
 parent's election to report child's dividends and interests, 24.4:453–54
 record-keeping, 707
 tax forms to file, 7
 zero coupon bond discount, 4.22:87–88
Kidnapped child, residence test for qualifying children, 21.3:424
Kidnapping ransom, 18.9:368
Know-how, as Section 197 intangible, 42.18:665
- L**
- Laboratory examinations and tests, deductible medical expenses, 345**
Labor unions, nondeductible contributions to, 14.2:301–2
Land. See also Real estate
 allocation of basis, 5.19:119
 improvements, MACRS recovery period, 42.4:655–56
 nondepreciable, 42.1:652
 sale of, following disaster, 18.2:362
 vacant, 9.5:226, 29.1:490
Landscaping business, depreciable, 42.1:652
Laser eye surgery, 345

NOTE: References are to section numbers in Parts 1–8, followed by page numbers in boldface.

- Laundering**
 while traveling, as business trip deduction, 20.4:401
 of work clothes and uniforms, 19.6:386
- Law school costs, deductibility of**, 33.15:558, 33.16:558–60
- Law violation, penalty not deductible**, 2.6:39
- Layoff benefits, repayment of**, 19.9:388
- Leased vehicles for business**, 19.8:387–88, 43.1:669–70, 43.2:671, 43.12:681, 781
- Leasehold improvements**, 42.13:662–63, 42.15:664
- Leases. See also Rental income; Rental property**
 cancellation of, 31.5:527
 costs of, 9.2:222
 Section 1231 transaction, 31.5:527, 44.8:685–86
 tenant's payment for, 9.1:221
 ground rent agreement, 15.6:327
- Leave-sharing plans**, 2.1:37
- Lecturers, self-employment tax rules**, 45.6:694
- Legal damages, taxation**, 11.7:270–71
- Legal expenses (legal fees)**
 adjusted basis and, 5.20:119–20
 deductibility or nondeductibility of, 11.7:270, 19.17:394–95
 for dispossessing tenants, 9.2:222
 incurred during corporate liquidation, 44.11:687
 of marital settlements, 37.4:595, 37.8:597
 for tax disputes, recovering, 48.10:723
- Legal guardian of an incompetent person, filing of return by**, 1.15:26
- Legally separated**, 782. *See Separation (separated couple)*
- Legal services corporations established under the Legal Services Corporation Act, deductible donations to**, 14.1:301
- Length of service award**, 20.25:414
- Lexus hybrids, phaseout period for**, 25.22:470
- Liabilities, transfer of**, 6.10:146
- License fee**, 16.8:341
- Lien, IRS failure to release**, 48.11:724
- Life income plans**, 14.14:315
- Life expectancy method for payment of traditional IRAs**
 for annuity schedule payments, 8.12:198–99
 off minimum required distribution, traditional IRAs, 8.13:198–204
- Life expectancy tables**, 174, 7.24:175–76
- Life insurance. See also Insurance proceeds**
 assignment to avoid estate tax, 39.12:610–11
 benefits, 2.10:41–42
 dividends on, 4.1:73, 4.11:78
 estate tax planning and, 39.8:608
 group-term life insurance for dependents, 3.4:59
 loan on, interest deduction, 15.13:333–34
 medical costs of terminally ill, 17.16:358
 paid-up, conversion of endowment policies to, 7.25:176
 permanent, 3.4:59
 tax-free exchanges of, 6.12:146
 tax planning with, 11.18:278–80, 11.19:280, 11.20:280
- Life insurance agents, job expenses not subject to 2% AGI floor**, 19.4:385
- Life tenant, real property taxes**, 16.4:338
- Lifetime care. See also Continued care facility; Nursing homes; Retirement home/community**
 of disabled dependent, advance payment, 17.2:344
 in retirement community, advance payment, 17.2:344
- Lifetime Learning Credit**, xxvii, xxx, 23.5:447, 25.17:467, 33.7:550–51, 33.9:552, 33.13:556, 33.15:558. *See also Education tax credits*
- Like-class test**, 6.2:136–37
- Like-kind exchange**, 782
 of business or investment property, 5.2:100, 5.30:129, 6.1:135–36, 6.5:141, 6.6:142, 29.2:491, 31.3:526–27
 residence acquired in, 29.2:491
- Limited entrepreneurs**
 hedging losses, 30.9:513–14
 passive activity rules, 10.5:244–46
- Limited liability, oil and gas wells**, 10.10:252
- Limited liability company (LLC)**, 40.1:616
- Limited partners**
 hedging losses, 30.9:513–14
 material participation and, 10.11:253
 passive activity rules, 10.5:244–46, 10.11:253
 potential cash call, 10.19:260–61
 rental real estate held by, 10.3:244
 unable to qualify to set up Keogh Plan, 41.2:642–43
- Line of business limitations**, 3.16:71
- Liquidation of corporations**, 44.11:687
- Listed property**, 42.10:660–61, 44.3:684
- Livestock, as Section 1231 asset**, 44.8:685
- Living costs**
 due to casualty or theft, 18.16:375, 18.17:375–76
 on temporary assignment, 20.9:404–5
- LLC. See Limited liability company**
- Load charges of mutual fund shares**, 32.6:539, 32.10:541
- Loans (borrowing). See also Bad debt deductions; Debts; Interest (paid or owed); Mortgages; Qualified Tuition Programs; Seller-financed sales**
 assumptions of, imputed interest rules, 4.32:97
 from company retirement plans, 7.16:164–65
 disaster relief, 18.16:375
 exceptions to, 4.31:95–96
 gift, 4.31:95
 to hurricane victims, 7.31:180
 imputed interest rules, 4.31:94–96, 34.11:570
 interest-free or below-market interest, 4.31:94–96
 from IRAs, 8.8:191–93, 8.10:194–96
 minimum interest rules, 4.30:94
 nongift term, 4.31:95
 payable on demand, 4.31:94–96
 proceeds, earmarking use of, 15.12:331–33
 student, 11.8:271, 33.14:556–58
 vehicle, interest on, 43.1:669, 43.2:671
- Local taxes. See State and local income taxes**
 sales taxes, 16.3:337
- Lobbying organizations, nondeductible contributions for**, 14.2:301
- Lodging. See also Living costs; Travel and transportation expenses**
 cash allowances for, 3.12:66
 employer-furnished, 3.12:65–67
 expenses, subject to 2% AGI floor, 19.3:384, 20.5:401–2
- local, to participate in employer meeting, 399
 as medical expenses, 17.9:352–53
 as support item, 21.5:427
- Long-term care**
 continuing care facilities, 4.31:96, 17.11:354–55, 21.5:428, 34.10:569–70, 34.11:570
 insurance, employer health and accident plans and, 3.1:52–53, 3.2:53–55
 insurance expenses for self-employed, 12.1:284
 as medical expense, 17.15:357–58, 17.16:358
 payment of costs to chronically ill, 17.16:358
- Long-time resident**, 1.20:30
- Looking Ahead to Tax Changes for Years After 2007**, xxxi–xxxii
- Loss disallowance rule**, 5.6:103–4, 10.21:262, 32.9:541, 42.3:655
- Loss(es). See also Casualty or theft losses; Capital gain (or loss)**
 restrictions. *See Chapter 10 (237–62)*
 selling your home at a loss, 29.8:501, 29.9:502–3, 29.10:503
 straddle losses, 30.9:513–14
- Lottery winnings**, 11.2:264
- Low-income housing credit**, 31.8:529, 40.26:639
- Lump-sum distribution from retirement plans**, 782. *See also Retirement plans*
 of employer securities, 7.10:159–60
 of endowment policy, 7.25:176
 options if you were born before January 2, 1936, 7.3:152
 payments received by beneficiary, 7.2:151, 7.6:154–55
 prior rollover caution, 7.2:151
 from qualified retirement plans, 11.16:277–78
 rollovers, 7.2:151, 7.3:152, 7.7:155–56
 surviving spouse as beneficiary, 7.2:151

M

- M&IE rate (meals and incidental expenses)**, 20.4:400–401
- MACRS (modified accelerated cost recovery system)**
 additions and improvements to property, 42.13:662–63, 42.16:664
 alternative depreciation system (ADS) vs., 42.9:659–60
 alternative minimum tax and, 23.2:445, 23.3:446
 declining balance methods, 42.5:656, 43.5:673–77
 depreciable assets under, 42.4:655–56
 deductions, 44.3:684
 depreciation rate, 19.10:389–90, 42.5:656–57
 half-year convention for, 42.6:657–58, 43.5:673–77
 leasehold improvements, 42.15:664
 mid-quarter convention for, 42.7:658, 43.5:673–77
 150% rate election, 42.8:659
 rates, 42.5:656–57
 recapture, 42.10:661, 43.10:679–80
 recovery periods, 42.4:655–56
 rate applied to unadjusted basis, 43.5:673–77
 for real estate placed in service after 1986, 42.13:662–63
 straight-line depreciation vs., 42.9:659–60
 table of MACRS depreciation rates, 42.5:656–57, 42.6:658

NOTE: References are to section numbers in Parts 1–8, followed by page numbers in boldface.

- for vehicles, 43.1:669–70, 43.3:671–72, 43.5:673–77, 43.10:679–80, 43.11:680
when not allowed, 42.17:665
- MAGI.** *See* **Modified adjusted gross income**
- Maintenance expenses,** as rental income deduction, 9.2:222, 9.9:229–31. *See also* **Household expenses**
- Malpractice insurance,** 40.7:625
- Management fees in real estate ventures,** caution about, 31.1:524
- Manufacturer's deduction.** *See* **Domestic Production Activities Deduction**
- Margin account with a broker, interest deduction,** 15.13:333–34
- Marginal production, depletion for,** 9.16:236
- Marginal tax rate, phaseout of deductions,** 21.12:433
- Marital actions**
deducting legal fees for recovered taxable damages, 19.17:394–95
key to settlement issues, 594
- Marital deduction,** 39.12:610, 782
- Marital status, about,** 3
change in, and net operating loss, 40.18:636
determined at end of year, 1.1:10
- Marked-to-market rules for Section 1256 contracts,** 30.9:514
- Market discount bonds,** 4.18:83–84, 4.20:85–86, 4.26:90, 782
- Mark-to-market election for traders,** 30.17:521–22
- Marriage (married persons)**
capital losses of, 5.5:103
common law, filing status and, 1.1:10
earned income test for dependent care credit, 25.6:460
estimated taxes by, 27.4:481
filing jointly. *See* **Joint returns**
filing separately. *See* **Separate returns**
home sales, 29.3:493–94
IRAs, spousal, 8.3:184–86
living apart from spouse, 13.3:294
marriage penalty, 1.1:10
married IRA owners, 8.21:214–15
qualified retirement savings contribution credit, 25.17:467
to resident alien, 1.18:28
self-employment income and, 45.1:689
separate property and, 1.6:14–15
separate residences, \$250,000 exclusion limit on sale of, 29.3:494
standard deduction for dependents with earned income of \$550 or less, 13.5:295–97
working in different cities, tax home of, 20.8:403–4
- Marriage penalty,** 1.1:10
- Material participation tests,** 782
IRS tests for, 10.6:246–47
limited partners, 10.11:253
personal service and closely held corporations, 10.15:256–57
recharacterization, 10.9:250–52
rental real estate activity, 10.3:243
self-employment income and, 45.1:689
tests, 10.3:242–44, 10.4:244, 10.6:246–47, 31.2:525–26
- MBA courses, deductibility of,** 33.16:558–60
- Meal expenses/meal costs.** *See also* **Entertainment and meal expenses**
cash allowances for, 3.12:66
costs at nursing home, 17.11:354–55
claiming allowance on tax return, 20.4:400–401
employer-furnished meals, 3.12:65–67
50% cost limitation, 20.24:412–13
IRS meal allowance, 20.4:400–401
nondeductible meal costs, 12.3:286–87, 40.7:626
overnight-sleep test, 20.3:398
overtime meal money as de minimis fringe benefit, 3.10:64
per diem travel allowance, 20.20:411, 20.32:418–19
Schedule C, filing, 40.6:624–25
- Medical or dental expenses.** *See* **Chapter 17** (342–58). *See also* **Archer MSAs; Health insurance; Health savings account (HSA) contributions; Disabled; Long-term care alternative minimum tax, adjustments for,** 23.2:444
care costs qualifying as, 25.8:461–62
checklists of deductible versus nondeductible expenses, 345–46
for continuing care facilities, 34.10:569–70, 34.11:570
deductions, 17.1:343, 17.2:343–45, 17.5:349, 17.6:350, 17.7:350–51, 17.8:351–52, 17.9:352–53, 17.10:353–54, 17.11:354–55, 17.12:355, 17.13:355–57, 17.14:357, 17.15:357–58, 17.16:358
employees on leave, 3.15:70
exception to IRA early-withdrawal penalty, 7.15:163–64, 8.12:197–98
flexible spending arrangements (FSAs) and, 3.15:69–70
insurance benefits, not a support item, 21.5:428
nondeductible, 346, 17.3:347, 17.5:349, 17.9:352–53
record-keeping, 708
reduction of, by 7.5% floor, 346
reimbursements for, 3.2:53–55, 11.6:268, 17.4:347–49
self-employed and, 17.5:349
as support item, 21.5:427
travel outside continental United States, 20.4:401
- Medical exception for resident alien,** 1.18:28
- Medical savings accounts (MSAs).** *See* **Archer MSAs**
- Medical treatments, deductible,** 345
- Medicare Part B Premiums,** 34.12:571–72
- Medicare tax.** *See also* **FICA tax**
distribution from health savings account, 41.12:649–50, 41.13:650
employer health and accident plans and, 3.1:52–53
key to form W-2, 34
not a support item, 21.5:428
premiums of medical care policies, 17.5:349
self-employment tax and, 45.4:691–92
statutory employees, 40.6:622
uncollected taxes, 3.4:58, 26.7:476
withholdings, 26.7:475–76, 26.9:476–77
- Mentally disabled, medical expenses for,** 17.10:353–54, 17.11:354–55, 17.12:355, 17.13:355–57, 17.14:357, 17.15:357–58
- Mexico, aliens who commute from,** 183-day test and, 1.18:27
- Mileage rate, by IRS, xxvi, xxx,** 14.4:303–4, 19.8:388, 20.33:418–20, 43.1:669–70
- Mileage test, for moving expenses,** 12.4:287–88
- Military personnel.** *See* **Armed forces, members of**
- Milking machine, product class,** 6.2:136
- Minimum interest rules,** 4.30:94
- Minimum distribution rules for traditional IRAs,** 7.13:162, 8.13:198–204
- Mining costs, alternative minimum tax and,** 23.1:443, 23.2:446
- Minister, allowances for,** 3.13:67–68
- Miscellaneous expense deductions,** 782. *See* **Chapter 19** (382–95). *See also* **Education costs; Job expenses; Schedule A repayment of income received in a prior year,** 2.8:41
investment expenses, 19.15:391–92
2% AGI floor, 10.8:249, 19.2:384, 19.3:384, 19.4:385, 19.5:385, 19.6:386, 19.7:389, 19.8:387–88, 19.9:388–89, 19.10:389–90, 19.17:394–95, 20.15:409, 20.28:416, 20.29:416, 33.15:558
- Mobile home as principal residence,** 29.1:490
- Modified ACRS (MACRS),** 782
- Modified adjusted gross income (MAGI),** 782
additional Medicare Part B premium based on, 34.12:571–72
education tax credits, 33.7:550–51
eligibility for deductible higher education expenses, 33.13:556
IRA deductions and, 8.3:184–86, 8.4:186–89
\$100,000 MAGI limit for converting traditional IRA to Roth IRA, 8.21:214–15
phaseout, child tax credit, 25.2:457
phaseout, education credits and, 33.10:552–53
phaseout, limits to Roth IRA, 8.20:212–14
phaseout, rental real estate loss allowance, 10.2:240–42
planning, 34.12:571–72
student loan interest deduction, 33.10:552–53, 33.14:556–58
- Moller decision,** 30.16:521, 40.16:635
- Money-market account, deducting fees for check writing,** 19.16:393
- Money market mutual funds,** 32.1:537. *See also* **Mutual Funds**
- Money orders of \$10,000 or less, reporting to IRS,** 40.5:620–21
- Mormon missionaries, parents' support payments of children serving as,** 14.2:302
- Mortgage(s).** *See also* **Foreclosure**
discounted mortgage repayment, 11.8:271
foreclosure on, other than purchase money, 11.8:271, 31.13:534
gift of depreciable property subject to, 44.4:684–85
home mortgage loans, 15.1:322–23, 15.2:323–24, 15.3:324, 15.4:324–25, 15.5:325, 15.6:325–27, 15.7:327–28, 15.8:328–29, 15.9:329
insurance premium deductions, xxv, 15.6:325–27
interest, 782
on adjustable rate, 11.6:268, 15.1:322
allocating expenses to rental days, 9.9:229–31
AMT and, 23.2:444
deductions for, 15.1:322, 46.1:700
expenses, 292
home acquisition loans, 15.2:323–24
record-keeping, 709
payment rules, 15.6:325–27
refinanced loans, 15.7:327–28, 15.8:329
repossession after buyer's default on, 31.12:532–34

NOTE: References are to section numbers in Parts 1–8, followed by page numbers in boldface.

- restriction to student loan interest deduction, 33.14:556–58
- restructuring debt, 31.10:531
- tax credits allowed against AMT, 23.5:447
- transferring mortgaged realty, 31.15:535
- wraparound, 5.22:122
- Mortgage credit certificates, interest on**, 15.1:322
- Mortgaged property, sale of, calculating selling price**, 5.14:113
- Mortgage subsidy bonds**, 4.25:89
- Motor vehicle registration fees**, 16.8:341
- Moving expenses**
- deductibility rules, 12.3:286–87, 35.3:575
 - deductible expenses, 12.7:289
 - deducting from gross income, 12.1:284, 12.2:285, 12.3:286–87
 - distance test, 12.4:287–88
 - mileage test, 12.4:287–88
 - for military personnel, 35.3:575
 - nondeductible expenses, 12.3:286–87
 - not subject to 2% AGI floor, 19.4:385
 - overseas, 12.4:287–88, 36.2:583
 - record-keeping, 708
 - reimbursements for, 35, 12.8:290, 36.2:583
 - tax form to file, 7
 - 39-week employee test, 12.5:288–89, 12.7:289
- Multiple homes, avoiding tax on sale of principal residence**, 29.1:490
- Multiple support agreements**, 21.6:429–30
- community property rules and, 1.6:14–15
 - medical expense deductions and, 17.7:351
- Multi-unit residence, reporting rents from**, 9.4:224
- Municipal bond funds**, 4.12:78–80, 30.12:517
- Musical composition expenses paid or incurred, amortizing**, 42.20:667
- Mutual funds**. *See* Chapter 32 (536–44). *See also* **Money market mutual funds**
- alternative to index funds, 32.1:537
 - basis methods, comparison of, 32.11:542–43
 - basis of shares, 5.16:113–15, 5.19:119, 32.10:541
 - capital gain distributions from, 5.3:100–102, 32.8:540
 - capital or ordinary gains and loss from sale of, 5.2:100
 - distributions, reporting, 4.1:73–74
 - distributions, types of, 32.4:538, 32.8:540
 - expenses, 32.6:539
 - foreign tax credit or deduction, 32.7:539
 - gain or loss, figuring, 32.10:541–42
 - gift, shares received as, 32.10:542
 - holding period of, 32.9:541
 - identifying shares when selling, 32.9:541
 - load charges, 32.10:541
 - overview, 32.1:537
 - record-keeping, 46.1:700
 - redemptions and exchanges of fund shares, 32.9:541
 - reinvested distributions, recordkeeping, 46.1:700
 - reinvestment plans, 32.3:538
 - reporting distributions, 32.4:538, 32.8:539–40
 - tax credits from, 32.7:539
 - tax-exempt securities, 15.11:331, 32.5:538–39
 - timing investment in, 32.2:537
- "M" visa**, 1.18:27
- N**
- NAICS (North American Industry Classification System)**, 6.2:136
- Nanny tax, employment taxes**, 38.1:599, 38.2:599–600, 38.3:600–602, 38.4:602
- National Guard members**, 12.2:285, 35.1:574, 35.8:579
- National Health Service Corps Scholarship Program**, 3.7:61
- National Oceanic and Atmosphere Administration**, 2.14:45
- Nephews and nieces, relationship test for claiming an exemption**, 21.4:424
- Net investment income**, 15.10:330, 24.2:451–52
- Net operating loss (NOL)**, 782
- alternative minimum tax and, 23.1:443, 23.4:447
 - carryback of losses, 40.18:635–36, 40.19:636, 40.21:637–38
 - carry forward of losses, 40.19:636, 40.22:638
 - figuring for refund of prior taxes, 40.18:635–36, 40.19:636, 40.20:636–37, 40.21:637–38, 40.22:638
 - key to reporting income and loss, 617
 - passive activity limitation and, 10.2:240–42, 40.18:636
 - recapture of, 44.8:686
 - reporting, 40.20:637
 - self-employment income and, 45.1:689
- New business**
- courses, not deductible, 33.16:558–60
 - expenses, looking for a, 40.11:626–29
- New York Liberty Zone property**, 18.3:364, 18.19:376–77, 18.22:378, 42.15:664
- deferring game by replacing property, 18.19:376–77
 - FEMA disaster mitigation grants not taxable, 18.3:364
 - time period for buying replacement property, 18.22:378
- Night school**, 21.3:424
- 90-day letter**. *See* Notice of deficiency
- No-load funds**, 32.1:537. *See also* **Mutual funds**
- Nominee distributions**
- of dividends, 4.9:77–78
 - joint accounts, 4.1:73
 - original issue discount (OID) reporting, 4.19:84–85
- Nonaccountable plans, reimbursements under**, 20.34:420
- Nonaccrual experience method (NAE) for deferring service income**, 40.3:620
- Nongift term loans**, 4.31:95
- Nonpassive income and losses rules**, 10.8:248–50
- Nonperiodic distributions**, 7.8:156–58, 26.10:477, 782
- Nonprofit organizations that qualify for deductible donations**, 14.1:300–301
- Non-publicly offered mutual funds**, 32.6:539, 32.8:540. *See* **Mutual funds**
- Nonqualified deferred compensation plans**, 2.7:39–41
- Nonqualified plan distributions, key to Form W-2**, 34
- Nonqualified stock options**, 2.16:47–48
- Nonrecourse financing**, 10.18:259–60, 782
- Nonresident, unable to deduct if**, 13.1:293–94
- Nonresident aliens**
- alimony to, 594
 - dual status, 1.16:26–27
 - earned income credit and, 25.10:463–64
 - income, taxation and, 1.16:26–27
 - individual taxpayer I.D. number for, 21.1:422
 - proof of eligibility as employee, 38.1:599
 - self-employment tax rules, 45.6:695
 - Social Security benefits received by, 34.2:564, 34.7:568
 - spouse
 - exemption for, 21.2:423
 - filing jointly with, 1.5:14
 - head of household status of, 1.12:22–23
- Nonresidential real property**, 31.8:529, 633, 42.13:662–63
- pre-1936 buildings, 31.8:529
- Nonstatutory stock option exercised**, 35, 2.16:47–48
- North American Industry Classification System (NAICS)**, 6.2:136
- Northern Mariana Islands, earnings in**, 34.12:571, 36.5:585, 36.9:588, 45.6:695
- Notes, employer's, as payment**, 2.3:37–38. *See also* **Treasury bills and notes**
- Notice of deficiency by IRS**, 48.7:721, 48.8:721
- NUA (net unrealized appreciation)**, 7.10:159–60
- Nurse**
- courses taken by, 33.16:558–60
 - self-employment tax rules, 45.6:695
 - services, as deductible medical expense, 17.12:355, 25.8:462
- Nursery school, dependent care credit and**, 25.8:461–62
- Nursing home**, 17.11:354–55. *See also* **Continued care facility**
- O**
- Obesity, weight-loss program for**, 17.2:343–44, 345, 346
- OCONUS federal travel rates**, 20.4:401, 20.32:418
- Offer in compromise (OIC)**, 48.9:722–23
- OID**. *See* **Original issue discount**
- Oil and gas**
- AMT and, 23.3:446
 - depletion deduction, 9.15:235
 - intangible drilling costs, 9.14:234
 - interests, reporting royalty income, 9.11:232–33
 - passive activity loss restrictions, exempt from, 9.11:232–33, 10.10:252
 - percentage depletion deduction, 9.16:235–36
 - recovery credit, 40.26:639
 - wells, working interests in, 10.10:252
- 183-day substantial presence test for resident aliens**, 1.18:27–29
- Open-end mutual funds**, 32.1:537. *See also* **Mutual funds**
- Optional method, to increase Social Security coverage base**, 45.5:692–93
- Options**, 30.11:515–16, 31.6:527–28
- Oral sales-repurchase agreement, wash sale rule**, 30.6:510
- Ordinary income**, 782
- assignment of future lottery payments, 11.2:264
 - and conversion transactions, 30.10:514–15
- Ordinary dividends**, 32.4:538, 32.8:540. *See* **Mutual funds**
- Organizations**
- in the 50% limit category, 14.17:317–20

NOTE: References are to section numbers in Parts 1–8, followed by page numbers in boldface.

- nondeductible contributions to, 14.2:301–2
 nonprofit organizations that qualify for deductible donations, 14.1:300–301
 qualifying for deductible charitable donations, 14.1:300–301
- Original issue discount (OID)**, 4.12:79, 4.14:80, 4.18:83–84, 4.20:85–86, 4.21:87, 4.22:87–88, 4.26:90, 15.14:334, 782
 interest income, 4.14:80
 discount on bonds, 4.18:83–84
 nongovernmental obligations and, 4.21:87
REMICs, 4.19:84–85
 reporting on return, 4.19:84–85
 sale or retirement of bonds with, 4.23:88
 stripped bonds or coupons, 4.19:84, 4.22:87–88
 tax-exempt bonds and obligations, 4.26:90
- Orphan drug credit**, 40.26:639
- Out-the-money call option**, 516
- Overnight-sleep test**, 20.3:398
- Overseas employment, as tax-saving opportunity**, 28.1:486
- Overtime, meal costs during**, 3.10:64, 20.3:398
- Ownership and use tests of residence, meeting**, 29.2:491–93
- P**
- Parents, AMT rules for personal exemptions**, 23.2:444–46. *See also* Adopted children; Children; Relatives; Stepchildren
- Parking, employer-provided**, 3.8:63
- Parsonage allowances**, 3.13:67–68, 12.1:284
- Partner / Partnership, 782**
 abandoning a partnership interest, 31.11:532
 at risk rules, 10.17:258–59, 10.18:259–60, 10.19:260–61, 11.12:275
 debts, 11.8:272
 disallowing exclusion of value of meals and lodging, 3.12:65–67
 distributions of property to a partner, 11.10:274, 44.5:685
 dividends from, 4.3:75
 domestic production activities deduction, 40.25:639
 exchanges of partnership interests, 6.1:135
 final return of decedent, 1.14:24–26
 first-year expensing depreciation deduction, 42.3:654
 fiscal year restrictions, 11.11:275, 40.4:620
 form of doing business, 40.1:616
 401(k) plan treatment, 7.17:165–66
 gain or loss from disposition of interest, 10.16:257–58
 interests, disposition of, 10.16:258
 involuntary conversions, electing to defer tax on gain in, 18.21:378
 limited, 10.11:253
 net operating loss, 40.19:636
 organizational costs, 40.11:626–29
 passive activity rules, 10.5:244–46, 10.11:253, 11.12:275
 profit and loss, reporting, 11.10:273–75
 profits from foreign earned income, 36.2:582
 property of, holding period for, 5.12:111
 rental real estate held by, 10.3:244
 sale of partnership interests, 11.11:275, 11.12:275
 self-employment tax and, 45.2:690
- Schedule K-1, IRS matching program for, 11.9:273
 78-week test for, 12.6:289, 12.7:289
 special allocations disproportionate to capital contributions, 11.10:274
 straddles, tax rules for, 30.9:513–14
 unified tax audits of, 11.13:275–76
 wages for the W-2 limit, 40.25:639
- Part-time employees, not covered by employer Keogh Plan**, 41.2:642–43
- Part-year employees, avoiding over-withholding**, 26.4:474
- Passenger cars, annual ceilings on depreciation**, 43.4:672–73
- Passive activity. See Chapter 10 (237–62)**
 alternative minimum tax and, 23.1:443, 23.2:446
 equity-financed lending activity, 10.9:251
 incidental rental of property by development activity, 10.9:251
 income or loss, alternative minimum tax and, 23.1:443, 23.2:444–46
 insubstantial depreciable basis, rental of property with, 10.9:252
 installment sale of interest, 10.13:255–56
 interest and investment interest, 15.10:330
 interest expenses attributable to, 10.8:248–50
 loss disallowance rule, 10.21:262
 loss restrictions, 9.11:232–33, 40.2:616, 46.1:700
 loss rules, 782–83
 at-risk rules, effect of, 10.17:258–59
 rental activities, 10.1:238–40
 losses, debts cancelled in bankruptcy, 11.8:271
 material participation, 10.4:244, 10.6:246–47
 net operating losses and, 40.18:635–36
 partnership rules, 10.11:253
 personal service and closely held corporations, 10.15:256–57
 portfolio income and, 10.8:248
 recharacterization, 10.9:250–52
 rental activities subject to rules, 10.1:238–40
 rental loss allowance of up to \$25,000, 10.2:240–42
 restrictions. *See* Chapter 10 (237–62)
 sales of property and, 10.8:249, 10.16:257–58
 suspended losses allowed on disposition of interest, 10.13:254
 suspended tax credits, 10.14:256
 tax credits of, 10.7:248
 to unrelated party, loss on sale of interest in, 10.8:248–50, 10.13:254–56
 working oil and gas interest, 9.11:232–33
- Patents. See also Intangible assets; Royalty income and deductions**
 amortizing, 42.18:665
 depreciation of costs over life of, 9.13:233
 donating to charity, 14.6:308
- Patronage dividend**, 783
- Peace Corps volunteers, subsistence allowances for**, 3.12:67
- Penalty for**
 early distribution, reporting, 7.15:163–64
 failure to report tips, 26.7:475–76
 fraud, 48.6:720
 frivolous suit against the IRS, 48.8:721, 48.11:724
 inaccurate returns, 48.6:719–20
 IRAs (individual retirement accounts) for excess contributions, 8.7:191
 garnished, 8.8:193
 withdrawing, 8.12:197–99
 late filing of return, 46.9:705
 late payments of taxes, 46.9:705
 medical-related exceptions, 8.12:197–98
 negligence or disregard of IRS rules, 48.6:720
 premature fund withdrawals, forfeiture of interest on, 4.16:81
 premature withdrawals from deferred annuities, 7.23:175
 retirement plan distributions
 distributions before age 59½, 7.7:156, 7.15:163–64
 exceptions to the penalty, 7.15:163–64
 when retirement benefits must begin, 7.13:162, 8.13:200–201
 Section 409A rules, 2.7:39–41, 2.10:42, 2.15:45, 2.16:47
 SIMPLE IRAs, 8.18:211–12
 strike pay, 2.6:39
 withholdings that do not cover estimated tax, 26.1:473
 wrong advice from IRS, 48.6:720
- Pension**
 age for required minimum distributions, 7.13:162
 distributions to employees, 40.5:621
 record-keeping, 706
 repayment, deducting, 7.26:177
 taxable, 2.13:43–44
- Pension Benefit Guaranty Corporation (PBGC)**, 25.18:468
- Pension Protection Act of 2006**, 7.8:158, 7.15:163, 7.17:166, 41.7:646–47
- Percentage method of accounting**, 34.10:569–70
- Percentage depletion**, 9.15:234–35, 9.16:235–36, 783
- Per diem payments by qualified long-term-care policy**, 17.15:358
- Per diem travel allowance under accountable plans**, 34, 20.32:418–19
- Performing artists**
 deductions from gross income, 12.1:284, 12.2:285, 19.4:385
 material participation tests for, 10.6:246–47
- Permanent physical injuries, tax-free payments for**, 3.3:57–58
- Permanent job in area not your residence, travel and entertainment deductions for**, 399
- Persecution, restitution payments because of**, 11.7:270–71
- Personal exemptions. See Chapter 21 (421–33)**
 subject to AMT, 23.1:443
- Personal injury**
 deducting legal fees for recovered taxable damages, 19.17:394–95
 settlements or awards, medical expense deductions and, 17.4:347
- Personal property**
 sales of, 29.7:498–501, 29.9:502–3. *See* Chapter 44 (682–87)
 tangible, donating, 14.6:305–8
- Personal residence**
 buying, as tax-saving idea, 28.1:486
 incapacitated homeowner, 29.2:493
 rental of, 10.1:239, 29.9:502–3
 sale of, 5.3:101, 29.8:501, 29.9:502–3
 transfer taxes, 16.2:337

NOTE: References are to section numbers in Parts 1–8, followed by page numbers in boldface.

- Personal service activity, material participation tests for, 10.6:246–47
- Personal service corporation, 9.12:233, 10.15:256–57
fiscal year restrictions, 11.11:275, 40.4:620
- Personal use
and rental days, counting, 9.8:228–29
and rental of residential unit, 9.7:226–27
- Phaseout
of child tax credit, 25.2:456–57
of education credits, 33.10:552–53
limits to Roth IRA, 8.20:212–14
of personal exemptions, 21.12:432–33, 28.3:488
of rental real estate loss allowance, 10.2:240–42
of required reduction of itemized deductions, 13.7:295–98
- Photographers, production costs of, 9.12:233
- Physicians
assignment of fees by, 2.1:36
courses taken by, 33.16:558–60
malpractice insurance, 40.7:625
- Pledging installment obligation as security, 5.22:124
- Points on home mortgage loans, 292,
15.14:334, 709, 783
principal residence, 15.8:328–29
refinancing, points paid on, 15.7:327–28
seller-paid, 29.5:497
- Political campaign/action committees, nondeductible contributions to, 14.2:301
- Politician, job expenses, 19.9:388
- Pooled income fund, 14.14:315
- Portfolio income, 10.8:248
- Postponing itemized expenses, 13.6:297
- Power of attorney for tax return issues, 48.3:718
- Preexisting conditions, employer health and accident plans, 3.1:52
- Preferred stock
dividends on, 4.2:74–75
stripped, 4.22:87–88
- Pregnant women, health plans for, 3.1:52
- Premature distributions, 7.15:163–64,
8.12:197–99, 783
- Premature fund withdrawals, forfeiture of interest on, 4.16:81
- Premiums of medical care policies, deductibility of, 17.5:349, 17.15:358
- Prepaid interest on loan used for investment or business purposes, 15.14:334
- Prepaying or postponing itemized expenses, 13.6:297
- Prepayment penalty, mortgage, 15.6:326
- Prescription drugs, deductibility of, 17.2:343, 345
- Price adjustments on property bought on credit, 11.8:273
- Primary business purpose, proving, 20.10:405–6
- Principal of elementary and secondary school. *See* Educator expenses
- Principal place of business test, 19.13:390–91, 20.7:403, 40.12:630
- Principal residence, 783. *See* Chapter 29 (489–503). *See also* Home; Mortgage
avoiding tax on sale of, 29.1:490–91
damaged, insurance proceeds from, 18.3:363–65
determination of, 29.1:490
repossession and resale of, 31.12:532–34
sale of, reduced maximum exclusion, 29.4:494–96
selling your home at a loss, 29.8:501, 29.9:502–3,
29.10:503
used for business purposes, 18.14:374, 18.17:375–76
- Private activity bonds, 4.24:89, 4.25:89, alternative minimum tax and, 23.1:443, 23.3:446
- Private foundations for tax-free educational grants to employees' children, 2.11:42–43
- Probate estate, 39.7:607, 783
- Product Classes "like" class, 6.2:136
- Production, domestic, activities, 12.1:284, 12.2:286,
40.23:638, 40.24:638, 40.25:639, 708
- Product testing, as working condition fringe benefit, 3.9:63
- Professional association dues, as fringe benefit, 3.9:63
- Professionals. *See also* Self-employed income
(or loss) from business or profession
deductions for, 40.7:625–26
- Profit motive, lacking, rentals,
9.10:231–32, 40.10:627–28
- Profit-sharing plan, 783
active participation in employer plan, 8.5:189–90
disability payments from, 3.3:58
Keogh plan, 41.2:642–43
- Promissory notes, 15.13:333–34
- Property. *See also* Business property; Interests (paid or owed); Land; Real Estate; Real estate taxes; Residence
appreciated, gifts of, 39.1:604
basis of, 5.17:115–17, 39.2:605
buyer's personal-use, 4.32:96
capital or ordinary gains and loss from sale of,
5.2:100
casualty loss deduction, 18.4:365
deducting expenses incurred in
managing, 19.15:392
depreciable, installment sale of, 44.6:685
depreciation deductions for, 42.10:660–61
dividends paid in, 4.7:76
donations. *See* Property donations
exchanges of, recapture of depreciation, 44.1:683,
44.2:683–84
exchanging without tax, 31.3:526–27
foreclosure, 16.7:341
improvements to, 42.13:662–63, 42.16:664
installment sale of interest, 10.13:255–56,
10.16:257
intangible, licensing of, 10.9:252
MACRS of, 42.4:655–56
multiple, exchanges of, 6.2:137
passive activity rules, 10.8:248–50, 10.9:250–52,
10.16:257–58
purchased on credit, price adjustments on,
11.8:273
reporting sales and exchanges of, 5.2:99–100
sale of, 18.19:376–77, 28.2:487, 31.6:527–28,
44.9:686–87. *See also* Property sales
rollover of proceeds from, 7.9:159
of vulnerable property under a hazard mitigation
program, 18.19:377
self-rental, 10.9:251
selling home at a loss, 29.8:501, 29.9:502–3,
29.10:503
stolen, recovered, 18.9:368
tax, who may deduct, 16.4:338
transfer of. *See* Property transfer
two-year resale rule for, 5.24:124–25
unadjusted basis of, 5.16:113–15
used in a business, 44.8:685–86
- Property donations
art objects, 14.9:310–12
fair market value of, 14.6:305–8
figuring value, 14.6:305
interests in real estate, 14.10:312–13
mortgaged property, 14.6:308
record-keeping, 709
through trusts, 14.14:314–15
- Property losses, floors for personal-use, 18.12:370
- Property sales. *See* Chapter 5 (98–133)
<2>capital gains and losses, figuring, 5.1:99,
5.2:99–100, 5.3:100–102, 5.4:103, 5.5:103,
5.6:103–4, 5.7:105, 5.8:106–9
installment sales, 5.21:120–21, 5.22:121–24,
5.23:124, 5.24:124–25, 5.25:125–26, 5.26:126,
5.27:127, 5.28:127–28, 5.29:129, 5.30:129–30,
5.31:130
profit or loss, figuring, 5.13:112, 5.14:113, 5.15:113,
5.16:113–15, 5.17:115–17, 5.18:117–19,
5.19:119, 5.20:119–20
tax pattern of, 5.1:99
worthless securities, 5.32:130–31, 5.33:131–32,
5.34:132–33
- Property transfer. *See also* Estate tax
between spouses and ex-spouses, 6.7:142–44
estate tax freeze advisory, 39.13:611
to former spouse, as alimony, 37.1:592, 594
tax-free exchange, when MACRS is not allowed,
42.17:665
- Provisional income, 34.3:564–65, 783
- Psychiatrist, courses taken by, 33.16:558–60
- Public Health Service, disability pensions from, 2.14:45
- Publicly offered mutual funds,
32.6:539. *See* Mutual funds
- Publicly traded partnerships, 10.2:240–42. *See* Form 8582
- Public safety employees separated from service, as exception to early distribution penalty, 7.15:163–64
- Puerto Rico
earnings in, 25.16:467, 34.12:571, 36.10:588,
45.6:695
travel in, 20.4:401, 20.14:409
- Punitive damages, 11.7:270
- Puts, 30.5:509, 30.6:510, 30.11:515–16

Q

- Qualified charitable organization, 14.1:300–301, 783
- Qualified covered call option, straddle
losses and, 30.9:513–14
- Qualified dividends, 1.2:11, 4.2:74–75,
5.3:100–102, 32.4:538, 32.8:540,
42.16:664, 783. *See also* Mutual funds
tax rate on, xxx, 1.2:11, 4.2:74–75, 5.3:100
- Qualified Dividends and Capital Gain Tax Worksheet, 4.2:74, 5.1:99, 5.2:99–100, 5.3:100,
5.8:106, 109. *See also* Schedule D
- Qualified domestic relations order (QDRO), 783
distributions of retirement benefits under, 7.11:160–61,
7.12:161–62
rollover of distribution received under, 7.8:156–58,
7.15:163–64
transfer to IRA, 8.11:196–97
- Qualified plans, 783
payments, 7.13:162
post-death distribution rules, 8.14:204–9

NOTE: References are to section numbers in Parts 1–8, followed by page numbers in boldface.

- restriction to student loan interest deduction, 33.14:556–58
- SIMPLE IRA employer contributions, 8.17:210–11, 8.18:211–12
- tax-free rollovers from, 7.8:156–58, 26.10:477
- Qualified Exchange Accommodation Arrangements (QEAs) for Reverse Exchanges**, 6.4:139, 6.5:141
- Qualified higher education expenses.**
See Education Tax Benefits
- Qualified joint and survivor annuity (QJSA)**, 7.11:160–61
- Qualified mortgage insurance premiums**, 709
- Qualified Pre-retirement Survivor Annuity (QPSA)**, 7.11:160–61
- Qualified production activities income (QPAI)**, 40.25:639
- Qualified reservist**, 7.15:163, 8.2:184
- Qualified retirement plans.** *See also* Retirement plans company, tax-favored retirement plan, 148 lump-sum distributions from, 11.16:277–78 Section 409A, exclusion from, 2.7:39–40
- Qualified terminable interest property (QTIP)**, 39.12:610
- Qualified Tuition Program (QTP) (Section 529 Plans)**, 783
- education tax credits, effect on, 33.4:546–47, 33.5:548, 33.6:548–50, 33.7:550–51, 33.11:553–54, 33.12:554–55
- student loan interest deduction, 33.14:556–58
- Qualifying children**
- as dependent, 1.12:22–23, 13.3:294
- for dependent care credit, 25.7:460–61
- as personal exemptions, 21.1:422, 21.3:423–24
- Qualifying domestic trust (QDOT)**, 39.12:610–11
- Qualifying relatives**
- as dependent, 1.12:22–23, 13.3:294
- for dependent care credit, 25.7:460–61
- as exemptions, 21.1:422, 21.4:424–26
- Qualifying widow(er)**, 783
- AMT exemptions for 2007, 23.1:443
- claiming dependents, 1.11:22, 13.5:295–97
- determining, 1.1:10; 1.3:11–13
- excess adjusted gross income, 34.9:568–69
- filing as, 1.1:10, 1.2:10–11, 1.3:11–13
- Form W-4, 26.5:475
- head of household status, 1.12:22–23, 13.4:295
- phaseout of child tax credit, 25.2:457
- spouse's death in 2006 or 2005, or before 2005, 1.11:22
- standard deduction for dependents with earned income of \$550 or less, 13.5:295–97
- standard deduction for figuring recoveries of itemized deductions, 11.5:267
- standard deduction if 65 or older or blind, 13.4:295
- "Q" visa, 1.18:28
- R**
- Rabbi, housing allowance for**, 3.13:67
- Rabbi trusts**, 2.7:40–41
- Racehorses, MACRS recovery period for**, 42.4:655
- Raffle tickets**, 14.3:302–3
- Railroad travel as business trip deduction**, 20.5:401–2
- Railroad retirement benefits**, 10.2:240–42, 34.2:563, 34.9:568
- subject to tax, 2.13:43–44, 34.2:563
- withholding, 26.6:475, 26.9:476–77
- Ransom, kidnapping**, 18.9:368
- Ratable accrual method**, 4.20:85–86
- Real estate.** *See also* Home; Land; Real estate taxes; Real property
- ACRS rates for, 42.11:661, 42.15:664, 42.16:664
- allowance for tax credits, 10.2:240–42
- appreciated, charitable contribution of, 14.17:317–20
- at risk, financing for, 10.18:259–60
- business real estate debts, 11.8:273
- capital gains (or losses), 5.11:111, 5.13:112, 5.14:113, 5.16:113–15, 5.17:115–17, 5.18:117–19, 5.19:119, 5.20:119–20
- certified historic structure, 31.8:529
- debts, 11.8:271–73
- deducting accountant's fee for arranging purchase of, 19.16:393
- deducting taxes, 16.4:338
- depreciation of, placed in service after 1980 and before 1987, 42.16:664
- foreclosure, 31.9:529–31, 31.14:534–35
- Gulf Opportunity Zone, special tax credits for, 31.8:529
- investments in, 31.1:524–25, 31.2:525–26, 31.3:526–27, 31.4:527, 31.5:527, 31.6:527–28, 31.7:528–29, 31.8:529
- investors, tax savings for. *See* Chapter 31 (523–35)
- leasehold improvements, 42.15:664
- low-income housing, 31.8:529, 40.26:639
- MACRS for property placed in service after 1986, 42.13:662–63
- pre-1936 buildings, 31.8:529
- rehabilitation of, 31.8:529, 42.14:664
- rental activities, 10.3:242–44, 45.1:689
- repossession after buyer's default on mortgage, 31.12:532–34
- restructuring mortgage debt, 31.10:531
- sale of, depreciation recaptured on ordinary income on, 44.2:683–84
- sale of, record-keeping, 706
- sale of, timing of, 31.4:527
- selling rented residence, 9.5:226
- subdivided land sales, 31.2:525–26
- tax credits, 10.7:248, 31.8:529
- taxes, allocating to rental days, 9.9:229–31
- taxes, deducting, 16.4:338
- tax-free exchanges, 31.3:526–27
- of foreign real estate, 6.1:136
- tax reporting for year-end sales of, 5.10:110–11
- transferring mortgaged realty, 31.15:535
- unrecaptured Section 1250 gain on, 5.3:102, 29.7:498–501
- Real estate agents, self-employment tax rules**, 45.6:695
- Real estate investment trust (REIT)**, 783
- dividends paid by, 4.1:73, 4.2:74–75, 4.4:75
- investing in, 31.1:524
- property sales, tax pattern of, 5.1:99
- undistributed capital gains from, 32.7:539
- Real estate investor**, 45.1:689. *See also* Chapter 31 (523–35)
- Real estate mortgage investment company (REMIC)**, 4.19:84–85, 31.1:524–25
- Real estate professional**, 10.1:238–40, 10.2:240–42, 10.3:242–44, 783
- Real estate taxes**
- allocating, when you sell or buy realty, 16.7:339–41
- co-tenant's deduction for, 9.2:222
- deducting, 16.4:338
- foreign, 16.10:341
- tax form to file, 7
- who may deduct, 16.4:338
- Real property**, 42.16:664, 783
- nonresidential, 633, 42.13:662–63
- real estate, ordinary income recapture on, 44.2:683–84
- real property year, 16.7:339
- residential rental property, 42.13:662–63
- taxes, who may deduct, 16.4:338
- timing sales of, 5.29:129, 31.4:527
- Rebates of insurance agent's commission**, 2.4:38
- Recapture**
- deductions subject to, 42.10:661
- of depreciation on real estate, 11.8:271, 44.2:683–84, 44.10:687
- of education tax credit, 33.7:551
- of expensing deduction, 42.3:655
- of first-year expensing, 44.3:684
- of losses where at risk is less than zero, 10.22:262
- of mortgage subsidy, 25.19:468
- of rehabilitated real estate, 31.8:529
- rules of alimony, 37.7:596–97
- on sale of ACRS property, 44.1:683
- of tuition and fees deduction, 33.13:555–56
- Receipts, as record of expense**, 14.15:315–17, 20.27:415–16
- Recharacterization**
- between traditional IRA and Roth IRA, 8.22:215–17
- of passive income as nonpassive, 10.9:250–52
- reconverting to Roth IRA, 8.22:215–17
- Recognized gain or loss**, 6.1:135–36, 783
- Record-keeping**
- administrative activity in home office, 40.12:629–30
- automobile expenses, 43.1:669–70, 43.11:680
- business trip deductions, 20.5:401–2, 20.26:414, 20.27:415–16, 20.28:416, 20.29:416
- charitable contributions, 14.15:315–17
- convention business travel, 20.12:407–8
- deductible losses, 5.20:119–20, 18.15:374
- deductions, 708–10
- home records, 29.6:498
- inadequate, excuses for, 20.27:415–16
- income, 706–7
- loss carryovers, 5.4:103
- mutual fund redeemed shares, 32.10:541, 32.11:543
- property sale, 528
- Section 1244 stock, 30.13:517–18
- tax credits, 710
- theft losses, 709
- travel and entertainment, 20.26:414, 20.27:415–16, 20.28:416, 20.29:416
- Recovered deductions and tax credits**, 11.6:268–69
- Recovery property**, 42.11:661, 42.16:664, 783
- Red Cross personnel**, 35.4:575–77, 35.5:577
- Redemptions, interest on bonds and**, 4.15:80–81
- Refinanced mortgage loans**
- interest on, 15.7:327–28
- points paid on, 15.8:329

NOTE: References are to section numbers in Parts 1–8, followed by page numbers in boldface.

- Reforestation amortization, 12.1:284, 12.2:286
- Refund of taxes paid or withheld
 - amended to show additional tax, 47.8:714, 48.2:717
 - Armed Forces service members and, 47.2:712
 - checking refund status by phone or online, 46.4:702
 - credited to state estimated tax, 16.3:337
 - decedent's, 1.14:24–26
 - interest paid on, 47.6:713
 - options for refund, 46.4:702–3
 - refund anticipation loan, 46.6:704
 - state and local taxes deducted in prior year, 11.5:265–68
 - claims, filing, 47.1:712, 47.2:712, 47.3:712, 47.4:713, 47.5:713
 - withheld by Treasury Department's Financial Management Service, 47.7:713
- Rehabilitation property credit for pre-1936 buildings or certified historic structures, 31.8:529, 40.26:639
- Reimbursement(s)
 - of club dues, 20.30:417
 - of employee expenses, restrictive test exception, 20.23:412
 - from employer, 20.30:416–17
 - of medical expenses, 17.4:347–49
- Reimbursement plans for travel and entertainment expenses
 - accountable plans, 20.4:400–401, 20.30:416–17, 20.31:417–18
 - accounting requirements, 20.31:417–18
 - as de minimis fringe benefit, 3.10:64
 - automobile mileage allowances, 20.33:418–20
 - nonaccountable plans, 20.30:416–17, 20.34:420
 - per diem travel allowance under accountable plans, 20.32:418–19
- Reinvestment
 - in company stock, 4.5:75–76, 4.8:76–77
 - mutual funds, 32.3:538
- REIT. *See* Real estate investment trust
- Related parties
 - acquisitions from, disqualification of first-year expensing deduction, 42.3:654
 - disallowed loss on sales to, 5.6:103–4
 - exchanges between, 6.6:142
 - sale of remainder interest to, 29.1:490
 - straddle positions, 30.9:513–14
- Relationship tests for claiming as exemption, 21.3:423–24, 21.4:424–26
- Relatives. *See also* Children; Spouse
 - buying replacement from, 18.23:379–80
 - business expense owed to relative, 40.3:620
 - dependent, head of household status, 1.12:22–23
 - dependent care credit and payments to, 25.8:461
 - installment sales to, 5.24:124–25
 - qualifying relatives
 - as dependent, 1.12:23, 13.3:294
 - for dependent care credit, 25.7:460–61
 - as exemptions, 21.1:422, 21.4:424–26
 - renting residence to, 9.6:226
 - tax-free exchanges between, 6.6:142
- Religious beliefs against applying for and using Social Security numbers, 21.11:431–32
- Relocation due to disaster loss, 18.3:363
- Remarriage
 - effect on pre-1985 agreement for alimony, 594
 - exemption for spouse and, 21.2:423
- REMICS. *See* Real estate mortgage investment company
- Remote camp in foreign country, lodging in, 3.12:65
- Rental days
 - allocating expenses of a residence to, 9.9:229–31
 - counting personal use days and, 9.8:228–29
- Rental income. *See also* Leases
 - advance rentals as, 9.1:221
 - of aged parent, deduction for, 17.11:354–55
 - allocation of expenses of residence to rental days, 9.9:229–31
 - deductions from, 9.2:221–23, 19.15:392
 - depreciation of, 9.5:224–26, 42.1:652
 - expenses, 12.1:284. *See also* Chapter 9 (220–36)
 - in a foreign country, 36.2:582
 - improvements by tenants not considered, 9.1:221
 - insurance proceeds as, 9.1:221
 - lacking profit motive, 9.10:231–32
 - landlord's unit, treated as, 40.13:632
 - losses, 9.1:221
 - from multi-unit residences, 9.4:224
 - nondeductible as property tax, 16.6:339
 - passive activity restrictions on, 10.1:238–40, 10.5:244–46
 - personal use and, 9.7:226–27
 - record-keeping, 706
 - redeemable ground rents, 15.6:327
 - repairs and improvements, distinctions between, 9.3:223–24
 - reporting, 9.1:221, 9.7:226–27, 19.16:393
 - security deposits not considered, 9.1:221
 - self-employment income and, 45.1:689
 - support test for dependents and, 21.5:427
 - temporary, IRS may challenge losses claimed before sale, 9.10:231–32
 - tenants' payment of, 16.6:339
- Rental pool arrangements, 9.8:229
- Rental property
 - improvements, records for, 5.13:112
 - MACRS real estate depreciation, 663
 - MACRS recovery period for, 42.4:655–56, 42.13:662–63
 - passive activity rules, 10.9:250–52
 - profit-making purposes, 29.9:502
 - residence converted to, loss on, 29.9:502–3
 - self-employment income and, 45.1:689
 - trips to investigate prospective, 19.15:391–92
 - use of personal residence as, 29.7:498–501, 44.9:686–87
- Rental real estate loss allowance, 10.2:240–42
- Reorganizations
 - exchanging market discount bonds in, 4.20:86
 - interest on bonds and, 4.15:80–81
- Repair costs
 - for casualty losses, 18.8:367–68, 18.15:374
 - deducting on Schedule C, 40.6:624
 - as evidence of loss of value, 18.15:374
 - to home, 9.3:223–24, 29.6:498
 - measure of loss, 18.15:374
- Repayment of wages received in prior year, 2.8:41
- Replacement property
 - to fully deter tax on, 18.24:380
 - giving IRS notice of replacement, 18.22:379
 - identifying, 6.4:139–40
 - time period for buying, 18.22:378–79
 - types or qualifying, 18.23:379–80
- Repossessed home. *See also* Chapter 31 (523–35)
 - figuring gain or loss, 29.5:497
 - of personal property sold on installment, 5.29:129
 - of property, 31.12:532–34
- Reputation, professional, injury to, 11.7:270
- Required Minimum Distributions (RMDs), 7.13:162, 8.13:198–204, 8.14:204–9, 8.21:215, 8.24:218–19, 783
- Requisitioned property, as involuntary conversion qualifying for tax deferral, 18.20:377
- Research assistants, tuition reductions for, 3.7:61, 33.2:546
- Research credit, 40.26:639
- Research expenses, 23.1:443, 23.2:446, 33.17:560–61
- Reservists, 12.1:284, 12.2:285. *See also*
 - Armed Forces, members of
 - qualified reservist distribution, 7.15:163–64
 - repayment of IRA, 8.2:184
 - tax information for, 35.8:579.
- Residence. *See also* Principal residence; Property; Real estate
 - capital or ordinary gains and loss from sale of, 5.2:99–100
 - as collateral, full interest deduction, 7.16:164–65
 - deducting casualty loss, 18.2:362–63
 - disaster losses, insurance proceeds for, 18.3:364
 - domicile vs. 36.5:585
 - energy tax credit, 25.21:468–70
 - interest, 15.1:322, 15.2:323–24, 783
 - sale of, 44.9:686–87
 - your home at a loss, 29.8:501, 29.9:502–3, 29.10:503
 - sales, tax savings for. *See* Chapter 29 (489–503)
- Residency termination date, 1.18:29
- Residence test for exempting qualifying children, 21.3:423–24
- Resident alien(s)
 - commute from Mexico or Canada, 1.18:27
 - defining status as, 1.18:27–29
 - dual-status alien, unable to deduct if, 13.1:293–94
 - dual tax status, in first year of residency, 1.18:28
 - exemption for dependents who are, 21.8:431
 - expatriation tax for, 1.20:30
 - first-year choice, 1.18:29
 - income subject to taxation, 1.17:27
 - last year of residence, 1.18:29
 - leaving the U.S., 1.19:29
 - medical exception, 1.18:28
 - proof of eligibility as employee, 38.1:599
 - tax treaty exception, 1.18:28
- Residential lots, installment sales of, 5.31:130
- Residential rental property, 42.13:662–63, 783. *See also* Rental income
- Resident test, to claim exemption for dependent, 21.8:431
- Restitution payments, 11.7:270–71
- Restricted stock, 2.17:48–49
- Restrictive covenant, release of, 31.7:528–29
- Retained earnings, 4.5:75–76
- Retired persons. *See also* Annuities; Retirement benefits; Retirement plans
 - group-term life insurance premiums paid by employer, 3.4:58–59
 - IRS and material participation tests for business, 10.6:246–47
 - ministers, allowance for, 3.13:67–68

NOTE: References are to section numbers in Parts 1–8, followed by page numbers in boldface.

- Retirement and annuity income. *See* Chapter 7 (147–80)
- Retirement benefits. *See also* Retirement plans; Social Security benefits
 estate tax and, 39.8:608
 payment from partnerships, 45.2:690
 payment for release of community property interest in, 6.7:143
 self-employment income and, 45.1:689
- Retirement home/community
 payments to, 17.2:344, 17.3:347
 gifts to, 14.3:302–3
 investment in, not qualifying as principal residence, 29.1:490
- Retirement plans (retirement income)
 armed forces, penalty-free withdrawals from, 35.8:579
 deducting on Schedule C, 40.6:624
 defined benefit pension plans, 8.5:190
 defined contribution plans, 8.5:189–90
 distributions from qualified company plans. *See* Chapter 7 (147–80)
 averaging, 7.2:151, 7.4:152–54
 beneficiaries, payments received by, 7.6:154–55, 7.7:155–56, 7.8:156–58, 7.14:162
 capital gain treatment for pre-1974 participation, 7.5:154
 court-ordered distributions to former spouse, 7.12:161–62, 594
 disqualification of retirement plan, 7.3:152
 loans from company plans, 7.16:164–65
 penalty for distributions before age 59 ¹/₂, 7.15:163–64
 sale of property, rollover of proceeds from, 7.9:159
 securities distribution, 7.10:159–60
 tax-free rollover, 7.8:156–58, 7.9:159
 when retirement benefits must begin, 7.13:162
 distributions before age 70 ¹/₂, 7.15:163–64
 exceptions to the penalty, 7.15:163–64
 distributions that may not be rolled over, 7.7:156
 early distribution penalty, exceptions to, 7.15:163–64
 elective deferrals to, key to form W-2, xxvi, 34
 employer plans, active participation in, 8.5:189–90
 IRAs (individual retirement accounts for active participants in)
 active participation tests, 8.5:189–90
 rollover to an IRA, 8.10:194–96
 liability limitation, 25.3:457
 qualified employer plans, 7.8:156–58, 7.13:162, 8.14:204–9, 26.10:477, 33.14:556–58
 receiving, 7.13:162
 reporting to IRS, 40.5:621
 Roth 401(k) option, 7.20:168
 self-employed. *See* Chapter 41 (641–50)
 small employer credit for retirement plan startup costs, 40.23:638
 tax-favored, key to, 148
 withholding taxes on, 2.1:36, 26.10:477
- Retirement savings contributions credit, 23.5:447, 25.16:467, 25.17:467, 783
- Return of capital, 4.11:78, 783
- Returns. *See* Filing returns; Tax returns
- Reverse exchanges, 6.4:139, 6.5:141
- Reverse mortgage loan, 15.6:326
- Revocable trust, 39.6:607, 783
- Riot losses, 18.9:369
- Rollover, 783
 by beneficiary of deceased, 7.8:158
 direct, to Roth IRA after 2008, xxxi, 7.7:155, 7.8:156
 distributions that may not be rolled over, 7.7:156
 from employer plan, 7.8:157, 26.10:477
 governmental 457 plan to qualified plan, 7.22:170
 IRAs, 8.10:194–96
 by nonspouse beneficiary, xxvi, xxvi, 7.8:158–59, 7.14:162
 publicly traded securities to SSBIC, 5.7:105
 reporting on your tax return, 8.10:195
 60-day loan from IRA, 8.10:195
 60-day rollover, 8.10:195
 surviving spouse, 7.8:158
 tax-free, 7.7:155–56, 7.8:156–58, 7.15:163–64
 to traditional IRA, 8.10:194–96, 8.12:197–99
- ROTC educational and subsistence allowance, 35.2:574
- Roth 401(k) contributions, 7.20:168, 41.2:642
- Roth IRA
 about, xxvi, xxxi, xxxii, 148, 8.6:190–91, 8.19:212, 8.20:212–14, 8.21:214–15, 8.22:215–17, 8.23:217–18, 8.24:218–19, 783
 advantages of, 8.19:212
 as alternative to traditional IRA, 8.6:190–91
 contributing to both traditional IRA and, 8.20:213–14
 contribution based on tax-free combat pay, 8.20:213
 contribution limit, 8.2:183–84, 8.20:213
 contributions after age 70 ¹/₂, 8.19:212
 conversion from SEP or SIMPLE IRA, 8.21:214
 conversion from traditional IRA to, 7.1:149, 8.21:214–15
 credit for contributing to, 25.17:467
 deadline for contribution, 8.20:214
 direct rollover not allowed before 2008, 7.7:155, 7.8:156
 distribution for first-time home-buyer expenses, 8.23:218
 distributions after death of owner to beneficiaries, 8.24:218–19
 distributions from, 8.23:217–18
 excess contributions, 8.20:214
 five-year holding requirement for earnings to be tax-free, 8.23:217–18, 8.24:219
 investing in, as tax-free income, 28.1:486
 limit on reconversions to, 8.22:216
 limit, after 2007, 8.20:213
 loss of liquidation of, 8.23:218
 MAGI phaseout of Roth IRA contribution limit, 8.20:212–14
 penalty for excess contributions to, 8.7:191
 recharacterations and reconversions, 8.22:215–17
 retirement savings contributions credit, 25.16:467
 Roth 401(k) contributions, 7.20:168
 spousal IRA contribution, 8.3:184–86
 versus deductible IRA, 8.4:188
 withdrawals from, 8.9:193–94, 8.23:218
- Royalty income and deductions
 backup withholding, 26.11:477
 deducting tax preparation fee for reporting on Schedule E, 19.16:393
 deductions from, 19.15:392
- depreciation of costs over life of patents or copyrights, 9.13:233
 earned income, 36.2:582, 45.6:695
 examples of, 9.11:232–33
 expenses, 12.1:284. *See also* Chapter 9 (220–36)
 foreign earned income and, 36.2:582
 intangible drilling costs, 9.14:234
 oil and gas percentage depletion, 9.16:235–36
 production costs of books and creative properties, 9.12:233
 record-keeping, 707
 reporting, 9.11:232–33
- Rural Housing Administration, 15.6:326
- ## S
- Safe-deposit box rental fee, deductibility of, 19.15:391, 709
- Safe harbor
 cash-method businesses, 40.3:618–19
 domestic production activities deduction, 40.24:638
 rate, for seller-financed sales, 4.32:97
 sale of principal residence, 29.4:494–96
 tests for security arrangements, property exchanges, 6.4:140–41
- Safety achievement awards, 3.11:64, 20.25:414
- Sailing permit for aliens leaving U.S., 1.19:29
- Saint Lucia, restrictions on foreign travel to, 20.14:409
- Salary or wage income (compensation). *See also* Fringe benefits; Taxable income
 assignment of, 2.1:36
 constructive receipt rule, 2.2:37, 780
 contingent fees, 2.1:37
 deferral of, tax-favored retirement plans, key to, 148
 golden parachute payments, 35, 2.1:37
 nonqualified deferred compensation, 2.7:39–41
 property, pay received in, 2.3:37–38
 repayment of prior year wages, 2.8:41
 reporting, 2.1:36–37
 severance pay, 2.1:36
 sick pay, 34, 2.12:43
 tax form to file, 7
 year-end paychecks, 2.2:37
- Salary-reduction deferrals, limit on, 7.17:165–66, 7.18:166–67, 8.18:211–12
- Salary reduction SEPs set up before 1997, 8.15:209, 8.16:209–10
- Sales. *See also* Capital gain (or loss)
 seller-financed, 4.30:94, 4.32:96–97
- Salespersons. *See also* Self-employed persons; Statutory employees
 demonstration cars used by, 3.8:62
 prize points, taxable income on, 2.3:38
 self-employment tax rules, 45.6:695
- Sales tax
 state, local, and general, 16.3:337
 for vehicles, 43.2:671
- Salvation Army, deductible contributions to, 14.1:300
- SAM (shared appreciation mortgage), 15.6:326
- Samoa, earnings from, 36.5:585, 36.9:588
- Saving bond plans, 30.14:518–19
- Savings certificates. *See also* Certificates of deposit
 forfeiture of interest on premature withdrawals, 4.16:81
- Saving notes (Freedom Shares), 4.28:92, 30.14:519
- Schedule 1, 4.12:78, 4.13:80, 4.24:89

NOTE: References are to section numbers in Parts 1–8, followed by page numbers in boldface.

- Schedule 2 (Child and Dependent Care Expenses for Form 1040A Filers), 25.4:458 sample form, 725
- Schedule A (Itemized Deductions), 2.4:38, 2.8:41, 3.3:58, 3.8:62, 4.17:83, 8.8:192, 8.9:194, 9.4:224, 9.9:230, 11.2:264, 11.7:270, 11.10:274, 11.14:276, 11.17:278, 13.2:294, 13.7:298, 15.1:322, 15.6:326, 15.10:329–30, 16.1:336, 16.3:337, 16.4:338, 17.1:343, 17.5:349, 17.14:357, 19.2:384, 20.4:401, 20.31:417–18, 32.6:539, 32.8:540, 33.15:558, 40.7:625, 40.10:627–28, 40.15:633–34, 43.4:672–73, 708, 709. *See also* Adjusted gross income, 2% floor sample form, 729
- Schedule B (Interest and Ordinary Dividends), 4.1:73, 4.9:77, 4.12:79, 4.13:80, 4.24:89, 11.14:276, 11.15:277, 32.8:540 sample form, 74, 730
- Schedule C (Profit or Loss From Business), 2.1:37, 3.13:68, 5.21:121, 5.31:130, 5.33:131–32, 9.11:232–33, 11.7:270, 16.1:336, 16.9:341, 17.14:357, 18.13:372, 19.16:393, 19.17:394, 19.18:395, 20.4:401, 20.28:416, 25.11:464–65, 30.16:520–21, 30.17:521–22, 33.15:558, 40.2:616, 617, 40.3:618–20, 40.6:621–25, 40.7:625–26, 40.8:626–27, 40.9:627, 40.10:627–28, 40.11:626–29, 40.13:631, 40.15:633–34, 41.4:643–46, 42.2:653, 43.4:672–73, 45.1:689, 706, 48.1:716 sample form, 623, 731
- Schedule C-EZ, 20.28:416, 617, 40.3:618–20, 40.6:621, 706
- Schedule D (Capital Gains and Losses), 4.1:73, 4.2:74–75, 4.23:88, 5.1:99, 5.2:99, 5.3:100–102, 5.4:103, 5.5:103, 5.7:105, 5.8:106–9, 5.12:111, 5.13:112, 5.32:130–31, 5.33:132, 5.34:132, 7.5:154, 10.12:253–54, 11.10:274, 11.14:276, 11.15:277, 16.1:336, 16.2:337, 22.4:439–40, 29.7:498–501, 29.8:501, 30.9:514, 30.16:520–21, 30.17:521–22, 31.10:531, 32.5:538–39, 32.8:539–40, 40.15:633–34, 44.8:686, 706 sample form, 107–8, 733
- Schedule E (Supplemental Income and Loss), 9.4:224, 9.9:229, 9.11:232–33, 10.12:253–54, 11.10:274, 11.14:276, 11.15:277, 15.10:330, 19.16:393, 42.2:653, 45.1:689, 706 sample form, 737
- Schedule EIC, 25.10:463–64, 710
- Schedule F (Profit or Loss From Farming), 10.12:253–54, 19.16:393, 617, 41.4:646, 48.1:716
- Schedule H (Household Employment Taxes), 38.2:599, 38.3:600–602, 38.4:602 sample form, 38.3:601
- Schedule J, 22.6:440
- Schedule K-1, 5.3:102, 10.11:253, 11.9:273, 11.10:274, 11.14:276–77, 11.15:277, 15.10:330, 442, 707
- Schedule Q, 31.1:525
- Schedule R, 34.7:568, 39.2:604
- Schedule SE (Self-Employment Tax), 2.1:37, 45.1:689, 690, 45.3:691 sample form, 737
- Scholarships, fellowships, and grants about, 33.1:546 Fulbright grant, 33.3:546, 36.12:589 funds, nondeductible contributions for, 14.2:301 not a support item, 21.5:428 tax-free, 12.1:284
- Schools. *See also* Education costs; Students; Tuition plans for mentally or physically handicapped, 17.10:353–54
- School supplies. *See* Educator expenses
- S corporation, 783–84 capital gains (or losses), 5.32:131 classifying business activities, 10.5:244–46 commuter parking benefits, 3.8:63 debts, 11.8:272, 11.14:276–77 dividends from, 4.3:75 domestic production activities deduction, 40.25:639 first-year expensing deduction, 42.3:655 fiscal year restrictions, 11.11:275, 40.4:620 gain or loss from disposition of interest, 10.16:257–58 health insurance premiums, 11.14:276–77, 40.6:622 interests, disposition of, 10.16:258 net operating loss, 40.19:636 record-keeping, 707 rental real estate held by, 10.3:244 Schedule K-1, IRS matching program for, 11.9:273 stockholder, AMT rule for, 442 stockholder reporting of income and loss, 11.14:276–77 straddles, tax rules for, 30.9:513–14 wages for the W-2 limit, 40.25:639
- Seasonal employees, not covered by employer Keogh Plan, 41.2:642–43
- Second home, 15.8:329, 29.8:501
- Section 83(b), 2.7:40, 2.17:48–49
- Section 179 deductions, 784. *See* First-year expenses
- Section 197 amortization of intangibles, 42.18:665–66
- Section 409A rules, 35, 2.7:39–41, 2.10:42, 2.15:45, 2.16:47
- Section 460, 40.3:620
- Section 457 plans, 35, 2.7:40, 7.13:162, 7.14:162, 7.22:170, 25.17:467, 784
- Section 483 transactions, 4.32:96–97
- Section 529 plans. *See* Qualified Tuition Programs
- Section 877, 1.20:30
- Section 877(a)(1), 29.1:490
- Section 1035, 6.12:146
- Section 1041, 6.7:144
- Section 1231 property, 31.5:527, 31.6:528, 44.8:685–86, 784
- Section 1237 capital gain opportunity, 31.2:525
- Section 1239, 42.18:666
- Section 1244 stock, 5.2:99, 5.32:131, 30.13:517–18, 40.19:636
- Section 1245, 42.18:666
- Section 1250 gain, unrecaptured, 5.1:99, 5.3:102, 5.8:106, 29.7:500, 44.2:683–84
- Section 1256, 30.8:513, 30.9:514
- Section 1274 transactions, 4.32:96–97
- Section 1341 credit, 2.8:41
- Sector funds, 32.1:537. *See also* Mutual funds
- Security(ies). *See also* Bonds; Stock; specific types of securities allocation of basis, 5.19:119 appreciated, charitable contribution of, 14.1:300, 14.17:317–20 holding period for, 5.10:110–11 identifying, 30.2:506 installment obligation as, 5.22:124 investors in, tax savings for. *See* Chapter 30 (504–22) lump-sum distributions from retirement plans and, 7.10:159–60 managing your own portfolio of, 40.16:635 mark-to-market election for traders, 30.17:521–22 tax exempt, 15.11:331, 30.12:516–17, 32.5:538–39 time limits for deferred exchanges, 6.4:139 traders in, 30.16:520–21, 30.17:521–22, 40.6:622, 45.1:689, 45.6:695 Treasury inflation-indexed, 4.19:84, 4.27:90–91 year-end sales of, 5.21:120–21 year-end transactions, 30.1:505
- Security deposits, not rental income, 9.1:221
- Seized property, as involuntary conversion qualifying for tax deferral, 18.20:377
- Self-charged management fees or interest, 10.8:249
- Self-employed income (or loss). *See* Chapter 40 (615–40), Chapter 41 (641–50). *See also* Home office accounting for, 40.3:618–20 backup withholding, 26.11:477 earned income tax and, 25.11:464–65 exceptions to, 45.1:689 farm income, 45.5:692–93 FICA and tax base, 45.4:691–92 forms of doing business, 40.1:616 health insurance for, 40.3:618–20, 40.6:622, 708 impairment-related work expenses, 17.14:357 key to business and professional income and loss reporting, 617 nondeductible expense items, 40.8:626–27 overview, 45.1:689–90 partnership income, reporting, 11.11:275, 45.2:690 reporting income and deductions, 40.2:616, 40.4:620, 40.5:620–21, 40.6:621–25, 40.7:625–26, 40.8:626–27, 40.9:627, 40.10:627–28, 40.11:626–29. *See also* Schedule C tax, 784. *See* Chapter 45 (688–95) deficiency, 1.8:17–20
- Self-employed person, 784. *See also* Home office; Self-employed income (or loss) from business or profession; Self-employment tax audits of, 48.3:718 business call travel cost deductions, 20.2:397–98 business-vacation trips outside United States, 20.11:406–7 business employees and household employees, 38.2:600 commuter parking benefits, 3.8:63 commuting costs, 20.2:397–98 deducting wages paid to children, 1.13:24 deferring business income, 28.2:487 disallowing exclusion of value of meals and lodging, 3.12:65–67 employees, not classified as, 38.1:599 employees versus, 45.6:694–96 health insurance, 3.3:56, 12.1:284, 12.2:285–86, 17.5:349 housing costs and foreign earned income, 36.4:584, 36.5:585–86 income tests for earned income credit, 25.11:464–65

NOTE: References are to section numbers in Parts 1–8, followed by page numbers in boldface.

- IRA contributions, 8.2:183–84
 long-term care insurance expenses, 12.1:284
 meals and incidental expenses, 20.4:400–401, 40.6:624–25
 moving expenses, 78-week test for, 12.6:289, 12.7:289
 net operating losses for refund of prior taxes, 40.18:635–36, 40.19:636, 40.20:636–37, 40.21:637–38, 40.22:638
 office for sideline business, 19.13:390–91
 production costs of books and creative properties, 9.12:233
 reporting royalty income, 9.11:232–33
 retirement plans for, 148, 7.16:164–65, 8.15:209.
See also Chapter 41 (641–50)
 78-week test for, 12.6:289, 12.7:289
 tax liability, 12.1:284, 12.2:285
 transportation industry, meal allowances for, 20.4:400–401
 travel and entertainment expense reporting, 20.28:416
 vehicle expenses and, 43.1:669–70, 43.2:671, 43.4:672–73, 43.12:681
 work-related education expenses, 33.15:558
- Seller-financed sales**, 4.30:94, 4.32:96–97
Seller-paid points, 29.5:497
Selling price
 change of, 5.22:123
 of home, 29.5:497
- Senior citizens.** *See* Chapter 34 (562–72).
See also Long-term care
 continuing care facilities for, 4.31:96, 17.11:354–55, 21.5:428, 34.10:569–70, 34.11:570
 filing breaks for, 34.1:563
 65 in age and over, standard deduction for, 11.5:267, 13.1:293–94, 13.4:295, 13.5:295–97
 Social Security benefits, 34.1:563, 34.2:563–64, 34.3:564–65, 34.4:565, 34.5:565–66, 34.6:566–67
 tax credit for, 23.5:447, 25.3:457, 34.7:567–68, 34.8:568, 34.9:568–69, 710
- SEPs.** *See* Simplified Employee Pension Plan
Separate liability election, 1.8:17–20
 actual knowledge of the item allocable to the other spouse bars relief, 1.8:17
 allocating tax liability between spouses, 1.8:18
 eligibility, 1.8:17
 equitable relief, 1.9:20–21
 erroneous deductions or credits, tax benefit rule limits relief based on, 1.8:19
 for former spouses, 1.8:17–20
 Tax Court appeal, 1.8:20
 timing of the election, 1.8:17
- Separate returns**, 784. *See also* Tax returns
 claiming any loss carryover, 5.5:103
 first-year expensing depreciation deduction, 42.3:653–55
 for married couples
 advantages of, 1.3:11–13
 AMT exemptions for 2007, 23.1:443
 blindness, standard deduction for, 13.4:295
 changing an election, 13.2:294
 depreciation deductions, 42.3:654
 eligibility/ineligibility for tuition and fees deduction, 33.13:555–56, 33.14:556–58
 exemption phaseout and, 21.12:432–33
 expensing limit for you and spouse, 42.3:654
 filing, 13.3:294, 13.4:295
 home sales by married persons, 29.3:493–94
 IRAs, deduction phaseout rule, 8.3:184–86
 itemized deduction, determining whether recovery is taxable, 11.5:267
 itemized deduction reduction, 1.3:12
 itemizing, when to, 13.2:294, 13.5:295–97
 married dependents and, 21.9:431
 medical expense deductions and, 17.1:343
 phaseout of child tax credit, 25.2:457
 rental real estate loss allowance, 10.2:240–42
 65 or older, standard deduction for, 13.4:295
 and Social Security benefits, 34.3:564, 34.7:568
 standard deduction restriction, 1.3:11–13, 13.3:294, 13.4:295
 switching to joint return, 1.3:12
 tax rates, 1.2:10–11
 \$250,000 exclusion of sale of jointly owned residence, 29.2:491
 versus filing jointly, 1.3:13
- Separation (separated couples)**
 alimony, 37.2:592–93
 children of, claiming as exemption, 21.1:422, 21.7:430
 decree required for alimony, 37.2:592–93
 dependent care credit rules for, 25.9:462
 equitable relief, 1.9:20–21
 filing status, 1.1:10, 13.3:294
 Form W-4, 26.5:475
 kiddie tax and, 24.3:453
 head of household status, 1.12:22–23, 13.3:294
 joint returns and, community property rules, 1.6:14–15
 medical expense deductions of child and, 17.7:350–51
 spouse, exemption for, 21.2:423
- September 11, 2001 attacks.** *See*
 New York Liberty Zone
- Series E or EE bonds.** *See also* U.S. Savings Bonds
 accrual dates for, 30.14:518–19
 donating, 14.6:308
 interest on, 4.28:91–92, 4.29:92–93
 investing in, 28.1:486
- Series H or HH bonds**, 4.28:92, 30.14:519
Series I bonds, 4.28:91–92, 28.1:486, 28.2:487, 30.15:519–20
- Service center map**, key to, 5
- Services performed test for dining and entertainment expenses**, 20.17:410
- Settlement fees for buying home**, 29.5:497
- Severance damages, condemnation of property and**, 18.25:381
Severance pay, taxable, 2.1:36
- Shared appreciation mortgage (SAM)**, 15.6:326
- Shared-equity financing agreements**, for co-owners, 9.8:228
- Shareholder-employees, corporate benefits to, as taxable dividend**, 4.7:76
- Short sales of stocks**, 4.2:74–75, 30.5:508–10, 30.6:511, 30.8:512–13, 30.11:515, 784
- Short-term capital gain or loss**, 5.1:99, 5.2:99–100, 5.10:110–11, 784
- Short-term deferrals, nonqualified deferral compensation**, 2.7:40
- Short-term obligations, discount on**, 4.21:87
- Shrubs, damage to**, 18.1:361, 18.6:366–67
- Siblings, claiming as exemption**, 21.1:422, 21.4:425
- SIC (Standard Industrial Classification)**, 6.2:136
- Sick leave**, 35, 2.7:40, 2.12:43; 2.13:43–44, 26.2:473
- Sideline business**, 617. *See also* Hobby business;
 Home office; Self-employed income (or loss)
- Siding for home exterior, possible tax credit for installation**, 25.21:469
- Signing returns**
 by executor or administrator, 1.14:25
 children's, 1.13:24
 death of spouse during year and, 1.10:21–22
 joint returns, 1.4:13–14
- SIMPLE 401(k) plans**, 7.17:166, 25.17:467
- SIMPLE IRAs**, 8.1:183, 8.17:210–11, 8.18:211–12
 contributions and distributions, 8.17:210–11, 8.18:211–12, 41.9:647
 deadline for setting up, 8.17:210–11
 deductions, 12.2:285, 708. *See* Chapter 41 (641–50)
 eligibility for, 8.17:210–11
 FICA withholdings, 26.9:476–77
 retirement savings contributions credit, 25.16:467
 Section 409A, excluded from, 2.7:40
- Simplified Employee Pension Plan (SEP) 784**
 basics, 148, 8.15:209
 contributing to and distribution of, 41.3:643, 41.4:643–46, 41.5:646, 41.6:646, 41.8:647
 deducting from gross income, 12.1:284
 deductions, 12.2:285, 708. *See* Chapter 41 (641–50)
 employer SEP plan, minimum distribution from for employees over age 70^{1/2}, 7.13:162, 8.15:209
 FICA withholdings, 26.9:476–77
 retirement savings contributions credit, 25.16:467
 salary reduction established before 1997, 8.16:209–10
 self-employment income and, 45.1:689
- Simplified method for calculating taxable employee annuity**, 7.27:177–79
- Single-category averaging of basis when selling mutual funds**, 544
- Single persons**
 AMT exemptions for 2007, 23.1:443
 determining status, 1.3:11–13
 exemption phaseout, 21.12:432–33
 filing status of, 1.1:10, 1.2:10–11
 phaseout of child tax credit, 25.2:457
 standard deduction for dependents with earned income of \$550 or less, 13.5:295–97
 standard deduction for figuring recoveries of itemized deductions, 11.5:267
 tax rates, 1.2:10–11
- 65 in age and over**, 3
 tax benefits for, 11.5:267, 13.1:293–94, 13.4:295, 13.5:295–97, 34.8:568
- Skybox rental costs**, 20.24:413
- Small business/employers**
 credit for retirement plan startup costs, 40.26:639
 group health plans for, 3.1:52–53
- Small Business Investment Company (SBIC)**
 stock, 5.32:131, 40.19:636
- Small business stock.** *See also* Section 1244 stock
 alternative minimum tax and, 23.1:443, 23.3:446
 deferral or exclusion, 5.2:99–100; 5.3:100–102
 deferring or excluding gain on, 5.7:105
 ordinary loss for, 30.13:517–18
- Smoke detectors**, 18.1:361

NOTE: References are to section numbers in Parts 1–8, followed by page numbers in boldface.

- Social Security benefits.** *See also* Social Security taxes; FICA tax earnings reduced by tax on, 34.5:565–66 figuring IRA deduction if you receive, 8.4:188 Form W-2, key to, 34–35 gross income and, 12.1:284, 21.4:426 how your earnings are reduced, 34.6:566–67 legal costs associated with, 19.17:394–95 lump-sum payment of, 34.4:565 paid on behalf of child or incompetent, 34.2:563 record-keeping, 707 requesting estimate of, and copy of earnings record, 34.5:566 retiring on, 34.5:565–66 self-employed income and, 617. *See* Chapter 45 (688–95) senior citizens' benefits, 34.1:563, 34.2:563–64, 34.3:564–65, 34.4:565, 34.5:565–66, 34.6:566–67 separate returns of married persons, 34.3:564 support items bought with, 21.5:427 taxable, 34.2:563–64, 34.3:564–65 tax-exempt bond funds and, 32.5:538–39 uncollected, 3.4:58, 26.7:476 when earnings result in forfeiture of benefits, 34.6:567 withholding of payment, 26.6:475, 34.2:563–64 withholdings, 26.7:475–76, 26.9:476–77 workers' compensation and, 2.13:43–44
- Social Security numbers (SSN)** checked by IRS, 21.1:422, 26.11:477 children's, 1.13:24 of dependents, reporting, 21.11:431–32 for employees, 38.1:599 filing for, 21.11:431–32 religious beliefs against applying for and using, 21.11:431–32 spouses, on joint return, 21.10:431
- Social Security taxes.** *See also* FICA tax child tax credit and, 25.3:457 deducting, 16.9:341, 40.6:622 determining additional Medicare Part B premium based on MAGI, 34.12:571 excess withholding due to working for more than one employer, 22.7:440 optional method to increase coverage base of, 45.5:692–93 self-employed and, xxvi, 617, 40.3:618–20, 45.4:691–92 statutory employee, 40.6:622 on tips, 35 uncollected taxes, 35, 3.4:58–59
- Software for computer,** 40.24:638, 42.10:660–61, 42.19:667
- Solar panel, solar water heaters, and fuel cell power plants for residential property, tax credit for,** xxvii, 25.21:468–70
- Sole proprietorship** form of doing business, 40.1:616 married business owners filing for, xxv sale of, 6.7:143, 44.7:685
- Special assessments in involuntary conversions,** 18.25:381
- Special needs child/beneficiary** adopted, 3.6:60–61, 25.15:465–67 Coverdell Education Savings Account, contributions to, xxx, 33.11:553–54
- Specific Identification Method,** 32.10:541–42, 32.11:543, 544
- Split-dollar insurance,** 2.10:41–42, 14.11:313–14
- Sports, professional coaches and managers, tax home for travel expense purposes,** 20.7:403
- Sports events,** 20.24:412–13
- Sport utility vehicles (SUV),** 43.4:672–73
- Spousal IRA, contributions after age 70^{1/2},** 8.3:184–86
- Spouse.** *See also* Death of spouse; Joint returns; Marriage; Relatives as active participant in an employer retirement plan, 8.4:186–89 combat zone, 1.4:13 of combat zone personnel, 35.4:575–77 deducting legal fees as alimony, 37.4:595, 37.8:597 earned income test for dependent care credit, 25.6:460 as exemption, 21.1:422, 21.2:422–23, 21.4:425 former, separate liability election for, 1.8:17–20 in business, health insurance coverage, 40.6:622 innocent spouse rules, 1.4:13, 1.6:14–15, 1.7:16–17 loans from company plans and consent of, 7.16:164–65 medical expense deductions of, 17.6:350 noncitizen, marital deduction restrictions for estate tax for, 39.12:611 noncitizen, as surviving spouse and joint tenancy basis rules, 5.18:117 nonresident alien, 1.5:14, 6.7:142–44, 1.12:22–23 property received from a former spouse or, unadjusted basis of, 5.16:114 property to third party on behalf of, 6.7:144 refund claim withheld to pay debts of, 47.3:712 Social Security numbers and names of, 21.2:423 share of entertainment cost, 20.21:411 standard deduction for, 1.5:14, 13.1:293–94 survivor annuity for, 7.11:160–61 tax-free exchanges between ex-spouses or, 6.7:142–44 transfer of traditional IRA after divorce or death, 8.11:196–97, 8.13:198–204 travel costs, reimbursement of, 20.30:416–17 travel expenses of, 20.13:408 U.S. Savings Bonds transferred to, 4.29:92–93 wages paid to, 26.9:476–77 working for, 8.2:183–84
- SSBIC, rollover from publicly traded securities to,** 5.7:105
- Standard deduction, 784** for age 65, 13.1:293–94, 13.4:295, 13.5:295–97 alternative minimum tax, subject to, 23.1:443, 23.2:444 changing to itemized deductions, 13.2:294 claiming, xxv, 13.1:293–94 for dependents with earned income of \$550 or less, 13.5:295–97 increased for blindness, age 65, 13.1:293–94, 13.4:295, 13.5:295–97 itemized deductions, recovery of taxable, 11.5:267 prepaying or postponing itemized expenses, 13.6:297 refund of state tax, taxable portion of, 11.5:266–68 separate returns and, 1.3:11–13 for 2007, key to, 292–93
- Standard Industrial Classification (SIC),** 6.2:136
- Standard mileage rate,** 19.8:388, 20.33:418–20, 43.1:669–70, 784
- State and local government bonds and obligations (tax-exempts)** amortization of premium, 4.17:82–83 market discount, 4.26:90 original issue discount (OID), 4.26:90 stripped, 4.26:90 taxable interest, 4.25:89
- State and local government employees** deductions from gross income unreimbursed business expenses, 12.1:284, 12.2:285 Section 457 plans, 7.22:170
- State and local income taxes** alternative minimum tax and, 23.2:444 deducting, 16.3:337 general sales tax, 16.3:337 mandatory employee contributions to state unemployment fund deductible as, 16.3:337 recovered deductions, 11.6:268 refund of, 11.5:268 sales taxes, 16.3:337 standard deduction limit, 11.5:266 state taxes refund, 11.5:266–68 withholdings for, Armed Forces personnel, 26.2:473, 35.1:574
- State death deduction replacing credit,** 603
- Statutory employees,** 35, 40.6:622, 45.1:689, 784
- Stepchildren** claiming as exemption, 21.1:422 scholarship for, not a support item, 21.5:428 spouse or child of, not a qualifying relative for exemption, 21.4:425
- Stock(s).** *See also* Securities capital or ordinary gains and loss from sale of, 5.2:99–100 convertible, 30.7:511–12 corporate liquidations, 44.11:687 divorce-related redemptions, in closely held corporation, 6.7:143–44 donating to private non-operating foundation, 14.6:305–8, 14.8:309–10 earmarking, 30.2:505–6 fraudulent sales offers, 18.9:368 holding period for, 5.10:110–11 as payment for services, 2.3:37–38 received as dividend or in a stock split, 30.3:506–7 restricted, 2.17:48–49 sale of, reporting on, 5.8:106–9, 706 short sales, 4.2:74–75, 30.5:508–10, 30.6:511, 30.8:512–13, 30.11:515 small business, 5.7:105, 23.1:443, 23.3:446, 30.13:517–18 stock rights, sale, exercise, or expiration of, 30.4:507–8 stripped, 4.22:87–88 tax-free exchanges of, in same corporation, 6.8:145 wash sales of, 30.6:510–11
- Stock Appreciation Rights (SARs),** 2.15:45
- Stock dividend, 784.** *See also* Dividends on common stock, 4.6:76 constructive, 4.8:77 identifying, 30.2:506 reinvestment in company stock, 4.5:75–76, 4.8:76–77 reporting, 4.9:77–78 sale of stock received as, 30.3:506–7

NOTE: References are to section numbers in Parts 1–8, followed by page numbers in boldface.

- on stock sold or bought between ex-dividend date and record date, 4.9:77–78
 - taxable, 4.2:74–75, 4.8:76–77
 - year reported, 4.10:78
 - Stockholders (shareholders)**
 - material participation test, 10.6:246–47, 10.15:256–57
 - reporting of S Corporation income and loss, 11.14:276–77
 - travel to meeting, nondeductible, 19.15:391–92
 - Stock option**, 2.7:40, 2.16:46–48, 5.10:111, 784
 - Stock rights**, 4.6:76, 5.10:110, 30.2:506, 30.4:507–8
 - exercise of, 30.4:507
 - overview, 30.4:507–8
 - tax consequences of receipt of, 4.6:76
 - Stock splits**, 4.6:76, 30.2:506, 30.3:506–7
 - Stock subscriptions, holding period for**, 5.10:110
 - Stolen property, recovery of**, 18.9:368
 - Stop-smoking programs**, 17.2:343
 - Storage space**, 40.12:631
 - Straddle rules**, 30.9:513–14, 784
 - Straight-line method of depreciation**, 784
 - mandatory, 42.9:660
 - recovery for equipment in service, 42.9:659–60, 42.12:662
 - for vehicles, 43.1:669, 43.3:671–72, 43.5:673–77, 43.6:677–78
 - Strike and lockout benefits**, 2.6:39
 - Strike price/exercise price**, 516
 - Stripped coupon bonds**, 4.19:84–85, 4.22:87–88
 - Stripped tax-exempt obligations**, 4.26:90
 - STRIPS Zero coupon Treasury bonds**, 4.22:87–88
 - Student(s)**. *See also* Schools; Tuition plans
 - alien, 1.18:27–29, 1.19:29
 - earned income test for dependent care credit, 25.6:460
 - education assistance plans, as fringe benefit, 3.7:61
 - as exemptions, 21.4:426
 - possibly exempt from income tax withholdings, 26.3:474
 - qualifying as full-time, for exemption, 21.3:424
 - Student loan interest**, 7, 8.4:186–89, 11.8:271, 12.1:284, 33.14:556–58, 708
 - deduction, 33.14:556–58
 - record-keeping, 708
 - Student Loan Marketing Association, obligations guaranteed by**, 4.25:89
 - Subscriptions**
 - employer-paid, as fringe benefit, 3.9:63
 - to investment services, deductibility of, 19.15:391
 - lists, Section 197, 42.18:666
 - as miscellaneous itemized deductions, 19.3:384, 19.5:385
 - stock, holding period for, 5.10:110–11
 - Substantially identical stock and securities**, 30.6:510–11
 - Substantial presence test, for resident aliens**, 1.18:27–29
 - Sudden event test for casualty losses**, 18.1:360–61
 - Supplementary Security Income (SSI)**, 34.2:563
 - Supplier-based intangibles**, 42.18:666
 - Support test for dependents**
 - examples of allocating support, 21.5:428–29
 - items not counted as support, 21.5:428
 - lodging and food as support items, 21.5:427
 - multiple support agreements, 21.6:429–30
 - Surviving spouse**. *See also* Death of spouse
 - annuity for, 7.11:160–61; 7.14:162
 - as beneficiary of traditional IRAs, 7.2:151, 7.8:158, 8.14:204–9
 - continuing coverage for group health plans (COBRA coverage), 3.1:53
 - estimated tax of, 1.14:26
 - family income rider in life insurance policy, 11.19:280
 - joint income tax, liability of, 1.10:21–22
 - joint tenancy basis rules, 5.18:117–19
 - rollover of distribution by, 7.8:158
 - traditional IRA inherited by, 8.11:196–97, 8.14:204–9
 - Suspended tax credits, passive activity rules**, 10.14:256
 - Suspended losses allowed on disposition of interest**, 10.13:254–56
 - Sutter rule**, 20.20:411
 - Sweepstake winnings**, 11.2:264
 - Swimming pool**
 - heating expenditures disqualified for energy tax credit, 25.21:469
 - prescribed as physical therapy, 17.13:356
 - Swindle by friend, as theft loss deduction**, 18.9:369
- T**
- Tables**
 - Adjusted Gross Income for 2007 (Table 25-2), 467
 - Allowable Credit (Table 25-1), 459
 - Are Your Board and Lodging Tax Free (Table 3-3), 67
 - Are Your Fringe Benefits Tax Free? (Table 3-1), 51
 - Average Itemized Deductions (Table 48-1), 716
 - Beneficiary's Single Life Expectancy Table (Table 8-5), 208
 - Capital or Ordinary Gains and Losses from Sales and Exchanges of Property (Table 5-1), 101
 - Deductible Medical Expenses (Table 17-1), 345
 - Deductible Travel and Transportation Expenses (Table 20-1), 399–400
 - Deducting Car and Truck Expenses (Table 43-1), 670
 - Deduction Record Keeper (Table 46-2), 709–10
 - Depreciation rates for property's first rental year (Table 9-1), 225
 - Donations, what you need to substantiate (Table 14-1), 316
 - Estate Tax Exclusion, Credit, and Top Rate (Table 39-2), 609
 - Gift / Estate Tax Credit and Exclusion (Table 39-1), 606
 - Gift and Estate Tax Rates for Gifts Made in Estates of Individuals Dying in 2007, 2008, or 2009 (Table 39-3), 610
 - Half-Year Convention—150% Rate (Table 42-2), 659
 - Half-Year Convention—Straight-Line Rate (Table 42-3), 660
 - How to Identify Securities (Table 30-1), 506
 - Identifying Mutual-Fund Shares When You Sell (Table 32-2), 544
 - Income Record Keeper (Table 46-1), 706–7
 - Itemized Deductions and the Standard Deduction for 2007 (Table 13-1), 292–93
 - Joint Life and Last Survivor Life Expectancy (for use by owners whose spouses are more than 10 years younger) (Table 8-4), 205
 - Joint Life and Last Survivor Life Expectancy (Table 8-2), 200
 - Key to Alimony and Marital Settlement Issues (Table 37-1), 594
 - Key to AMT Rules for 2007 (Table 23-1), 442
 - Key to Option Terms (Table 30-2), 516
 - Key to Reporting Business and Professional Income and Loss (Table 40-1), 617
 - Key to Tax-Favored Retirement Plans (Table 7-1), 148
 - Life Expectancy Tables (Table 7-2), 174
 - MACRS Deduction: Half-Year Convention (Table 43-4), 676
 - MACRS Deduction: Mid-Quarter Convention (Table 43-5), 677
 - MACRS Depreciation Rates (Table 42-1), 657
 - MACRS Real Estate Depreciation (Table 42-4), 663
 - Maximum Depreciation Deduction for Cars (Table 43-2), 675
 - Maximum Depreciation Deduction for Trucks and Vans (Table 43-3), 675
 - Medical expenses, reduced by the 7.5% floor (Table 17-3), 346
 - Medicare Part B Premiums for 2007 (Table 43-1), 571
 - Minimum Interest Rate for Seller Financing (Table 4-1), 97
 - Multiple Adjustment Table (Table 7-3), 174
 - Nondeductible Medical Expenses (Table 17-2), 346
 - Nonresidential Real Property (Table 40-2), 633
 - Phaseout Range for Deduction Limit on 2007 Returns (Table 8-1), 187
 - Proving a Casualty Loss (Table 18-1), 367–68
 - Rate Table for Self-Employed (Table 41-1), 649
 - Reporting Mutual-Fund Distributions (Table 32-1), 540
 - Self-Employed or Employee? (Table 45-1), 694–95
 - Standard Deduction for Dependents in 2007 (Table 13-2), 296–97
 - Straight-Line Half-Year Convention (Table 43-6), 677
 - Straight-Line Mid-Quarter Convention (Table 43-7), 677
 - Tax Credit Record Keeper (Table 46-3), 710
 - Taxable Income Brackets for 2007 (Table 1-1), 11
 - Taxable Premiums for Group-Term Insurance Coverage Over \$50,000 (Table 3-2), 59
 - Taxes, checklist of (Table 16-1), 336
 - Tax-Saving Opportunities (Table 28-1), 486
 - 2007 Standard Deduction (Table 11-1), 267
 - 2007 Tax Computation Worksheet, sample section (Table 22-1), 439
 - 2007 Tax Table, 755
 - 2007 Earned Income Credit (EIC) Table, 770
 - Understanding Your Form W-2 for 2007 Wages and Tips (Table 2-1), 34–35
 - Uniform Lifetime Table (Table 8-3), 204
 - Who Claims the Deduction (Table 16-2), 338
 - Worksheet for Reduction (Table 13-3), 298
 - Tangible personal property**, 42.4:655, 784
 - donation of, 14.6:305–8
 - recapture of deductions for certain fractional interests, 14.9:310–12
 - recapture of deduction for property sold within three years, 14.6:306

NOTE: References are to section numbers in Parts 1–8, followed by page numbers in boldface.

- Tax(es).** *See also* Estimated taxes; Real estate tax checklist of, 16.1:336
deductions for, 292. *See* Chapter 16 (335–41)
general sales taxes, 16.3:337
getting refund, 46.4:702–3
liability, reducing. *See* Chapter 25 (455–71)
nondeductible, 16.2:337
paying taxes due, 46.5:703–4
record-keeping of, 709
state and local income taxes, 16.3:337
underpayment, making a deposit to suspend interest, 46.8:704–5
- Taxable income, 784.** *See also* Salary or wage income
commissions, 2.4:38
figuring, 22.1:438
negative, carryovers for capital losses and, 5.4:103
property, pay received in, 2.3:37–38
repayment of wages received in a prior year, 2.8:41
strike and lockout benefits, 2.6:39
tax computation worksheet, 22.3:439, 769
unemployment benefits, 2.5:38–39
- Taxable income brackets for 2007, 1.2:11**
- Taxable year, defining, 40.4:620**
- Tax attributes, 11.8:271, 784**
- Tax Computation Worksheet, 22.3:439, 769**
- Tax Court**
appeal, to dispute election or allocation of liability, 1.8:20
attorney's contingent fee paid from taxable award, 2.1:36, 11.7:270–71
commissions, taxable, 2.4:38
defaulted child support payments not basis for bad debt deduction, 5.35:133
filing petition with, 48.8:721–22
innocent spouse relief appeal, 1.7:16–17
mark-to-market election for traders, 30.17:521–22
partnership interest, abandoning, 31.11:532
separate liability election, 1.8:17–20
- Tax credits.** *See also* Chapter 23 (441–48); Chapter 25 (455–71), Chapter 33 (545–61); Chapter 34 (562–72); Chapter 36 (580–90); Chapter 40 (615–40)
adoption credit, 22.7:440, 25.14:465, 25.15:465–67, 710
alternative fuel vehicles, 22.7:440, 25.22:470
child tax credit, 22.7:440, 25.2:456–57, 25.3:457
dependent care credit, 22.7:440, 25.4:458, 25.5:458–60, 25.6:460, 25.7:460–61, 25.8:461–62, 25.9:462
District of Columbia's first-time homebuyer credit, 22.7:440, 25.20:468
earned income credit (EIC), 22.7:440, 25.10:463–64, 25.11:464–65, 25.12:465, 25.13:465
for elderly and disabled, 34.7:567–68, 34.8:568, 34.9:568–69
general business, 40.26:639–40
health insurance credit, 22.7:440, 25.18:468
hybrid vehicles, 25.22:470
for mortgage, 15.1:322, 15.6:325–27, 22.7:440, 25.19:468
mutual funds, 32.7:539
for nurses' wages, 17.12:355
overview, 22.7:440, 25.1:456
passive activities, 10.7:248
personal, nonrefundable, xxv
personal, tax-saving opportunity, 28.1:486. *See also* Chapter 25 (455–71)
for real estate investments, 31.8:529
record-keeping, 710
recovered deductions and, 11.6:268–69
residential energy improvements, 25.21:468–70
retirement savings contributions credit, 25.16:467
Section 1341, 2.8:41
suspended, 10.14:256
- Tax deductions.** *See* Chapter 16 (335–41)
- Tax deferral, 784.** *See* Chapter 7 (147–80), Chapter 8 (181–219), Chapter 41 (641–50)
- Tax dispute, recovering costs of, 48.10:723**
- Tax-exempt bonds, bought before May 1, 1993, 4.20:85**
- Tax-exempt organizations, employees of. *See also* Educational institutions, employees of**
annuities for, 7.21:169–70
- Tax-exempt securities, 15.11:331, 30.12:516–17**
- Tax forms. *See* Forms for taxes**
- Tax-free exchanges. *See* Exchanges, tax-free**
- Tax-free rollovers from qualified plans, 7.8:156–58**
- Tax home, 20.6:402, 784**
determining, 20.7:403
if you work in different locations, 20.7:403, 20.8:403–4
of married couple working in different cities, 20.8:403–4
for resident aliens, 1.18:27–29
temporary job site as, 20.9:404–5
for travel expense purposes, 20.6:402
- Taxi**
depreciable tangible business property, 6.2:136
fare, as de minimis fringe benefit, 3.10:64
fare, as deductible out-of-town commuting expense, 20.2:397–98, 20.5:401–2
MACRS recovery periods, 42.4:655
trips between customers, travel and entertainment deductions for, 400
use of car as, 43.1:669–70
- Tax identification (ID) number, 40.2:616, 784**
- Tax Increase Prevention and Reconciliation Act (TIPRA) of 2005, 8.21:215, 24.2:451, 39.1:604**
- Tax matters partner (TMP), 11.13:275–76**
- Taxpayer advocate service, 48.1:716–17**
- Taxpayer Bill of Rights, 48.1:716, 48.3:718**
- Taxpayer identification number (ITIN), 21.11:431–32, 26.11:477, 38.1:599**
- Tax preference items, 23.3:446, 784**
- Tax rates**
based on filing status, xxv, 1.1:10, 1.2:10–11
for capital gains, 5.3:100–102
marginal, phaseout of personal exemptions, 21.12:433
top bracket, 1.2:10–11
- Tax Relief and Health Care Act of 2006, 3.3:56, 3.15:69**
- Tax reporting year, 617**
- Tax return preparer, 19.16:393, 23.2:444, 40.7:625**
- Tax returns. *See also* Filing returns; Separate returns; Signing returns**
claiming withholdings, 26.4:474–75
cost of preparing, 19.16:393
depreciation, claiming, 42.2:653
errors, checking, 46.2:701
filing basics, 1–7, 13.1:293–94
forms, choosing, 7
income interest, reporting, 4.12:78–80
IRA, reporting a rollover of, 8.10:195
IRS assessing additional taxes, 48.2:717
keeping tax records, 46.1:700
kiddie tax on your return, effects of, 4.2:74, 24.2:451, 24.4:453–54
mailing your, things to check before, 46.2:701
old returns, getting copy of, 46.1:700
penalties, interest on, 48.6:720
Puerto Rico, earnings in, 36.10:588
- Tax-savings plans, personal**
alimony and marital settlements. *See* Chapter 37 (591–97)
education tax benefits. *See* Chapter 33 (545–61)
estate taxes. *See* Chapter 39 (603–11)
gift planning. *See* Chapter 39 (603–11)
foreign earned income, how to treat. *See* Chapter 36 (580–90)
investors in mutual funds. *See* Chapter 32 (536–44)
investors in real estate. *See* Chapter 31 (523–35)
investors in securities. *See* Chapter 30 (504–22)
life insurance. *See* Chapter 11 (263–80)
members of the Armed Forces. *See* Chapter 35 (573–79)
overview. *See* Chapter 28 (485–88)
residence sales. *See* Chapter 29 (489–503)
senior citizens. *See* Chapter 34 (562–72)
- Tax-shelter claims, 47.5:713**
- Tax-sheltered annuity, 7.21:169–70, 784**
- Tax table for 2007, 22.2:438, 22.7:440, 757**
- Tax treat exception for resident alien, 1.18:28**
- Tax withholdings. *See* Chapter 26 (472–82)**
- Tax year, 784**
dual status, 1.18:28
for self-employed persons, 40.4:620
- T-bills. *See* Treasury bills**
- Teachers**
alien status, 1.18:28
education assistance plans, 3.7:61
education costs, 33.16:558–60
expenses, 12.1:284, 12.2:284–86, 19.4:385, 19.10:390
graduate students, 3.7:61
ministers working as, allowances for, 3.13:67–68
school-provided lodging for, 3.12:66
strike pay penalties for, 2.6:39
travel as form of education, nondeductibility of, 33.17:561
worker's compensation, 2.13:43–44
- Teaching assistants, tuition reduction plans for, 3.7:61, 33.2:546**
- Technical manuals, Section 197, 42.18:666**
- Technical service contractors, self-employment tax rules, 45.6:695**
- TEFRA (1982 Tax Act) designation as exception to early distribution penalty, 7.15:164**
- Telegraph costs as business trip deduction, 20.5:401–2**
- Telephone**
calls, as business trip deduction, 20.5:401–2
cellular, 19.10:389–90, 42.10:660–61
credit for federal telephone excise tax paid, 11.6:269
as employee home office expense, 19.14:391
- Temporary absences disregarded for head of household, 1.12:22–24**
- Temporary assignment in area not your residence, deductions for, 399, 20.9:404–5**
- Temporary place of work, 19.8:387–88, 20.2:397–98**

NOTE: References are to section numbers in Parts 1–8, followed by page numbers in boldface.

- Tenant(s)
 cancellation of lease by, 9.1:221
 casualty loss, deducting, 18.4:365
 landlord's expenses paid by, 9.1:221
 payment of taxes, 16.6:339, 16.4:338
- Terminally ill medical costs, life insurance, 17.16:358
- Termites, damage caused by, 18.1:361, 18.11:369
- Terroristic attacks. *See also* Armed Forces, members of; New York Liberty Zone
 disability pensions, 2.14:44–45
 tax forgiveness for civilian or military personnel killed in, 35.6:578
- Theft losses. *See also* Casualty and theft losses
 deductible, 18.9:368–69, 18.10:369, 40.19:636
 nondeductible losses, 18.11:369–70
 proving, 18.10:369
 record-keeping, 709
 recovered stolen property, 18.9:368
- 30-day disbursement rule on loan proceeds, 15.12:332
- 30% adjusted gross income ceiling, 14.17:317–20, 14.18:320, 14.19:320
- Thresholds for exemption phaseout, 28.3:488
- Tickets for entertainments sold by charitable organizations, deductibility of, 14.3:302–3
- Tie-breaker rules to determine who can claim qualifying child as exemption, 21.3:424
- Time shares, installment sales of, 5.31:130
- Time value (premium-intrinsic value) call option, 516
- Tips
 paying, as business trip deduction, 20.5:401–2
 receiving, key to form W-2, 34–35
 reporting receipt, 2.1:36, 26.7:475–76, 706
 self-employment tax rate affected by, 45.4:691–92
- Title issues or disputes, legal costs associated with, 19.17:395
- Tools, job-related, 19.12:390
- Toyota hybrids, phaseout period for, 25.22:470
- Trade Adjustment Assistance (TAA), 25.18:468
- Trademarks and trade names, Section 197, 42.18:665
- Trader in securities, 30.16:520–21, 30.17:521–22
- Trading in
 business equipment, 44.10:687
 business vehicle, 43.9:679
- Trailer home
 moved to different job sites, deductions for, 400
 as principal residence, 29.1:490
- Trainees, alien, 1.18:28
- Training manuals, Section 197, 42.18:666
- Transaction history of mutual fund investment, 32.11:543
- Transfer taxes, 16.2:337, 16.9:341
- Transient worker, 20.6:402
- Transit passes, employer-provided, 3.8:63
- Transportation industry workers, 20.4:401, 20.24:412–13
- Travel and transportation expenses. *See* Chapter 20 (396–420). *See also* Automobile; Entertainment and meal expenses
 away-from-home expenses, deducting, 20.5:401–2, 20.6:402, 20.7:403, 20.8:403–4, 20.9:404–5
 business-vacation trip, deducting, 20.10:405–6, 20.11:406–7, 20.12:407–8, 20.13:408, 20.14:409
 commuting expenses, 20.1:397, 20.2:397–98, 20.3:398, 20.4:400–401
 documenting and reporting, 20.26:414, 20.27:415–16, 20.28:416, 20.29:416
 employer reimbursement plants, 20.30:416–17, 20.31:417–18, 20.32:418–19, 20.33:418–20, 20.34:420
 entertainment and meal expenses for clients, customers, or employees, 20.15:409, 20.16:409, 20.17:410, 20.18:410–11, 20.19:411, 20.20:411, 20.21:411, 20.22:411, 20.23:412, 20.24:412–13, 20.25:413–14
 investment expenses, 19.15:391–92
 key to, 399–400
 meal expenses for self, 20.2:397–98, 20.3:398, 20.4:400–401
 as medical deductions, 17.9:352–53
 National Guard and Reserve meetings, 12.2:285, 35.8:579
 Schedule C, filing, 40.6:624–25
 unreimbursed, deduction record-keeping, 709
 work-related education expenses, 33.15:558
- Traveler's checks, of \$10,000 or less, reporting to IRS, 40.5:620–21
- Treasury bills, 83, 4.27:90–91, 28.2:487
- Treasury bonds, 4.27:90–91
- Treasury "I-Bonds", indexed for inflation, 28.2:487, 30.15:519–20
- Treasury inflation-indexed, 4.19:84, 4.27:90–91
- Treasury Inflation Protected Securities (TIPS), 32.1:537
- Treasury notes, 4.27:90–91, 4.29:92–93
- Treasury securities, investment information on, 30.14:518–19, 30.17:521–22
- Trees, damage to, 18.1:361, 18.6:366–67
- Trips
 business-vacation trips, 20.10:405–6, 20.11:406–7, 20.12:407–8, 20.13:408, 20.14:409
 commuting expenses, 20.2:397–98
 for health reasons, 400
 key to deductible travel and entertainment expenses, 399–400
- Truck(s)
 annual ceilings on depreciation, 43.4:672–73
 depreciable tangible business property, 6.2:136
 drivers, interstate, deductions for, 20.4:400–401, 20.24:412–13
 MACRS recovery periods and rates, 42.4:655, 43.5:673–77
 maximum depreciation deduction for, 43.4:672–73
 mileage rate for business trips, 43.1:669–70
 recapture of deductions on, 43.10:679–80
- Trust(s), 784
 as beneficiary of IRA, 8.14:207
 beneficiary of, record-keeping, 707
 dividends paid by, 4.3:75
 educational benefit, 2.11:43
 family income planning and, 39.6:607
 lump-sum distributions from retirement plans to, 7.6:154–55, 7.7:155–56
 to pay alimony, 594
 property received as beneficiary of, unadjusted basis of, 5.16:114
 rabbi trust, 2.7:40–41
 reporting of income by beneficiaries, 11.15:277
 revocable, 39.6:607
 U.S. Savings Bonds transferred to a, 4.29:93
- Trustees, waiver of commissions of, 2.9:41
- Tuition plans/payments, *See also* Education Tax Benefits
 deductions, 12.1:284, 12.2:284–86
 record-keeping, 708
 for religious or secular schools, 14.3:302–3
- 2% AGI (adjusted gross income) floor, 2.8:41, 10.8:249, 11.7:270, 11.17:278, 19.1:383, 19.2:384, 19.3:384, 19.4:385, 19.5:385, 19.6:386, 19.7:389, 19.8:387–88, 19.9:388–89, 19.10:389–90, 19.12:390, 19.15:391–92, 19.16:393, 19.17:394–95, 20.4:400–401, 20.15:409, 20.28:416, 20.29:416, 23.2:444–46, 24.4:454, 32.6:539, 32.8:540, 33.15:558, 35.8:579, 40.7:625
 deductions, effect of, 19.2:384
 job expenses not subject to, 19.1:383, 19.4:385
 job expenses subject to, 19.1:383, 19.3:384
 miscellaneous itemized deduction subject to, 10.8:249, 11.17:278, 19.1:383, 19.2:384, 19.3:384, 19.4:385, 19.5:385, 19.6:386, 19.7:389, 19.8:387–88, 19.9:388–89, 32.6:539
 moving expenses not subject to, 12.3:286–87, 19.4:385
 unreimbursed work-related education costs, 33.15:558
 vehicle expense allocations, employee deduction limit of, 43.2:671
- Two-residence limit for qualifying mortgage debt, 15.1:322, 15.9:329
- Two job locations for one employer, travel and entertainment deductions for, 399
- Two-year resale rule for property to related party, 5.24:124–25
- Typewriters, 19.11:390, 42.4:656

U

- Unadjusted basis of property
 calculating gain or loss and, 5.15:113, 5.16:113–15
 vehicles, rate applied to, 43.5:673–77
- Uncles, relationship test for claiming an exemption, 21.4:424
- Undergraduate courses, tuition reductions for, 3.7:61
- Underpayment of tax, interest on, 46.8:704–5
- Unemployed person
 medical insurance exceptions to IRA early-withdrawal penalty, 8.12:197–98
 nondeductible educational costs for, 33.16:558–60
- Unemployment benefits
 record-keeping, 707
 repayment of supplemental benefits, 2.8:41, 12.1:284, 12.2:286
 taxable, 2.5:38–39
 withholding of tax on, 26.6:475
- Unemployment tax, federal (FUTA), for household employees, 38.4:602
- Unharvested land, sale of, 5.20:119
- Uniform Lifetime Table for distribution from traditional IRA, 8.13:204
- Uniform and work clothes
 for armed forces personnel, 19.6:386, 35.3:575, 35.8:579
 for charity organizations, 14.4:303–4
 cleaning of, 19.6:386
 unusual job expenses, 19.9:388–89
- Uniform Gifts to Minors Act (UGMA), 39.5:606
- Uniform Transfers to Minors Act (UTMA), 7.19:168, 11.2:264, 39.5:606

NOTE: References are to section numbers in Parts 1–8, followed by page numbers in boldface.

- Unions dues, as miscellaneous itemized deductions, 19.3:384, 19.5:385, 40.19:636, 709
 - Unmarried head of household, filing as, 1.1:10, 1.3:11–13
 - Unmarried mates, kiddie tax and, 24.3:453
 - Unrecaptured Section 1250 gain, 5.3:100, 44.2:683–84, 784
 - U.S. Citizenship and Immigration Services (USCIS) Form I-9, Employment Eligibility Verification, 38.1:599
 - U.S. Merchant Marines, unqualified for tax exclusion, 35.4:575–77
 - U.S. possessions, IRS meal allowance for travel in, 20.4:401
 - U.S. Savings bonds
 - as charitable contribution, 4.29:93
 - donating, 14.6:308
 - interest on, 4.28:91–92, 4.29:92–93
 - student loan interest deduction, 33.14:556–58
 - tax-free exchange rules not applicable to, 6.7:142–43
 - tuition plans, 33.4:546–47
 - used for tuition, AGI and MAGI, 8.4:186–89
 - Useful life, depreciation and, 42.1:652–53, 784
 - Use-it-or-lose-it rule for health-care and dependent care FSAs, 3.15:69
 - Utilities, deducting on Schedule C, 40.6:625
- V**
- Vacant land, 29.1:490
 - Vacant residence, depreciation on, 9.5:226
 - Vacation
 - benefit plan excluded as nonqualified deferred compensation, 2.7:40
 - home
 - allocating expenses, 9.9:229–31
 - deducting casualty loss, 18.2:362–63
 - donating, not advisable, 14.10:312
 - points on, 15.8:329
 - rental of, 10.1:238–40, 10.8:248–50
 - selling at a loss, 29.8:501
 - short absences from residence, 29.2:491
 - travel to vacation areas, deductibility of, 20.11:406–7
 - Van(s). *See also* Vehicle
 - annual ceilings on depreciation, 43.4:672–73
 - MACRS recovery periods and rates for, 42.4:655–56, 43.5:673–77
 - maximum depreciation deduction for, 43.4:672–73
 - mileage rates for business trips, 43.1:669–70
 - pooling, employer-provided, 3.8:63
 - recapture of deductions on, 43.10:679–80
 - Variable Housing Allowance (VHA), 35.2:574
 - Vehicle. *See also* Automobiles; Trucks; Vans
 - annual ceilings on depreciations, 43.4:672–73
 - alternative fuel vehicles, tax credit for, 25.22:470
 - business, record-keeping, 43.11:680
 - business, trade-in of, 43.9:679
 - capital improvement to business vehicle, 43.5:673–77
 - converting pleasure car to business use, 43.5:673–77
 - depreciation restrictions on, 43.3:671–72
 - depreciation for year vehicle is disposed of, 43.7:678
 - donated, special acknowledgment requirements for, 14.7:308–9, 14.15:315–17
 - expense allocations, 43.2:671
 - hybrid vehicles, 25.22:470
 - leased, 43.2:671, 43.12:681
 - loan, interest on, 43.2:671
 - MACRS recovery periods and rates, 42.4:655–56, 42.5:656–57, 43.1:669–70, 43.3:671–72, 43.5:673–77
 - motor vehicle registration fees, 16.8:341
 - recapture of deductions on, 43.10:679–80
 - record-keeping, 43.11:680
 - sport utility vehicles, 43.4:672–73
 - taxes on purchase, 43.2:671
 - use of, after end of recovery period, 43.5:673–77
 - volunteering services for charity, deductibility of expenses, 14.4:303–4
 - Veteran, when to file, 47.2:712
 - Veterans Administration (Department of Veteran Affairs), 2.14:44–45, 4.25:89, 15.6:326
 - Veterans' organizations, domestic nonprofit, qualifying for deductible donations to, 14.1:300–301
 - Viatical settlement proceeds, 17.16:358
 - Vietnam MIAs, determination of death for, 35.6:578
 - Virgin Islands, earnings in, 36.5:585, 36.9:588, 45.6:695
 - Visa, exempt-person exception for resident alien, 1.18:28
 - VISTA volunteers, living expense allowances received by, 3.12:67
 - Voluntary conveyance, 31.9:529–31, 31.10:531, 31.13:534
 - Volunteer expenses incurred during work for a charity, 14.2:301–2, 14.4:303–4, 14.17:317–20
- W**
- Wages
 - low earners possibly exempt from withholding, 26.3:474
 - paid to employees, 40.5:621, 40.6:625
 - self-employment tax and, 45.4:691–92
 - taxable, key to Form W-2, 34–35
 - tax form to file, 7
 - withholding income taxes on, 26.6:475
 - W-2 wage limitations, figuring domestic production activities deduction, 40.25:639
 - Warrants, wash-sale rule and, 30.6:511
 - Wash sales, 784
 - holding period for, 5.10:110–11
 - loss disallowance, 30.5:509, 32.9:541
 - overview, 30.6:510–11
 - reinvested distribution triggering, 32.3:538
 - straddle losses and, 30.9:514
 - tax advantage of rule, 30.6:510
 - Water heaters, as home energy improvement, 25.21:469
 - Welfare-to-work credit, 40.26:639
 - Weekend travel for business, 20.10:405–6, 20.11:407
 - Weekend trip home from temporary assignments, 399
 - Weight-reduction programs, 17.2:343–44, 345, 346
 - Welfare, support test for exemption, 21.5:427
 - What's New for 2007, xxv–xxvii
 - Widow(ers). *See also* Surviving spouse
 - determining status, 1.3:11–13
 - filing tips, 1.10:21–22
 - head of household status, 1.12:22–24
 - Will contests, legal costs of, 19.17:394
 - Withholding, 784
 - automobile benefits, 3.8:62
 - backup, 26.11:477
 - children's wages, 1.13:24
 - estimated tax and, 26.1:473
 - FICA, 26.7:475–76, 26.9:476–77
 - for household employees, 38.3:600
 - gambling winnings, 26.8:476
 - income tax, 26.6:475
 - low earners possibly exempt from, 26.3:474
 - retirement distributions, 2.1:36, 26.10:477
 - right amount, 26.4:474–75
 - sick pay, 2.12:43, 26.2:473
 - tips, 26.7:475–76
 - tuition reimbursement, 3.7:61
 - when to change, 26.2:474
 - when to file new W-4, 26.5:475
 - Work clothes. *See* Uniforms and work clothes
 - Workers' compensation, 2.13:43–44, 34.2:563, 38.3:602
 - Workforce in place, amortizable, 42.18:666
 - Working condition fringe benefits, 3.9:63, 19.3:384
 - Work-related education expenses, 33.15:558, 33.16:558–60, 33.17:560–61
 - Worksheet(s). *See also* Tables
 - adjusted basis of home sold, 499
 - deduction worksheet for self-employed, 644
 - exemption reduction, 21.12:433
 - figuring gain or loss on Schedule D, 112
 - fractional rate worksheet for self-employed, 645
 - Long Schedule SE, 691
 - principal residence sale, gain (or loss) exclusion, and taxable gain, 499
 - reduced maximum exclusion, 496
 - Short Schedule SE, 690
 - taxable Social Security benefits, computing, 564
 - Work opportunity credit, 40.26:639
 - Worldwide income, 1.18:27–28, 1.20:30
 - Worthless securities, 5.32:130–31
 - Worthless stock, fraudulent sales of, 18.9:368
 - Writer, as seller of option contract, 516. *See also* Author
 - Wrongful death actions, legal costs of, 19.17:394
- Y**
- Year-end dividends, 32.4:538. *See* Mutual funds
 - Year-end paychecks, constructive receipt of, 2.2:37
 - Year-end sales
 - of real estate, holding period for, 5.11:111
 - of publicly traded stock or securities, 5.21:121
 - Y.M.C.A. / Y.W.C.A., deductible contributions to, 14.1:300
- Z**
- Zero coupon bond, 4.22:87–88