

5.01 Income Tax Planning

- 5.01.01 Income
 - a. Definition of ordinary income
 - (1) Wages, salaries, etc.
 - (2) Dividends
 - (3) Interest
 - (4) Rents
 - b. Tax-exempt income
 - c. Reporting income on Form 1040 and applicable Schedules
 - d. Taxation of retirement income
 - (1) Social Security
 - (2) Qualified retirement plans

- 5.01.02 Capital gains and losses
 - a. Definition
 - b. Determining cost basis
 - c. Long-term/short-term distinction
 - d. Capital loss carry-forward
 - e. Exemptions relating to personal residences

- 5.01.03 Deductions
 - a. Definition (contrast to credits)
 - b. Itemized vs. standard deduction
 - c. Items eligible for deduction
 - d. The three percent floor under certain itemized deductions
 - e. Charitable deduction
 - (1) Operation of deduction
 - (2) Percent limitations
 - (3) Carry-forward rules
 - (4) Reduction rules for ordinary income property generally, short-term capital gain property, gifts of inventory, tangible personal property for unrelated use, gifts to private foundations, and gifts for the use of public charities.
 - (5) Valuation and qualified appraisal rules
 - (6) IRS Publication 1391 issues

- 5.01.04 Credits
 - a. Credits for children
 - b. Credits for college education

- 5.01.05 Tax rates
 - a. Graduated income tax rate structure
 - b. Capital gains rates

- 5.01.06 The Alternative Minimum Tax

- a. Reasons for tax
 - b. Preference items
 - c. Calculation of tax
- 5.01.07 Tax-deferred retirement plans
- a. IRA benefits and limitations
 - b. Rules limiting employer-sponsored retirement plans
 - c. Use of charitable income-paying gifts as substitutes
 - (1) Deferred payment gift annuity
 - (2) Charitable remainder unitrust (net-income with make-up)
- 5.01.08 Sources of tax law and interpretation
- a. Congressional acts (Internal Revenue Code) and treaties
 - b. Treasury regulations
 - c. IRS rulings and other pronouncements
 - d. Tax Court rulings and appellate opinions
 - e. History and policy of federal tax law and the charitable deduction
- 5.01.09 Tax law process
- a. Role of House of Representatives and Senate
 - b. Role of Executive Branch
 - c. Role of Judiciary
 - d. Role of IRS
- 5.01.10 Recent changes in federal taxation
- a. Loss of preferential tax treatment for capital gains
 - b. Elimination of income sheltering (Passive loss rules in 1986 Tax Act)
 - c. Reduced investment and business deductions
 - d. Curtailment of plans to shift income to children
 - e. Elimination of income averaging
 - f. New restrictions on retirement plans
 - g. Reduced itemized deductions
 - (1) Medical expenses--7.5 percent floor
 - (2) No sales tax deduction
 - (3) No personal interest deduction
 - (4) Miscellaneous deductions--two percent floor
 - h. Others as occurring
- 5.01.11 Private foundations
- a. Definitions of various types
 - b. Deduction limitations
 - c. Restrictions on operations
 - d. Tax status
 - e. Costs and benefits

- 5.01.12 Community foundations
- 5.01.13 State Income Tax
 - a. Rates in state of domicile
 - b. Deductibility on federal income-tax return
 - c. Availability of charitable deduction for state income tax
- 5.02 Estate and Gift Tax Planning**
- 5.02.01 How property may be transferred
 - a. Gift
 - b. Probate (bequest, intestate succession)
 - c. Ownership (Joint-tenancy, tenancy by entirety)
 - d. Contract (beneficiary of a life insurance policy, pension plan, etc.)
 - e. Trust
- 5.02.02 History of federal gift and estate tax
 - a. Initially two taxes
 - b. Rates and deductions prior to 1977
 - c. The 1976 Tax Reform Act
 - (1) Single graduated tax table for gift and estate tax
 - (2) Exemptions replaced by unified credit
 - d. Current maximum rate
 - e. Current unified credit for each year
 - f. Current annual exclusion for gift tax
- 5.02.03 Federal gift tax
 - a. Taxable and non-taxable gifts
 - b. The annual exclusion
 - c. The marital deduction
 - d. Exemptions for tuition and medical expenses
 - e. Donee's tax basis
 - f. Use of unified credit
 - g. Filing requirements--Form 709
- 5.02.04 The gift-tax charitable deduction
 - a. Unlimited deduction allowed
 - b. Deductible gifts
 - (1) Outright gifts
 - (2) Remainder interest in charitable remainder trusts and pooled income fund gifts
 - (3) Gift value in charitable gift annuities
 - (4) Income interest in charitable lead trusts
 - (5) Remainder interest in personal residence and farms

- 5.02.05 Federal estate tax
 - a. Determination of taxable estate (property in which decedent had an interest, plus lifetime taxable gifts, less applicable deductions)
 - b. Determination of the tax (application of tax rates to taxable estate less unified and other credits)
 - c. Filing requirements--Form 706
 - d. Marital deduction
 - e. Additional exemptions for family business or farm

- 5.02.06 The estate tax charitable deduction
 - a. Unlimited charitable deduction
 - b. Deductible gifts
 - (1) Outright bequests
 - (2) Remainder interest in charitable remainder trusts, pooled income fund gifts, and retained life estate gifts established under a will or where decedent was a beneficiary
 - (3) Gift value in charitable gift annuities funded under a will
 - (4) Income interest in charitable lead trusts established under a will

- 5.02.07 Generation-skipping tax
 - a. Purpose of the tax
 - b. Types of transfers subject to the tax
 - (1) Direct gifts to persons two or more generations below the donor
 - (2) Taxable terminations benefitting such persons
 - (3) Taxable distributions to such persons
 - c. Application of tax to charitable remainder trusts and charitable lead trusts

- 5.02.08 Basic Estate Planning Strategies
 - a. Advantages and disadvantages of living trusts
 - b. Lifetime gifting
 - c. Credit shelter trusts
 - d. Qualified Terminable Interest Property (QTIP) trusts and other marital deduction trusts and gifts.
 - e. Irrevocable life insurance trust
 - f. Trusts with Crummey power and Code Sec. 2503(c) trusts.
 - g. Grantor Retained Income Trust (GRIT), Annuity Trust (GRAT), Unitrust (GRUT)
 - h. Estate freezing techniques
 - i. Creating estate liquidity
 - j. Use of charitable lead and remainder trusts to reduce gift and estate taxes

- 5.02.09 State laws
 - a. State gift and estate tax
 - b. Relationship of state tax to federal tax
 - c. Mortmain statutes
 - d. Insurable interests in life insurance
 - e. When federal law looks to state law

5.03 Retirement Planning

- 5.03.01 Calculation of income required for retirement

- 5.03.02 Pension plans
 - a. Defined benefit plans
 - b. Defined contribution plans
 - c. Defined compensation plans
 - d. Stock options
 - e. Withdrawals and tax implications
 - f. Required distributions

- 5.03.03 Social Security benefits
 - a. Disability benefits
 - b. Retirement benefits
 - c. Survivor's benefits

- 5.03.04 Health care planning
 - a. Medicare
 - (1) Eligibility
 - (2) Benefits and Limitations
 - b. Medicaid
 - (1) Benefits
 - (2) Eligibility and "medical planning"
 - (a) Transfer of assets rule
 - (b) Spousal protection rule
 - c. Medical insurance/Health Maintenance Organizations
 - d. Long-term care insurance
 - e. Nursing home costs
 - f. Retirement communities offering a range of health-care and independent living options

- 5.03.05 Planning for incapacity
 - a. Revocable trusts/stand-by trust
 - b. Advance directives
 - (1) Powers of attorney
 - (2) Living will
 - (3) Health care power of attorney

- 5.03.06 Business succession planning
 - a. Planning for children who are and are not involved in the business
 - b. Stock-gift redemptions
- 5.03.07 Psychological factors of retirement
- 5.03.08 Investment strategies during retirement
 - a. Reduced risk tolerance
 - b. Relatively more emphasis on income than growth
 - c. Reverse mortgages
 - d. Private and commercial annuities
- 5.03.09 Charitable instruments to accumulate income for retirement
 - a. Deferred-payment gift annuity
 - b. Net-income charitable remainder unitrusts invested for growth
 - c. Growth-oriented pooled income fund
- 5.03.10 Charitable instruments to increase cash flow after retirement
 - a. Immediate gift annuity
 - b. Charitable remainder annuity trust or "regular" unitrust
 - c. Gift of remainder interest in residence
 - d. Contribution of paid-up life insurance, either outright or to fund a life income plan

5.04 Investing

- 5.04.01 Securities
 - a. Common stock
 - b. Preferred stock
 - c. Treasury bills
 - d. Treasury bonds
 - e. Corporate bonds
 - f. Tax-exempt bonds
 - g. Options
 - h. Public Offerings
 - i. Stock splits
 - j. Price-earnings ratios
 - k. Current yield
 - l. Yield to maturity
 - m. Total return
 - n. Closed and open-ended mutual funds
 - o. Restricted stock

- 5.04.02 Real estate
 - a. Liability rules for toxic wastes
 - b. Depreciation rules (commercial property)
 - c. Lifetime capital gains exemption (personal residence)
 - d. Types of ownership (joint tenancy, tenancy in common, etc.)
 - e. Title search--what it reveals
 - f. Title insurance
 - g. Quit claim deed and warranty deed
 - h. Undivided fractional interests
 - i. Conservation easements
 - j. Government-backed mortgages
 - k. Closing costs
 - l. Excise taxes
 - m. Options
 - n. Fixed- and variable-rate mortgages
 - o. Installment obligations
 - p. How real estate is appraised
 - (1) Comparable sales
 - (2) Replacement cost
 - (3) Capitalization

- 5.04.03 Other types of investments
 - a. Partnership interests
 - b. Collectibles
 - c. Oil and gas interests
 - d. Commodities

- 5.04.04 Understanding economic indicators

- 5.04.05 Reading a balance sheet

- 5.04.06 Interpreting the financial pages and market quotations

- 5.05 Cross-border Gifts**

- 5.05.01 Legal requirements to be met to make gifts

- 5.05.02 U.S. tax implications of gift

- 5.05.03 Tax implications of gift in foreign countries
 - a. Canada
 - b. Mexico
 - c. Others

- 5.05.04 Procedures for making cross-border gifts

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