1.     In 1998, Congress passed legislation concerning shifting the burden of proof to the IRS.  The taxpayer must introduce "credible evidence" to shift the burden of proof to the IRS. What constitutes "credible evidence"

2.     Why should tax researchers take note of the date on which a Treasury Regulation was adopted?

 3.     What is the impact on a transferor if a Sec. 351 exchange involves the assumption of the shareholder's liabilities by the corporation?

4.     Discuss the tax planning opportunities that are available in forming a corporation when one of the parties owns property that has a high basis and a low FMV.

5. Lass Corporation reports a $25,000 net capital loss this year.  The corporation reports the following net capital gains during the past three years.

|  |  |  |
| --- | --- | --- |
| **Year** | **Net Long-Term**  **Capital Gain** | **Net Short-Term**  **Capital Gain** |
| Third previous year  Year before last  Last year | $5,000    7,000     -0- | $6,000    3,000       -0- |

Determine the amount of net capital loss carried back to each preceding tax year and the amount of capital loss, if any, available as a carryforward.  Though full credit of 20 points requires the correct calculation, correct explanation of the process to make this calculation is more a majority of the points.

6. Chambers Corporation is a calendar year taxpayer using the accrual method of accounting.  In 2009, its board of directors authorizes a $20,000 contribution to the Boy Scouts.  Chambers pays the contribution on March 12, 2010.  What is the maximum contribution allowed in 2009 What is the maximum contribution allowed in 2010? Though full credit of 20 points requires the correct calculation, correct explanation of the process to make this calculation is more a majority of the points.

7. What is a constructive dividend? Under what circumstances are constructive dividends most likely to arise?

8. Smartmoney, Inc. was formed by three wealthy dentists to pool their investment funds. They each invested $200,000 in the corporation, which was immediately used to purchase stocks to be held as investments. The first year the corporation received dividends of $70,000 and filed a tax return paying a corporation tax in the amount of $3,150 [($70,000 dividends - $49,000 DRD)×.15 = $3,150]. The IRS audits this corporation and sends a tax bill in the amount of $10,028 ($66,850 UPHCI×0.15 = $10,028) plus underpayment penalty and interest. What is this additional tax and what should the dentists do about it (explain the tax, not calculate anything)? What action(s) do you recommend the corporation take for the tax year in question and subsequent tax years to avoid this additional tax going forward?

 9. Parent Corporation owns 80% of the stock of an insolvent subsidiary corporation. Vic owns the remaining 20% of the stock. The courts determine the subsidiary to be bankrupt, and the shareholders receive nothing for their investment. How do they report their losses?

10. Toby Corporation owns 85% of James Corporation's single class of stock and 35% of Mony Corporation's single class of stock. James Corporation owns 45% of Mony's stock. The remainder of James and Mony's stock is owned by 80 individual shareholders. Are the corporations' part of an affiliated group and can they elect to file a consolidated tax return?