

Numerics

0% rate on capital gains, 98, 99, 101, 102

2% AGI (adjusted gross income) floor, 41, 258, 282, 290, 403–10, 412–15, 420–21, 430, 437, 464–67, 473–74, 559, 561, 578–79, 598–99, 643

deductions, effect of, 404

job expenses not subject to, 403, 405

job expenses subject to, 403, 404

miscellaneous itemized deduction subject to, 258, 290, 403–9, 559

moving expenses not subject to, 405

15% rate on capital gains, 99, 101

28% capital rate gains from sales, 102

30% adjusted gross income ceiling, 333–36

30-day disbursement rule on loan proceeds, 350

50% ceiling on charitable contributions, 333–36

65 in age and over, tax benefits for, 3, 278, 308, 310, 311, 589

183-day substantial presence test for resident aliens, 27–29

401(k) plans

- corrective distributions from, 172
- elective deferral limit, 173–74
- hardship withdrawals from, 171–72, 175–76
- limit on salary reduction deferrals, 174–75, 218–19
- nondiscrimination rules, 174
- one-person 401(k) plan, 661
- ordinary income, taxed as, 74
- partnership plans, 174
- restrictions on withdrawals, 175–76
- Roth 401(k) contributions, 176
- SIMPLE IRA, contribution to both, 218–19
- SIMPLE plans, 174, 217–18, 666
- tax benefits of, 173–74
- tax-favored retirement plan, key to, 155
- withdrawals before age 59½, 175
- withholdings for retirement plans, 36

403(b) plans, annuities for employees of tax-exempt and schools, 152, 162, 163–65, 171, 174–77, 222

- nonspousal beneficiaries, 165–66
- rollover from employer plan to Roth IRA, 222
- Roth contributions to, 163–65, 176

2010 healthcare reform legislation, 70

A

Abandoned securities, 135

Abandonments of property, 553

Abode test for qualifying children as exemption, 445

Abstract of title fees, 520

Accelerated cost recovery system (ACRS), 123–24, 674–77, 681, 684, 703, 747

Accelerated death benefits, 291, 377

Accountable reimbursement plan, 438–40

Accountants

- employer-provided, 64
- material participation tests, 257
- travel costs, 418

Accrual basis accounting for business income, 358, 635, 636–38

Accrual method of accounting, 637–38

Accumulated earnings and profits, 76

Acknowledgment, written, for charity contributions, 330

Acquisition debt, 339–41

Acquisition premium, 34

Active participation in employer plan, 193–97

Adequate accounting, importance of, 438

Adjusted basis

- for casualty losses, 387
- how to find, 123–24
- of sale of home, 520

Adjusted gross income (AGI)

- 2% AGI floor, 41, 258, 282, 290, 403–15, 420–21, 430, 437, 464–67, 474, 559, 561, 578–79, 598–99, 643
- 7.5% AGI floor on itemized deductions for medical costs, 69, 361
- 10% AGI floor, on losses to personal-use property, 390–91, 393, 396

deductions allowed in figuring, 298–305

- excess, 589
- figuring, 298
- hobby expenses, 645–46
- lottery and sweepstakes winnings, 274
- medical expenses, 361
- no phaseout of itemized deductions for 2012, 312
- reporting child's income on your return, 473–74
- Roth IRA contributions, 197

Adopted children

- adoption credit, 8, 485–86
- benefit as fringe benefit, 35, 59–60
- expenses, employer-provided assistance, MAGI and, 193–96, 248–50
- medical expenses of, 369
- not a U.S. citizen or resident, exemption for, 453
- qualified adoption expenses, 485
- relationship test for claiming an exemption, 445
- scholarship for, not a support item, 450

Ad valorem tax, 359, 642

Advance lean burn credits, 489

Advance payment

- accounting method for reporting business income, 636
- health coverage credit, 488
- song publishers to composers, amortizing song rights, 686
- time limits for receiving, 438

Advances, against unearned commissions, 38

Airfares, subject to 2% AGI floor, 404, 421–22

Airline deregulation benefits, 39

Airline employees

- free or low-cost flights provided to, 70
- IRS meal allowance, 420–21
- pilot, 406, 408, 423

Airplane

- company plane, 61, 63, 432
- depreciate business property, 141–42
- donated, substantiation rules for, 324, 331
- fuel-related credits, 658

Alaska, IRS meal allowance for travel in, 421

Aliens

- dual tax status, 27–29, 309
- expatriation tax, 30
- in first year of residency, 28–29
- in last year of residency, 29–30
- leaving U.S., 30
- moving to U.S., 303
- verifying employment status, 619

Alimony

- annuity or endowment policy, 613
- cash payments required, 614
- child support not deductible as, 613
- decree or agreement required, 612–14
- IRA contributions and, 190–91
- key to alimony and marital settlement issues, 613
- legal fees of marital settlements, 615, 617
- minimum payment period for alimony, 616
- pendente lite, 614
- planning agreements, 612
- recapture rules, 616–17
- tax form to file, 8

Index

- tax rules for alimony payments, 298, 300, 612–16
 - voluntary payments in excess of required alimony, 613
- Alternative depreciation system (ADS), 678–80
- Alternative fuels credit, 658
- Alternative Minimum Tax (AMT)
- 150% rate election, 687
 - adjustments for, 462, 464–67
 - attorney's contingent fee paid from taxable award, 282, 415
 - avoiding, 468
 - checklist of items subject to, 463
 - child's dividends and interest, reporting, 473–74
 - child's liability for, 470–71
 - computing on Form 6251, 11, 462–64
 - debts cancelled in bankruptcy, 285
 - depreciation and, 679
 - exemption for 2012, 462–64
 - expatriation tax, 30
 - farmers, income averaging, 459–60
 - filing separately versus jointly, 11–13
 - general business credit and, 658
 - intangible drilling costs and, 242
 - ISO stock, selling to avoid adjustment, 45–48, 465–66, 468
 - key to rules, 462
 - net capital gains and qualified dividends, 11
 - personal tax credits, overview of, 476
 - recovered deductions and, 276–80, 464–67
 - tax credit from regular tax, 467–68
 - tax credits allowed against, 460
 - tax-exempts and, 539
- American Opportunity Credit, 572
- American Red Cross, deductible contributions to, 314
- American Samoa, 487, 605, 608
- Amortization
- adjusted basis and, 123–24
 - of bond premium, 82–83
 - for business intangibles, 671
 - expenses in new business, 646–47
 - of goodwill and other intangibles, 684–85
 - method, for annuity schedule payments, 207
 - song rights, 686
- Amount realized, 116, 520
- Amount recognized, 140–41
- Annualized income installment method for estimated taxes, 499–500
- Annuity(-ies)/annuity income
- commercial, 178–83, 496
 - contracts, 152–53
 - employee, 176–77, 184–87
 - endorsement of check for another annuity is taxable, 152
 - penalty on premature withdrawals from deferred annuities, 182–83
 - schedule payments of IRAs, 206–7
- for surviving spouse, 167–68
 - tax-sheltered, distributions from, 176–77
 - variable, 182
- Annulment decree, 614
- Antarctic region, not meeting foreign residence, 605
- Anti-churning rule, 684, 685
- Applicable federal rate (AFR), for seller-financed sales, 95–96
- Appraisals
- of art objects, 320, 325–26
 - for casualty losses, 387
 - for disaster relief, 391–93
 - fees, as miscellaneous expense, 332, 413–14
 - of home, 234
 - penalty for substantial overvaluation of property, 332, 333
 - written requirements, 331–32
- Appreciated financial position, constructive sales of, 534
- Appreciated securities, donating, 314, 333–35
- Appreciation in value, 320–21
- Arbitrage bonds, 89
- Arbitrage transactions of short sales of stock, 531
- Archer MSA (Medical Savings Account), 8, 660–69, 747
- contribution deadline, 669
 - employer contribution limits, 54
 - employer contributions to, W-2 form and, 35
 - rollover to HSA, 54
 - tax-free distributions from, 57
- Architects
- material participation tests, 257
 - travel costs, 418
- Armed Forces, members of
- base amount for tax credit, 589–90
 - benefits, tax-free, 593–95
 - benefits and pay, taxable, 593
 - combat pay election for earned income credit, 594
 - combat zone death, tax forgiveness for, 597–98
 - combat zone duty, 44–45, 190, 477, 595–97
 - Compensated Work Therapy Program (CWT), 594
 - death benefits, 594
 - deductions for, 595
 - differential wages paid to workers joining, 492
 - disability pensions for, 44–45
 - disability retirement pay, 594
 - education at academies, additional tax exception for, 576
 - Heroes Earnings Assistance and Relief Tax Act of 2008 (HEART), 594
 - income taxes withheld on pay to, 492
 - missing status, 597–98
 - moving expenses, 301, 303
 - permanent duty station of, 423
 - qualified reservist distribution, 206
- reservists, 298, 598–99
 - residence, suspending five-year ownership and use period, 513–16
 - retirement plans, penalty-free withdrawals from, 598–99
 - retroactive military disability determination, refund after, 44
 - Roth IRA contribution based on tax-free combat pay, 221
 - support test for exemptions and, 448
 - tax deadlines extended for personnel, 597, 598
- Armed Forces Health Professions Scholarship Program, 60
- Artists, 240–41, 645
- Art objects, 100, 320, 325–26, 331–35
- Assessments of real estate, 357
- Assigned contingent fee, tax on, 37
- Athletes, professional
- alien, temporarily in U.S., 28
 - tax home for travel expense purposes, 423
- Athletic facilities, as fringe benefit, 51
- Athletic stadium tickets, deductibility of, 317, 330, 433–34
- At-risk rules
- amounts considered at risk, 269–70
 - amounts not at risk, 270–71
 - carryover of disallowed losses, 272
 - Form 6198, 268, 655
 - loss restrictions, 267–72, 288
 - partnership loss limitations, 288
 - passive loss rules, effects of, 269
 - recapture of losses where at risk is less than zero, 272
 - several activities, investment in, 271
- At-the-money call option, 536
- Attorney
- contingent fee paid from taxable award, 36, 282
 - employer-provided retirement advice, 64
 - law school costs, not deductible, 578–79
 - material participation tests for, 257
- Audit
- cost of preparing for, 413–14
 - unified, for partnerships, 288–89
- Aunts, relationship test for claiming an exemption, 446
- Authors, self-employed, 240–41, 645
- Automobiles
- alternative depreciation system for, 678–79, 691–92
 - company cars as fringe benefit, 61, 63
 - damage to, deducting, 379–81, 387
 - demonstration cars as fringe benefit, 61
 - depreciation of, 678–79, 691–700
 - donations, 324, 331
 - employer reporting taxable benefits on company cars, 61

- exotic cars, 671
 - expenses, subject to 2% AGI floor, 404, 405
 - foreclosure, repossession, or voluntary conveyance, 282
 - gasoline taxes, 355
 - license fees, 359
 - like class exchange, 141–42
 - local transportation costs for job-related travel, 408
 - MACRS recovery periods and rates, 674, 689, 691–97
 - mileage rates, 318, 370, 408, 440–41
 - sale of, 100
 - school, transportation to, 581–82
 - unreimbursed accident damage as casualty loss, 387
 - volunteer services, 318–19
 - winterize, failure to, 387
- Average Cost Basis Method, 564
- Awards and prizes
- charity-organized benefit tickets, 316–17
 - employee achievement, 64, 274, 434–35
 - to employees, 434–35
 - gambling winnings and losses, 274–76
 - installment payments, 274
 - sweepstakes and lottery winnings, 274
 - taxable income tests, 274
- Away from home
- for armed forces personnel, 595
 - deducting travel expenses, 421–26
 - definition of, 243, 418, 422, 578–79, 581
- B**
- Babysitters, of charity volunteer workers, 319
- Back pay, taxable, 280
- Backup withholding, 497
- Bad debt deductions, 135–37, 385, 644
- Baggage charges as business trip deduction, 422
- Bank checking fees, 413–14
- Bank deposit loss, 135, 385, 411–13
- Bank drafts of \$10,000 or less, reporting to IRS, 638–39
- Bankruptcy
- debts cancelled in, 284–85
 - employer, higher contribution limit for 401(k) participants, 191
 - interest on bonds and, 81
 - of qualified intermediary, 146
- Bar review courses, not deductible, 578–79
- Basic Allowance for Housing (BAH), 593
- Basic standard deduction, 307, 308
- Basis
- additions and decreases to, 123–24
 - adjustments, AMT and, 123–24, 464–67
 - allocation of, 122–23, 549–50
 - of convertible stocks and bonds, 533
 - of inherited property, 118–20, 148–50
 - joint tenancy rules for surviving tenants, 120–22
 - of repossessed property, 554
 - of shares acquired before 2012, 562
 - of stock dividends, 528
 - of stock rights, 529
 - of taxable stock dividend, 76, 528
 - unadjusted, of your property, 116–18
- Beneficiaries
- annuities received by, death benefit exclusion, 186
 - consistent reporting by, 290
 - death before September 30 determination date, 214
 - distributions after death of Roth IRA owner, 226
 - of inherited traditional IRAs, 211–16
 - of lump-sum distributions from retirement plans, 158, 161–63
 - multiple, of inherited traditional IRA, 212, 214
 - nonspouse, distribution of retirement plans, 165–66, 170
 - retirement plan distributions to, 169–71
 - Schedule K-1, IRS matching program for, 286
- Benefit tickets, deductibility of, 316
- Bequest
- from expatriates, 30
 - received by executor, tax-free, 41
- Bicycle costs, employer-reimbursed, 62
- Bingo games organized by charities, 316
- Blind people, deductions for, 278, 308, 310, 311, 372–73
- Blood bank donations, nondeductible contributions for, 315
- Board and lodging, tax-free, 64–67, 298
- Boats, special acknowledgment requirements for donation of, 324, 331
- Bodyguard-chauffeur services, 61
- Bonds
- accrual dates for, 540–41
 - amortization of bond premium, 82–83
 - bought at premium or acquisition premium, 84
 - callable, 83
 - capital or ordinary gains and loss from sale of, 98–100
 - convertible, 83, 533
 - discount on, 83–84
 - Freedom Shares, 91, 540
 - I bonds, 91–93, 508, 509, 540, 541
 - interest on bonds bought or sold, 81
 - market discount, 83, 85–86
 - municipal bond funds, 538
 - original issue discount (OID), 83–85
 - private activity, 88–89
 - public-purpose, 538
 - qualified private activity bonds, 539
 - redemptions, timing, 540
 - sale or retirement of, 88
 - saving notes, 540
 - savings bonds, 93, 540–41
 - selling at a flat price, 81
 - Series E and EE bonds, 92–93, 508, 509, 540–41
 - Series H and HH bonds, 540–41
 - state and local (municipal bonds; tax-exempts), 88–90, 298
 - taxable municipals, 539
 - tax-exempt
 - funds, 559, 560
 - investing in, 538–39
 - Treasury bonds, 90
 - Treasury I bonds, 91, 92–93, 508, 509, 540, 541
 - U.S. Savings bonds
 - as charitable contribution, 93
 - donating, 321
 - interest on, 91–93
 - student loan interest deduction, 580
 - tax-free exchange rules not applicable to, 148–50
 - tuition plans, 569–70
 - used for tuition, AGI and MAGI, 193–96
 - wash-sale rules, 532
- Bonus depreciation, 683, 686–87, 695
- Bonuses
- employee, 434–35
 - Stock Appreciation Rights (SARs), 45
- Books used on the job, subject to 2% AGI floor, 404, 405
- Boot, 142–44, 151, 548
- Boy Scouts, deductible contributions to, 314
- Breast pumps, as medical expense, 362
- Bribes and kickbacks, 645
- Brokerage services, employer-provided, 64
- Building, demolishing a, 683
- Building contractor, fraud by, 388
- Bullion, tax-free exchanges of, 151
- Burglar alarms, 380
- Business
- bad debt for loan to employer, 135–37, 404
 - equipment, capital or ordinary gains and loss from sale of, 98–100
 - intangibles, amortization for, 671
 - tax liability limits, 550–51
 - use of personal residence, 521–22
- Business activities
- classifying, 253–55
 - grouping rental and nonrental, 248
 - material participation tests, 255–57
- Business expenses
- inventory, 329
 - medical expenses deductible as, 375–76

Index

- minister's, allocable to taxable compensation, 67–68
 - taxes deductible as, 359
 - trip deductions, 421–22, 435–36
 - Business income
 - accrual basis accounting, 358, 635–38
 - cash method of accounting, 37, 358, 635–38
 - net operating losses, 654–56
 - Business premises test, for employer-furnished meals or lodging, 64–65
 - Business property
 - capitalize costs of, 636–38
 - casualty or theft loss deduction of, 381–82, 391–93
 - disaster area, 399
 - rent, deducting on Schedule C, 229, 642
 - sales of, 522, 659
 - tangible, depreciable, 141–42
 - Business tax credits, 657–58
 - Business travel
 - business-vacation trips, 426–30
 - conventions and seminars, 428–30
 - deductions, 421–22
 - taking family along on temporary job site, 425
 - travel expenses of spouse or dependent, 429
 - weekend expenses, 428
- C**
- Cab fare
 - as business trip deductions, 421–22
 - as de minimis fringe benefit, 63–64
 - Cafeteria plan, 68
 - Calculators, 410
 - Calendars for 2012 and 2013, 7
 - Calendar year, 636–38
 - Callable bonds, 83
 - Calls (options), 537–38
 - Canada, aliens who commute from, 183-day test and, 28
 - Cancellation of debt, 282–86, 289
 - Cantor, housing allowance for, 67–68
 - Capital asset, 98–99
 - Capital expenditures, nondeductible, 644–45
 - Capital gain (or loss), 100
 - 0% rates, 98, 101, 102
 - 15% rates, 99, 101
 - 28% rate gain, 100–102
 - abandonments, 553
 - bad debt deductions, 134–37
 - bank deposit loss, 135
 - bonds and notes, 88–89
 - calculating, 115–16
 - cancellation of a lease, 548–49
 - conversion transactions, gains restricted on, 537
 - deemed sale and suspended losses, 264–65
 - distributions, from mutual funds, 73, 559
 - easement, granting of, 549–50
 - foreclosure sales and voluntary conveyances to creditors, 551–52
 - holding period for capital assets, 113–14
 - long-term, as tax-saving opportunity, 508
 - long-term or short-term, 98–100
 - losses
 - capital loss alternative to amortizing premium, 82
 - disallowed on sales to related persons, related buyer's resale at profit, 103–4
 - loss limit, 102–3, 264
 - securities transactions, planning for losses, 527
 - mutual fund distribution reporting, 560
 - post-2012 rules, uncertainty of, 74
 - pre-1974 portion of lump sum distribution of retirement plan, 161
 - preferential rates, possibility for, 510
 - principal residence sale, figuring gain or loss, 520
 - property sales, 98–100, 102–12
 - qualified corporate dividends, taxation of, 74
 - on repossession, 554–55
 - short sales of stock, 529–31
 - short-term, 98–99, 113–14, 559
 - tax liability to be computed on IRS worksheets, 99–101
 - tax rate on net capital gains, 11, 29, 102
 - Capital gain distribution, 558–59
 - Capital improvements, 231–32, 520, 681, 682
 - CARE, deductible contributions to, 314
 - Carryback, 654–56, 658
 - Carryforward, 654–56, 658
 - Carry-overs
 - capital losses and, 102–3
 - death of taxpayer, 103
 - of disallowed losses, 272
 - as exception to passive activity deduction, 258
 - for excess charitable contributions, 333–35
 - suspended losses, 264–65
 - Car service, as de minimis fringe benefit, 63–64
 - Cash allowances for meals and lodging, 66
 - Cash-and-carry transactions, 536, 638–39
 - Cash and other property, receiving, 142–44, 638–39
 - Cash awards as employee achievement awards, 64
 - Cash-basis investor, 88–89
 - Cash-basis taxpayer
 - interest deduction, 351
 - Treasury bill maturity, 90–91
 - Cash contributions to charity, 329–30, 332–35
 - Cashier's checks, of \$10,000 or less, reporting to IRS, 638–39
 - Cash method of accounting, 37, 358, 635–38
 - Cash-out distribution of annuity, 168
 - Cash payments of \$10,000 or less, reporting to IRS, 638–39
 - Cash receipts, reporting to IRS, 638–39
 - Cash reimbursements of qualified transportation benefits, 60–63
 - Casino wins, 274–76
 - Casualty and theft losses
 - adjusted basis and, 123–24
 - automobile damage, 387
 - bank deposit losses as, 385
 - calculating deductible loss, 391–93
 - deducting, 279, 308, 381–85
 - disaster losses, 382–84
 - exceeding your income, 396
 - excess living costs paid by insurance, 394–95
 - figuring and claiming, 389–96
 - figuring your loss on Form 4684, 387, 391–93
 - floors for personal-use property losses, 390–91
 - incidental expenses, 393
 - insurance reimbursements, 394–96
 - net operating loss, 654
 - nondeductible losses, 389–90
 - property used for both personal and business purposes, 393
 - proving a casualty loss, 387
 - repairs as measure of loss, 394
 - reporting gains from, 401
 - sudden event test for casualty losses, 379–81
 - trees and shrubs, damage to, 380, 386
 - when to deduct, 381–82
 - who may claim deduction, 384–85
 - C corporation
 - accounting method for, 636–38
 - material participation, 266–67
 - unified audit rules, exception to, 289
 - Cellular phone, deduction for, 409–10, 674–75
 - Cemetery, nonprofit, unable to deduct, 315
 - Certificate of compliance (“sailing” permit), 30
 - Certificate of Deposit (CD), early withdrawal on, 82
 - Chambers of commerce, nondeductible contributions for, 315
 - Chaplains, allowance for, 67
 - Charitable contribution deductions and nondeductions
 - accelerating deductions, 509
 - appreciated securities and real estate, 333–35
 - assignment of pay as, 36
 - automobile donations, 324
 - bargain sales of appreciated property, 324–25
 - cash contributions, 329–30, 332–35
 - ceiling on, 325, 333–35
 - charity remainder trusts, 329
 - child support of student in your home, 319, 333–35

- deductible contributions, 307, 314–19, 509, 590–91
- direct transfer from IRA to charity, 314
- donations of property, 320–29, 333
- dues, 316
- election to reduce property gift appreciation, 336
- excess donations on, carryover for, 335
- foreign charities, 315
- foster parent expenses, 319
- historic house easement after claiming rehab credit, 551
- interests in real estate, 327–28
- life insurance policy, 328
- lotteries organized by charities, 316
- membership in qualified charity, deductibility of, 316
- mortgaged property donations, 556
- noncash contributions, 331
- nondeductible, 257–59, 315–16, 320–23
- organizations qualifying for deductible donations, 314–15
- penalty for substantial overvaluation of property, 332, 333
- property donations, 279, 314–15, 320–25, 331–33
- property that has declined below cost, 324
- qualifying donations, 314–19
- recapture of deduction for property sold within three years, 321
- records needed to substantiate contributions, 329–32
- reporting, 330–36
- sports event tickets, 317, 330, 433–34
- student in your home, support of, 319
- substantiating, 314
- substantiating your donations, 329–30, 332
- tax form to file, 8
- timing of, 314–15
- token gifts, 317–18
- vacation home use, 327
- when deductible, 314–15
- Charitable split-dollar insurance plan, 42
- Chauffeur services
 - as fringe benefit, 61
 - travel costs incurred by, nondeductible expense, 302
- Checking account
 - canceled checks, keeping copies of, 329–30, 332
 - payments from, for loan proceeds, 349–51
 - personal, nondeductible, 413–14
- Checklist of deductible and nondeductible taxes as itemized deduction, 354
- Checklist of rental deductions, 229–31
- Childbirth classes, as deductible medical expense, 362, 363
- Child-care facilities and services, employer-provided, 657–58
- Children
 - bond registered in child's name, 91
 - born in foreign country, 453
 - continuing coverage for group health plans (COBRA coverage), 52
 - court-ordered distributions of retirement benefits to, 168
 - custodial accounts, 625–26
 - default on support, 138
 - as dependent, 11–13, 310, 443–46
 - dependent care credit for, 478, 480, 482
 - of divorced or separated parents, 452–53
 - employer's educational benefits for, 42–43
 - as exemptions, 443–48
 - FICA tax on wages paid to, 484
 - filing returns for, 24–25, 470–71
 - foreign, 486
 - as head of household, 22–24
 - kiddie tax, 24, 80, 91, 101, 470–74
 - married child, as qualifying child for EIC, 484
 - newspaper home delivery pay, income taxes not withheld on, 492
 - not a U.S. citizen or resident, exemption for, 453
 - qualifying child
 - for child tax credit, 476–77
 - for dependent care credit, 480–82
 - for earned income credit, 482–84
 - of noncustodial parent, 444–45, 452–53
 - rule for divorced or separated parents, 310, 452–53
 - special exemption for unmarried cohabitant's child, 447
 - relationship test for: claiming an exemption, 444–47
 - reporting child's income on parent's return, 473–74
 - reporting parent's income on child's return, 472–73
 - Social Security benefits paid on behalf of, 584–85
 - Social Security numbers for, 24, 454
 - unmarried cohabitant's child, special exemption for, 447
 - U.S. Savings Bonds bought in name of, 91
 - wages paid to, 24, 496
- Child support
 - court-ordered distributions of retirement benefits, 168
 - defaulted payments not basis for bad debt deduction, 138
 - not considered alimony, 615–16
- Child tax credit, 460, 476–77
- Chinese corrosive drywall, 380
- Chronically ill, 52, 55
- Church employees, annuities for, 177
- Circulation expenses, alternative minimum tax and, 463
- Citizenship
 - loss of, expatriation tax for, 30
 - or resident test for dependents, 453
 - renouncing, tax rules for U.S. citizens, 30
- Civic leagues, nondeductible contributions to, 315
- Clear business setting test for dining and entertainment expenses, 430–31
- Clergy, rental allowance for, 67–68
- Clients and customers
 - business gift deductions, 434–35
 - entertainment expenses for, 430
- Closely held corporations, 151, 266–67
- Closing costs for buying home, 520
- Clothing, used, donating, 323–24
- Club dues, 432, 437
- COBRA coverage, 52, 488, 667–68
- Coins
 - restrictions on investments in, 189
 - sale of, 100
 - tax-free exchanges of, 151
- College courses, out-of-town trips, 420, 581–82
- Combat
 - pay, 221, 593–95
 - related injury or illness, disability payments for, 44–45, 593–95
 - zone, service in, 13, 190, 477, 595–98
- Commercial buildings, deducting energy-efficient standards, 643
- Commissions
 - executor's and trustee's, 41
 - paid to collect rentals, 230
 - as taxable income, 38
- Commodities, holding period for, 113
- Commodity Credit Corporation loans, withholding on payment, 494
- Common law marriage, filing status and, 10
- Common stock, dividends on, 76
- Community development corporations, credit for, 657–58
- Community income, 15
- Community property rules
 - death of spouse and, 15, 120
 - divorce or separation and, 15
 - innocent spouse rules and, 15
 - lump-sum distributions from retirement plans and, 159–61
 - for military personnel, 593
 - moving to and from community property, 15
 - separate property and, 14–15
 - supporting a dependent with separate income and, 15
- Commuting expenses, 372, 417–18, 420–21
- Commuting expenses, under unsafe circumstances, car service or taxi fare for employees, 63–64
- Company plane, 61, 63, 432
- Company products, discounts on, 71

Index

- Company stock
 - dividend reinvestment in, 77
 - selling back to employer, taxable as ordinary income, 99
 - Compensated Work Therapy Program (CWT), 594
 - Computer
 - deducting depreciation of, 411–12
 - deduction for, 409–10
 - depreciation on, 679–81, 686
 - like class exchange, 141–42
 - subject to 2% AGI floor, 404, 409–10
 - Condemnation
 - award, cost of replacement property and postponed gain from, 400
 - gain from, 396, 397
 - grant of an easement under, 549–50
 - of property, as involuntary conversion qualifying for tax deferral, 396, 398
 - Condition of employment, for employer-furnished lodging, 65–66
 - Condominiums
 - deductions on, 347, 356
 - as principal residence, 512–13
 - Constant yield method, 85–86
 - Construction
 - fault, as casualty loss deduction, 380
 - home, 341–42
 - long-term contracts, accounting for, 638
 - as qualified production activity, 656–57
 - real estate, taxes and, 357
 - to residence, figuring gain or loss on sale of, 520
 - Constructive receipt rule, 37
 - Constructive sales of appreciated financial positions, 533–34
 - Consultants, 257
 - Contingent legal fees
 - paid out of taxable awards, 415, 464–67
 - salary or wage income (compensation), 36–37
 - tax on, 37
 - Contingent payment sales, 129–30
 - Continuing care facilities, 95, 373, 450, 590–91
 - Contract cancellations, 536
 - Contract price, 126–27, 133
 - CONUS federal travel rates, 439
 - CONUS meals and incidental expenses, 420–21
 - Convenience of employer test, employer-furnished meals or lodging, 65
 - Convention, for MACRS, 675, 677–78, 748
 - Convention travel
 - conventions and seminars, deducting expenses of, 428–30
 - delegate to charitable or veterans' convention, 318, 420
 - foreign conventions and cruises, 429–30
 - medical conferences, 371
 - nondeductible, 412
 - outside North American area, deducting expenses at, 429–30
 - Conversion of traditional IRA to Roth IRA, 221–22
 - Conversion transaction, capital gain restricted on, 535, 537
 - Convertible securities (stocks and bonds), 83, 150, 533
 - Cooperative housing unit
 - basis for gain or loss, 520
 - deductions on, 338, 347, 356
 - depreciation on, 233–34
 - home office in, 653
 - residence ownership requirement, 512–14
 - Copiers, 410, 674
 - Copyrights
 - amortizing, 684
 - depreciation of costs over life of, 241
 - Corporate dividends, qualified, taxed at favorable capital gains rates, 74–75
 - Corporate misconduct, stock devaluation due to, 389
 - Corporation
 - benefits to shareholder-employee, 76–77
 - closely held
 - passive activity rules, 266–67
 - tax-free exchanges with, 151
 - controlling interest, buying, 599
 - earnings and profits of, 75
 - foreign, dividends from, 75
 - form of doing business, 634
 - organizational costs, 646
 - reorganizations or mergers, exchanging market discount bonds in, 85–86
 - tax-free exchanges of stock, 150
 - Corrosive drywall, 380
 - Cosmetic surgery, 55, 365, 406, 409
 - Cost basis, 78, 521
 - Cost depletion, 242
 - Cost less depreciation method, 393
 - Coupon bonds, 87–88
 - Coverdell Education Savings Accounts, 573–75
 - death benefits, 594
 - education tax credits, effect on, 508, 566–71
 - student loan interest deduction, 577–78
 - tuition and fees deductions, 576–77
 - Credit card
 - debt cancellation of, report as income, 283
 - fees for tax preparation or paying, deductible, 411–14
 - insurance payments, taxable, 285
 - paying taxes with, 501
 - statements and receipts, as record, 355–56, 435–36
 - Crop damage payments, withholding on payment, 494
 - Cruise ships
 - business trips on, 422
 - conventions on, deductions for, 429–30
 - Custodial accounts for minors, 625–26
 - Custodial parent
 - dependent care credit rules for separated couples, 482
 - special rule for claiming exemption for child, 452–53
- ## D
- Damages, legal, 280–82
 - Day care center/services
 - dependent care credit and, 481–82
 - employer-provided, tax-free exclusion, 59
 - home used to provide, 649
 - DB(k) hybrid retirement plan for small employers, 662
 - Deadlines
 - donation receipts, 330
 - equitable relief, request for, 20
 - estimated tax installments, 499–502
 - filing returns, 6
 - gains on publicly traded securities, 527
 - Keogh plans, 661–62, 665–66
 - nominee distribution, joint accounts, 73
 - recharacterization, 222–24
 - Roth IRA, 219
 - SEPs, 662
 - SIMPLE IRAs, 218
 - W-2 distribution, 619
 - Dealer in commodities, options, and securities, self-employment tax rules for, 541–42
 - Dealer sales, installment plan, 124–25
 - Death
 - of Armed Forces personnel, 597–98
 - of dependent, 447
 - of investor in a passive interest, 265
 - Death of dependent, claiming exemption, 444
 - Death of spouse
 - in 2011 or 2010, qualifying widow(er) rates, 22
 - in 2012, 21–22
 - claiming any unused loss carryover, 103
 - community property rules and, 15
 - estimated taxes, 502
 - exemption claim, 444
 - filing new Form W-4, 494
 - prior to 2010, 22
 - before sale of home, 516
 - Death taxes, state-level, 630
 - Debt obligations, 88
 - Debts
 - business real estate, restructuring, 552
 - cancellation of, 282–86, 289

- cancellation of debts you owe, as taxable income, 37–38
 - credit card, cancellation of, reporting as income, 283
 - mortgage debt, 282–83, 552–53
 - nonrecourse, upon foreclosure or repossession, 551–52
 - owed to you, interest income on, 80
 - partnerships, 286
 - S corporation, 286, 289–90
 - Decedent (deceased person)
 - capital loss carryover and, 102–3
 - distribution of Roth IRAs to beneficiaries, 226
 - filing returns for, 25–27
 - final return of, 25–27
 - income in respect of a decedent (IRD), 26, 290–91
 - inherited property, repeal of estate tax in 2010, 120
 - joint tenancy basis rules for surviving tenants, 120–22
 - medical expenses of, 26, 370
 - partnership income, 26
 - promptly closing estate, 25
 - refund due to, 26
 - reporting income of deceased spouse, 21
 - survivors of workers abroad returning to U.S., 607
 - transfer of installment notes, 132
 - transfer of savings bond, 92–93
 - Declining balance method, 675, 678, 748
 - Deduction equivalent of a credit, 250
 - Deductions
 - accelerating, 509
 - of deceased person, 25–27
 - domestic production activities deduction, 298, 301, 635, 656–57
 - first-year expensing, 644–45
 - from gross income, 298–301
 - mortgage insurance premiums, 343
 - rental, 229–31
 - subject to recapture, 680
 - Deep-in-the-money option, 535
 - Deferral of salary-reduction, limit on, 173–74
 - Deferred compensation plans, 39–40, 178
 - Deferred exchange distinguished from a reverse exchange, 144–45
 - Deferred payment sales, minimum interest, 131
 - Defined-benefit Keogh plan, 661–62, 665–66
 - Defined benefit plans, 197, 661–62, 748
 - Defined-contribution plans, 197, 661–62, 748
 - Degree test, for scholarships, fellowships, and grants, 566
 - De minimis, 51, 433
 - employee achievement awards, 64
 - fringe benefits, 63–64
 - meal charges by employer, 64–67
 - parking provided by employer, 62
 - Dental services, deductible medical expenses, 363
 - Departure permit for aliens leaving U.S., 30
 - Dependent(s)
 - care credit for, 11–13, 478–82, 487
 - citizenship or resident test for, 453
 - claiming as, on someone else's tax return, 308, 433–44
 - court-ordered distributions of retirement benefits to, 168
 - determining status, 311
 - disabled, advance payment for lifetime care, 365
 - earmarking support to one, 450
 - exemptions, claiming as, 443–48
 - age or student test for qualifying children, 445
 - of divorced or separated parents, special rule, 452–53
 - spouse or former spouse, 444, 446–48
 - unrelated or distantly related dependents living with you, 446–47
 - filing jointly with another, unable to claim exemption for, 453
 - filing tests for returns, 4
 - gross income limit test for, 447–48
 - group-term life insurance for, employer-paid, 58
 - head of household tests and, 22–24
 - household with several, 450
 - medical expense deductions of, 370
 - separate returns and, 14–15
 - Social Security number for, 444
 - Social Security number of, reporting, 454
 - standard deduction for, 311
 - student loan interest deduction, 577–78
 - travel expenses of, 429
 - tuition and fees deduction, 576
 - Dependent care benefits, 34, 59
 - Dependent care credit, 12, 460, 477–82, 487
 - care of qualifying persons, 480–81
 - earned income test for, 480
 - expenses qualifying for, 481–82
 - limits on, 478–79
 - qualifying for, 478
 - for separated couples, 482
 - Dependent care flexible spending arrangements (FSAs), 70
 - Depletion deduction
 - alternative minimum tax, subject to, 463
 - oil and gas percentage, 243–44
 - properties subject to, 242–43
 - Depreciable property, 671–75, 748
 - classes of, 141–42
 - sales to related party, 129
 - Depreciation
 - adjusted basis and, 123–24
 - alternative minimum tax (AMT) and, 679
 - assets in service before 1987, 681
 - basis for, 116–24, 624–25
 - bonus depreciation for property, basis reduction for, 686–87
 - claiming on tax return, 672
 - of computers and other listed property, 680–81
 - convention rules affecting, 675, 677–78
 - on converting home to rental property, 233–34
 - on cooperative apartments, 234, 653
 - deducting on Schedule C, 640
 - first-year expensing deduction, 644–45
 - on gift property, basis for, 118–20, 624–25
 - home office, 522, 647–48, 650, 653
 - household items, cost less depreciation method for, 393
 - key to reporting income and loss, 635
 - MACRS recovery periods and rates for, 674–77, 693–97
 - property, nonresidential, deductibility of, 639–40
 - property, sale of, 286
 - property, types of, 671–72, 748
 - real estate, placed in service after 1980 and before 1987, 683
 - recapture of, 124–25, 286, 683, 703–5, 748
 - of rental building, 230
 - reporting business income, 636–38
 - straight-line, 678–79, 681
 - tables, 676
- Determination date of September 30 for beneficiary of inherited IRA, 214
- Differential wages paid to workers joining military, 492
- Diplomats, exempt from permit requirement, 30
- Directly related dining and entertainment, 431–32
- Disabled
 - access credit, 657–58
 - armed forces, extended statute of limitations for, 594
 - armed forces, retirement pay, 595
 - business expenses deductions, 375–76
 - of dependent, advance payment for lifetime care, 365
 - disability before minimum retirement age, employee annuity and, 185
 - earned income credit (EIC) and, 480, 482–84
 - exception to IRA early-withdrawal penalty, 170, 204, 205
 - gross income test for dependents, 448
 - home improvements as medical expenses, 374–75
 - impairment-related work expenses, 375–76
 - medical expenses for, 372–77
 - nurses' wages, 373–74
 - pensions, 43–45, 185
 - schooling, 372–73
 - spouse, dependent care credit, 480
 - student, gross income test for, 448
 - tax credit for, 477, 588–90
 - waiver of estimated tax penalty, 500
- Disaster, federal
 - deducting casualty loss, 382
 - extra standard deduction, claiming, 308

Index

- FEMA disaster mitigation grants not taxable, 383
 - figuring loss on Form 4684, 391–93
 - losses, 382–84
 - net operating losses, 654
 - personal-use property losses, floors for, 390–91
 - qualifying replacement property, 398, 399
 - relief loans, 394
 - replacement property, defer gain by, 396
 - sale of land underlying destroyed residence of second home, 384
 - unemployment assistance, 38–39
- Disaster Relief Act, 39, 382–84
- Disclosure statement from charity, 330
- Discount(s)
- bonds, 83–86
 - on company products or services, as fringe benefit, 51, 71
 - on short-term obligations, 88–89
- Disposition
- of amortizable Section 197 intangible, 685
 - of installment notes, 131–32
- Dispossessing tenants, legal expenses for, 230
- Disqualifying income, earned income credit and, 484
- Distance test, 302–3
- Dividends
- capital gain, 73
 - corporate, taxed at favorable capital gain rates, 74–75
 - earnings and profits of corporation and, 76
 - in kind, 76–77
 - life insurance policy, 79
 - mutual fund, 73
 - nominee, 77–78
 - paid in property, 76–77
 - partnership, 75
 - qualified, tax calculation for, 459
 - qualified corporate dividends, 74–75
 - qualifying, earning, 508
 - real estate investment trusts (REITs), 75
 - reporting, 73, 77–78, 558–59, 561
 - S corporation, 75
- Divorce (divorced persons; ex-spouses)
- children of, claiming as exemption, 443–44, 452–53
 - COBRA health coverage and, 52
 - court-ordered distributions of retirement benefits, 168
 - decree required for alimony, 612–14
 - dependent care credit rules for, 482
 - equitable relief, 20–21
 - ex parte divorce, 614
 - filing status of, 10, 309
 - Form W-4, 494
 - head of household status, 22–24
 - home sales after, 516–17
 - IRA, division of, 206
- IRA, transfer of, 204
- joint return
- community property rules, 14–15
 - separate liability election, 13–14
- kiddie tax and, 472–73
- lump-sum distribution received by former spouse
- may be eligible for tax-free rollover or special averaging treatment, 158
- medical expense deductions and, 369
- property transfers between spouse and ex-spouse, 148–50
- related redemptions of stock in closely held corporation, 149–50
- rollover of distribution of former spouse's retirement benefits, 165
- special rule for claiming exemption for child, 452–53
- spouse, exemption for, 444
- tax-free exchanges and, 148–50
- Dollar for dollar of debt discharge, 284, 285
- Domestic help, nondeductible moving expenses of, 302
- Domestic production activities deduction, 298, 301, 635, 656–57
- Domicile vs. residence, 605
- Drilling
- alternative minimum tax and, 463
 - expense prepayments, 242
- Drought damage, 380
- Drug costs, deductible versus nondeductible, 307, 361, 363, 364
- Drywall, corrosive, 380
- Dual citizens, expatriation tax for, 30
- Dual status aliens, 14, 27, 28–29, 309
- Dues
- for armed forces personnel, 595
 - for clubs, as entertainment expense, 432
 - as deductions, 316, 403–5
 - to professional associations, as fringe benefit, 63

E

Earned income

- for a deductible IRA, 190–91
- standard deduction for, 311

Earned income credit (EIC)

- children qualifying for claiming, 482–84
- claiming, 11–13
- for household employees, 621
- income tests for, 484
- independent care credit, test for, 480
- qualifying tests for, 482–84
- reducing tax liability, 460, 482–85
- tables, 475

Easements, granting of, 328, 549–51

Eating facilities for employees, as de minimis fringe benefit, 63

Educational courses, out-of-town college trips, 420, 581–82

Educational institutions

- annuities for employees of, 176–77
- employees of, tuition reductions for, 60, 566
- lodging provided by, 64–67

Education costs

- assistance plans as fringe benefit, 60
- business deductions, 578–82
- courses not leading to qualification for new profession, 579–80
- deductions affected by excludable, 576–77
- degree program, 579–80
- employer-financed undergraduate and graduate courses, 51
- job-skill improvement, deducting, 579–80
- law school costs, deductibility of, 578–80
- MBA courses, 579–80
- medical school courses, 579–80
- professional courses, nondeductibility of, 643
- qualified loans and expenses, 577–78
- required by employer, 579–80
- self-employed business owner or professional, 578–79
- Series EE bonds used to pay for, 91–92
- as support item, 451
- of teachers, 579–80
- transportation to take courses, 420, 581–82
- trips for educational purposes, 581–82
- work-related tests for, 579–80

Education tax benefits

- education tax credits, 477, 508, 570–73
- for employees' children, 42–43
- Fulbright awards, 566
- Hope (American Opportunity) credit, 570–72
- Lifetime learning credit, 570–73
- Qualified Tuition Programs (QTPs), 568–69
- scholarships and grants, 566
- student loan interest deduction, 577–78
- tuition and fees deduction, 576–77
- tuition reductions for college employees, 566
- U.S. Saving Bond tuition plans, 566–67
- work-related education expenses, 578–82

Educator expenses

- deductions, 299, 405
- as support test for claiming relative as exemption, 452–53
- tuition and fees, 299

Elective deferral limits to retirement plans, 34, 173–74

Elective deferral limits to retirement plans, reported on Form W-2, 36

Electricity production credit, 657–58

Electronic Federal Tax Payment System (EFTPS), 501

Electronic payment of estimated tax payments, 501

- Embezzlement losses, 388
- Emotional distress, 280–81
- Employees
 - 39-week test for moving expenses, 303–4
 - achievement awards, as fringe benefit, 51, 64
 - annuities for, 184–87
 - awards, 434–35
 - bonuses for, 434–35
 - children, educational benefits for, 42–43
 - definition of household employee, 619
 - of educational institutions, 60, 176–77, 566
 - eligibility for SIMPLE IRA, 218
 - ESPPS (Employee stock purchase plans), 45–48
 - housing costs and foreign earned income, 604, 605–6
 - leave-sharing plans, 37
 - meals and incidental expenses, 420–21
 - on medical or family leave, 70
 - over age 70½, minimum distribution from employer retirement benefits, 169, 208–10, 217
 - pension distribution to, 639
 - related to employer, IRS per diem rules for, 439–40
 - retirement plan contributions for your, 661–66
 - with self-employed enterprise on the side, 661
 - with sideline business, 648–49
 - Stock Appreciation Rights (SARs), 45
 - stock options, holding period for, 113–14
 - stock purchase plans (ESPPs), 45–48
 - wages to, 639
 - work-related education expenses, 578–79
 - wrongful termination, damages for, 281–82
- Employer identification number, 497, 621
- Employers
 - 401(k) plan coverage, automatic, 174
 - allowance for uniforms and work clothes, 406
 - contribution limits to Archer MSA, 54
 - credit for FICA on tips, 658
 - dependent care assistance, 59
 - dependent care financed by, credit base reduced by, 481–82
 - education plans financed by, 51
 - gifts from, 37
 - groceries furnished by, 66
 - group life insurance, 41–42
 - more than one, withholding allowances, 494
 - reimbursement plans, automobile expenses, 418
 - reimbursement plans, tax treatment of, 437–38
 - retirement plan, active participation in, 196–97
 - retirement plan, advice, 64
 - retirement plan, intended contribution to, 219
 - securities, distribution of, 166–67
 - tangible personal property award from, 64
 - withholding on retirement distributions, 496
- Employment agency fees, 408
- Employment discrimination cases, contingency-fee portion of taxable award, 280
- Employment suits, legal costs for, 414–15
- Endowment policies, 152–53, 184
- Energy efficiency improvements, expiration of credit for, 488
- Energy-efficient standards for commercial buildings, deducting, 643
- Energy tax credits for residential property, 488–89, 657–58
- Engineers
 - material participation tests, 257
 - travel costs, 418
- Enters with/leaves with approach of reporting gambling wins and losses, 275
- Entertainment and meal expenses
 - 50% cost limitation and exceptions on, 433–34
 - 50% deduction limit, 430, 432–34
 - automobile mileage allowances, 408, 440–41
 - business gift deductions, 434–35
 - charitable contributions, 318
 - club dues, 432
 - directly related test, 431–32
 - entertainment and business discussions, 430
 - goodwill entertaining, 431
 - home entertaining, 431
 - hotel room charge, allocation of, 431
 - maintaining and operating facilities, costs of, 432
 - per diem travel allowance, 439–40
 - personal share of expenses, 431
 - for professionals, nondeductibility of meals, 643
 - record-keeping requirements, 435–36
 - reimbursement allocation, 438
 - reimbursement plans, 437–38, 441
 - repayment of disallowed, 41
 - reporting, where you are not reimbursed, 437
 - restrictive tests, 430, 432
 - Schedule C, filing, 639–43
 - self-employed professionals, 639–43
 - skybox rental costs, 434
 - spouse's share of expenses, 432
- Entertainment facilities, 432
- Entrance fees, continuing care facilities, 590
- Equipment
 - business, 674–75, 706–7
 - business, first-year expensing deduction, 672–74
 - for home improvements as medical expenses, 374–75
 - in service before 1987, straight-line recovery for, 681
- Equitable relief, 20–21, 613
- Escrow
 - earnings, exempt from imputed interest rules, 146–47
 - installment reporting on, 130–31
 - settlement fees, 520
- Estate
 - as beneficiary of IRA, 211
 - consistent reporting by beneficiaries of, 290
 - dividends paid by, 75
 - fair market value, assessing, 626–27
 - insolvency, concern about, 22
 - inventory of potential estate, taking, 627
 - lump-sum distributions from retirement plans to, 161–63
 - periodic review of estate plans, 630
 - prompt closing of decedent's (deceased person's), 25
 - replacement of property by, 398
 - reporting of income by beneficiaries, 290
 - valuing potential, 628
- Estate tax
 - custodial account, treatment of, 626
 - deductions for income subject to, 290–91
 - defining, 627
 - estate tax basics, 627
 - generation-skipping transfers, repeal of, 630
 - legal costs of planning services, 413–14
 - lifetime gift tax credit and exemption, 625, 629
 - marital deduction, 629–30
 - portability election, 628–29
 - reducing or eliminating, 629–30
 - repeal of estate tax in 2010, 120
 - U.S. Savings Bonds and, 92–93
- Estimated taxes
 - 90% current-year test, 500
 - adjusting payments during the year, 502–3
 - annualized income method, 499–500
 - computing your tax liability, 499–500
 - crediting refund to future estimated taxes, 500–501
 - deadlines for paying, 499–501
 - farmers or fishermen, 500–502
 - for household employees, 619–20
 - married couple, 502
 - paying by credit card or electronically, 501
 - penalties, 499–500
 - reducing by expected withholdings, 500–501
 - safe harbor for 2013 based on 2012 tax, 501
 - for self-employed persons, 492
 - of surviving spouse who had filed jointly, 26
 - tax forms to file, 8
 - underpayment, 499–500, 502–3
 - withholdings, 492, 502–3
- Exchange accommodation titleholder (EAT), 147
- Exchanges, taxable, unadjusted basis of property received in, 116–18
- Exchanges, tax-free
 - annuity contracts, 152–53
 - boot, 142–44
 - boot payable in installments, 133
 - to closely held corporations, 151
 - foreign real estate, 141
 - insurance policies, 152–53
 - intangible personal property and goodwill, 141–42

Index

- joint ownership interests, 151
 - like-kind property, 140–41
 - multiple properties, 142
 - partnership interests, 141
 - personal property held for business or investment, 141–42
 - property received after July 18, 1984, disallowance of, 148–50
 - real estate, 548–49
 - related parties, exchanges between, 147–48
 - reporting, 140–41
 - security arrangements, 145–46
 - spouses or ex-spouses, exchanges between, 148–50
 - stock, exchanges of, in same corporation, 150
 - time limits, 145
 - unadjusted basis, 116–18
- Exchange-Traded Funds (ETFs), 75
- Excise taxes, on motor vehicles purchased new in 2011, deduction for tax paid in 2012, 356
- Exclusion (\$250,000/\$500,000) from income on sale of principal residence
 - adjusted basis, figuring, 521
 - gain or loss, figuring, 520
 - meeting ownership and use tests, 513–16
 - personal and business use of a home, 521
 - principal residence, avoiding tax on sale of, 512–13
 - reduced maximum exclusion, qualifying for, 517
- Ex-dividend date, stock dividends and, 77–78
- Executives
 - business-vacation trips outside United States, 426–28
 - job expenses, unusual, 408–9
 - restricted stock for, 48–49
 - stock options for, 45–48
- Executor or administrator, 21–22, 25–27
- Executor or trustee, commissions of, waiver of, 41
- Exemption
 - AMT and, 463
 - children who qualify for, 443–46
 - citizenship or resident test for dependents, 453
 - for dependents, 443–44
 - of divorced or separated parents, special rule, 452–53
 - examples of allocating support, 450
 - on final return, 26
 - gross income limit test for qualifying relatives, 447–48
 - increasing withholding, 492
 - lodging and food as support items, 448
 - multiple support agreements, 451–52
 - for parents, 443
 - personal, not subject to phaseout for 2012, 454
 - phaseout of, 464
 - portability of estate tax, 628–29
 - relationship tests, 444–48
 - relatives who qualify for, 443–44, 446–48
 - for spouse, 443, 444
 - for students under age of 24, 445
 - support test for, 448
- Exempt-person exception to 183-day test for aliens, 28
- Exercise programs, 362
- Expatriates, and tax on residence sale, 512–13
- Expatriation tax, 30
- Extensions, filing
 - Armed Forces personnel, 597, 598
 - foreign earned income exclusion, 607–8
- ## F
- Faculty
 - educator expenses, 299, 405
 - school-provided lodging for, 66
- Fair market value
 - of assets, liabilities exceeding, 283
 - of community property upon death of spouse, 120
 - deduction for charging below, 230, 237
 - of donated property, 320–23, 325
 - fair market rental price, 234, 235, 448–51
 - of home before converting to rental property, 233–34
 - of property as wages, 37–38
- Fake claims, taxable medical reimbursements for, 365–66
- Family
 - bad debts, 137–38
 - disallowed loss on sales to, 103–4
 - financing of residence, 339
 - oil and gas percentage depletion, 243–44
 - for reduced maximum exclusion of sale of principal residence, 517–19
 - sales of land within, 95–96
 - traveling along on business, 425
- Family and Medical Leave Act (FMLA), 70
- Family income planning
 - gift planning, 624–25
 - life insurance, 291–92
- Family income rider policy, 292
- Family leave, employees on, 70
- Family-owned business interest deduction, 630
- Farmers
 - debts, 286
 - depreciable tangible business property, 141–42
 - depreciation of property, 671
 - disabled, 256
 - estimated taxes, 499–502
 - expenses, 658–59
 - fuel-related credits, 658
 - income averaging, 459–60
 - income or loss, 459–60, 463–67, 654
 - installment sales of property, 124–25
 - interest tax and farm property, 136
 - involuntary conversions, 396–97
 - materially participation tests, 255–57
 - nondeductible losses, 389–90
 - passive tax-shelter farm losses, 467
 - qualified conservation contribution, increased ceilings for, 333–35
 - retired, 256
 - tax-shelter, alternative minimum tax and, 463
 - tax-shelter, prohibition on use of farming losses as, 659
- Fax machines, 410, 674–75
- Federal employees
 - deferred pay plans for, 178
 - living costs on temporary assignment, 425
- Federal Home Loan Mortgage Corporation, 89
- Federal Housing Administration, 89, 343
- Federally guaranteed obligations, 89
- Federal subsidy recapture, 513
- Federal tax withholdings, key to form W-2, 34
- Federal Thrift Savings Fund, 178
- Federal trade readjustment allowances, 39
- FEMA (Federal Emergency Management Agency) disaster mitigation payments not taxable, 383
- FICA tax
 - employer credit for, on tips, 658
 - for household employees, 478, 619–20
 - withholdings, 478, 494, 495
- Filing returns
 - basics, 1–8
 - for children, 24–25, 470–71
 - deadlines, 6
 - deceased persons, 25–27
 - dependents, filing tests for, 4
 - estimating kiddie tax in case of late filing, 472–73
 - forms, choosing which to file, 8
 - as head of household, 22–24
 - incompetent person, 26–27
 - IRS's Electronic Federal Payment System (EFTPS), 501
 - where to file, 5
 - who has to file, 3–4
- Filing status
 - determining status, 10
 - tax rates based on, 10–11
- Filmmakers, production costs of, 241
- Finding new job expenses, deductions for, 420
- Fire department, donation of house to, 317
- First-in, first-out basis method (FIFO), 113, 564
- First job search, 407
- First-time homebuyer
 - 120-day rollover period for buying, building, or rebuilding a principal res, 203–4
 - credit, 490

- expenses exception to IRA early-withdrawal penalty, 205–6
- repayment of credit, 490
- First-year expensing (Section 179 deduction)
 - adjusted basis and, 123–24
 - deductions, 644–45
 - partnership elections, 287
 - proposed doubling of expensing limit for 2011 and 2012, 672
 - qualified leasehold, restaurant, and retail improvements, 675
 - rules, 410, 644–45
- Fiscal year
 - for deductions after disaster losses, 383
 - for paying estimated tax installments, 501–2
 - for self-employed persons, 638
- Fisherman
 - estimated tax, 500–502
 - income averaging for, 459–60
- Fishing business, IRS definition of, 459
- Fishing trips, business-related, 431
- Fixed and variable rate allowance (FAVR), 441
- Fixed period, contingent payment sales, 129–30
- Flexible spending arrangement (FSA), 68–70, 510
- Floors for personal-use property losses, 390–91
- Food
 - groceries, employer-furnished, 66
 - special, as medical costs, 362
 - as support item, 448–51
- Food and beverage establishments, employer-paid taxes on tips received by employees, 657–58
- Foods, special, 362
- Foreclosure or repossession
 - buyer of, 359
 - figuring gain or loss, 520
 - on mortgages other than purchase money, 555–56
 - reporting sale of, 551
 - as sale of property to creditors, 282–86, 551–52
 - sale to third party, 556
 - taxes from sale, 356
- Foreign child, claiming adoption credit for, 485–86
- Foreign countries
 - business-vacation trips in, 426–28
 - children born in, exemptions for, 453
 - exchanges of U.S. real estate for real estate in, 141
 - subject to travel restrictions, 603–4
 - tax treaties with, 608
- Foreign currency, 608–9
- Foreign earned income
 - claiming deductions, 606–7
 - claiming exclusion, 601, 606–8
 - countries not considered foreign, 605, 608
 - EIC credit, unable to take, 485
 - employer-provided camp, 608
 - foreign tax credit, 73, 285, 359, 609–10
 - housing and meal costs, 604–5
 - overview, 601–4, 608
 - Puerto Rico residents, 608
 - tax worksheet, 459
 - test to qualify for exclusion, 605–6
- Foreign financial accounts, penalties for not reporting, 741–42
- Foreign governments
 - aliens working in U.S. for, 28
 - confiscations by, 389
- Foreign investments, dividends from, 73
- Foreign service officers
 - compulsory home leave, 607
 - disability pensions for, 44–45
 - residence, suspending five-year ownership and use period, 513–16
- Foreign tax credit, 73, 285, 359, 463, 477, 561, 609–10
- Forfeiture, substantial risk of, 48
- Form, choosing correct, 8
- Form 706, 628–29
- Form 940 and 940-EZ, 620
- Form 941, 620
- Form 982, 284–86, 552–53
- Form 1040, 5, 8, 26, 30, 41, 57, 73–75, 78–80, 82, 83, 88–89, 98–103, 124, 134, 161, 198, 199, 201, 203, 204, 232–33, 249, 283, 287, 290, 298–301, 304, 308, 338, 343, 361, 367–68, 403–5, 458–60, 464–67, 470–71, 476, 482–84, 488, 490, 494, 520, 552–53, 561, 569, 578–79, 588, 597–99, 604, 609, 620, 621, 635, 655
- Form 1040A, 8, 26, 73–75, 78, 80, 88–89, 185, 199, 203, 308, 458, 470–71, 476, 478–79, 482–84, 494, 561, 578, 588, 597–98
- Form 1040-C, 30
- Form 1040-ES, 499–501
- Form 1040EZ, 8, 73, 88, 308, 458, 470–71, 495, 561, 588
- Form 1040NR, 27, 30
- Form 1040NR-EZ, 30
- Form 1040X, 283, 382, 472–73, 535, 597–98, 656
- Form 1041, 25, 290, 462
- Form 1041-ES, 26
- Form 1045, 535, 655, 656
- Form 1065, 262, 287, 462, 635
- Form 1066, 546
- Form 1096, 73, 78, 79
- Form 1098, 346
- Form 1098-C, 314, 324
- Form 1098-T, 571
- Form 1099, 77, 79
- Form 1099-A, 551
- Form 1099-B, 100, 106, 115, 497, 562
- Form 1099-C, 283
- Form 1099-DIV, 73–75, 78, 411, 459, 545, 558–59, 561
- Form 1099-H, 488
- Form 1099-INT, 73, 79–82, 84, 86, 92, 545
- Form 1099-LTC, 377
- Form 1099-MISC, 37, 40, 75, 432, 497, 638
- Form 1099-OID, 80, 82, 84–85, 87, 545
- Form 1099-Q, 569
- Form 1099-R, 36, 156–57, 159, 161, 164, 166–67, 170–72, 179, 198–99, 204–5, 639
- Form 1099-S, 358, 512, 520
- Form 1116, 608–10
- Form 1120, 100, 635
- Form 1120-S, 289, 462, 635
- Form 1128, 638
- Form 1310, 26, 597–98
- Form 2063, 30
- Form 2106, 61, 299, 376, 404–6, 410, 421, 432, 437–38, 578–79
- Form 2106-EZ, 299, 404–6, 410, 421, 437, 578–79
- Form 2120, 15, 451
- Form 2210, 499–500
- Form 2210-E, 499–500
- Form 2350, 608
- Form 2439, 561
- Form 2441 (Child and Dependent Care Expenses), 59, 478–79
- Form 2555, 601, 603–5
- Form 2555-EZ, 601
- Form 2848, 14
- Form 3115, 542, 636–38
- Form 3468, 657
- Form 3800, 489, 550, 658
- Form 3903, 304, 305
- Form 4070, 494
- Form 4136, 658
- Form 4137, 494
- Form 4255, 550
- Form 4562 (Depreciation and Amortization), 242, 410, 646
- Form 4563, 608
- Form 4684 (Casualties and Theft), 390–93, 401

Index

- Form 4797, 100, 124, 128, 263–64, 289, 392, 401, 522, 524, 542, 552–54, 651
- Form 4835, Form 8582 and, 264
- Form 4952 (Investment Interest Expense Deduction), 263–64, 347, 348, 465
- Form 4972, 159–62, 167
- Form 5213, 646
- Form 5265, 189
- Form 5265-A, 189
- Form 5304-SIMPLE, 218, 219
- Form 5305-SEP, 657
- Form 5305-SIMPLE, 218, 219
- Form 5329, 171, 172, 183, 198, 204–5, 208, 569, 576, 667
- Form 5405, 490
- Form 5498-SA, 667
- Form 5500, 665
- Form 5500-EZ, 639
- Form 5695 (Residential Energy Costs), 488–89
- Form 5754, 495
- Form 5884, 658
- Form 5884-B, 658
- Form 6198, 268, 271, 348, 655
- Form 6251 (Alternative Minimum Tax-Individuals), 11, 242, 460, 462–67, 470–71, 473–74, 601, 656, 658
- Form 6252, 124–28
- Form 6765, 657
- Form 6781, 535–37
- Form 8282, 321, 322
- Form 8283, 324, 326, 331–32
- Form 8300, 638
- Form 8308, 287–88
- Form 8332, 452–53
- Form 8396, 338, 488
- Form 8582, 233, 248, 263–65, 347, 672, 720, 726
- Form 8582-CR, 250, 257, 266, 551, 658
- Form 8586, 550
- Form 8606, 191, 197, 199, 200, 211, 222, 225
- Form 8609, 550
- Form 8615 (Tax for Children Under Age 14 With Investment Income of More Than \$1,500), 24, 470–74
- Form 8752, 288
- Form 8801, 467–68
- Form 8810, 266
- Form 8812, 476, 477
- Form 8814, 473
- Form 8815, 567
- Form 8820, 657
- Form 8824, 140, 142–44, 148
- Form 8826, 657
- Form 8828, 338, 513
- Form 8829 (Expenses for Business Use of Your Home), 410, 648, 650–53
- Form 8835, 657
- Form 8839, 60, 485–86
- Form 8840, 28
- Form 8843, 28
- Form 8845, 657
- Form 8846, 657
- Form 8847, 657
- Form 8853, 377, 668
- Form 8854, 30
- Form 8857, 16–20
- Form 8859, 488
- Form 8863 (Education Credits/Hope and Lifetime Learning Credits), 570–72
- Form 8864, 658
- Form 8874, 658
- Form 8880, 487
- Form 8881, 657
- Form 8882, 657
- Form 8885, 488
- Form 8889, 57, 667, 668, 728
- Form 8896, 658
- Form 8898, 608
- Form 8900, 658
- Form 8901, 477
- Form 8903, 656
- Form 8910 (Alternative Motor Vehicle Credit), 489
- Form 8912, 476
- Form 8917, 576–77
- Form 8936, 489
- Form 8941, 658
- Form 8949, 100, 101, 108–11, 137
- Form I-9, 619
- Form SS-4, 621
- Form SS-5, 24, 453
- Form SSA-1099, 584–85
- Form SSA-7004, 587
- Form TDF 90-22.1, 609
- Form W-2, 34–37, 40, 61, 196, 283, 289, 330, 420–21, 437, 439–40, 453, 493, 495, 496, 520, 566, 597–98, 619, 621–22, 657
- key to, 34–35
- sample form, 35
- Form W-2G, 495
- Form W-3, 622
- Form W-4, 24–25, 477, 478, 492–94, 621
- Form W-4R, 163, 198, 496
- Form W-4S, 43
- Form W-4V, 494
- Form W-7 and W-7A, 454
- Form W-9, 80
- Form W-10, 478
- Fortune tellers, 389
- Foster children
- child tax credit for, 476–77
- claiming support costs exceeding reimbursements, 319
- earned income credit (EIC) and, 482–84
- tests for claiming exemptions, 443–48
- Foundations, private non-operating, donating to, 322–23
- Fractional shares, 76
- Franchises, Section 197, 684–85
- Fraternal organizations, 315, 429
- Fraud, theft losses due to, 388–89
- Freedom Shares, 91, 540
- Freelancer fees, 638
- Frequency of exclusion, of sale of principal residence, 512–13
- Fringe benefits
- adoption benefits as, 51, 59–60
- automobile benefits, taxable, 60–63
- cafeteria plans, 68
- company services provided at no additional cost, 70
- day care as, 59
- de minimis, 63–64
- dependent care assistance, 59
- discounts on company products or services, 71
- education assistance plans, 60
- employee achievement awards, 64
- flexible spending arrangements (FSAs), 68–70
- foreign earned income and, 601–3
- group-term life insurance premiums, 58–59
- health and accident plans, 52–54
- key to, 51
- meals or lodging, 64–67
- minister's allowance, 67–68
- tax-free, 298
- working condition, 62–63
- Frozen deposits, interest on, 80

Fuel cell property, residential energy credit for, 489
 Fuel credit, 658
 Fulbright awards and grants, 566, 609
 Fund-raiser, hosting, 319
 Funeral expenses, not a support item, 450
 Furniture
 depreciate business property, 141–42
 donating, 323–24, 333–35
 sale of, 100
 FUTA (federal unemployment taxes), for household employees, 478, 481, 619–20, 622
 Futures contracts, gain or loss on, 535
 “F” visa, 28

G

Gain(s)
 capital, tax calculation for, 459
 damaged property, sale of, 394
 deferring, by replacing property, 396
 home sale, reporting, 512–13
 from insurance reimbursements, 394
 from mutual funds, 561
 net tax rate on, 11, 99–102
 rates, 99–102
 restricted on conversion transactions, 537
 Section 1256 contracts, 535
 on subdivided land sales, 547–48
 Gamblers, professional, 274–75
 Gambling winnings and losses, 274–76, 495, 497
 Gasoline taxes, deductibility of, 355
 Gay and lesbian companion, not treated as spouse under health and accident plans for, 52
 Gender reassignment surgery (sex change operation), cost not deductible, 365
 General Asset Classes “like” class, 141–42
 General business credit, 658
 General Depreciation System (GDS)
 depreciation tables, 233, 676
 MACRS depreciation, 466
 MACRS recovery periods, 674–75
 Generally related test, for dining and entertainment expenses, 430
 General sales taxes, 355–56
 General Services Administration (GSA), IRS meal allowance and, 420–21
 Geothermal heat pumps for residential property, tax credit for, 489
 G.I. Bill education assistance, support test for exemption, 449
 Gift(s)
 appreciated property, 624
 basis of property received as, 118–20, 624–25
 to business customers, 434–35
 from employers, tax free, 37
 from expatriates, 30
 gross income and, 298
 holding period for, 114
 of home, sale of, 525
 loans as, 95
 nontaxable, 276
 of passive activity interest, 265
 prizes and awards, 274
 of residence, loss on sale of, 525
 sale of stock received as, 106
 of Series E or EE bonds, 91–92
 sponsorship gift, to life-care retirement facility, 590–91
 strike and lockout benefits as, 39
 taxable gifts, 624–25
 you make and receive, 276
 Gift certificates as employee achievement awards, 64
 Gift tax
 basics, 624–25
 basis of property received as gift and, 118–20, 624–25
 credit, 625
 custodial account, 626
 filing a return, 625
 lifetime gift tax credit and exemption, 625
 to qualified tuition programs, consequences, 568
 taxable gifts, 624–25
 unified gift and estate tax rates, 625, 628–29
 Girl Scouts, deductible contributions to, 314
 Going-concern value, Section 197, 685
 Golden parachute payments, 35, 37
 Goodwill
 amortization of, 684–85
 entertaining, 431
 exchanges of, 141–42
 Government agencies, penalties or fines to, 644
 Government benefits
 support test for claiming qualifying relatives as exemption, 448–51
 withholding on payment, 494
 Government employees, deferred pay plans for, 178
 Government National Mortgage Corporation, 89
 Graduate courses, assistance for, 60, 566
 Graduated payment mortgages, 344
 Grandchildren, claiming as exemption, 443, 446
 Grandparent, as dependent relative, 446
 Grantor trust rules, 290, 626–27
 Groceries, employer-furnished, 66

Gross income, 3, 447–48
 Gross profit, 126
 Gross receipts, 639–43
 Ground rent arrangement, 343–44
 Group health plans, employer’s, 52–54
 Group-term life insurance
 premiums, 51, 58–59
 tax-free to employee, 41–42
 Guam, 429, 605, 608
 Guardian, of incompetent person, 26–27
 Gulf Opportunity (GO) Zone, 550–51

H

Half-year convention for depreciation deduction
 MACRS, 677, 693–97
 straight-line rate, 678–79
 Handicapped persons, job expenses not subject to 2% AGI floor, 405
 Hardship, waiver of estimated tax penalty due to, 500
 Hawaii, IRS meal allowance for travel in, 421
 Hazardous duty area, military in, 596
 Head of household
 advantages of filing as, 22
 AMT exemptions for 2012, 462–64
 child as, 23
 claiming deductions, 22–24, 309–10
 determining, 10–13
 figuring recoveries of itemized deductions, 276–79
 filing as, 10–11, 22–24
 housing, separate, 23
 phaseout of child tax credit, 477
 qualifying tests, 22–24
 standard deduction if 65 or older or blind, 310
 tax rates, 10–11
 temporary absences and, 24
 unmarried, filing as, 11–13
 Health and accident plans, employer’s continuing coverage for group health plans (COBRA coverage), 52
 employer contribution to Archer MSA, 54, 668–69
 flexible spending arrangements, 68–70
 payments may be tax free, 55–57
 Healthcare flexible spending arrangements (FSAs), 68–70, 510
 Healthcare professionals, exclusion for student loan forgiveness, 283
 Healthcare reform legislation in 2010, 70
 Health facilities, payment to, as support item, 448–49
 Health insurance
 key to reporting income and loss, 635
 paid by S Corporation, 289

Index

- premiums, 52, 287, 298–301, 636–43
- self-employed deduction, 8, 298, 300, 367–68
- Health professional, material participation tests for, 257
- Health Reimbursement Arrangement (HRA), 55–56
- Health savings account (HSA), 35, 53–54, 57, 666–68, 749
 - Archer MSA being replaced by, 54
 - deduction for, 299
 - distributions from, 667–68
 - employer contributions to, W-2 form and, 35
 - excise tax, 667
 - inherited, 668
 - IRA transfer from, one-time, 54
 - limits on contributions, 666–67
 - maximum annual contribution for employees, 54
 - tax-free distributions from, 57
- Hedging transactions, not subject to straddle tax rules, 534
- Heroes Earnings Assistance and Relief Tax Act of 2008 (HEART), 594
- High-deductible health plan (HDHP), 53, 666–67, 749
- Higher education expenses, exception to IRA early-withdrawal penalty, 204, 205
- Highly compensated employees
 - company services provided at no additional cost to, 70
 - eating facility for, 63
 - employer-provided retirement advice, 64
 - medical expenses, reimbursements from employer plan, 55–57
 - salary deferrals for, 174
- High tax bracket taxpayers
 - higher tax rates, possibility of, 510
 - reporting deferred income from a 2011 conversion to 2012 and 2013, 222
- Historic house easement after claiming rehab credit, donating, 328, 550–51
- Historic structure, certified, 550–51
- Hobby business, deducting expenses, 241, 412, 645–46
- Holding period, capital gain or loss
 - for convertible stocks and bonds, 533
 - gifts, 114
 - inherited property, 114
 - involuntary conversions, 114
 - partnership property, 114
 - rates and, 98–102
 - real estate transactions, 114
 - rules for counting holding period, 113
 - securities transactions, 113–14
 - wash sales, 114, 532–33
- Holocaust restitution payments, 282
- Home (house; principal residence)
 - \$250,000/\$500,000 exclusion, 512–21
 - bought for resale, loss allowed on, 524–25
 - business use of, 521–22
 - converted to rental property
 - depreciation on, 233–34
 - holding period for, 114
 - destroyed or condemned, 512–13, 515
 - energy efficiency improvements, expiration of credit for, 488
 - fair rental value of, as support item, 448–51
 - first-time homebuyer credit, 490
 - head of household costs, 22–24
 - improvements as medical expenses, 374–75
 - inherited residence, sale of, 525
 - involuntary conversion of, 396
 - loans for acquisition, 339–41
 - loans for construction and improvement, 341–43
 - meeting ownership and use tests, 513–16
 - nondeductible expenses of selling, purchasing, or leasing old or new residence, 302
 - partially rented home, 524
 - personal use of, 521–22
 - purchase of, repayment of 2008 or 2009 credit, 490
 - purchase of, under tax deferral rule, unadjusted basis of, 116–18
 - renting
 - allocation of expenses of residence to rental days, 237–39
 - to close relatives, 234–35
 - Roth IRA distribution for first-time homebuyer expenses, 226
 - sale of, at a loss, 522, 525
 - sale of, due to illness or unforeseen circumstances, 518–19
 - sale of, figuring gain or loss, 520
 - sale of, reducing maximum exclusion, 517–19
 - sales by married persons, 516–17
 - second home or vacation home, 327, 522
 - selling at a loss, 522
 - reimbursement for, 305
 - settlement fees, 520
- Home entertaining, 431
- Home equity debt, 307, 341, 463
- Home improvements
 - energy tax credit, 488–89
 - examples of, when figuring adjusted basis in home, 521
 - loans for, 343
 - as medical expenses, 374–75
 - record-keeping, 521
- Home office
 - allocating expenses to business use, 650–51
 - business use of, 410–11, 647–53
 - deductions from employee, 410–11
 - investor's, 412
 - key to reporting income and loss, 635
 - landlord's unit, depreciation on, 650
 - multiple use of, 647–49
 - nonqualified use as deemed by IRS, 521
 - reporting business income, 636–38
 - residential property, consideration as, 521–22
 - separate structure, 649
 - sideline business, deducting expenses, 410–11, 635, 645–46, 652
 - telephone costs, 411
- Homeowner's associations, assessments by, 357
- Hope/American Opportunity credit, 12, 476, 487, 569–72, 576
- Hospitality rooms, as business expense, 431
- Hospitals, operated for profit, nondeductible contributions to, 315
- Hospital services, deductible medical expenses, 363
- Hotel/motel/inn exception to reporting rental income and expenses, 235
- Hotel room charge, allocating between meals, entertainment and lodging, 431
- Houseboat as principal residence, 512–13
- Household employees
 - check state requirements, 621
 - expenses qualifying for dependent care credit, 481–82
 - federal unemployment taxes (FUTA) for, 622
 - FICA withholdings on wages paid to, 496
 - identifying, 619
 - paying and withholding taxes for, 620–22
 - Social Security and Medicare taxes (FICA) for, 619–20
 - travel costs incurred by, nondeductible expense, 302
- Household expenses
 - nondeductible casualty or theft losses of items, 389–90
 - as support item, 448–51
- Housekeeper, withholding tax for, 478, 621
- Housing as job requirement, 66
- Housing costs, foreign earned income exclusion and, 603–5
- Hunting trips, business-related, 431
- Hurricane Katrina
 - replacement property, 396
 - replacement property, time period for buying, 398
 - sale of land underlying destroyed principal residence or second home, 384
- Hybrid vehicle, 489

I

- I bonds, 91, 92, 508, 509, 540, 541
- Impairment-related job expenses, 375–76, 405
- Improvements, rental income and, 231–32
- Imputed interest, 94–96, 146–47, 591
- Incentive stock option (ISO)
 - alternative minimum tax and, 463, 465–66, 468

- for executives, 45–48
- legislative relief, 467
- Incidental expenses
 - due to casualty or theft, 393
 - IRS standard meal allowance, 421
- Income
 - accelerating, to avoid AMT, 468
 - aliens (resident and nonresident) subject to taxation, aliens, 27
 - averaging, farmers, 459–60
 - bankruptcy laws, debt cancellations under, 284
 - business, deferring, 509
 - damages and debt cancellation, 280–86
 - deferring, 508
 - disposition of, suspended losses allowed on, 264
 - income in respect of a decedent (IRD), 290–91
 - from investment, 348
 - life insurance proceeds, 291–93
 - partnerships, 288
 - phaseout limits, 194
 - prizes, lottery and gambling winnings, 274–76
 - protecting against excess donations, 335
 - recovered deductions, 279–80
 - S corporation shareholders, 289–90
 - splitting, 508
 - state and local tax refunds, 276–79
 - tax, withheld on wages, 494
 - tax-free, earning, 508
 - withholding allowances, 492–94
- Income in respect of a decedent (IRD), 25–27, 290–91
- Incompetent persons, filing a return for, 26–27
- Independent contractor
 - backup withholding, 497
 - parking benefits provided by employer, 62
 - payments to, 638
 - Section 409A, plans subject to, 39–40
 - tax rules for restricted property, 48–49
- Index options, 537–38
- Indian employment credit, 657–58
- Indian tribal government, gift to, 315
- Individual retirement account (IRA)
 - 60-day rollover deadline, 202–3
 - conversion of traditional to Roth, 156, 221–22
 - reporting deferred income from 2010 conversions, 223
 - credit for contributing to, 487
 - deducting from gross income, 193–96, 298
 - direct transfer from IRA to charity, 314
 - direct transfers from one IRA to another, 202
 - divorce, division of IRA in, 206
 - earnings as basis for traditional IRA contributions, 190–91
 - exception to early-withdrawal penalty, 204–6
 - investing in, as tax-free income, 508
 - IRS seizure of, as distribution, 200
 - key to, 155
 - life expectancy method, 207–10, 214–15
 - loans from, 60-day loan, 202–3
 - married couples, 191–92
 - model custodial account agreement, 189
 - model trust, 189
 - nondeductible contributions, 195, 197–98
 - nonspouse beneficiary rollover, 170
 - penalties for withdrawals before age 59½, 204–7
 - penalty for excess contributions to, 198
 - post-death distribution rules to beneficiaries, 211–16
 - recharacterization and reconversions, 222–24
 - replacement property, giving IRS notice of, 399
 - replacement shares, buying through IRA, 531–32
 - retirement plan participants, active participation in, 196–97
 - retirement savings contributions credit, 487
 - rollovers, 158, 159, 162–63
 - Roth IRAs, 219–26
 - Roth versus deductible, 195
 - self-directed, investment restrictions for, 189
 - self-employed contributions, 191
 - SIMPLE IRAs, 190, 217–19
 - Simplified Employee Pension Plans (SEPs), 217
 - starting a traditional, 189–90
 - tax forms to file, 8
 - tax-free rollovers to, 202–4
 - traditional
 - beneficiary's death before September 30 determination date, 214
 - combat pay, tax-free, contribution based on, 190
 - contributing same year to Roth IRA and, 220–21
 - contributions, after end of taxable year, 190
 - deduction, 193–96, 298, 300
 - deemed IRA, by employer, 219
 - direct transfers to, 202
 - distributions allocable to nondeductible contributions, 200–202
 - estate as beneficiary, 211
 - figuring minimum required distributions, 208–10
 - figuring the taxable portion of a, 200–201
 - inherited, 211–16
 - loan treated as distribution, 200
 - mandatory distributions after age 70½, 208–10
 - multiple beneficiaries, splitting account among, 212, 214
 - ordinary income, taxed as, 74
 - owner's death, 214–15
 - required minimum distribution, 169, 208–10
 - restrictions, 189
 - rollovers, 202–4
 - Roth IRA, converting to, 197, 199, 221–22
 - spousal beneficiaries, exemptions from pre-age 59½ penalty, 205, 216
 - spouses, younger, exception for minimum distribution, 209
 - starting and contributing to, 189–98
 - surviving spouse as sole beneficiary, 216
 - taking money out of, 198–216
 - taxable distributions from, 198–200
 - tax-free transfers from IRA to charity, 198
 - transfer to spouse at divorce, 204
 - trust as beneficiary, 211
 - Uniform Lifetime Table for distribution from traditional IRA, 208–10
 - types of traditional, 189
 - withdrawals from
 - before age 59½, 198–200
 - nondeductible contributions, 197–98
 - withholding taxes on, 495
 - working for spouse, 190–91
- Individual's note, obligations on, 88
- Infant formula, 365
- Information base, Section 197, 685
- Inheritance (inherited property)
 - basis of, 118–20, 624–25
 - holding period for, 114
 - IRAs, traditional, 211–16
 - nontaxable versus taxable, 276, 298
- Inherited residence, loss on sale of, 525
- Injury or illness
 - combat-related, disability payments for, 44–45
 - permanent physical injuries, tax-free payments for, 57
- In-laws, relationship test for claiming an exemption, 447
- Innocent spouse rules
 - avoiding liability with, 16–20, 613
 - community property rules and, 14–15
 - deadline for election, 16
 - Form 8857, 16
 - joint vs. separate returns and, 11–13
 - qualifying tests for election, 16
 - for understated joint return, 13–14
- Installment notes, donating to qualified philanthropy, 323
- Installment obligations, disposition of, 131–32
- Installment payments of lottery, sweepstakes, and casino winnings, 274
- Installment sale
 - about installment method, 124–25
 - alternative minimum tax and, 463
 - deferring income, 508
 - mutual fund dividends, 73
 - of passive activity interest, 265
 - release of restrictive covenants, 550
 - reporting, 124–34
 - S corporation stock, 135
 - Small Business Investment Company (SBIC) stock, 135
 - stock received as dividend or in a stock split, 528
 - on subdivided land sales, 547–48
 - tax advantage of, 124–25
- Insubstantial value test, 317

Index

- Insulin, deduction for, 307, 363
- Insurance
 - deducting on Schedule C, 642
 - excess living costs paid by, 394–95
 - failure to make claim, 394
 - group life, 41–42
 - malpractice, 643
 - mortgage, premiums, 343–44
 - plans, 41–42
 - policies, tax-free exchanges of, 152–53
 - reimbursements, 394
 - split-dollar, 42
- Insurance agents, advances against unearned commissions, 38
- Insurance proceeds
 - disaster losses, 382–84
 - taxable, 291–93
 - tax-free, 298
- Intangible assets
 - amortization for, 684–85
 - drilling costs, 242, 463
 - licensing of, 261
 - not Section 197 intangibles, 685
 - personal property
 - like-kind exchanges of, 141–42
 - passive activity rules, 259–61
- Intellectual property, donating, 323
- Intelligence officers, ownership and use test, 514
- Interest (income)
 - bonds bought or sold, 81
 - on debts owed you, 80
 - on deferred payment sales, 131
 - deferring, 509
 - forfeiture of interest on premature withdrawals, 82
 - on frozen accounts, 80
 - installment sale of, 265, 267–68
 - on loans, 93–96
 - marital property settlements, 149
 - on qualified private activity bonds, 538
 - reporting, 79–82
 - on seller-financed sales, 95–96
 - on state and local obligations, 538
 - tax, how to report, 8, 134
 - tax-exempt, 79
 - on Treasury securities, 90–91
 - on U.S. Savings Bonds, 91–93
- Interest (paid or owed)
 - borrowed funds, using to pay, 350
 - Build America, credit for interest, 476
 - business tax deficiency, deducting on Schedule C, 639–43
 - cooperative and condominium apartments, 347
 - deduction, timing of, 351
 - deductions on, market discount bonds, deferral of deduction on borrowing to buy, 85–86
 - expenses, land investor and deal, 547–48
- frozen accounts, 80
- home mortgage loans, 307, 338–47
- investment loans, 347–51
- passive activities and, 258–59
- premature fund withdrawals, forfeiture of interest on, 82
- prepaid, on loans, 351–52
- short-term obligations, borrowing to buy, 88–89
- Treasury bills, interest on loans used to buy, 90–91
- Internal Revenue Service (IRS)
 - annuity contracts, scrutiny of partial exchanges of, 152–53
 - audits by, 413–14
 - business activities, classification, 253–55
 - educational grants guidelines, 42–43
 - Electronic Federal Payment System (EFTPS), 501
 - interest abatement, 383
 - levy, involuntary distributions as exception to early distribution penalty, 171, 206
 - material participation tests, 255–57
 - mileage rate, 318, 370, 408, 440–41
 - nonqualified deferred compensation, guidelines for, 39–40
 - points reported to, 345–46
 - reporting nonexempt retirement plans, 639
 - reporting transfers of interest to, 287–88
 - review of W-4 form, 493–94
 - seizure of IRA as distribution, 203
 - standard allowances, 420–22
 - where to file, 5
- International organizations, employees of, 30
- Inter vivos trusts, 625
- In-the-money call option, 536
- Intrinsic value, 536
- Inventory(-ies)
 - accrual basis for, 636–38
 - business, charitable donation of, 329
 - control systems, Section 197 intangible, 685
 - in home office, 647–49
 - losses, 393
- Investment
 - in the contract, 178–83, 187
 - credit, 123, 657–58
 - expenses, alternative minimum tax and, 463
 - expenses, deductible, checklist of, 308, 403, 411–13
 - income, of nonresident aliens, 276
 - interest, 307, 347–52, 465
 - loans, 347–51
 - loss, due to bank deposit loss, 385
 - property, in disaster area, 399
 - in tax-exempts, 538–39
- Investor
 - home office of, 412
 - reporting royalty income, 240–41
- Involuntary conversion
 - cost of replacement property as determining postponed gain, 400
 - deferral rule for, 396
 - holding period for, 114
 - how to elect to defer tax, 397
 - nullifying deferral election on amended return, 399
 - of personal residence, 396
 - property acquired with proceeds, unadjusted basis of, 118
 - qualifying for tax deferral, 397
 - qualifying replacement property, 399
 - replacement property, time period for buying, 397–99
 - reporting gains from, 401
 - special assessments and severance damages, 400–401
 - taxable gain from, 396–401
- IRS Publication 3, 596, 597
- IRS Publication 15, 639–43
- IRS Publication 54, 603–4, 609
- IRS Publication 225, 658
- IRS Publication 378, 658
- IRS Publication 504, 613
- IRS Publication 505, 500
- IRS Publication 514, 603–4, 610
- IRS Publication 515, 613
- IRS Publication 519, 27, 30, 585
- IRS Publication 523, 522
- IRS Publication 525, 277
- IRS Publication 526, 323, 327, 336
- IRS Publication 534, 681
- IRS Publication 535, 300, 685
- IRS Publication 536, 654, 656
- IRS Publication 537, 127, 554
- IRS Publication 538, 636–38
- IRS Publication 550, 85–87, 105, 535, 536, 542
- IRS Publication 560, 665
- IRS Publication 561, 326
- IRS Publication 570, 608
- IRS Publication 571, 177
- IRS Publication 590, 198, 209, 586
- IRS Publication 915, 585, 586
- IRS Publication 925, 261, 264
- IRS Publication 926, 621
- IRS Publication 936, 339
- IRS Publication 939, 179–81, 183
- IRS Publication 946, 681
- IRS Publication 972, 476–77

IRS Publication 1212, 82, 84–88

IRS Publication 1542, 421, 439

IRS Publication 4681, 285

IRS Statement of Value (SOV), 326

Itemized deductions

- alternative minimum tax, subject to, 463, 465, 466
- for business, 359
- changing from standard deduction to, 309–10
- key to, 307–8
- phaseout of, for 2012, 312
- prepaying or postponing deductible expenses, 312
- reduction of, 307, 415
- separate returns for married couples, 309–10
- standard deduction for figuring recoveries, 276–79
- state taxes, 354–56

J

J.K. Lasser's Your Income Tax, deducting cost of, 413

Job

- hunting costs, 407–8, 647
- loss of, 303
- loss of, health insurance and, 52, 488
- related injury or illness, as tax free workers' compensation, 43–44
- transfers, 303

Job expenses

- 2% AGI floor, not subject to, 405
- 2% AGI floor, subject to, 404
- deducting, itemized and standard for, 308
- for equipment use, 409–10
- job-placement assistance, as working condition fringe benefit, 63
- looking for a job, 404, 407–8, 649
- moving to new location, 301–5
- net operating loss, 654
- uniforms and work clothes, 404, 406, 654
- unusual, 408–9

Joint accounts

- nominee distribution, dividends on, 73
- reporting income interest on, 79

Joint filing, standard deduction for figuring recoveries of, itemized deductions, 278

Jointly owned property

- claiming casualty and theft loss deduction, 381–82
- home sales, 520
- mortgage payment rules, 343–44

Joint ownership (joint tenancy)

- basis rules, 120–22
- of dividends, 77–78
- division of properties, 151
- interests, 151
- tax-deferral on replacement property made by deceased owner's estate, 398

Joint returns

- \$500,000 exclusion of sale of principal residence, 512–13
- AMT exemptions, 462–64
- benefits that require, 11–13
- capital losses and, 103
- death of spouse during year, 21–22
- dependents who file, 453
- divorced individual, 20
- exemption for a dependent and, 453
- exemption for spouse and, 444
- exemption phaseout and, 464
- home sales by married persons, 516, 517
- with incompetent persons, 27
- innocent spouse rules and, 13, 16
- IRA deduction restrictions, 193–96
- limited liability, innocent spouse rule, 16–20, 613
- moving expenses, 304
- phaseout of child tax credit, 477
- qualified retirement savings contributions, 487
- relief from liability on, 14–15
- resident alien, marriage to, 29
- revocation of, by executor or administrator, 21–22
- signing, 13–14
 - death of spouse during year and, 21
- Social Security benefits, 588
- spouses' names and Social Security numbers on, 453
- standard deduction if 65 or older or blind, 310
- tax liability and, 13–14
- tax rates, 10–11
- U.S. residents, treated as, 29
- withholding allowances, 493

Joint tenants, 120–22

Jury duty

- fees, 293
- pay turned over to employee, 298, 301
- "J" visa, 28

K

Kansas disaster area

- replacement property, 396
- replacement property, time period for buying, 398
- sale of land underlying destroyed residence of second home, 384

Keogh plan

- annual return, 665
- choosing type of, 661–62
- claiming deductions, 665
- contributions, deductible, 662–65, 728
- deadline for setting up, 661, 665
- deductions, 298, 300
- distributions, how taxed, 666
- employees, contributions for, 665
- including employees in plan, 661–62

- investing in, as tax-free income, 508
- partnership plans and, 661
- qualifying for, 665
- who may set up, 661

Key employees

- cafeteria plans and, 68
- company services provided at no additional cost to, 70
- eating facility for, 63
- education benefit trusts, 43
- employer-paid group-term life insurance premiums, 58–59
- gifts from employers, 37, 64
- interest deductions for plan loans, not allowed for, 173
- salary deferrals, 174
- self-employed, required beginning date of distribution, 169
- stock gifts to, 276

Key Tax Numbers for 2012, xxix–xxxii

Key to

- alimony and marital settlement issues, 613
- AMT (alternative minimum tax) rules, 462
- business and professional income and loss, reporting, 635
- casualty loss, proving, 387
- deductible travel and entertainment expenses, 419–20
- Form W-2, 34–35
- fringe benefits, 51
- itemized deductions for 2012, 307–8
- mutual-fund distributions, reporting, 558–59, 561
- option terms, 536
- standard deductions for 2012, 307–8
- tax-favored retirement plans, 155

Kickbacks, 645

Kickbacks of insurance agent's commission, 38

Kiddie tax

- children not subject to, 470–71
- children subject to, 74, 100, 471–72, 624
- computing on child's return, 471–73
- computing on parent's return, 471–73
- filing child's return, 470–71
- income tax treatment of, 24, 626
- parent's election to report child's dividends and interests, 473–74
- tax forms to file, 8
- zero coupon bond discount, 86

Kidnapped child, residence test for qualifying children, 445

Kidnapping ransom, 389

Know-how, as Section 197 intangible, 684

Index

L

- Laboratory examinations and tests, deductible medical expenses, 363
- Labor unions, nondeductible contributions to, 315
- Lactation supplies, as medical expense, 362
- Land
 - allocation of basis, 122–23
 - improvements, MACRS recovery period, 674–75
 - nondepreciable, 671–72
 - sale of, following disaster, 384
 - vacant, 512–13
- Landscaping business, depreciable, 671
- Laser eye surgery, 363
- Late elections (real estate rental activities), 252
- Laundrying
 - while traveling, as business trip deduction, 421
 - of work clothes and uniforms, 406
- Law school costs, deductibility of, 578–80
- Law violation, penalty not deductible, 39
- Layoff benefits, repayment of, 409
- Leased vehicles for business, 408
- Leasehold improvements, 672, 681, 683
- Leases
 - cancellation of, 548–49
 - costs of, 231
 - Section 1231 transaction, 548–49
 - tenant's payment for, 229
 - ground rent agreement, 343–44
- Leave-sharing plans, employee, 37
- Legal damages, taxation, 280–82
- Legal expenses (legal fees)
 - adjusted basis and, 123–24
 - deductibility or nondeductibility of, 282, 414–15
 - for dispossessing tenants, 230
 - of marital settlements, 615, 617
 - whistleblower award from IRS, costs incurred in obtaining, 301
- Legal guardian of an incompetent person, filing of return by, 26–27
- Legal services corporations established under the Legal Services Corporation Act, deductible donations to, 315
- Length of service award, 435
- Liabilities, transfer of, 151
- License fee, automobile, 359
- Life expectancy method for payment of traditional IRAs
 - for annuity schedule payments, 206, 207
 - off minimum required distribution, traditional IRAs, 208–10
- Life expectancy tables, 180, 183–84
- Life income plans, 329
- Life insurance
 - assignment to avoid estate tax, 629–30
 - benefits, 41–42
 - dividends on, 73, 79
 - estate tax planning and, 627
 - group-term life insurance for dependents, 58
 - loan on, interest deduction, 351
 - medical costs of terminally ill, 377
 - paid-up, conversion of endowment policies to, 184
 - permanent, 59
 - selling or surrendering policy, 292–93
 - tax-free exchanges of, 152–53
 - tax planning with, 291–92
- Life insurance agents, job expenses not subject to 2% AGI floor, 405
- Life tenant, real property taxes, 356
- Lifetime care
 - of disabled dependent, advance payment, 365
 - nursing homes, 373
 - in retirement community, advance payment, 365–66
- Lifetime Learning Credit, 487, 570–73, 576, 578–79
- Like-class test, 141–42
- Like-kind exchange of business or investment property, 99, 133, 140–41, 147–48, 548–49
- Limited entrepreneurs
 - hedging losses, 535
 - passive activity rules, special rule, 255
- Limited liability, oil and gas wells, 262
- Limited liability company (LLC), 262–63, 634
- Limited liability partnership (LLP), 262–63
- Limited partners
 - material participation and, 262–63
 - passive activity rules, 253–55, 262–63
 - potential cash call, 271
 - rental real estate held by, 253
 - unable to qualify to set up Keogh Plan, 661
- Line of business limitations, 70
- Listed property, 680–81, 704
- Living costs
 - due to casualty or theft, 394–95
 - on temporary assignment, 424–26
- Load charges of mutual fund shares, 559, 561
- Loans (borrowing)
 - assumptions of, imputed interest rules, 96
 - from company retirement plans, 172–73
 - disaster loans, 394
 - exceptions to, 94–95
 - gift, 95
 - home acquisition, 339–41
 - home equity, 341
 - imputed interest rules, 94–95, 591
 - interest-free or below-market interest, 94–96
 - interest income from, 80
 - from IRAs, 198–200, 202–4
 - keep separate, 349
 - minimum interest rules, 93
 - nongift term, 94
 - payable on demand, 94
 - proceeds, earmarking use of, 349–51
 - repayment period for uniformed services, 173
 - student, 283, 577–78
- Lobbying organizations, nondeductible contributions for, 315
- Local lodging costs, 422
- Lodging
 - cash allowances for, 66
 - employer-furnished, 64–67
 - expenses, subject to 2% AGI floor, 404, 421–22
 - local lodging costs, 422
 - as medical expenses, 370–72
 - as support item, 448–51
- Long-term care
 - continuing care facilities, 95, 373, 448–51, 590–91
 - insurance, employer health and accident plans and, 52–54
 - insurance expenses for self-employed, 298, 300
 - as medical expense, 376–77
 - payment of costs to chronically ill, 377
- Loss(es)
 - selling your home at a loss, 522, 525
 - straddle losses, 534–36
- Loss disallowance rule, 103–4, 272, 561, 673
- Lottery winnings, 274
- Low-income housing credit, 550–51, 657–58
- Lump-sum distribution from retirement plans
 - of employer securities, 166–67
 - of endowment policy, 184
 - options if you were born before January 2, 1936, 159
 - payments received by beneficiary, 158, 161–62
 - prior rollover caution, 158
 - rollovers, 158, 159, 162–63
 - surviving spouse as beneficiary, 158

M

- Maintenance expenses, as rental income deduction, 230, 239
- Making Work Pay credit, 476
- Malpractice insurance, 643
- Margin account with a broker, interest deduction, 351
- Marginal production, depletion for, 244
- Marital actions
 - deducting legal fees for recovered taxable damages, 414–15

- key to settlement issues, 613
- Marital deduction, 629–30
- Marital status, about, 3
 - change in, and net operating loss, 654
 - determined at end of year, 10
- Marked-to-market rules for Section 1256 contracts, 535
- Market discount bonds, 83, 85–86, 89
- Mark-to-market election for traders, 543
- Mark-to-market tax on unrealized gains on expatriation tax, 30
- Marriage (married persons)
 - capital losses of, 103
 - common law, filing status and, 10
 - earned income test for dependent care credit, 480
 - estimated taxes by, 502
 - home sales, 516–17
 - IRAs, spousal, 191–92
 - living apart from spouse, 309–10
 - marriage penalty, 10
 - married IRA owners, 222
 - qualified retirement savings contribution credit, 487
 - rental real estate business, reporting income and expenses on Schedule C, 229
 - to resident alien, 29
 - separate property and, 14–15
 - separate residences, \$250,000 exclusion limit on sale of, 517
 - standard deduction for dependents, 311
 - working in different cities, tax home of, 424
- Marriage bonus, 10
- Marriage penalty, 10
- Material participation tests
 - IRS tests for, 255–57
 - limited partners, 262–63
 - personal service and closely held corporations, 266–67
 - recharacterization, 259–61
 - rental real estate activity, 229, 251
 - tests, 251, 253, 255–57, 547–48
- MBA courses, deductibility of, 579–80
- Meal expenses/meal costs
 - 50% cost limitation, 433–34
 - cash allowances for, 66
 - claiming allowance on tax return, 420–21
 - costs at nursing home, 373
 - employer-furnished meals, 64–67
 - IRS meal allowance, 420–21
 - nondeductible meal costs, 301, 644
 - overnight-sleep test, 418
 - overtime meal money as de minimis fringe benefit, 63
 - per diem travel allowance, 431, 439–40
 - Schedule C, filing, 639–43
- Medical exception for resident alien, 28
- Medical or dental expenses
 - alternative minimum tax, adjustments for, 464–67
 - care costs qualifying as, 481–82
 - checklists of deductible versus nondeductible expenses, 363–64
 - for continuing care facilities, 590–91
 - deductions, 361–65, 367–68, 370–77
 - employees on leave, 70
 - exception to IRA early-withdrawal penalty, 171, 204, 205
 - flexible spending arrangements (FSAs) and, 68–70, 510
 - insurance benefits, not a support item, 450
 - nondeductible, 364, 365, 367–68, 370–72
 - reduction of, by 7.5% floor, 364
 - reimbursements for, 53–54, 70, 279, 365–67
 - self-employed and, 367–68
 - as support item, 448–51
 - travel outside continental United States, 421
- Medical treatments, deductible, 363
- Medicare Part B Premiums, 584
- Medicare tax
 - additional taxes taking effect in 2013, 510
 - distribution from health savings account, 567–68
 - employer health and accident plans and, 52
 - high earners, new tax for, 496
 - key to form W-2, 34
 - not a support item, 450
 - premiums of medical care policies, 367–68
 - statutory employees, 639–43
 - uncollected taxes, 58, 494
 - withholdings, 494, 495, 510
- Mentally disabled, medical expenses for, 372–77
- Mexico, aliens who commute from, 183-day test and, 28
- Midwestern disaster area
 - exemption for housing persons displaced by, 443
 - Hope/American Opportunity credit, 569–72
 - pre-1936 buildings and certified historic structures, higher credit rate for, 550
 - replacement property, defer gain by, 396
 - replacement property, time period for buying, 398
 - sale of land underlying destroyed residence of second home, 384
- M&IE rate (meals and incidental expenses), 420–21
- Mileage rate, by IRS, 318, 370, 408, 440–41
- Mileage test, for moving expenses, 303
- Minimum interest rules, 93
- Mining costs, alternative minimum tax and, 463, 466–67
- Minister, allowances for, 67–68
- Miscellaneous expense deductions
 - 2% AGI floor, 258, 404–10, 414–15, 430, 437, 578–79
 - investment expenses, 411–13
 - repayment of income received in a prior year, 41
- Mobile home as principal residence, 512–13
- Modified accelerated cost recovery system (MACRS)
 - 150% rate election, 678
 - additions and improvements to property, 681–83
 - alternative depreciation system (ADS) vs., 678–79
 - alternative minimum tax and, 466
 - declining balance methods, 675, 693–97
 - depreciable assets under, 674–75
 - depreciation rate, 409–10, 675–76
 - half-year convention for, 677, 693–97
 - leasehold improvements, 683
 - mid-quarter convention for, 677–78, 693–97
 - rates, 675–76
 - for real estate placed in service after 1986, 681–82
 - recapture, 680, 700
 - recovery periods, 674–75
 - straight-line depreciation vs., 678–79
 - table of MACRS depreciation rates, 675–77
 - when not allowed, 684
- Modified adjusted gross income (MAGI)
 - American Opportunity Credit, 572
 - education tax credits, 570–71
 - eligibility for deductible higher education expenses, 576
 - IRA deductions and, 191–96
 - Medicare Part B premium based on, 584
 - phaseout, child tax credit, 477
 - phaseout, limits to Roth IRA, 220–21
 - phaseout, rental real estate loss allowance, 249
 - student loan interest deduction, 577–78
- Moller decision, 543, 652
- Money-market account, deducting fees for check writing, 413–14
- Money orders of \$10,000 or less, reporting to IRS, 638
- Mormon missionaries, parents' support payments of children serving as, 316
- Mortgage(s)
 - discounted mortgage repayment, 283
 - fees not deductible, 343
 - foreclosure on, other than purchase money, 283, 555–56
 - graduated payment, 344
 - home mortgage loans, 338–47
 - increase on loan limit for buying new home, possible, 339
 - insurance premium deductions, 343–44
 - loan modification “workout” and repayment conveyance, 283, 551–52
 - payment rules, 343–44
 - refinanced loans, 344–46
 - repossession after buyer's default on, 554–55
 - repossession on, 283
 - restriction to student loan interest deduction, 577
 - restructuring debt, 552–53
 - transferring mortgaged realty, 556
 - wraparound, 127

Index

- Mortgage credit certificates, interest on, 338
- Mortgaged property, sale of, calculating selling price, 116
- Mortgage interest
- on adjustable rate, 279
 - allocating expenses to rental days, 237–39
 - AMT and, 464–65
 - deductions for, 338–39
 - expenses, 307
 - home acquisition loans, 339–41
- Mortgage subsidy bonds, 89
- Motor vehicle registration fees, 359
- Moving expenses
- 39-week employee test, 303–4
 - deductibility rules, 301–2, 595
 - deducting from gross income, 298, 301–2
 - distance test, 302–3
 - job, move due to new location, 301–5
 - mileage test, 303
 - for military personnel, 595
 - nondeductible expenses, 302
 - not subject to 2% AGI floor, 405
 - overseas, 303, 601–3
 - reimbursements for, 35, 601–3
 - tax form to file, 8
- Multiple homes, avoiding tax on sale of principal residence, 512–13
- Multiple support agreements, 451–52
- community property rules and, 14–15
 - medical expense deductions and, 370
- Multi-unit residence, reporting rents from, 232–33
- Municipal bond funds, 79, 538
- Musical composition expenses paid or incurred, amortizing, 686
- Mutual funds
- basis methods, comparison of, 563–64
 - basis of shares, 116–18, 125, 561–63
 - capital gain distributions from, 99–102, 561
 - capital or ordinary gains and loss from sale of, 98–99
 - distributions, reporting, 73–74
 - distributions, types of, 558–59, 561
 - expenses, 559
 - foreign tax credit or deduction, 561
 - gain or loss, figuring, 561–63
 - gift, shares received as, 563
 - holding period of, 561
 - identifying shares when selling, 561
 - load charges, 561
 - redemptions and exchanges of fund shares, 561
 - reinvestment plans, 558
 - reporting distributions, 558–59, 561
 - tax credits from, 561
 - tax-exempt securities, 349, 559
 - timing investment in, 558
- “M” visa, 28
- ## N
- NAICS (North American Industry Classification System), 141–42
- Nanny tax, employment taxes, 619–22
- National Guard members, 299, 593, 598–99
- National Health Services Corps Scholarship Program, 60
- National Health Services Loan Repayment Program, 283
- National Housing Act, 343
- National Oceanic and Atmosphere Administration, 44, 595
- Nephews and nieces, relationship test for claiming an exemption, 446
- Net disaster loss, additional standard deductions for, 308, 310, 311, 391
- Net investment income, 348, 471–72
- Net operating loss (NOL)
- alternative minimum tax and, 463
 - carryback of losses, 396, 654–56
 - carry forward of losses, 654–56
 - far-related expenses, 659
 - figuring for refund of prior taxes, 654–56
 - key to reporting income and loss, 635
 - passive activity limitation and, 248–50, 654
 - reporting, 655
- New business
- courses, not deductible, 579–80
 - expenses, looking for a, 646–47
- New hire retention credit, 657–58
- Night school, 445
- Nominee distributions
- of dividends, 77–78
 - joint accounts, 73
 - original issue discount (OID) reporting, 84–85
- Nonaccountable plans, reimbursements under, 441
- Nonaccrual experience method (NAE) for deferring service income, 638
- Noncash contributions to charity, 331
- Nongift term loans, 94
- Nonpassive income and losses rules, 257–59
- Nonperiodic distributions, 163–65, 496
- Nonprofit organizations that qualify for deductible donations, 314–15
- Non-publicly offered mutual funds, 559, 561
- Nonqualified deferred compensation plans, 39–40
- Nonqualified plan distributions, key to Form W-2, 34
- Nonqualified stock options, 47–48
- Nonrecourse debt, 551
- Nonrecourse financing, 269–70
- Nonresident aliens
- alimony to, 613
 - dual status, 27, 309
 - earned income credit and, 484
 - income, taxation and, 27
 - individual taxpayer I.D. number for, 443–44
 - proof of eligibility as employee, 619
 - Social Security benefits received by, 585, 588
 - spouse
 - exemption for, 444
 - filing jointly with, 14
 - head of household status of, 23
- Nonresidential real property
- allocating expenses to business use, 650–51
 - MACRS real estate depreciation table, 683
 - pre-1936 buildings, 550
- Nonstatutory stock option exercised, 35, 47–48
- North American Industry Classification System (NAICS), 141–42
- Northern Mariana Islands, earnings in, 605, 608
- Notes, employer’s, as payment, 37–38
- NUA (net unrealized appreciation), 166–67
- Nurse
- courses taken by, 579–80
 - services, as deductible medical expense, 373–74, 481–82
 - travel costs incurred by, nondeductible expense, 302
- Nursery school, dependent care credit and, 481
- Nursing homes, 373
- ## O
- Obesity, weight-loss program for, 362–64
- Oil and gas
- depletion deduction, 242–43
 - intangible drilling costs, 242
 - interests, reporting royalty income, 240–41
 - passive activity loss restrictions, exempt from, 241, 262
 - percentage depletion deduction, 243–44
 - wells, working interests in, 262
- One-bite rule, 547
- One-person 401(k) plan, 661
- Options, 537–38, 549
- Oral sales-repurchase agreement, wash sale rule, 532
- Ordinary dividends, 558, 561
- Ordinary income
- assignment of future lottery payments, 274
 - and conversion transactions, 537

- Ordinary loss, 100
- Organizations
- in the 50% limit category, 333–35
 - nondeductible contributions to, 315–16
 - nonprofit organizations that qualify for deductible donations, 314–15
 - qualifying for deductible charitable donations, 314–15
- Original issue discount (OID), 80, 84–86, 352
- discount on bonds, 83–84
 - interest income, 80
 - nongovernmental obligations and, 88–89
 - REMICs, 84–85
 - reporting on return, 84–85
 - sale or retirement of bonds with, 88
 - stripped bonds or coupons, 84, 87
 - tax-exempt bonds and obligations, 89
- Orphan drug credit, 657–58
- Out-the-money call option, 536
- Overnight-sleep test, 418
- Overseas employment, as tax-saving opportunity, 508
- Overtime, meal costs during, 63, 418
- Ownership and use tests of residence, meeting, 513–16
- P**
- Parents, AMT rules for personal exemptions, 464
- Parking, employer-provided, 62
- Parsonage allowances, 67–68, 298
- Partner / Partnership
- 78-week test for, 304
 - 401(k) plan treatment, 174
 - abandoning a partnership interest, 553–54
 - debts, 286
 - disallowing exclusion of value of meals and lodging, 64–67
 - distributions of property to a partner, 287–88
 - dividends from, 75
 - domestic production activities deduction, 657
 - exchanges of partnership interests, 140–41
 - final return of decedent, 26
 - first-year expensing depreciation deduction, 673–74
 - fiscal year restrictions, 288, 638
 - form of doing business, 634
 - gain or loss from disposition of interest, 267–68
 - interests, disposition of, 267–68
 - involuntary conversions, electing to defer tax on gain in, 397
 - limited, 254, 262–63
 - net operating loss, 654
 - organizational costs, 646
 - passive activity rules, 253–55, 262–63
 - profit and loss, reporting, 288
 - profits from foreign earned income, 601–3
 - property of, holding period for, 114
 - providing property that is not engaged to rentals, 248
 - rental real estate held by, 253
 - at risk rules, 267–68, 270, 271, 288
 - sale of partnership interests, 288
 - Schedule K-1, IRS matching program for, 286
 - special allocations disproportionate to capital contributions, 287
 - straddles, tax rules for, 535
 - unified tax audits of, 288–89
 - wages for the W-2 limit, 657
- Part-time employees, not covered by employer Keogh Plan, 661
- Part-year employees, avoiding overwithholding, 493
- Passive activity
- alternative minimum tax and, 463, 467
 - equity-financed lending activity, 260
 - incidental rental of property by development activity, 260
 - income or loss, alternative minimum tax and, 463, 467
 - installment sale of interest, 265
 - insubstantial depreciable basis, rental of property with, 261
 - interest and investment interest, 247–48
 - interest expenses attributable to, 257–59
 - loss disallowance rule, 272
 - losses, debts canceled in bankruptcy, 285
 - loss restrictions, 241, 634
 - loss rules
 - at-risk rules, effect of, 269
 - rental activities, 246–48
 - material participation, 253, 255–57
 - net operating losses and, 654
 - partnership rules, 262–63
 - personal service and closely held corporations, 266–67
 - portfolio income and, 258
 - recharacterization, 259–61
 - rental activities subject to rules, 246–48
 - rental loss allowance of up to \$25,000, 248–50
 - sales of property and, 258, 267–68
 - suspended losses allowed on disposition of interest, 264–65
 - suspended tax credits, 265–66
 - tax credits of, 257
 - to unrelated party, loss on sale of interest in, 257–59, 264–65
 - working oil and gas interest, 241, 262
- Patents
- amortizing, 684
 - depreciation of costs over life of, 241
 - donating to charity, 323
- Peace Corps volunteers, subsistence allowances for, 66
- Pell grants, 569, 574
- Penalty(-ies)
- early distribution, reporting, 170–72
 - failure to file FBAR for income from foreign accounts, 609
 - failure to report tips, 494
 - foreign financial accounts, non-reporting of, 609
 - IRAs (individual retirement accounts)
 - for excess contributions, 198
 - garnished, 200
 - withdrawing, 204–7
 - medical-related exceptions, 205
 - premature fund withdrawals, forfeiture of interest on, 82
 - premature withdrawals from deferred annuities, 182–83
 - retirement plan distributions
 - before age 59½
 - when retirement benefits must begin, 169, 208–10
 - Roth IRAs, early withdrawals within five years of conversion or rollover, 226
 - Section 409A rules, 39–40, 42, 45, 47–48
 - SIMPLE IRAs, 219
 - strike pay, 39
 - withholdings that do not cover estimated tax, 492
- Pension
- age for required minimum distributions, 169
 - distributions to employees, 639
 - repayment, deducting, 185
 - taxable, 43–44
- Pension Benefit Guaranty Corporation (PBGC), 488
- Percentage depletion, 243–44
- Percentage method of accounting, 590–91
- Per diem payments by qualified long-term-care policy, 377
- Per diem travel allowance under accountable plans, 34, 439–40
- Performing artists
- deductions from gross income, 298, 299, 405
 - material participation tests for, 257
- Permanent physical injuries, tax-free payments for, 57
- Persecution, restitution payments because of, 282
- Personal exemptions
- not subject to phaseout for 2012, 454
 - subject to AMT, 463
- Personal injury
- caused by negligence, as nondeductible loss, 389–90
 - deducting legal fees for recovered taxable damages, 415
 - settlements or awards, medical expense deductions and, 365
- Personal property
- loss of, as nondeductible loss, 389–90
 - real rental and, 248
 - sales of, 522, 658–59

Index

- tangible, donating, 320–23
- Personal residence
 - buying, as tax-saving idea, 508
 - incapacitated homeowner, 514–15
 - rental of, 246–48, 524–25
 - sale of, 100, 522
 - transfer taxes, 355
- Personal rollover, 163–65
- Personal service activity, material participation tests for, 255–57
- Personal service corporation, 241, 266–67, 638
- Personal use
 - and rental days, counting, 236–37
 - and rental of residential unit, 235–36
- Phaseout
 - of child tax credit, 476–77
 - key credit and deduction amounts, 510
 - limits to Roth IRA, 220–21
 - of part of overall itemized deductions, 312
 - of rental real estate loss allowance, 248–50
- Photographers, production costs of, 241
- Physicians
 - assignment of fees by, 36
 - courses taken by, 579–80
 - malpractice insurance, 643
- Pledging installment obligation as security, 127–28
- Plug-in conversion credit, 477, 489
- Points on home mortgage loans, 307
 - principal residence, 345–46
 - refinancing, points paid on, 344–45
 - seller-paid, 520
- Political campaign/action committees, nondeductible contributions to, 315
- Politician, job expenses, 409
- Ponzi schemes, 388
- Portability, of estate tax exemption, 628–29
- Portfolio income, 258
- Postponing itemized expenses, 312
- Preferred stock
 - dividends on, 74–75
 - stripped, 87
- Premature distributions of retirement plans, 170–72, 204–7
- Premature fund withdrawals, forfeiture of interest on, 82
- Premiums of medical care policies, deductibility of, 367–68, 376–77
- Prepaid interest on loan used for investment or business purposes, 351–52
- Prepaying or postponing itemized expenses, 312
- Prepayment penalty, mortgage, 343
- Prescription drugs, deductibility of, 361, 363
- Price adjustments on property bought on credit, 286
- Primary business purpose, proving, 426
- Principal place of business test, 410–11, 424, 648
- Principal residence
 - avoiding tax on sale of, 512–13
 - damaged, insurance proceeds from, 383–84
 - debt income, cancellation of, 283–84
 - determination of, 512–13
 - repossession and resale of, 555
 - sale of, reduced maximum exclusion, 517–19
 - selling your home at a loss, 522, 525
 - used for business purposes, 393–95
- Private activity bonds, alternative minimum tax and, 88–89, 463
- Private foundations for tax-free educational grants to employees' children, 42–43
- Probate estate, 626–27
- Product Classes “like” class, 141–42
- Production, domestic, activities, 298, 301, 656–57
- Product testing, as working condition fringe benefit, 63
- Professional association dues, as fringe benefit, 63
- Professionals
 - deductions for, 643–44
 - healthcare, 283
- Professional services, deductible and nondeductible, 363, 364
- Profit motive, lacking, rentals, 239–40, 645–46
- Profit-sharing plan
 - active participation in employer plan, 196–97
 - disability payments from, 57
 - Keogh plan, 661–62
- Promissory notes, 351
- Property
 - appreciated, gifts of, 624
 - basis of, 118–20, 624–25
 - buyer's personal-use, 96
 - capital or ordinary gains and loss from sale of, 98–99
 - casualty loss deduction, 384–85
 - damage, caused by negligence, as nondeductible loss, 389–90
 - deducting expenses incurred in managing, 412
 - depreciation deductions for, 680–81
 - dividends paid in, 76–77
 - exchanging without tax, 548–49
 - foreclosure, 359
 - free use of, 316
 - improvements to, 681–83
 - installment sale of interest, 265, 267–68
 - intangible, licensing of, 261
 - MACRS of, 674–75
 - multiple, exchanges of, 142
 - passive activity rules, 258–61, 267–68
 - price adjustments on, 286
 - reporting sales and exchanges of, 98–99
 - sale of, 396, 509, 549
 - rollover of proceeds from, 166
 - of vulnerable property under a hazard mitigation program, 396
 - self-rental, 260
 - selling home at a loss, 522, 525
 - stolen, recovered, 388
 - tax, deducting, 308, 356
 - two-year resale rule for, 128–29
 - unadjusted basis of, 116–18
- Property donations, 331–33
 - art objects, 325–26
 - fair market value of, 320–23
 - figuring value, 320
 - interests in real estate, 327–28
 - mortgaged property, 322
 - through trusts, 329
- Property losses, floors for personal-use, 390–91
- Property sales
 - capital gains and losses, figuring, 98–112
 - installment sales, 124–34
 - profit or loss, figuring, 115–24
 - tax pattern of, 98
 - worthless securities, 134–37
- Property transfer
 - to former spouse, as alimony, 612, 613
 - between spouses and ex-spouses, 148–50
 - tax-free exchange, when MACRS is not allowed, 684
- Provisional income, 586
- Psychiatrist, courses taken by, 579–80
- Public Health Service Act, health professionals, debt forgiven or repaid, 283
- Publicly offered mutual funds, 559
- Publicly traded partnerships (PTPs), 248–50
- Public safety employees separated from service, as exception to early distribution penalty, 171
- Puerto Rico
 - earnings in, 487, 608
 - travel in, 421, 429
- Punitive damages, 282
- Puts, 530, 531, 537–38

Q

- Qualified charitable organization, 314–15
- Qualified conservation contributions, 334
- Qualified corporate dividends, taxation of, 74–75
- Qualified covered call option, straddle losses and, 535
- Qualified dividends, 11, 74–75, 99–102, 510, 558, 561, 684, 751

- Qualified Dividends and Capital Gain Tax Worksheet, 74, 98–101, 106–12
- Qualified domestic relations order (QDRO)
- distributions of retirement benefits under, 167–68, 171
 - rollover of distribution received under divorce or support proceeding, 165
 - transfer to IRA, 204
- Qualified Exchange Accommodation Arrangements (QEAs) for Reverse Exchanges, 144–45, 147
- Qualified joint and survivor annuity (QJSA), 167–68
- Qualified plans
- payments, 169
 - post-death distribution rules, 211–16
 - restriction to student loan interest deduction, 577
 - SIMPLE IRA employer contributions, 217–19
 - tax-free rollovers from, 163–65, 496
- Qualified Pre-retirement Survivor Annuity (QPSA), 167–68
- Qualified principal residence indebtedness, exclusion for, 283–84
- Qualified production activities income (QPAI), 657
- Qualified reservist, 171, 191, 206
- Qualified retirement plans
- company, tax-favored retirement plan, 155
 - employer-provided retirement advice, 64
 - Section 409A, exclusion from, 39–40
- Qualified terminable interest property (QTIP), 629
- Qualified Tuition Program (QTP) (Section 529 Plans)
- education tax credits, effect on, 566–71
 - student loan interest deduction, 577
- Qualifying children
- as dependent, 22–24, 310
 - for dependent care credit, 480–81
 - as personal exemptions, 443–46
- Qualifying domestic trust (QDOT), 630
- Qualifying relatives
- as dependent, 22–24, 310
 - for dependent care credit, 480–81
 - as exemptions, 443–46
- Qualifying widow(er)
- AMT exemptions, 462–64
 - claiming dependents, 22, 311
 - determining, 10–13
 - excess adjusted gross income, 589
 - filing as, 10–13
 - Form W-4, 494
 - head of household status, 22–24, 310
 - phaseout of child tax credit, 477
 - spouse's death in 2011 or 2010, or before 2010, 22
 - standard deduction for dependents, 311
 - standard deduction for figuring recoveries of itemized deductions, 278
 - standard deduction if 65 or older or blind, 308, 310
- “Quid-pro-quo” test, 317
- “Q” visa, 28
- ## R
- Rabbi, housing allowance for, 67–68
- Rabbi trusts, 40
- Racehorses, MACRS recovery period for, 674
- Raffle tickets, 316
- Railroad retirement benefits, 249, 584, 586, 589
- subject to tax, 43–44, 584
 - withholding, 494, 496
- Railroad travel as business trip deduction, 421–22
- Ransom, kidnapping, 389
- Ratable accrual method, 85–86
- Real estate
- ACRS rates for, 681, 683
 - allowance for tax credits, 250
 - appreciated, charitable contribution of, 333–35
 - business real estate debts, 286, 551–52
 - capital gains (or losses), 114–24
 - certified historic structure, 550–51
 - debts, 282–86
 - deducting accountant's fee for arranging purchase of, 413–14
 - deducting taxes, 356
 - depreciation of, placed in service after 1980 and before 1987, 683
 - foreclosure, 551–52, 556
 - Gulf Opportunity Zone, special tax credits for, 550
 - investments in, 545–51
 - leasehold improvements, 683
 - low-income housing, 550, 657
 - MACRS for property placed in service after 1986, 681–82
 - pre-1936 buildings, 550
 - rehabilitation of, 550–51, 683
 - rental activities, 251–53
 - repossession after buyer's default on mortgage, 554–55
 - restructuring mortgage debt, 552–53
 - at risk, financing for, 269–70
 - sale of, timing of, 548
 - seller's back taxes, buyer cannot deduct, 359
 - selling rented residence, 234
 - subdivided land sales, 547–48
 - tax credits, 257, 550–51
 - taxes, allocating to rental days, 237–39
 - taxes, deducting, 356
 - tax-free exchanges, 548–49
 - of foreign real estate, 141
 - tax reporting for year-end sales of, 113–14
 - transferring mortgaged realty, 556
 - unrecaptured Section 1250 gain on, 102, 522
- Real estate investment trust (REIT)
- dividends paid by, 73–75
 - investing in, 545
 - property sales, tax pattern of, 98
 - undistributed capital gains from, 559
- Real estate mortgage investment company (REMIC), 84–85, 545–46
- Real estate professional, 246–49, 251–53
- Real estate taxes
- allocating, when you sell or buy realty, 357–59
 - co-tenant's deduction for, 230
 - deducting, 356
 - foreign, 359
 - standard deductions, additional, 308, 310, 311
 - tax form to file, 8
 - who may deduct, 356
- Real property, 683, 751
- real property year, 357–59
 - rental and personal property rental, 248
 - residential rental property, 681–82
 - taxes, who may deduct, 356
 - timing sales of, 132–33, 548
- Rebates of insurance agent's commission, 38
- Recapture
- deductions subject to, 680
 - of depreciation on real estate, 282–86
 - of education tax credit, 570–71
 - of expensing deduction, 674
 - of losses where at risk is less than zero, 272
 - of mortgage subsidy, 488
 - of rehabilitated real estate, 550–51
 - rules of alimony, 616–17
 - of tuition and fees deduction, 577
- Receipts, as record of expense, 330, 435–36
- Recharacterization
- of passive income as nonpassive, 259–61
 - reconverting to Roth IRA, 222–24
 - between traditional IRA and Roth IRA, 222–24
- Recognized gain or loss, 140–41
- Record-keeping
- administrative activity in home office, 647–48
 - business trip deductions, 421–22, 435–36
 - charitable contributions, 329–30
 - convention business travel, 429
 - deductible losses, 123–24, 394
 - home records, 521
 - inadequate, excuses for, 436
 - loss carryovers, 102–3
 - mutual fund redeemed shares, 561–64
 - Section 1244 stock, 539
 - travel and entertainment, 435–36
- Recovered deductions and tax credits, 279–80
- Recovery property, 681, 683, 751
- Red Cross personnel, 595, 597

Index

- Redemptions, interest on bonds and, 81
- Refinanced mortgage loans
 - interest on, 344–45
 - points paid on, 345–46
- Reforestation amortization, 298, 301
- Refund of taxes paid or withheld
 - credited to state estimated tax, 355–56
 - decendent's, 25–27
 - state and local taxes deducted in prior year, 276–79
- Rehabilitation property credit for pre-1936 buildings or certified historic structures, 550
- Reimbursement(s)
 - of club dues, 437–38
 - of employee expenses, restrictive test exception, 432
 - from employer, 437–38
 - of medical expenses, 365–67
- Reimbursement plans for travel and entertainment expenses
 - accountable plans, 420–21, 437–38
 - accounting requirements, 438–39
 - automobile mileage allowances, 440–41
 - as de minimis fringe benefit, 63–64
 - nonaccountable plans, 437–38, 441
 - per diem travel allowance under accountable plans, 439–40
- Reinvestment
 - in company stock, 76, 77
 - mutual funds, 558
- Related parties
 - acquisitions from, disqualification of first-year expensing deduction, 674
 - disallowed loss on sales to, 103–4
 - exchanges between, 147–48
 - sale of remainder interest to, 512–13
 - straddle positions, 535
- Relationship tests for claiming as exemption, 444–48
- Relatives
 - business expense owed to relative, 636–38
 - buying replacement from, 399
 - dependent, head of household status, 22–24
 - dependent care credit and payments to, 481–82
 - installment sales to, 128–29
 - qualifying relatives
 - as dependent, 23, 310
 - for dependent care credit, 480–81
 - as exemptions, 443–46
 - renting residence to, 234–35
 - tax-free exchanges between, 147–48
- Religious beliefs against applying for and using Social Security numbers, 454
- Relocation due to disaster loss, 30
- Remarriage
 - effect on pre-1985 agreement for alimony, 613
 - exemption for spouse and, 444
- Remote camp in foreign country, lodging in, 64–65
- Rental days
 - allocating expenses of a residence to, 237–39
 - counting personal use days and, 236–37
- Rental income
 - advance rentals as, 229
 - of aged parent, deduction for, 373
 - allocation of expenses of residence to rental days, 237–39
 - audits of taxpayers with rental real estate losses, 229
 - deductions from, 229–31, 412
 - depreciation of, 233–34, 674–75
 - expenses, 298
 - in a foreign country, 601–3
 - improvements by tenants not considered, 229
 - insurance proceeds as, 229
 - lacking profit motive, 239–40
 - landlord's unit, treated as, 650
 - losses, 229
 - married couple filing jointly, reporting, 229
 - from multi-unit residences, 232–33
 - nondeductible as property tax, 357
 - passive activity restrictions on, 246–48, 253–55
 - personal use and, 235–36
 - redeemable ground rents, 343–44
 - repairs and improvements, distinctions between, 231–32
 - reporting, 229, 235–36, 413–14
 - security deposits not considered, 229
 - self-employment income and, 229
 - support test for dependents and, 448–51
 - temporary, IRS may challenge losses claimed before sale, 240
 - tenants' payment of, 357
- Rental property
 - checklist of deductions, 229–31
 - improvements, records for, 115–16
 - MACRS real estate depreciation, 681
 - MACRS recovery period for, 674, 681–82
 - passive activity rules, 260–61
 - profit-making purposes, 524–25
 - residence converted to, loss on, 524–25
 - self-employment income and, 229
 - trips to investigate prospective, 412–13
 - use of personal residence as, 524–25
- Rental real estate loss allowance, 248–50
- Reorganizations
 - exchanging market discount bonds in, 85–86
 - interest on bonds and, 81
- Repair costs
 - for casualty losses, 387, 394
 - deducting on Schedule C, 642
 - as evidence of loss of value, 394
 - to home, 231–32, 520
 - measure of loss, 394
- Repayment of wages received in prior year, 41
- Replacement property
 - to fully deter tax on, 400
 - giving IRS notice of replacement, 399
 - identifying, 145
 - time period for buying, 397–99
 - types or qualifying, 399
- Reposessed home
 - figuring gain or loss, 520
 - of personal property sold on installment, 132–33
 - of property, 551–55
- Reputation, professional, damages for injury to, 280
- Required Minimum Distributions (RMDs), 169, 208–16, 222, 226
- Requisitioned property, as involuntary conversion qualifying for tax deferral, 397
- Research assistants, tuition reductions for, 60, 566
- Research credit, 657–58
- Research expenses, 463, 467, 581–82
- Reservists, 298, 299, 594
 - qualified reservist distribution, 171, 206
 - repayment of IRA, 191
 - tax information for, 598–99
- Residence
 - capital or ordinary gains and loss from sale of, 98–99
 - as collateral, for interest deduction, 173
 - deducting casualty loss, 381–82
 - disaster losses, insurance proceeds for, 382–84
 - domicile vs., 605
 - energy tax credit, 488–89
 - interest, 338–41
 - sale of your home at loss, 522, 525
- Residence test for exempting qualifying children, 445
- Residency termination date, 27–30
- Resident alien(s)
 - commute from Mexico or Canada, 28
 - defining status as, 27–30
 - dual-status alien, unable to deduct if, 309
 - dual tax status, in first year of residency, 28–29
 - exemption for dependents who are, 453
 - expatriation tax for, 30
 - first-year choice, 29
 - income subject to taxation, 27
 - last year of residence, 29–30
 - leaving the U.S., 30
 - medical exception, 28
 - proof of eligibility as employee, 619
 - tax treaty exception, 28
- Residential lots, installment sales of, 134
- Residential rental property, 681–82, 751
- Resident test, to claim exemption for dependent, 453
- Resolution Funding Corporation, 89
- Restaurant property, qualified improvements, 675, 681, 683

- Restitution payments, Holocaust, 282
 - Restricted stock, 48–49
 - Restrictive covenant, release of, 550
 - Retail property, qualified improvements, 675, 681, 683
 - Retained earnings, 76
 - Retired persons
 - group-term life insurance premiums paid by employer, 58
 - IRS and material participation tests for business, 255–57
 - ministers, allowance for, 67–68
 - waiver of estimated tax penalty, 500
 - Retirement benefits
 - estate tax and, 627
 - payment for release of community property interest in, 148
 - Retirement home/community
 - gifts to, 316
 - investment in, not qualifying as principal residence, 512–13
 - payments to, 365–66
 - Retirement planning advice, 51, 64
 - Retirement plans (retirement income)
 - armed forces, penalty-free withdrawals from, 598–99
 - DB(k) hybrid retirement plan for small employers, 662
 - deducting on Schedule C, 640–45
 - deemed IRA, by employer, 219
 - defined benefit pension plans, 197
 - defined contribution plans, 197
 - distributions, required beginning date, 169
 - distributions from qualified company plans
 - annuity start date, withdrawals before, 187
 - averaging, 158–61
 - beneficiaries, payments received by, 161–65, 169–70
 - capital gain treatment for pre-1974 participation, 161
 - court-ordered distributions to former spouse, 168
 - disqualification of retirement plan, 159
 - loans from company plans, 172–73
 - penalty for distributions before age 59½, 170–72
 - sale of property, rollover of proceeds from, 166
 - securities distribution, 166–67
 - tax-free rollover, 163–66
 - when retirement benefits must begin, 169
 - distributions that may not be rolled over, 163
 - elective deferrals to, key to form W-2, 34
 - employer plans, active participation in, 196–97
 - IRAs (individual retirement accounts for active participants in)
 - active participation tests, 196–97
 - rollover to an IRA, 202–4
 - liability limitation, 477
 - qualified employer plans, 163–65, 169, 211–16, 496
 - receiving, 169
 - reporting to IRS, 639
 - Roth 401(k) option, 176
 - self-employed, Keogh plan, required beginning date of distribution, 169
 - small employer credit for retirement plan startup costs, 657
 - tax-favored, key to, 155
 - withholding taxes on, 36, 496
 - Retirement savings contributions credit, 487
 - Return of capital, 78–79
 - Revenue Procedure 2011-34, 252
 - Reverse exchanges, 144–45, 147
 - Reverse mortgage loan, 344
 - Revocable trust, 626
 - Riot losses, 389
 - Robert T. Stafford Disaster Relief and Emergency Assistance Act, 30
 - Rollover
 - 60-day loan from IRA, 202–3
 - 60-day rollover, 202–4
 - by beneficiary of deceased, 165–66
 - direct, to Roth IRA, 163
 - distributions that may not be rolled over, 163
 - from employer plan, 163–64, 496
 - governmental 457 plan to qualified plan, 178
 - in-plan, to Roth IRA, 176
 - IRAs, 202–4
 - by nonspouse beneficiary, 165–66, 170
 - personal, 163–65
 - publicly traded securities to SSBIC, 105
 - reporting on your tax return, 203
 - surviving spouse, 165
 - tax-free, 162–65, 172
 - to traditional IRA, 202–4
 - ROTC educational and subsistence allowance, 593
 - Roth 401(k) contributions, 176
 - Roth IRA
 - about, 155, 197–98, 219
 - advantages of, 219
 - as alternative to traditional IRA, 197
 - combat pay, tax-free, contribution based on, 190
 - contributing to both traditional IRA and, 221
 - contribution based on tax-free combat pay, 221
 - contribution limit, 190, 220–21
 - contributions after age 70½, 219
 - conversion from SEP or SIMPLE IRA, 222
 - conversion from traditional IRA to, 156, 221–22
 - reporting deferred income from 2010 conversions, 222
 - credit for contributing to, 487
 - deadline for contribution, 221
 - versus deductible IRA, 195
 - deemed, by employer, 219
 - direct rollover, 163
 - distribution for first-time homebuyer expenses, 226
 - distributions after death of owner to beneficiaries, 226
 - distributions from, 224–26
 - excess contributions, 221
 - five-year holding requirement for earnings to be tax-free, 225, 227
 - in-plan rollover to, 176, 177
 - investing in, as tax-free income, 508
 - limit, 220–21
 - loss of liquidation of, 225
 - MAGI phaseout of Roth IRA contribution limit, 220–21
 - penalty for early withdrawals within five years of conversion or rollover, 226
 - penalty for excess contributions to, 198
 - recharacterizations and reconversions, 222–24
 - retirement savings contributions credit, 487
 - rollover from employer plan, 222
 - Roth 401(k) contributions, 176, 661
 - spousal IRA contribution, 191–92
 - withdrawals from, 200–202, 226
 - Royalty income and deductions
 - backup withholding, 497
 - deducting tax preparation fee for reporting on Schedule E, 413–14
 - deductions from, 412
 - depreciation of costs over life of patents or copyrights, 241
 - earned income, 601–3
 - examples of, 241
 - expenses, 298
 - foreign earned income and, 601–3
 - intangible drilling costs, 242
 - oil and gas percentage depletion, 243–44
 - production costs of books and creative properties, 241
 - reporting, 240–41
 - Rural Housing Administration, 343
- ## S
- Safe-deposit box rental fee, deductibility of, 412
 - Safe harbor
 - cash-method businesses, 636–37
 - domestic production activities deduction, 656–57
 - fraudulent schemes, allowing theft loss deduction, 388
 - prior-year estimated tax payments by husband and wife, 502
 - rate, for seller-financed sales, 95–96
 - sale of principal residence, 517–19
 - tests for security arrangements, property exchanges, 145–46
 - Safety achievement awards, 64, 435
 - Sailing permit for aliens leaving U.S., 30
 - Saint Lucia, restrictions on foreign travel to, 429

Index

- Salary or wage income (compensation)
 - assignment of, 36
 - constructive receipt rule, 37
 - contingent fees, 36
 - deferral of, tax-favored retirement plans, key to, 155
 - golden parachute payments, 35, 37
 - nonqualified deferred compensation, 39–40
 - property, pay received in, 37–38
 - repayment of prior year wages, 41
 - reporting, 36–37
 - severance pay, 36
 - sick pay, 34, 43
 - tax form to file, 8
 - year-end paychecks, 37
- Salary-reduction deferrals, limit on, 173–75, 218–19
- Salary reduction SEP's set up before 1997, 217
- Sales, seller-financed, 93, 95–96
- Salespersons
 - demonstration cars used by, 61
 - prize points, taxable income on, 38
- Sales tax
 - state, local, and general, 355–56
 - for vehicles, 355–56
- Salvation Army, deductible contributions to, 314
- SAM (shared appreciation mortgage), 343–44
- Samoa, earnings from, 605, 608
- Saver's credit (retirement savings contribution credit), 487
- Saving bond, U.S.
 - plans, 540–41
 - unable to donate because they are nonnegotiable, 323
- Saving notes (Freedom Shares), 91, 540
- Savings certificates
 - Certificate of Deposit (CD), early withdrawal on, 82
 - forfeiture of interest on premature withdrawals, 82
- Schedule 1, 79, 80, 88
- Schedule 2 (Child and Dependent Care Expenses for Form 1040A Filers), 478
- Schedule A (Itemized Deductions), 38, 41, 57, 61, 67–68, 83, 199, 201, 232, 238, 274, 282, 289, 290, 308, 312, 338–39, 343, 347–48, 354–56, 361, 367–68, 375–76, 393, 404, 406, 421, 438, 559, 561, 569, 578–79, 643, 645–46, 651, 655
- Schedule B (Interest and Ordinary Dividends), 73, 78–80, 88, 289
- Schedule C (Profit or Loss From Business), 37, 68, 100, 124, 134, 136–37, 229, 241, 282, 354, 359, 375–76, 413–15, 421, 436, 484, 542, 578–79, 634, 635, 639–46, 650, 651–52, 658
- Schedule C-EZ, 436, 635–43
- Schedule D (Capital Gains and Losses), 73, 74, 88, 98–103, 105–7, 110–12, 114–16, 134–37, 161, 263, 287, 289, 290, 354, 355, 459, 522, 535, 542, 559, 561, 651
- sample form, 110–11
- worksheet, 114
- Schedule E (Supplemental Income and Loss), 229, 233, 237–38, 240, 263–64, 287, 289, 348, 413, 546, 672, 709, 726
- Schedule EIC, 482–84
- Schedule F (Profit or Loss From Farming), 100, 264, 413, 635, 658
- Schedule H (Household Employment Taxes), 619–22
- Schedule J, 459
- Schedule K-1, 102, 262, 286, 287, 290, 462
- Schedule Q, 546
- Schedule R, 588, 624
- Schedule SE (Self-Employment Tax), 37
- Scholarships, fellowships, and grants
 - about, 566
 - Fulbright grant, 566, 609
 - funds, nondeductible contributions for, 315
 - not a support item, 450
 - tax-free, 298
- Schools, for mentally or physically handicapped, 372–73
- S corporation
 - capital gains (or losses), 134–35
 - classifying business activities, 253–55
 - commuter parking benefits, 62
 - debts, 285, 289–90
 - dividends from, 75
 - domestic production activities deduction, 657
 - first-year expensing deduction, 674
 - fiscal year restrictions, 638
 - gain, or loss from disposition of interest, 267–68
 - health insurance premiums, 289, 639–43
 - interests, disposition of, 267–68
 - net operating loss, 654
 - passive activity rules, 289
 - providing property that is not engaged to rentals, 248
 - rental real estate held by, 253, 254
 - Schedule K-1, IRS matching program for, 286
 - stockholder, AMT rule for, 462
 - stockholder reporting of income and loss, 289–90
 - straddles, tax rules for, 535
 - wages for the W-2 limit, 657
- Seasonal employees, not covered by employer Keogh Plan, 661
- Second home, 346, 522
- Section 83(b), 40, 48–49
- Section 168(k), 686–87
- Section 197 amortization of intangibles, 684–85
- Section 409A rules, 35, 39–40, 42, 45, 47–48
- Section 457 plans, 35, 40, 165, 169–70, 178, 222, 487
- nonspousal beneficiaries, 165–66
- rollover from employer plan to Roth IRA, 222
- Section 460, 638
- Section 483 transactions, 96
- Section 877, 30
- Section 877(a)(1), 512
- Section 877A, 30
- Section 1035, 152
- Section 1041, 149–50
- Section 1045 rollover, 105
- Section 1202 exclusion, 105
- Section 1231 property, 100, 548–49
- Section 1237 capital gain opportunity, 547
- Section 1239, 685
- Section 1244 stock, 99, 134–35, 539, 654
- Section 1245, 685
- Section 1250 gain, unrecaptured, 98, 102, 107, 522
- Section 1256, 535
- Section 1274 transactions, 96
- Section 1341 credit, 41
- Security(-ies)
 - abandoned, treated as worthless, 135
 - allocation of basis, 122–23
 - appreciated, charitable contribution of, 314, 333–35
 - holding period for, 113–14
 - installment obligation as, 127–28
 - lump-sum distributions from retirement plans and, 166–67
 - managing your own portfolio of, 652
 - mark-to-market election for traders, 543
 - tax exempt, 349, 538–39, 559
 - time limits for deferred exchanges, 145
 - traders in, 541–43, 639–43
 - Treasury inflation-indexed, 84, 90
 - value, sudden drop of, as nondeductible loss, 389–90
 - year-end sales of, 124
 - year-end transactions, 527
- Security deposits, not rental income, 229
- Seized property, as involuntary conversion qualifying for tax deferral, 396
- Self-charged management fees or interest, 259
- Self-employed income (or loss)
 - accounting for, 636–38
 - backup withholding, 497
 - deduction worksheet for self-employed, 663
 - earned income tax and, 484–85
 - foreign income, housing costs, 604–5
 - forms of doing business, 634
 - fractional rate worksheet for self-employed, 664
 - health insurance for, 636–43

- impairment-related work expenses, 375–76
- key to business and professional income and loss reporting, 635
- nondeductible expense items, 644–45
- partnership income, reporting, 288
- rate table for self-employed, 664
- reporting income and deductions, 634, 638–47
- tax, deficiency, 19–20
- Self-employed persons
 - 78-week test for, 304
 - business call travel cost deductions, 417–18
 - business employees and household employees, 620
 - business-vacation trips outside United States, 427
 - commuter parking benefits, 62
 - commuting costs, 417–18
 - deducting wages paid to children, 24
 - deferring business income, 509
 - disallowing exclusion of value of meals and lodging, 64–67
 - employees, not classified as, 619
 - health insurance, 56, 298, 300, 367–68
 - housing costs and foreign earned income, 604–6
 - income tests for earned income credit, 484–85
 - IRA contributions, 191
 - long-term care insurance expenses, 298, 300
 - meals and incidental expenses, 420–21, 643
 - moving expenses, 78-week test for, 304
 - net operating losses for refund of prior taxes, 654, 655
 - office for sideline business, 410–11
 - production costs of books and creative properties, 241
 - reporting royalty income, 240–41
 - retirement plans for, 155, 169, 217
 - tax liability, 298, 300
 - transportation industry, meal allowances for, 420–21
 - travel and entertainment expense reporting, 436
 - work-related education expenses, 578–79
- Seller-financed sales, 93, 95–96
- Seller-paid points, 520
- Selling price
 - change of, 127
 - of home, 520
- Senior citizens
 - 65 in age and over, standard deduction for, 278, 308, 310, 311
 - continuing care facilities for, 95, 373, 450, 590–91
 - filing breaks for, 584
 - Social Security benefits, 584–88
 - tax credit for, 477, 588–90
- Separate liability election, 16–20
 - actual knowledge of the item allocable to the other spouse bars relief, 17–18
 - allocating tax liability between spouses, 18–19
 - eligibility, 17
 - equitable relief, 20–21
- erroneous deductions or credits, tax benefit rule
 - limits relief based on, 19
 - for former spouses, 16–20
 - Tax Court appeal, 20
 - timing of the election, 17
- Separate returns
 - claiming any loss carryover, 103
 - first-year expensing depreciation deduction, 673
 - for married couples
 - 65 or older, standard deduction for, 310
 - \$250,000 exclusion of sale of jointly owned residence, 516
 - advantages of, 11–13
 - AMT exemptions for 2012, 462–64
 - blindness, standard deduction for, 310
 - changing an election, 309
 - depreciation deductions, 673
 - eligibility/ineligibility for tuition and fees deduction, 576–78
 - expensing limit for you and spouse, 673
 - filing, 309–10
 - versus filing jointly, 11–13
 - home sales by married persons, 517
 - IRAs, deduction phaseout rule, 191–92
 - itemized deduction, determining whether recovery is taxable, 278
 - itemized deduction reduction, 12
 - married dependents and, 453
 - medical expense deductions and, 361
 - phaseout of child tax credit, 477
 - rental real estate loss allowance, 248–50
 - and Social Security benefits, 586, 588
 - standard deduction restriction, 11–13, 309–11
 - tax rates, 10–11
 - Comparison (separated couples)
 - alimony, 612–14
 - children of, claiming as exemption, 443, 452–53
 - decree required for alimony, 612–14
 - dependent care credit rules for, 482
 - equitable relief, 20–21
 - filing status, 10, 309–10
 - Form W-4, 494
 - head of household status, 22–24, 309–10
 - joint returns and, community property rules, 14–15
 - kiddie tax and, 472–73
 - medical expense deductions of child and, 369
 - spouse, exemption for, 444
- Series E or EE bonds
 - accrual dates for, 540–41
 - donating, 323
 - interest on, 91–93
 - investing in, 508
- Series H or HH bonds, 91, 540–41
- Series I bonds, 91, 92, 508, 509, 540, 541
- Servicemembers' Group Life Insurance (SGLI), 594
- Services performed test for dining and entertainment expenses, 431
- Settlement fees for buying home, 520
- Severance damages, condemnation of property and, 400–401
- Severance pay, taxable, 36
- Shared appreciation mortgage (SAM), 343–44
- Shared-equity financing agreements, for co-owners, 236
- Shareholder-employees, corporate benefits to, as taxable dividend, 77
- Short sales of stocks, 75, 529–31, 533, 534, 537
- Short-term capital gain or loss, 98–99, 113–14
- Short-term deferrals, nonqualified deferral compensation, 40
- Short-term obligations, discount on, 88–89
- Shrubs, damage to, 380, 386
- Siblings, claiming as exemption, 443, 446
- Sick leave, 34, 40, 43–44, 492
- Signing returns
 - children's, 24
 - death of spouse during year and, 21
 - by executor or administrator, 25–27
 - joint returns, 13–14
- SIMPLE 401(k) plans, 174, 487
- SIMPLE IRAs, 190, 217–19
 - contributions and distributions, 218–19, 666
 - deadline for setting up, 218
 - eligibility for, 218
 - FICA withholdings, 495
 - retirement savings contributions credit, 487
 - Section 409A, excluded from, 40
 - withholdings for retirement plans, 36, 218–19
- Simplified Employee Pension Plan (SEP)
 - basics, 155, 217
 - contributing to and distribution of, 662–65
 - deductions, 298
 - FICA withholdings, 495
 - retirement savings contributions credit, 487
 - salary reduction established before 1997, 217
 - withholdings for retirement plans, 36, 217
- Simplified method for calculating taxable employee annuity, 185–86
- Single persons
 - AMT exemptions, 462–64
 - determining status, 11–13
 - filing status of, 10–11
 - phaseout of child tax credit, 477
 - standard deduction for dependents, 311
 - standard deduction for figuring recoveries of itemized deductions, 278
 - tax rates, 10–11
- Singles penalty, 10
- Skybox rental costs, 434

Index

- Slot machine players, winnings and losses for, 275
- Small business/employers
 - credit for pension plan startup costs, 657–58
 - group health plans for, 52
 - health tax credit, 657–58
- Small Business Investment Company (SBIC) stock, 135, 654
- Small Business Jobs Act of 2010, 176
- Small business owners, favorable prior-year exception, 499–500
- Small business stock
 - alternative minimum tax and, 463
 - deferral or exclusion, 99, 100
 - deferring or excluding gain on, 105
 - ordinary loss for, 539
 - Section 1202 exclusion, increased, 105
- Smoke detectors, 380
- Social Security benefits
 - earnings reduced by tax on, 587
 - figuring IRA deduction if you receive, 196
 - Form W-2, key to, 34–35
 - gross income and, 298, 447–48
 - how your earnings are reduced, 587–88
 - legal costs associated with, 415
 - lump-sum payment of, 586
 - paid on behalf of child or incompetent, 584
 - retiring on, 587
 - senior citizens' benefits, 584–88
 - separate returns of married persons, 586
 - support items bought with, 448–51
 - taxable, 584–86
 - tax-exempt bond funds and, 559
 - uncollected, 58, 494
 - withholding of payment, 494, 584–85
 - withholdings, 494, 495
 - workers' compensation and, 43–44
- Social Security numbers (SSN)
 - checked by IRS, 444, 497
 - children's, 24
 - of dependents, reporting, 454
 - for employees, 619
 - filing for, 454
 - religious beliefs against applying for and using, 454
 - spouses, on joint return, 453
- Social Security taxes
 - child tax credit and, 477
 - deducting, 359, 639–43
 - excess withholding due to working for more than one employer, 460
 - Medicare Part B premium affected by, 584
 - self-employed and, 635–38
 - statutory employee, 639–43
 - on tips, 35
 - uncollected taxes, 35, 58
- Software, computer, 656–57
- Solar panels for residential property, tax credit for, 488, 489
- Sole proprietorship
 - form of doing business, 634
 - sale of, 148–50
- Special assessments in involuntary conversions, 400–401
- Special foods, 362
- Special needs child/beneficiary, adopted, 59–60, 486–87
- Specific Identification Method, 564
- Split-dollar insurance, 42, 328
- Sports, professional coaches and managers, tax home for travel expense purposes, 423
- Sports events, 433–34
- Spousal IRA, contributions after age 70½, 191–92
- Spouse
 - as active participant in an employer retirement plan, 193–96
 - in business, health insurance coverage, 639–43
 - combat zone, 13
 - of combat zone personnel, 595–96
 - deducting legal fees as alimony, 615, 617
 - earned income test for dependent care credit, 480
 - as exemption, 443, 444, 446–48
 - former, separate liability election for, 16–20
 - innocent spouse rules, 13–16
 - loans from company plans, consent required of, 173
 - medical expense deductions of, 368
 - noncitizen, marital deduction restrictions for estate tax for, 630
 - nonresident alien, 14, 23, 148
 - property received from a former spouse or, unadjusted basis of, 117
 - property to third party on behalf of, 149
 - share of entertainment cost, 432
 - Social Security numbers and names of, 444
 - standard deduction for, 14, 309
 - survivor annuity for, 167–68
 - tax-free exchanges between ex-spouses or, 148–50
 - transfer of traditional IRA after divorce or death, 204, 208–10
 - travel costs, reimbursement of, 437
 - travel expenses of, 429
 - U.S. Savings Bonds transferred to, 93
 - wages paid to, 496
 - working for, 190–91
- SSBIC, rollover from publicly traded securities to, 105
- Standard deduction, 307–8
 - for 2012, key to, 307–8
 - additional, for net disaster loss, 308, 310
 - additional, for real estate taxes, 308, 310
 - for age 65, 308, 310, 311
 - alternative minimum tax, subject to, 462–64
 - changing to itemized deductions, 309–10
 - claiming, 308
 - increased for blindness, age 65, 308, 310, 311
 - itemized deductions, recovery of taxable, 277–78
 - married, spouse itemizing on separate return, 309–11
 - prepaying or postponing itemized expenses, 312
 - refund of state tax, taxable portion of, 276–79
 - separate returns and, 11–13
- Standard mileage rate, 408, 440–41
- State and local government bonds and obligations (tax-exempts)
 - amortization of premium, 82–83
 - market discount, 89
 - original issue discount (OID), 89
 - stripped, 89
 - taxable interest, 89
- State and local government employees
 - deductions from gross income unreimbursed business expenses, 298, 299
 - Section 457 plans, 178
- State and local income taxes
 - alternative minimum tax and, 465
 - deducting, 355–56
 - general sales tax, 355–56
 - recovered deductions, 279
 - refund of, 279
 - sales taxes, 355–56
 - standard deduction limit, 277
 - state taxes refund, 276–79
 - withholdings for, Armed Forces personnel, 492, 593
- State death taxes, 630
- Statutory employees, 35, 640
- Stepchildren
 - claiming as exemption, 443
 - scholarship for, not a support item, 450
 - spouse or child of, not a qualifying relative for exemption, 446–47
- Stock(s)
 - capital or ordinary gains and loss from sale of, 98–100
 - convertible, 533
 - devaluation due to corporate misconduct, 389
 - divorce-related redemptions, in closely held corporation, 149–50
 - donating to private non-operating foundation, 322–23, 325
 - earmarking, 527–28
 - fraudulent sales offers, 389
 - holding period for, 113–14
 - as payment for services, 37–38
 - received as dividend or in a stock split, 528
 - restricted, 48–49
 - sale of, reporting on, 106–12
 - short sales, 75, 529–31, 533, 534, 537
 - small business, 105, 463, 539
 - stock rights, sale, exercise, or expiration of, 528–29

- stripped, 87
 - tax-free exchanges of, in same corporation, 150
 - wash sales of, 531–33
 - Stock Appreciation Rights (SARs), 45
 - Stock dividends
 - on common stock, 76
 - constructive, 77
 - reinvestment in company stock, 76, 77
 - reporting, 77–78
 - sale of stock received as, 528
 - on stock sold or bought between ex-dividend date and record date, 77
 - taxable, 74–75, 77
 - year reported, 78
 - Stockholders (shareholders)
 - material participation test, 255–57, 266–67
 - reporting of S Corporation income and loss, 289–90
 - travel to meeting, nondeductible, 412–13
 - Stock option, 40, 45–48, 114
 - Stock rights, 76, 113, 528–29
 - exercise of, 529
 - overview, 528
 - tax consequences of receipt of, 76
 - Stock splits, 76, 528
 - Stock subscriptions, holding period for, 113
 - Stolen property, recovery of, 388
 - Stop-smoking programs, 362
 - Storage space, 649
 - Straddle rules, 535
 - Straight-line method of depreciation
 - mandatory, 679
 - recovery for equipment in service, 678–79, 681
 - Streamlined determination, equitable relief granted in, 20
 - Strike and lockout benefits, 39
 - Strike price/exercise price, 536
 - Stripped coupon bonds, 84, 87
 - Stripped tax-exempt obligations, 89
 - STRIPS Zero coupon Treasury bonds, 87
 - Student(s)
 - alien, 27–30
 - earned income test for dependent care credit, 480
 - education assistance plans, as fringe benefit, 60
 - as exemptions, 448
 - possibly exempt from income tax withholdings, 493
 - qualifying as full-time, for exemption, 445
 - Student loan
 - cancellation of, 283
 - deduction, 577–78
 - interest, 8, 193–94, 283, 298, 577–78
 - Student Loan Marketing Association, obligations guaranteed by, 89
 - Subscriptions
 - employer-paid, as fringe benefit, 63
 - to investment services, deductibility of, 412
 - lists, Section 197, 685
 - as miscellaneous itemized deductions, 404, 405
 - stock, holding period for, 113–14
 - Substantially identical stock and securities, 532
 - Substantial presence test, for resident aliens, 27–29
 - Sudden event test for casualty losses, 379–81
 - Supplementary Security Income (SSI), 584
 - Supplements, nutritional or herbal, deductibility of, 362
 - Supplier-based intangibles, 684
 - Support test for dependents
 - examples of allocating support, 448–51
 - items not counted as support, 450
 - lodging and food as support items, 448–51
 - multiple support agreements, 451–52
 - Surviving spouse
 - annuity for, 167–70
 - as beneficiary of traditional IRAs, 178, 165, 216
 - continuing coverage for group health plans (COBRA coverage), 52
 - estimated tax of, 26
 - family income rider in life insurance policy, 292
 - joint income tax, liability of, 22
 - joint tenancy, basis rules, 120–22
 - portability of estate tax exemption for, 628–29
 - rollover of distribution by, 165
 - traditional IRA inherited by, 211–16
 - Suspended losses allowed on disposition of interest, 264–65
 - Suspended tax credits, passive activity rules, 265–66
 - Sutter rule, 431
 - Sweepstake winnings, 274
 - Swimming pool
 - heating expenditures disqualified for energy tax credit, 489
 - prescribed as physical therapy, 374–75
 - Swindle by friend, as theft loss deduction, 389
- ## T
- Tables
 - Allowable Credit for Dependent Care (Table 25-1), 479
 - Are Your Board and Lodging Tax Free (Table 3-3), 67
 - Are Your Fringe Benefits Tax Free? (Table 3-1), 51
 - Beneficiary's Single Life Expectancy Table (Table 8-5), 215
 - Capital or Ordinary Gains and Losses from Sales and Exchanges of Property (Table 5-1), 100
 - Credit Based on Adjusted Gross Income for 2012 (Table 25-2), 487
 - Deductible Medical Expenses (Table 17-1), 363–64
 - Deductible Travel and Transportation Expenses (Table 20-1), 419–20
 - Depreciation rates for property's first rental year (Table 9-1), 233
 - Donations, what you need to substantiate (Table 14-1), 332
 - Gift Made in 2012, Tax Rates for, (Table 39-1), 629
 - Half-Year Convention–150% Rate (Table 42-2), 678
 - Half-Year Convention–Straight-Line Rate (Table 42-3), 679
 - Itemized Deductions and the Standard Deduction for 2012 (Table 13-1), 307–8
 - Joint Life and Last Survivor Life Expectancy (for use by owners whose spouses are more than 10 years younger) (Table 8-4), 213
 - Joint Life and Last Survivor Life Expectancy (Table 8-2), 207
 - Key to Alimony and Marital Settlement Issues (Table 37-1), 613
 - Key to AMT Rules (Table 23-1), 462
 - Key to Option Terms (Table 30-2), 536
 - Key to Reporting Business and Professional Income and Loss (Table 40-1), 635
 - Key to Tax-Favored Retirement Plans (Table 7-1), 155
 - Life Expectancy Tables (Table 7-2), 180
 - MACRS Depreciation Rates (Table 42-1), 676
 - MACRS Real Estate Depreciation (Table 42-4), 681–82
 - Medical expenses, nondeductible (Table 17-2), 364
 - Medical expenses, reduced by the 7.5% floor (Table 17-3), 364
 - Minimum Interest Rate for Seller Financing (Table 4-1), 96
 - Multiple Adjustment Table (Table 7-3), 180
 - Nonresidential Real Property (Table 40-2), 651
 - Phaseout Range for Deduction Limit on 2012 Returns (Table 8-1), 194
 - Proving a Casualty Loss (Table 18-1), 387
 - Rate Table for Self-Employed (Table 41-1), 664
 - Reporting Mutual-Fund Distributions (Table 32-1), 560
 - Savings Bond Maturity Dates (Table 30-3), 540
 - Standard Deduction (Table 11-1), 278
 - Taxable Income Brackets for 2012 (Table 1-1), 11
 - Taxable Premiums for Group-Term Insurance Coverage Over \$50,000 (Table 3-2), 58
 - Taxes, checklist of (Table 16-1), 354
 - Tax-Saving Opportunities (Table 28-1), 508
 - Understanding Your Form W-2 for 2010 Wages and Tips (Table 2-1), 34–35
 - Uniform Lifetime Table (Table 8-3), 210
 - Who Claims the Deduction for Real Estate Taxes? (Table 16-2), 356

Index

- Tangible personal property, 674–75, 752
 - donation of, 320–23
 - recapture of deduction for property sold within three years, 321
 - recapture of deductions for certain fractional interests, 327
- Tax(es)
 - checklist of, 354
 - general sales taxes, 355–56
 - nondeductible, 355
 - state and local income taxes, 355–56
- Taxable income
 - commissions, 38
 - figuring, 458
 - negative, carryovers for capital losses and, 102–3
 - property, pay received in, 37–38
 - repayment of wages received in a prior year, 41
 - strike and lockout benefits, 39
 - tax computation worksheet, 459
 - unemployment benefits, 38–39
- Taxable income brackets for 2012, 11
- Taxable year, defining, 638
- Tax attributes, 284
- Tax Computation Worksheet, 459
- Tax Court
 - appeal, for equitable relief, 21
 - appeal, for innocent spouse relief, 16
 - appeal, to dispute election or allocation of liability, 20
 - attorney's contingent fee paid from taxable award, 36, 282
 - commissions, taxable, 38
 - defaulted child support payments not basis for bad debt deduction, 138
 - mark-to-market election for traders, 543
 - partnership interest, abandoning, 553–54
 - separate liability election, 16–20
- Tax credits
 - adoption credit, 460, 485–86
 - alternative fuel vehicles, 460, 489
 - business, 657–58
 - child tax credit, 460, 476–77
 - dependent care credit, 460, 478–82
 - District of Columbia's first-time homebuyer credit, 460
 - earned income credit (EIC), 460, 482–85
 - for elderly and disabled, 588–90
 - energy efficiency improvements, expiration of credit for, 488
 - first-time homebuyer credit, 490
 - health coverage credit, 460, 488, 669
 - hybrid vehicles, 489
 - Making Work Pay credit, 476, 492
 - for mortgage, 338–39, 343–44, 460, 488
 - mutual funds, 559–61
 - for nurses' wages, 373–74
 - overview, 460, 476
 - passive activities, 257
 - personal, tax-saving opportunity, 508
 - for real estate investments, 550–51
 - recovered deductions and, 279–80
 - repayment of first-time homebuyer credit, 490
 - residential energy improvements, 488–89
 - retirement savings contributions credit, 487
 - Section 1341, 41
 - small business health tax credit, 657–58
 - suspended, 265–66
- Tax-exempt bonds
 - funds, 559, 560
 - investing in, 538–39
- Tax-exempt organizations, employees of, annuities for, 176–77
- Tax-exempt securities, 349, 538–39
- Tax-free rollovers from qualified plans, 163–65
- Tax home, 422
 - determining, 423–24
 - if you work in different locations, 423–24
 - of married couple working in different cities, 424
 - for resident aliens, 28, 29
 - temporary job site as, 425
 - for travel expense purposes, 422–23
- Taxi
 - depreciable tangible business property, 141–42
 - fare, as deductible out-of-town commuting expense, 417–18, 421–22
 - fare, as de minimis fringe benefit, 63–64
 - MACRS recovery periods, 674
 - trips between customers, travel and entertainment deductions for, 420
- Tax identification (ID) number, 634
- Tax matters partner (TMP), 288–89
- Taxpayer identification number (ITIN), 454, 497, 619
- Tax rates
 - based on filing status, 10–11
 - for capital gains, 99–102
 - top bracket, 10–11
- Tax reporting year, 635
- Tax return preparer, costs, 64, 308, 413–14, 642, 643
- Tax returns
 - claiming withholdings, 493–94
 - cost of preparing, 64, 308, 413–14
 - depreciation, claiming, 672
 - disaster loss, accelerating refund, 382
 - filing basics, 1–8, 308
 - forms, choosing, 8
 - income interest, reporting, 79–80
 - IRA, reporting a rollover of, 203
 - kiddie tax on your return, effects of, 74, 471–74
 - Puerto Rico, earnings in, 608
- Tax-shelter, prohibition on use of farming losses as, 659
- Tax-sheltered annuity, 36, 176–77
- Tax table for 2012, 458, 460
- Tax treaty exception for resident alien, 28
- Tax year
 - dual status, 28–29
 - for self-employed persons, 638
- Teachers
 - alien status, 28
 - education assistance plans, 60
 - education costs, 579–80
 - expenses, 299, 405, 409–10
 - graduate students, 60
 - ministers working as, allowances for, 67–68
 - school-provided lodging for, 65–66
 - strike pay penalties for, 39
 - travel as form of education, nondeductibility of, 581–82
 - worker's compensation, 43–44
- Teaching assistants, tuition reduction plans for, 60, 566
- Technical manuals, Section 197, 685
- TEFRA (1982 Tax Act) designation as exception to early distribution penalty, 171
- Telegraph costs as business trip deduction, 421–22
- Telephone
 - calls, as business trip deduction, 421–22
 - cellular, 409–10, 681
 - as employee home office expense, 411
- Temporary absences disregarded for head of household, 24
- Temporary assignment in area not your residence, deductions for, 424–26
- Temporary place of work, 408, 417–18
- Temporary quarters, expenses of, as nondeductible losses, 389–90
- Tenant(s)
 - cancellation of lease by, 229
 - casualty loss, deducting, 385
 - landlord's expenses paid by, 229
 - payment of taxes, 356, 357
- Terminally ill medical costs, life insurance, 377
- Termites, damage caused by, 380, 389–90
- Term life insurance, selling or surrendering, 293
- Terroristic attacks
 - disability pensions, 45
 - tax forgiveness for civilian or military personnel killed in, 597–98
- Theft losses
 - deductible, 308, 388–89, 654
 - nondeductible losses, 389–90
 - proving, 389
 - recovered stolen property, 388
- Tickets for entertainments sold by charitable organizations, deductibility of, 316–17

- Tie-breaker rules to determine who can claim qualifying child as exemption, 445–46
- TIGTA (Treasury Inspector General for Tax Administration), 229
- Time shares, installment sales of, 134
- Time value (premium-intrinsic value) call option, 536
- Tips
 - employer credit for FICA on, 657–58
 - paying, as business trip deduction, 421–22
 - receiving, key to form W-2, 34–35
 - reporting receipt, 36, 494–95
- Title 11 bankruptcy case, 284–85
- Title issues or disputes, legal costs associated with, 415
- Tools, job-related, 410
- Trade Act of 1974, 39
- Trade Adjustment Assistance (TAA), 488
- Trademarks and trade names, Section 197, 684
- Trader in securities, 541–43
- Trailer home
 - moved to different job sites, deductions for, 420
 - as principal residence, 512
- Trainees, alien, 28
- Training manuals, Section 197, 685
- Transaction history of mutual fund investment, 563
- Transfer taxes, 355, 359
 - qualified motor vehicle, additional standard deduction for, 355–56
 - savings bond at death of owner, 93
- Transient worker, 423
- Transit passes, employer-provided, 62
- Transportation industry workers, 421, 433
- Travel and transportation expenses
 - away-from-home expenses, deducting, 421–25
 - business-vacation trip, deducting, 426–30
 - commuting expenses, 417–18, 420–21
 - documenting and reporting, 435–36
 - employer reimbursement plans, 437–41
 - entertainment and meal expenses for clients, customers, or employees, 430–35
 - investment expenses, 412–13
 - key to, 419–20
 - meal expenses for self, 417–18, 420–21
 - as medical deductions, 370–72
 - National Guard and Reserve meetings, 299, 598–99
 - Schedule C, filing, 639–43
 - work-related education expenses, 578–79
- Traveler's checks, of \$10,000 or less, reporting to IRS, 638
- Treasury bills, 90–91, 509
- Treasury bonds, 90–91
- Treasury "I-Bonds," indexed for inflation, 509, 540
- Treasury inflation-indexed, 84, 90
- Treasury Inspector General for Tax Administration (TIGTA), 229
- Treasury notes, 90, 92–93
- Treasury securities, investment information on, 540–41, 543
- Trees, damage to, 380, 386
- Trips
 - business-vacation trips, 426–30
 - commuting expenses, 417–18
 - for health reasons, 420
 - key to deductible travel and entertainment expenses, 419–20
- Trucks
 - depreciable tangible business property, 141–42
 - drivers, interstate, deductions for, 420–21, 433
 - MACRS recovery periods and rates, 674
- Trust(s)
 - as beneficiary of IRA, 211–16
 - dividends paid by, 75
 - educational benefit, 43
 - family income planning and, 626–27
 - lump-sum distributions from retirement plans to, 161–63
 - property received as beneficiary of, unadjusted basis of, 118
 - rabbi trust, 40
 - reporting of income by beneficiaries, 290
 - revocable, 626
 - U.S. Savings Bonds transferred to a, 93
- Trustees, waiver of commissions of, 41
- Tuition plans/payments, 51, 60
 - deductions, 298, 299
 - for educators, 298
 - for religious or secular schools, 316
- Two-residence limit for qualifying mortgage debt, 338, 347
- Two-year resale rule for property to related party, 128–29
- Typewriters, 410, 674
- ## U
- Unadjusted basis of property, calculating gain or loss and, 116–18
- Uncles, relationship test for claiming an exemption, 446
- Undergraduate courses, tuition reductions for, 60
- Unemployed person
 - medical insurance exceptions to IRA early-withdrawal penalty, 205
 - nondeductible educational costs for, 579–80
- Unemployment benefits
 - payments under Disaster Relief Act, taxable, 383
 - repayment of supplemental benefits, 41, 298, 301
- taxable, 38–39, 383
- withholding of tax on, 494
- Unharvested land, sale of, 123
- Uniform Lifetime Table for distribution from traditional IRA, 208–10
- Uniforms and work clothes
 - for armed forces personnel, 406, 595, 598–99
 - for charity organizations, 319
 - cleaning of, 406
 - unusual job expenses, 408–9
- Uniform Transfers to Minors Act (UTMA), 80, 176, 274
- Unions dues, as miscellaneous itemized deductions, 404, 405, 654
- Unmarried head of household, filing as, 10–13
- Unmarried mates
 - home acquisition loan, allocation of \$1 million limit between, 339
 - joint tenancy basis rules for surviving tenant, 121
 - kiddie tax and, 472–73
- Unrecaptured Section 1250 gain, 102
- U.S. Citizenship and Immigration Services (USCIS) Form I-9, Employment Eligibility Verification, 619
- U.S. Merchant Marines, unqualified for tax exclusion, 595
- U.S. possessions, IRS meal allowance for travel in, 421
- Useful life, depreciation and, 671–72
- Use-it-or-lose-it rule for health-care and dependent care FSAs, 69
- Utilities, deducting on Schedule C, 643
- ## V
- Vacant land, 512–13
- Vacant residence, depreciation on, 234
- Vacation
 - benefit plan excluded as nonqualified deferred compensation, 40
 - travel to vacation areas, deductibility of, 426–28
- Vacation home
 - allocating expenses, 237–39
 - deducting casualty loss, 381–82
 - donating, not advisable, 327
 - points on, 345–46
 - rental of, 246–48, 258–59
 - selling at a loss, 522
- Vans
 - MACRS recovery periods and rates for, 674, 694–95
 - pooling, employer-provided, 62
- Variable Housing Allowance (VHA), 593

Index

- Vehicles
- alternative fuel vehicles, tax credit for, 489
 - donated, substantiation rules, 324, 331
 - hybrid vehicles, 489
 - MACRS recovery periods and rates, 674, 689, 691–92, 694–95
 - motor vehicle registration fees, 359
 - new, additional standard deduction for sales and excise taxes, 355–56
 - new, purchase, adding to deduction of sales and local sale taxes, 355–56
 - plug-in electric vehicles, 489
 - taxes on purchase, 355–56
 - volunteering services for charity, deductibility of expenses, 318–19
- Veterans Administration (Department of Veteran Affairs), 44–45, 89, 343, 594
- Veterans' organizations, domestic nonprofit, qualifying for deductible donations to, 314–15
- Virgin Islands, earnings in, 605, 608
- Visa, exempt-person exception for resident alien, 28
- VISTA volunteers, living expense allowances received by, 66
- Vitamins, deductibility of, 362
- Voluntary conveyance, 551–52, 555–56
- Volunteer expenses incurred during work for a charity, 315–16, 318–19, 333
- W**
- Wages
- low earners possibly exempt from withholding, 493
 - paid to employees, 639–43
 - taxable, key to Form W-2, 34–35
 - tax form to file, 8
 - W-2 wage limitations, figuring domestic production activities deduction, 657
 - withholding income taxes on, 494
- Waiver of custodial parent for child exemption not immediately effective, 453
- Waiver of estimated tax penalty, 500
- Warrants, wash-sale rule and, 532
- Wash sales
- holding period for, 113–14
 - loss disallowance, 102–3, 531–33, 561
 - overview, 531–33
 - reinvested distribution triggering, 558
 - straddle losses and, 536
 - tax advantage of rule, 531
- Water heaters, solar, for residential property, tax credit for, 489
- Weekend travel for business, 428
- Weight-reduction programs, 362–64
- Welfare, support test for exemption, 448–51
- What's New for 2012, xxv–xxvii
- Whistleblower award from IRS, costs incurred in obtaining, 301
- Whole life insurance, selling or surrendering, 292–93
- Widow(ers)
- determining status, 11–13
 - filing tips, 21–22
 - head of household status, 22–24
- Will contests, legal costs of, 415
- Wind turbines for residential property, tax credit for, 489
- Withholding
- automobile benefits, 61
 - backup, 497
 - children's wages, 24–25
 - estimated tax and, 492
 - FICA, 494–96
 - gambling winnings, 274–76, 495
 - for household employees, 620–22
 - income tax, 494
 - low earners possibly exempt from, 493
 - retirement distributions, 36, 496
 - right amount, 493–94
 - sick pay, 43, 492
 - tips, 494–95
 - tuition reimbursement, 60
 - when to change, 493
 - when to file new W-4, 494
- Workers' compensation, 43–44, 585, 621
- Workforce in place, amortizable, 685
- Working condition fringe benefits, 51, 62–63, 404
- Work opportunity credit, 657–58
- Work-related education expenses, 578–82
- Worksheet(s)
- adjusted basis of home sold, 523
 - deduction worksheet for self-employed, 663
 - fractional rate worksheet for self-employed, 664
 - principal residence sale, gain (or loss) exclusion, and taxable gain, 523
 - reduced maximum exclusion, 519
 - standard deduction for dependents in 2012, 311
 - standard deduction if 65 or older or blind, 310
 - taxable benefits, figuring out, 585
 - tax computation, 459
- Worthless securities, 134–35
- Worthless stock, fraudulent sales of, 389
- Writer, as seller of option contract, 536
- Wrongful death actions, legal costs of, 415
- Wrongful termination, damages for, 281–82
- Y**
- Year-end dividends, 558
- Year-end paychecks, constructive receipt of, 37
- Year-end sales
- of publicly traded stock or securities, 124–25
 - of real estate, holding period for, 114
- Y.M.C.A. / Y.W.C.A., deductible contributions to, 314
- Z**
- Zero coupon bond, 86