

## Electronic and Print Production

Linda Barnich	Linda Kalteux	Jennifer K. Schencker
Angela D. Bretschneider	Andrejs Makwitz	David Schuster
Douglas Bretschneider	Tina Medina	Monika Stefan
Jim Donnelly	Helen Miller	Tuan Tran
Amelia Eslava	Samantha Munson	Jim F. Walschlager
Mary Ellen Guth	Jennifer Nelson	Jennifer Youngless
Christine Hansen	Elaine Ogawa, <i>Managing Editor</i>	Christopher Zwirek

## DETAILED TABLE OF CONTENTS

	Paragraph
<b>Overview</b>	
Tax Legislation . . . . .	1
What's New on 2014 Returns . . . . .	2
Looking Ahead—Potential Tax Developments for 2015 . . . . .	3
AGI Phaseout Thresholds . . . . .	4
Where to File Returns . . . . .	5
2015 Tax Calendar . . . . .	6
<b>Tax Rates</b>	
Tax Rate Schedules for 2014 and 2015 . . . . .	11
2014 Tax Table—Individuals . . . . .	25
Corporation Income Tax Rates . . . . .	33
Estate and Gift Taxes . . . . .	40
Other Taxes . . . . .	47
<b>Checklists</b>	
Checklist for Items of Income . . . . .	55
Checklist for Deductions . . . . .	57
Checklist for Medical Expenses . . . . .	59
Checklist for Credits . . . . .	61
Checklist for Forms . . . . .	63
Guide to Information Returns . . . . .	64
Checklist for Types of Payments . . . . .	65
<b>Special Tax Tables</b>	
Applicable Federal Rates . . . . .	83
Adjusted Applicable Federal Rates . . . . .	84
Federal Long-Term Tax-Exempt Rates . . . . .	85
Applicable Credit Percentages for Low-Income Housing . . . . .	86
Earned Income Credit . . . . .	87
Average Itemized Deductions . . . . .	88
<b>Chapter 1: Individuals</b>	
Filing of Tax Returns . . . . .	101
Computation of Tax Liability . . . . .	123
Personal and Dependency Exemptions . . . . .	133
Filing Status . . . . .	152
Tax Treatment of Decedent's Final Return . . . . .	178
<b>Chapter 2: Corporations</b>	
Corporate Formation . . . . .	201
Return and Payment of Tax . . . . .	211
Computation of Tax Liability . . . . .	219
Estimated Tax . . . . .	241
Accumulated Earnings Tax . . . . .	251
Personal Service Corporations . . . . .	273
Personal Holding Companies . . . . .	275
Controlled Corporate Groups . . . . .	289
Consolidated Returns . . . . .	295

	Paragraph
<b>Chapter 3: S Corporations</b>	
S Corporation Status . . . . .	301
Taxation of Shareholders . . . . .	309
Tax Treatment of Distributions . . . . .	323
Taxation of Corporation . . . . .	335
Returns and Tax Year . . . . .	351
<b>Chapter 4: Partnerships</b>	
Choice of Entity . . . . .	401
Publicly Traded Partnerships . . . . .	403
Partnership-Level Issues . . . . .	404
Partnership Loss Deductions . . . . .	425
Partner's Distributive Share of Partnership Items . . . . .	428
Sale and Liquidation of Partner's Interest . . . . .	434
Partnership Contributions, Distributions, and Basis . . . . .	443
Family Partnerships . . . . .	474
Organization, Syndication, Start-Up Costs . . . . .	477
Electing Large Partnerships . . . . .	482
<b>Chapter 5: Trusts—Estates</b>	
Estates and Trusts as Taxable Entities . . . . .	501
Fiduciary Return and Payment of Tax . . . . .	510
Taxation of Estates and Trusts . . . . .	514
Income Distribution Deduction . . . . .	542
Taxation of Beneficiaries . . . . .	554
Grantor Trusts . . . . .	571
Other Special Trusts . . . . .	590
<b>Chapter 6: Exempt Organizations</b>	
Overview . . . . .	601
Code Sec. 501(c)(3) Organizations . . . . .	602
Private Foundations . . . . .	631
Unrelated Business Taxable Income . . . . .	655
Taxable Income from Debt-Financed Property . . . . .	687
Other Tax-Exempt Organizations . . . . .	692
<b>Chapter 7: Income</b>	
What Is "Income" . . . . .	701
Ownership of Income . . . . .	704
Salaries, Wages, and Benefits . . . . .	713
Interest . . . . .	724
Dividends . . . . .	733
Dividends: Distribution in Redemption of Stock . . . . .	742
Dividends: Earnings and Profits . . . . .	747
Business Income . . . . .	759
Rents and Royalties . . . . .	762
Farming Income . . . . .	767
Alimony Payments . . . . .	771
Other Income . . . . .	785
Shareholder's or Employee's Bargain Purchase . . . . .	789

	Paragraph
Creditor's Financial Income . . . . .	793
Below-Market Interest Loans . . . . .	795
Recoveries . . . . .	799
<b>Chapter 8: Exclusions from Gross Income</b>	
Exclusions from Gross Income . . . . .	801
Life Insurance and Death Benefits . . . . .	803
Annuities . . . . .	817
Bequests and Gifts . . . . .	847
Personal Injuries and Disability Proceeds . . . . .	851
Cancellation of Debt . . . . .	855
Education Benefits . . . . .	863
Other Exclusions from Gross Income . . . . .	871
Excludable Military Benefits . . . . .	891
<b>Chapter 9: Business Expenses</b>	
Trade or Business Expenses . . . . .	901
Compensation Paid . . . . .	906
Entertainment, Meal, and Gift Expenses . . . . .	910
Taxes . . . . .	920
Charitable Contributions . . . . .	927
Interest . . . . .	937
Employee's Expenses . . . . .	941
Transportation and Car Expenses . . . . .	945
Traveling Expenses Away from Home . . . . .	949
Home Office and Vacation Home Expenses . . . . .	961
Other Business Expenses . . . . .	968
Domestic Production Activities . . . . .	980A
Expenses of Professional Persons . . . . .	981
Farmer's Expenses . . . . .	982
Landlord or Tenant Expenses . . . . .	986
Mining Company's Expenses . . . . .	987
Uniform Capitalization Rules . . . . .	990
Incentives for Economically Distressed Communities . . . . .	999A
<b>Chapter 10: Nonbusiness Expenses</b>	
Deductions, Generally . . . . .	1001
Adjusted Gross Income . . . . .	1005
Floor on Miscellaneous Itemized Deductions . . . . .	1011
Phaseout of Itemized Deductions . . . . .	1014
Medical Expenses . . . . .	1015
Taxes, Generally . . . . .	1021
Real Property Taxes . . . . .	1028
Interest . . . . .	1043
Prepaid Interest . . . . .	1055
Charitable Contributions . . . . .	1058
Moving Expense . . . . .	1073
Dues, Education, and Other Expenses . . . . .	1080
Production of Income . . . . .	1085

	Paragraph
<b>Chapter 11: Losses—Passive Activity Losses</b>	1101
Deduction of Losses	1121
Casualty and Theft Losses	1135
Bad Debts	1145
Net Operating Losses (NOLs)	1155
At-Risk Limitations	1165
Passive Activity Limits on Losses and Credits	1181
Rental Activities	1191
Tax-Exempt Use Property	1195
Hobby Losses	1195
<b>Chapter 12: Depreciation, Amortization and Depletion</b>	
<b>DEPRECIATION</b>	1201
Allowance for Depreciation	1203
Basis for Depreciation	1208
Section 179 Expense Election	1211
Limitations on Automobiles and Other Listed Property	1216
Depreciation Methods	1234
Leased Property	1236
Modified Accelerated Cost Recovery System (MACRS)	1252
Accelerated Cost Recovery System (ACRS)	1282
Class Life ADR System	1285
Deductions for Refiners	1286
Deduction for Energy Efficiency Improvements	1287
<b>AMORTIZATION</b>	1287
Allowance for Amortization	1287
<b>DEPLETION</b>	1289
What is Depletion?	1291
Mineral Production Payments	1294
Percentage Depletion	1294
<b>Chapter 13: Tax Credits</b>	1301
Nonrefundable Credits	1315
Limitation on Nonrefundable Credits	1321
Refundable Credits	1331
Health Care Credits	1341
Energy Credits	1345
Alternative Motor Vehicle Credit	1361
Foreign Tax Credit	1365
General Business Credits	1371
Tax Credit Bonds	1391
Miscellaneous Credits	1391
<b>Chapter 14: Alternative Minimum Tax</b>	1401
AMT Liability	1425
AMT Preferences and Adjustments	1470
Credits Against Minimum Tax	1470

	Paragraph
<b>Chapter 15: Tax Accounting</b>	
Accounting Period	1501
Accounting Method	1515
Timing of Income and Expenses	1533
Long-Term Contracts	1551
Inventories	1553
Allocation and Reconstruction of Income	1573
<b>Chapter 16: Basis for Gain or Loss</b>	
Computing Gain or Loss	1601
Property Acquired by Purchase	1611
Property Acquired by Gift or Bequest	1630
Property Acquired by Exchange	1648
Other Acquired Property	1678
Valuation Rules	1695
<b>Chapter 17: Sales and Exchanges—Capital Gains</b>	
<b>SALES AND EXCHANGES</b>	
Sales and Exchanges of Property	1701
Gain or Loss from Sale of Residence	1705
Involuntary Conversion	1713
Transactions Between Related Persons	1717
Tax-Free Exchanges	1719
<b>CAPITAL GAINS</b>	
Treatment of Capital Gain or Loss	1735
Section 1231	1747
Capital Loss Limitation, Carryover, Carryback	1752
Subdivision of Real Estate	1762
Patents, Royalties, and Franchises	1767
Disposition of Depreciable Property	1779
Farmers' Recapture	1797
<b>Chapter 18: Installment Sales—Deferred Payments</b>	
<b>INSTALLMENT SALES</b>	
Installment Method	1801
Computation of Income	1813
Related-Party Sales	1833
Repossessions of Property	1838
Dispositions of Installment Obligations	1846
Corporate Liquidations	1856
<b>DEFERRED PAYMENTS</b>	
Imputed Interest	1859
Treatment of Interest	1883
<b>Chapter 19: Securities Transactions</b>	
Taxation of Securities Transactions	1901
Gains and Losses on Small Business Stock	1905
Worthless Securities	1916
Options	1919
Wash Sales	1935

	Paragraph
Short Sales .....	1944
Commodities and Related Instruments .....	1947
Corporate Bonds and Other Debt Instruments .....	1950
Accounting Issues .....	1973
<b>Chapter 20: Health and Employee Benefits</b>	
Employer Health Insurance Mandate .....	2001
Health and Welfare Benefits .....	2011
HSAs, HRAs, and FSAs .....	2035
Cafeteria Plans .....	2045
Other Employee Benefits .....	2055
Fringe Benefits Under Code Sec. 132 .....	2085
<b>Chapter 21: Retirement Plans</b>	
Types of Retirement Plans .....	2101
Qualified Plan Requirements .....	2111
Taxation of Distributions and Rollovers .....	2141
Traditional IRAs .....	2155
Roth IRAs .....	2171
SIMPLE Plans and SEPs .....	2181
Sec. 403(b), Sec. 457, and Nonqualified Plans .....	2191
<b>Chapter 22: Corporate Acquisitions—Reorganizations—Liquidations</b>	
Corporate Division .....	2201
Corporate Reorganization .....	2205
Corporate Liquidation .....	2253
Carryforwards .....	2277
<b>Chapter 23: Special Corporate Status</b>	
Mutual Funds .....	2301
Real Estate Investment Trusts .....	2326
Real Estate Mortgage Investment Conduits .....	2343
Insurance Companies .....	2370
Other Special Entities .....	2383
<b>Chapter 24: Foreign Income and Transactions</b>	
Overview .....	2401
U.S. Citizens and Residents Living Abroad .....	2402
Nonresident Aliens and Foreign Corporations .....	2425
Reporting Foreign Assets of U.S. Taxpayers .....	2465
Foreign Tax Credit or Deduction .....	2475
U.S. Shareholders of Foreign Corporations .....	2487
Other Foreign Tax Rules .....	2495
<b>Chapter 25: Returns—Payment of Tax</b>	
Filing .....	2501
Payment of Tax .....	2525
Deadlines .....	2549
Information Returns and Payment at Source .....	2565
Reportable Transactions and Tax Shelters .....	2591

	Paragraph
<b>Chapter 26: Withholding—Estimated Tax</b>	
<b>WITHHOLDING</b>	
Withholding on Wages .....	2601
Computation of Withholding on Wages .....	2612
Withholding on Non-Wage Payments .....	2642
FICA and FUTA Taxes .....	2648
Return and Payment by Employer .....	2650
Self-Employment Tax .....	2664
<b>ESTIMATED TAX</b>	
Payment of Estimated Taxes .....	2682
<b>Chapter 27: Examination of Returns—Collection of Tax</b>	
Organization of IRS .....	2701
Examination .....	2708
Assessment and Collection of Tax .....	2711
Liens and Levies .....	2751
Mitigation of Effect of Statute of Limitations .....	2756
Refunds and Credits .....	2759
The Courts .....	2776
<b>Chapter 28: Penalties—Interest</b>	
Failure to File Returns or Pay Tax .....	2801
Document and Information Return Penalties .....	2814
Underpayments of Tax—Interest .....	2838
Underpayments of Tax—Penalties .....	2854
Underpayments of Estimated Tax .....	2875
Erroneous Tax Refund Claims .....	2891
Unauthorized Return Disclosures or Inspections .....	2892
Failure to Notify Health Plan of Ineligibility for COBRA Premium Assistance .....	2897
Criminal Penalties .....	2898
<b>Chapter 29: Estate, Gift and Generation-Skipping Transfer Tax</b>	
Transfer Tax System .....	2901
Gift Tax .....	2903
Estate Tax .....	2912
Generation-Skipping Transfer Tax .....	2942
Transfer Tax on Gifts and Bequests from Expatriates .....	2948
<b>Topical Index</b> .....	page 939