Making the Best of Bad Situations

After reading Chapter 1, participants will be able to:

1. Specify multiple tax implications to consider when going through a divorce, and recognize the requirements and effects of filing as married or unmarried.
2. Identify the requirements for filing a joint return and how to avoid being penalized.
3. Determine the key elements of filing separate returns including what items to report and identify whether or not married taxpayers should file separate returns.
4. Recall the requirements for filing as head of household and the tax advantages and disadvantages of this filing status.
5. Recognize the repeal of personal exemptions, their pre-2018 phaseout, availability, and reporting requirements.
6. Identify the former regular and special method for determining support and complications from back child support, determine the current “qualified child” standard using residency, relationship, age, and joint return prohibition, and recall the requirements that must be met for parents to treat a child as a qualifying child of a non-custodial parent.
7. Identify deductible and nondeductible divorce expenditures specifying which spouse is subject to tax imposed upon withheld wages, and recognize the effects of making separate estimated tax payments or joint declarations of estimated tax.
8. Determine community property and community property states, and identify the effects of conversion and commingling of property and how to avoid such marital property issues.
9. Identify community income earned by married couples for reporting purposes by:
   a. Specifying reporting guidelines, recognizing the allocation of income earned and received into community property and separate property and selecting what income and property belongs to which spouse when they have different residency statuses;
   b. Recalling the requirements for the special community income allocation rules of §66(a), determining what constitutes community property termination and specifying the treatment of alimony payments; and
   c. Recognizing the use of statements and records to provide estimates of a former spouse’s income and identifying conditions for greater tax relief.
10. Identify the effect of living together on filing statuses and dependency, determine differences between the married tax rate and other tax rates, recognize the tax consequences of having a living together contract to avoid tax traps, and specify the results of Marvin v. Marvin.
After reading Chapter 2, participants will be able to:

1. Identify types of marital property and their likely division in marital property settlements and specify the legal principles used in dividing assets and providing support on divorce or separation.
2. Determine the benefits of premarital agreements and the requirements and permissible provisions for a valid and comprehensive agreement under the Uniform Premarital Act.
3. Specify the position of *U.S. v. Davis* on interspousal transfers and the changes made by §1041, and identify the requirements of §1041 and the scope of its application.
4. Select the factors that determine whether a property transfer is incident to divorce and identify how to meet these factors or avoid §1041 altogether when desired.
5. Determine the application of §1041 to transfers in trust under §1041(e) and to third-party transfers on behalf of a spouse or former spouse.

After reading Chapter 3, participants will be able to:

1. Determine “alimony” and “separate maintenance payments” under §71 and their pre- & post-2019 deduction or income treatment under §215, specify the types of §71 “divorce or separation instruments” and determine how having an invalid decree, an amended instrument, or a premarital agreement impacts such an instrument.
2. Identify variables that impact whether a payment is alimony since 1984 and determine whether a cash payment is deemed made to or on behalf of a former spouse.
3. Recall the tax treatment of housing costs for the family residence and the impact of ownership by contrasting when the nonoccupying spouse owns the home with when the occupying spouse owns the home.
4. Specify the tax treatment of life insurance premium payments, voluntary payments and payments to a remarried spouse recognizing advantages and disadvantages to each spouse.
5. Determine the differences between child support and alimony and their tax treatment to avoid reporting errors.
6. Identify the alimony and child support tax provisions that currently apply from those that applied to instruments executed prior to 1985 by:
   a. Specifying pre-1985 alimony requirements, and determining periodic payments and whether certain payments would have qualified under these rules; and
   b. Recognizing the marital or familial relationship and recalling the similarities and differences in the treatment of child support under current law and previous law.
7. Identify the deduction of pre-2019 alimony paid and the reporting of alimony received on the proper forms and required information.
8. Specify the pre-2019 alimony recapture rule for various marital agreements and its impact on the tax treatment of past payments.

9. Recognize the use of alimony trusts to realize tax advantage and security, determine the use of annuity contracts, and specify the proper tax treatment of alimony paid by an estate to a former spouse of a decedent.

10. Recall the tax treatment of child support, identify two circumstances where a payment will be fixed as child support, specify events that determine whether a contingency is clearly child-related and how to rebut this presumption of child support, and recall the COBRA and qualified medical child support order rules by:
   a. Identifying whether COBRA rules apply to different plans including notice & deadline requirements and specifying situations that may result in a termination of continuing coverage; and
   b. Determining what constitutes “qualified medical child support orders” and the differences with other similar orders and identifying the procedures, requirements, and jurisdiction of QMCSOs.

After reading Chapter 4, participants will be able to:

1. Recognize the effect that debt cancellation has on net worth and potential income inclusion from cancellation of indebtedness income, and specify exceptions to the general income inclusion rule and their tax impact.

2. Identify tax attribute reductions and their application when reducing canceled debt, cite the special basis reduction rules, recognize the depreciable property election in reducing the basis of depreciable property before reducing any other tax attributes, determine what constitutes individual, partnership and S corporation bankruptcy, and specify the variables used in determining whether shares of stock issued to a creditor are nominal or token.

3. Determine gain or loss resulting from foreclosure or repossession and their reporting and filing requirements, specify the timing and character of the gain or loss, and cite the hidden income tax danger of directly or indirectly acquiring one's own debt at a discount.

After reading Chapter 5, participants will be able to:

1. Identify the variables that determine which §1038 rules for repossessions apply, and specify basis and gain or loss resulting from repossession of personal property using installment and non-installment method sales.

2. Determine the distinctions between the rules, calculations, and effects of repossessions of personal and real property, and identify when a §166 bad debt deduction may be taken if the seller repossesses real property.
After reading Chapter 6, participants will be able to:

1. Identify bad debt categories and their tax treatment and effect on accounting and reporting by:
   a. Determining the concepts of worthlessness and true debt including the unique characteristics of deductible nonbusiness bad debt;
   b. Recalling the treatment of bad debts related to political debts, mechanics’ liens, and secondary liabilities on home mortgages; and
   c. Specifying the forms used to report bad debts and specifying the tax treatment of recovered amounts.

2. Determine the §166 tax treatment of business bad debts by:
   a. Identifying the tax treatment of business credit transactions, loan guarantees, accounts receivable or notes receivable particularly the tax treatment of accounts receivable in a business sale and specifying the various forms on which a bad debt deduction should be taken depending on the entity type;
   b. Recalling the tests that must be met by an accrual method business taxpayer to be able to take a bad debt deduction for a political debt and identifying the tax consequences of the insolvency of a partner when a business partnership terminates and debts are owed; and
   c. Specifying methods that can be used by businesses to treat uncollectible amounts and the rules that apply to each.