

Chapter 4: Rulings and Cases

Substantial Authority	B176
Evaluation of Authorities	B176
Nature of Analysis	B176
Substantial Authority Hierarchy	B176
Judicial System for Tax Disputes	B178
Case Commencement	B178
The U.S. Tax Court	B179
IRS Actions on Decision	B183
Business Expenses	B184
Court Allows Reduced Amount of Business Bad Debt Deduction	B184
Automobile Racing Mechanic Did Not Adequately Rebuild His Tax Records	B186
Court Prunes Taxpayer’s Per Diem Expenses for Timber Properties	B187
Credits	B189
Street Vendor Fails to Sell Tax Court on Eligibility for the Earned Income Credit	B189
Deductions	B190
Court Unable to See a Donation of Eyeglass Frames Due to Inadequate Appraisal Report	B190
Tax Court Blows Away Taxpayer’s Casualty Loss Deduction for Hurricane Damage	B192
Divorce Issues	B195
Court Reclassified Alimony Payments That Were Contingent on the Age of a Child	B195
Foreign Income	B196
Failure to Disclose Foreign Bank Account on Return Triggers Large Penalty	B196
Gifts	B198
Evidence of Inability to Repay Transforms Loans to Gifts	B198
Gross Income	B200
Payments Received Under Medicaid Waiver Program are Earned Income for Tax Credits	B200
Relief for Taxpayers with Certain Discharged School Loans	B201
Taxpayer Was Demolished By Not Reporting Constructive Dividends; Not Good Thinking	B202
Car Awarded to High School Student Accelerates Her Taxable Income	B203
Settlement Award for Damages from In Vitro Fertilization is Excluded from Taxable Income	B204
Innocent Spouse	B205
Taxpayer Granted Relief from Joint and Several Liability for One Year, But Not for Another	B205
Installment Agreement	B207
\$7 million Stash of Cryptocurrency Leaves Taxpayer Ineligible for Installment Agreement	B207

IRS Procedures — Miscellaneous	B208
Responsible Person’s Feet Held to the Fire	B208
Preparer’s Refund Suit Dismissed for Lack of Jurisdiction	B210
United States Pays Tax Preparer Court Costs and Fees	B211
Court Cancels Date Stamped by Private Postage Meter	B212
Failure to Provide Requested Information Results in Summary Judgment	B213
Losses.....	B215
Golf Course Loss Deduction Declared a Mulligan	B215
Like-Kind Exchange	B219
IRC §§121 and 1031 Can Be Applied to Same Disposition of Property	B219
Passive Activities	B220
Taxpayer Foreclosed as a Real Estate Professional and Cannot Offset Nonpassive Income	B220
Taxpayers Inflated Hours of Service to Qualify as Real Estate Professional	B222
Payroll Issues	B223
IRS Issues Nonacquiescence Regarding Employer Classification	B223
Retirement	B224
Taxpayers Subject to Additional Tax on Early Distribution from Qualified Retirement Plan	B224
Taxpayer Was Not Subjected to Duplicative Examination	B224
Outstanding Loan Balance Treated as Deemed Distribution from Retirement Plan	B226
Uncashed Retirement Plan Check Must be Included in Gross Income	B227
Self-Employment Tax.....	B228
Nonqualified Deferred Compensation from Mary Kay Is Subject to Self-Employment Tax	B228

Please note. Corrections were made to this workbook through January of 2020. No subsequent modifications were made. For clarification about acronyms used throughout this chapter, see the Acronym Glossary at the end of the Index.

For your convenience, in-text website links are also provided as short URLs. Anywhere you see **uofi.tax/xxx**, the link points to the address immediately following in brackets.

Note. This chapter contains selected cases, revenue rulings, revenue procedures, Treasury regulations, announcements, and letter rulings issued during the past year, through approximately July 31, 2020. Each appears as a condensed version and should not be relied on as a substitute for the full document. A full citation appears for each item. This chapter is not intended to be a comprehensive coverage of all tax law changes. Rather, it reports the rulings and cases most likely to be of interest to tax professionals.