This course provides students unfamiliar with the U.S. tax system with a basic foundation in U.S. domestic tax law, including personal taxation, corporate taxation, and the rudiments of partnership taxation. It prepares students for the International Business Transactions case study in the spring semester and provides an opportunity for students to compare their own country's system with that of the United States. There will be an in-class exam at the end of the semester, and class participation, including attendance, will be a component of the final grade.

REQUIRED MATERIALS

1. U.S. Income Tax Code and Regulations, current ed. (Students in the tax program need the 2 volume Code and the 6 volumes of Regulations, but other students may purchase the single volume selected IRS Code and Regulations from any publisher)

Assignment for Thursday, September 1 - Introduction to Income

Code: §§ 61; 83(a), (h); 31
Regs: §§ 1.61-1(a), -2(d)(1), -3(a); 1.83-1(a)(1)
Chirelstein: pp. 1-18, 26-28, 49-51
Coursepack.: pp. 2-6, 12-13

Problem 1:

John Barrister is an unmarried individual that began working as a lawyer in New York City at the beginning of Year 1. His salary is $100,000. In addition to receiving his salary the following happened to John:

a) He won an all expenses paid trip to Florida for two people worth $4,000 from a radio station. John took his fiancée, Jane, on the trip because it gave him an opportunity to use the $500 digital camera that she had given him for his birthday that year.

b) On the side, John edits legal textbooks. He edited a textbook for his friend, Carla, who could not afford to pay him. Normally, John would charge $6000 to edit a legal textbook. A grateful Carla offered John two weeks' use of her condominium in the Hamptons, which normally rents for $3000 per week. John accepted this offer and enjoyed his two week vacation in June.
c) John did some legal work for a start up internet company that paid him in stock. The stock was worth $1,000 when John received it.

d) John immediately deposited his first $2,000 salary check into a savings account. By December 31st it yielded $200 in interest. John did not withdraw the interest from the bank and has no intention of doing so for at least 10 years.

e) John's grandmother gave him $10,000 worth of stock which she purchased 10 years earlier for $3,000.

f) In order to attract him to New York, his law firm paid him a hiring bonus of $10,000 on January 1st.

g) His law firm withheld $20,000 in federal taxes from his salary and remitted it on his behalf to the federal government.

What are the tax consequences to John of these events?