CASES, REGULATIONS AND STATUTES

by Robert P. Achenbach, Jr

BANKRUPTCY

FEDERAL TAX

DISCHARGE. The debtor had sold a cable company and was liable for substantial capital gains taxes. In an attempt to decrease the tax liability, the debtor invested in sham transactions designed to create tax losses with minimal investment. The debtor filed for Chapter 11 and sought discharge of the taxes resulting from disallowance of the investment losses. The debtor argued that the debtor was the victim of misrepresentations by the promoters of the schemes and tax advisors. The court held that the taxes were nondischargeable because the debtor attempted to evade payment of taxes by investing in the sham activities. The court held that the debtor was an experienced and sophisticated business owner and failed to independently verify the legality of the transactions which produced such high tax benefits without substantial investment. In addition, the court held that the debtor did not reasonably rely on the tax advice of the promoters and their tax advisors. Finally, the court noted that the debtor failed to retain enough funds to pay the known tax liability after the loss deductions were disallowed. ***In re* Vaughn, 2012-1 U.S. Tax Cas. (CCH) ¶ 50,130 (Bankr. D. Colo. 2011)**.

FEDERAL FARM PROGRAMS

LIVESTOCK DISEASES. The APHIS has announced that it is removing lists of regions classified with respect to certain animal diseases and pests, and lists of states approved to receive horses imported from foreign regions where contagious equine metritis (CEM) exists, from the animal and animal product import regulations. Instead, the lists will be posted on the APHIS web site. http://www.aphis.usda.gov/import_export/animals/animal_disease_status.shtml. The remaining regulations will provide the web address and explain APHIS' criteria and processes for adding a region or a state to, or removing a region or state from, each of the lists. Because the lists will no longer be in the Code of Federal Regulations, changing the lists will no longer require rulemaking. APHIS will keep the public informed of changes to the lists and provide opportunity for public comment through publications in the Federal Register. This new method of reporting does not change the technical criteria APHIS uses to evaluate whether a foreign region should be added to or removed from a list or the criteria for approving a state to receive horses imported from foreign regions where CEM exists. **77 Fed. Reg. 1388 (Jan. 10, 2012)**.

FEDERAL ESTATE AND GIFT TAXATION

ADMINISTRATIVE EXPENSES. The decedent had made changes to a living trust to include provisions for a surviving spouse who was the decedent's second wife. The living trust had been created in conjunction with the decedent's first wife who had also created a living trust with similar provisions for the decedent. When the first spouse died, the decedent became the trustee and beneficiary of the first spouse's trusts created under the provisions of the living trust. The decedent's children filed lawsuits contesting the new living trust provisions and the second spouse's handling of the trusts. The parties reached a settlement in 2000 but the second spouse refused to comply with the terms. A second round of mediation produced a settlement in 2007. The estate claimed deductions for the legal fees incurred by the estate and reimbursed to the heirs and the second spouse. The court held that the legal fees of the heirs were allowed because (1) the reimbursement of the legal fees was allowed under applicable Florida law: (2) the amount of the fees was reasonable; and (3) the fees were incurred in litigation that was essential to the proper settlement of the estate. The court also held that the reimbursement of the second spouse's legal fees for the second mediation was not deductible because the spouse was not attempting to enforce the 2000 settlement and the fees were incurred for the spouse's personal benefit. **Estate of Gill v. Comm'r, T.C. Memo. 2012-7**.

ESTATE PROPERTY. The decedent's estate included a corporate note and two life insurance policies. The estate claimed deductions for the executor's commission, attorney's fees and a charitable contribution. The decedent had received care from the decedent's mother who filed a claim for the value of her services. The court held that the corporate note was included in the estate at its face value because the estate failed to prove that the note had any lesser value. The omission of the note's value from a brokerage statement was insufficient to show that the note had no value. The court also held that the value of the two life insurance policies was included in the estate because the estate failed to prove that anyone else owned the policies. The deductions for the executor's commission and attorneys fees were also denied, to the extent not allowed by the IRS, because the estate failed to prove the amounts were paid. Similarly, the charitable deduction was properly disallowed for failure to substantiate the contribution. The claim for the lifetime care of the decedent was also disallowed because of failure of the mother to prove that the debt was enforceable during the life of the decedent. **Estate of Fujishima v. Comm'r, T.C. Memo. 2012-6**.

FEDERAL INCOME TAXATION

ACCOUNTING METHOD. The taxpayer untimely filed Form 1128, *Application To Adopt, Change, or Retain a Tax Year*, and sought an extension of time to treat the application as timely filed. The form was not filed before the due date for a return for the short tax year created by the change. The IRS granted the extension. **Ltr. Rul. 201201015, Oct. 11, 2011**.

BUSINESS EXPENSES. The taxpayer performed building inspection services as an independent contractor in addition to regular employment. The taxpayer claimed deductions for expenses incurred in the inspection activity but failed to produce any substantiating documentation. The taxpayer provided personal testimony as to the expenses and inspection activity and the court concluded that the deduction were actually based on expected income which did not occur from the inspection activity. The court held that the deductions were properly disallowed because loss of expected income was not deductible. **Patel v. Comm'r, T.C. Memo. 2012-9**.

CONSERVATION EASEMENTS. The taxpayers purchased parcels of land from the same company and granted a conservation easement in their parcels to a charitable organization, claiming a charitable deduction for the contribution. Each conservation easement grant contained the following language:

> "Extinguishment — If circumstances arise in the future such that render the purpose of this Conservation Easement impossible to accomplish, this Conservation Easement can be terminated or extinguished, whether in whole or in part, by judicial proceedings, or by mutual written agreement of both parties, provided no other parties will be impacted and no laws or regulations are violated by such termination."

The taxpayers argued that the easements were either charitable trusts or restricted gifts subject to termination only by a court, under the *cy pres* doctrine. The court examined Colorado law and held that the easements did not create charitable trusts nor were the gifts restricted by the easements since the easements could be terminated by mutual agreement without the property continuing some charitable purpose. The court also held that the easements were not eligible for a charitable deduction under Treas. Reg. § 1.170A-14(g) because the termination clause prevented the easement from perpetual protection from development. **Carpenter v. Comm'r, T.C. Memo. 2012-1**.

CORPORATIONS

PERSONAL HOLDING COMPANY. The taxpayer was a limited liability company and solely owned by another corporation. The corporation organized the taxpayer to hold, manage, protect and defend intellectual properties relating to the corporation's business. The taxpayer licensed to the corporation and other affiliates, as well as third party entities, the right to use such intellectual properties, for which it collected royalties. The corporation consulted with an accounting firm which failed to advise the taxpayer to make a consent dividend election under I.R.C. § 565. The IRS granted an extension of time for the taxpayer to file an amended return with the election. **Ltr. Rul. 201201011, Oct. 3, 2011**.

COST OF GOODS SOLD. The taxpayers operated a clothing export business and claimed a cost of goods sold deduction for clothing purchased in the United States for export to Colombia. The taxpayers attempted to show the purchases of the clothing through receipts and credit card statements; however, many of the receipts failed to show the purchaser or the purpose of the purchase. The credit card statements also failed to substantiate the purpose of the purchases. The court noted that the taxpayers also failed to show evidence of subsequent sales of the clothing; therefore, the cost of goods deduction was properly limited by the IRS. **Gaitan v. Comm'r, T.C. Memo. 2012-3**.

DOMESTIC PRODUCTION DEDUCTION. The taxpayer was a "specified agricultural or horticultural cooperative" within the meaning of I.R.C. § 199(d)(3)(F) and Treas. Reg. § 1.199-6(f). The taxpayer was a member of an LLC formed with several non-cooperatives to build and operate an agricultural products processing plant. The LLC made distributions to the taxpayer who distributed most of the payments to its members. The IRS ruled that the payments made to the members were per-unit retain allocations within the meaning of I.R.C. § 1382(b)(3); therefore, for purposes of computing the taxpayer's I.R.C. § 199 domestic production activities deduction, the taxpayer's qualified production activities income and taxable income could, pursuant to I.R.C. § 199(d)(3)(C), be computed without the LLC payments to members. **Ltr. Rul. 201152006, Sept. 21, 2011**.

EMPLOYEE BENEFITS. The IRS has published a notice which restates and amends the interim guidance on informational reporting to employees of the cost of their employer-sponsored group health plan coverage initially provided in *Notice 2011-28, 2011-1 C.B. 656*. This informational reporting is required under I.R.C. § 6051(a)(14), enacted as part of the Patient Protection and Affordable Care Act of 2010, Pub. L. No. 111-148, to provide useful and comparable consumer information to employees on the cost of their health care coverage. **Notice 2012-9, I.R.B. 2012-4**.

An employer provided two insurance plans for employees: (1) for employees with less than two years of service, the employees may voluntarily participate by paying premiums from after-tax dollars which may be withheld from their paychecks, and (2) for employees with more than two years of service, the employer pays the premiums. In both cases, the benefit payments received by employees supplement the state's unemployment insurance benefits to cover 50 percent of the employees' wages. The IRS ruled that the benefit payments made to the first plan were not subject to employment taxes and the benefit payments made under the second plan were not subject to FICA or FUTA taxes. Also, the premiums paid under the second plan were not included in the employees' gross income and were not subject

to employment taxes. **Ltr. Rul. 201201003, Sept. 22, 2011**.

EMPLOYEE EXPENSES. The taxpayer was employed by a company which provided supplemental unemployment insurance for which the taxpayer paid with after-tax wages. The supplemental insurance was subject to the same rules as state general unemployment insurance. For example, no benefits were paid for voluntary unemployment or unemployment as the result of a disability for which benefits were received under the state disability benefits program. The IRS ruled that the taxpayer's premiums were eligible for a trade or business deduction and that any benefits received were includible in gross income. **Ltr. Rul. 201152005, Sept. 19, 2011**.

IRA. The IRS has issued guidance for treatment of 2010 Roth IRA rollovers and conversions and 2010 and 2011 distributions on 2011 tax returns. **2012ARD 004-8**.

INNOCENT SPOUSE RELIEF. The IRS has issued a notice which provides a proposed revenue procedure that would update *Rev. Proc. 2003-61, 2003-2 C.B. 296*, which provides guidance regarding equitable relief from income tax liability under I.R.C. §§ 66(c) and 6015(f). This proposed update to *Rev. Proc. 2003-61* addresses the criteria used in making innocent spouse relief determinations for Section 6015(f) equitable relief cases and revises the factors for granting equitable relief. The proposed revenue procedure expands how the IRS will take into account abuse and financial control by the nonrequesting spouse in determining whether equitable relief is warranted. The proposed revenue procedure also provides for streamlined case determinations; new guidance on the potential impact of economic hardship; and the weight to be accorded to certain factual circumstances in determining equitable relief. The proposed procedures are effective immediately but taxpayers will have the choice to use the proposed procedures or the procedures in *Rev. Proc. 2003-61*. **Notice 2012-8, I.R.B. 2012-4**.

The IRS has also issued a Chief Counsel Notice governing the procedures under the proposed revenue procedures in *Notice 2012-8* for cases currently before the Tax Court. Essentially, IRS attorneys are directed to immediately apply the new procedures to existing cases, requesting a continuance, if possible, so that a new determination can be made by the Cincinnati Centralized Innocent Spouse Operation (CCISO) unit. **CC-2012-004, Jan. 5, 2012**.

The taxpayers, while husband and wife, operated a clothing export business. The taxpayers subsequently divorced and their joint income tax return was audited. The IRS disallowed cost of goods deductions and several other deductions from the business. Both taxpayer filed for innocent spouse relief but the court held that such relief was properly denied because the tax deficiency resulted from the export business in which both taxpayers participated. **Gaitan v. Comm'r, T.C. Memo. 2012-3**

INVESTMENT INCOME. In 2006 and 2007, the taxpayer purchased shares in four mutual funds. The funds sent Form 1099-DIV, Dividends and Distributions, at the end of 2007 to the taxpayer, listing capital gain distributions, ordinary dividend distributions and qualified dividend distributions. The taxpayer did not include all the amounts on the 2007 income tax return because the taxpayer considered a portion of the amounts as return of capital. Under the taxpayer's "return of capital" theory, the taxpayer argued that because mutual fund shares were purchased between record dates, a portion of the purchase price paid for the shares represents "accrued dividends" that had accumulated since the last record date, and the distributions received at the end of 2007 included these "accrued dividends." The taxpayer contended that the gross distributions must therefore be reduced by the portions representing the "accrued dividends" purchased and treated as "returns of capital" not includable in gross income. The court rejected this argument and held that the taxpayer's argument had no statutory support and that any such accumulated dividends would have been included in the purchase price. **Ham v. Comm'r, T.C. Summary Op. 2012-3**.

LETTER RULINGS. The IRS has issued its annual list of procedures for issuing letter rulings. Appendix A contains a schedule of user fees for requests received after Feb. 4, 2012. **Rev. Proc. 2012-1, 2012-1 C.B. 1**.

The IRS has issued its annual revision of the general procedures relating to the issuance of technical advice to a director or an appeals area director by the various offices of the Associate Chief Counsel. The procedures also explain the rights a taxpayer has when a field office requests technical advice. **Rev. Proc. 2012-2, 2012-1 C.B. 92**.

The IRS has issued its annual list of tax issues for which the IRS will not give advance rulings or determination letters. **Rev. Proc. 2012-3, 2012-1 C.B. 113**.

The IRS has issued its annual list of procedures for issuing letter rulings involving exempt organizations. **Rev. Proc. 2012-4, 2012-1 C.B. 125**.

The IRS has released an updated revenue procedure which explains when and how Employee Plans Technical or Exempt Organizations Technical issues technical advice memoranda to an Employee Plans Examinations Area manager, an Exempt Organizations Examinations Area manager, an Employee Plans Determinations manager, an Exempt Organizations Determinations manager, or an Appeals Area Director in the employee plans areas (including actuarial matters) and exempt organizations areas. **Rev. Proc. 2012-5, 2012-1 C.B. 169.**

The IRS has issued procedures for issuing determination letters on qualified status of employee plans under I.R.C. §§ 401(a), 403(a), 409 and 4975. **Rev. Proc. 2012-6, 2012-1 C.B. 197.**

The IRS has issued a revised revenue procedure which provides guidance for complying with the user fee program of the Internal Revenue Service as it pertains to requests for letter rulings, determination letters, etc., on matters under the jurisdiction of the Commissioner, Tax Exempt and Government Entities Division; and requests for administrative scrutiny determinations under *Rev. Proc. 93-41, 1993-2 C.B. 536*. **Rev. Proc. 2012-8, 2012-1 C.B. 235**.

PARTNERSHIPS

ASSESSMENTS. A petition for review has been filed with the U.S. Supreme Court in the following case. The taxpayer was a partner in a partnership which sold partnership property. The partnership overstated the partnership's basis in the property, resulting in an understatement of taxable income from the sale.

More than three years and less than six years after the filing of the tax return for the year of the sale, the IRS filed a final partnership administrative adjustment (FPAA) which resulted from a reduction of the partnership's basis in the property sold. The taxpayer sought summary judgment because the FPAA was filed more than three years after the filing of the return. The IRS argued that the six year limitation applied because the return understated taxable income. The Tax Court held that the six year limitation did not apply because the overstatement of basis was not an understatement of receipt of income. On appeal, the appellate court agreed that, under its prior decision in *Burks v. United States, petition for review (S. Ct. 8/30/11), 2011-1 U.S. Tax Cas. (CCH) ¶ 50,219 (5th Cir. 2011), rev'g, 2008-2 U.S. Tax Cas. (CCH) ¶ 50,702 (N. D. Tex. 2008)*, the overstatement of basis was not an understatement of receipt of income. The appellate decision is designated as not for publication. **R & J Partners v. Comm'r, 2011-2 U.S. Tax Cas. (CCH) ¶ 50,645 (5th Cir. 2011)**.

PENSION PLANS. For plans beginning in January 2012 for purposes of determining the full funding limitation under I.R.C. § 412(c)(7), the 30-year Treasury securities annual interest rate for this period is 2.98 percent, the corporate bond weighted average is 5.72 percent, and the 90 percent to 100 percent permissible range is 5.15 percent to 5.72 percent. **Notice 2012-10, I.R.B. 2012-5**.

QUALIFIED RESIDENCE INTEREST. This Chief Counsel Advice letter involved three questions: (1) When a taxpayer has debt secured by a qualified residence but the debt exceeds the acquisition and/or home equity debt limitations, may the taxpayer use the exact method in Temp. Treas. Reg. § 1.163-10T(e) to determine the amount deductible as qualified residence interest and trace the debt in excess of the limitations to underlying expenditures as described in Temp. Treas. Reg. § 1.163-10T(e)(4)? The ruling notes that the temporary regulations were issued shortly before the statute was changed by OBRA 1987 and that *Notice 88-74, 1988-2 C.B. 385* and Publication 936, *Home Mortgage Interest Deduction*, provide the current guidance on these issues. The IRS ruled that a taxpayer may use any reasonable method, including the exact method, to determine the amount deductible as qualified residence interest when debt exceeds the acquisition and/or home equity debt limitations. Regardless of which reasonable method is used, a taxpayer may allocate the amounts that exceed the limitations in accordance with the use of the debt proceeds, as provided in Temp. Treas. Reg. § 1.163-10T(e)(4) and the instructions to line 13 of Publication 936. (2) If a taxpayer may use the exact method, must an election also be made under Temp. Treas. Reg. § 1.163-10T(o)(5) to treat the debt as not secured by the qualified residence in order to trace debt that exceeds the limitation to its underlying expenditures? The IRS ruled that the election was not required. (3) If a taxpayer uses the simplified method, may the taxpayer allocate excess interest under the interest tracing rules of Temp. Treas. Reg. § 1.163-8T without making an election under Temp. Treas. Reg. § 1.163-10T(o)(5) to treat the debt as not secured by a qualified residence? The IRS ruled that a taxpayer using the simplified method may allocate excess interest under the interest tracing rules of Temp. Treas. Reg. § 1.163-8T, as described in the instruction to line 13 of the worksheet in Publication 936, without making an election under Temp. Treas. Reg. § 1.163-10T(o)(5). The method provided for in Publication 936 is another reasonable method allowed by the legislative history. **CCA 201201017, Nov. 1, 2011**.

RETURNS. The IRS has published six reasons for filing a tax return, even if the taxpayer is not required to file: (1) *Federal Income Tax Withheld* Taxpayers should file to get money back if their employer withheld federal income tax from their pay, taxpayers made estimated tax payments, or had a prior year overpayment applied to this year's tax. (2) *Earned Income Tax Credit* Taxpayers may qualify for EITC if they worked, but did not earn a lot of money. EITC is a refundable tax credit; which means taxpayers could qualify for a tax refund. To get the credit, taxpayers must file a return and claim it. (3) *Additional Child Tax Credit* This refundable credit may be available if a taxpayer has at least one qualifying child and did not get the full amount of the Child Tax Credit. (4) *American Opportunity Credit* Students in their first four years of postsecondary education may qualify for as much as $2,500 through this credit. Forty percent of the credit is refundable so even those who owe no tax can get up to $1,000 of the credit as cash back for each eligible student. (5) *Adoption Credit* Taxpayers may be able to claim a refundable tax credit for qualified expenses paid to adopt an eligible child. (6) *Health Coverage Tax Credit* Certain individuals who are receiving Trade Adjustment Assistance, Reemployment Trade Adjustment Assistance, Alternative Trade Adjustment Assistance or pension benefit payments from the Pension Benefit Guaranty Corporation, may be eligible for a 2011 Health Coverage Tax Credit. Eligible individuals can claim a significant portion of their payments made for qualified health insurance premiums. **IRS Tax Tip 2012-02**.

The IRS has announced that the income tax return filing date is April 17, 2012. **IR-2012-1**.

SOCIAL SECURITY TAXES. The IRS has released the income-tax withholding tables for employers to use during 2012. The employee tax rate is 4.2 percent for wages paid and tips received before March 1, 2012. The employee tax rate is 6.2 percent on wages paid and tips received after February 29, 2012. The employer tax rate for Social Security remains unchanged at 6.2 percent. The Social Security wage base limit is $110,100. The Medicare tax rate is 1.45 percent each for the employee and employer, unchanged from 2011. There is no wage base limit for Medicare tax. Employers should implement the 4.2-percent employee Social Security tax rate as soon as possible, but not later than January 31, 2012. After implementing the 4.2-percent rate, employers should make an offsetting adjustment in a subsequent pay period to correct any over withholding of Social Security tax as soon as possible, but not later than March 31, 2012. **Notice 1036 (Rev. December 2011)**.

TRADE OR BUSINESS. The taxpayer planned to write a book, complete with photographs, of the taxpayer's four month trip to several countries. The taxpayer took a paid vacation from employment and made the trip. The taxpayer took photographs and maintained a journal of the travels. The taxpayer claimed the travel, meals and telephone expenses for the trip as business deductions on Schedule C. However, the taxpayer did not present any completed book or even a draft copy of the book. The IRS disallowed the deductions as not part of a trade or business.

The court agreed, holding that the taxpayer had not shown that the expenses were incurred with the intent to pursue a business purpose of writing books for income. The court held that no accuracy penalty would be imposed because the taxpayer relied on the advice of a competent tax professional and provided that professional with complete and accurate information. **Oros v. Comm'r, T.C. Memo. 2012-4**.

SECURED TRANSACTIONS

SUPPLIER'S LIEN. The debtor was a hog producer who had granted a bank a security interest in hogs. After the security interest was perfected, the debtor obtained from a creditor feed which was used to raise the hogs. The supplier claimed that the supplier's lien under Iowa Code § 570A.5(3) gave its lien superpriority over the bank's security interest to the extent the feed increased the value of the hogs. The bank countered that the supplier failed to comply with the certified request process in Section 570A.2; therefore, the supplier lien was not eligible for superpriority over the bank's prior lien. The supplier pointed out that Section 570A.5(3) did not contain language requiring the certified request process in Section 570A.2 and that Section 570A.5(3) allowed superpriority for a supplier's lien only to the extent of the increase in value of the collateral animals. The bank argued that the failure to comply with the certified request process applied as an affirmative defense to all Section 570A.5 supplier liens. In answer to a certified question from a Bankruptcy Court, the court held that a feed supplier was not required to comply with the certified request process in order to receive the superpriority of a supplier's lien under Iowa Code § 570A.5(3) to the extent the feed increased the value of the animals. **Oyens Feed & Supply, Inc. v. Primebank, No. 11-0532 (Iowa Dec. 30, 2011)**.

IN THE NEWS

EXPIRING TAX PROVISIONS. The Joint Committee on Taxation has published a list of federal tax provisions which expired at the end of 2011. The continuing negotiations in Congress could reinstate some of these provisions. Here are some of the expiring provisions listed:

1. First-time homebuyer credit for individuals on qualified official extended duty outside the United States (I.R.C. § 36(h)(3)).
2. Federal Unemployment Tax Act ("FUTA") surtax of 0.2 percent (I.R.C. § 3301(1)).
3. Credit for certain nonbusiness energy property (I.R.C. § 25C(g))
4. Personal tax credits allowed against regular tax and alternative minimum tax ("AMT") (I.R.C. § 26(a)(2)).
5. Credit for electric drive motorcycles, three-wheeled vehicles, and low-speed vehicles (I.R.C. § 30(f)).
6. Conversion credit for plug-in electric vehicles (I.R.C. § 30B(i)(4)).
7. Alternative fuel vehicle refueling property (non-hydrogen refueling property) (I.R.C. § 30C(g)(2)).
8. Expansion of adoption credit and adoption assistance programs (I.R.C. §§ 36C and 137 and Sec. 10909(c) of Pub. L. No. 111-148 as amended by section 101(b) of Pub. L. No. 111-312).
9. Incentives for alcohol fuels: alcohol fuels income tax credit (alcohol fuel, alcohol used to produce a qualified mixture, and small ethanol producers) (I.R.C. §§ 40(e)(1)(A), (h)(1), and (h)(2)) , and alcohol fuel mixture excise tax credit and outlay payments (I.R.C. §§ 6426(b)(6) and 6427(e)(6)(A)).
10. Incentives for biodiesel and renewable diesel: income tax credits for biodiesel fuel, biodiesel used to produce a qualified mixture, and small agri-biodiesel producers (I.R.C. § 40A); income tax credits for renewable diesel fuel and renewable diesel used to produce a qualified mixture (I.R.C. § 40A); excise tax credits and outlay payments for biodiesel fuel mixtures (I.R.C. §§ 6426(c)(6) and 6427(e)(6)(B)); excise tax credits and outlay payments for renewable diesel fuel mixtures (I.R.C. §§ 6426(c)(6) and 6427(e)(6)(B)).
11. Tax credit for research and experimentation expenses (I.R.C. § 41(h)(1) (B)).
12. New markets tax credit (I.R.C. § 45D(f)(1)).
13. Credit for energy efficient appliances (I.R.C. § 45M(b)).
14. Employer wage credit for activated military reservists (I.R.C. § 45P).
15. Work opportunity tax credit (I.R.C. § 51(c)(4)).
16. Increased AMT exemption amount (I.R.C. § 55(d)(1)).
17. Premiums for mortgage insurance deductible as interest that is qualified residence interest (I.R.C. § 163(h)(3)).
18. Deduction for State and local general sales taxes (I.R.C. § 164(b)(5)).
19. 15-year straight-line cost recovery for qualified leasehold improvements, qualified restaurant buildings and improvements, and qualified retail improvements (I.R.C. §§ 168(e)(3)(E)(iv), (v), (ix), 168(e)(7)(A)(i) and (e)(8)).
20. Accelerated depreciation for business property on an Indian reservation (I.R.C. § 168(j)(8)).
21. Additional first-year depreciation for 100 percent of basis of qualified property (I.R.C. § 168(k)(5)).
22. Special rules for contributions of capital gain real property made for conservation purposes (I.R.C. §§ 170(b)(1)(E) and 170(b)(2)(B)).
23. Increase in expensing to $500,000/$2,000,000 and expansion of definition of section 179 property (I.R.C. §§ 179(b)(1) and (2) and 179(f)).
24. Expensing of "brownfields" environmental remediation costs (I.R.C. § 198(h)).
25. Above-the-line deduction for qualified tuition and related expenses (I.R.C. § 222(e)).
26. Tax-free distributions from individual retirement plans for charitable purposes (I.R.C. § 408(d)(8)).
27. Special rules for qualified small business stock (I.R.C. § 1202(a)(4)).
28. Basis adjustment to stock of S corporations making charitable contributions of property (I.R.C. § 1367(a)).
29. Reduction in S corporation recognition period for built-in gains tax (I.R.C. § 1374(d)(7)). **Joint Committee on Taxation, List of Expiring Federal Tax Provisions 2011-2022 (JCX-1-12), January 6, 2012. This document can be found on the Joint Committee on Taxation website at www.jct.gov.**

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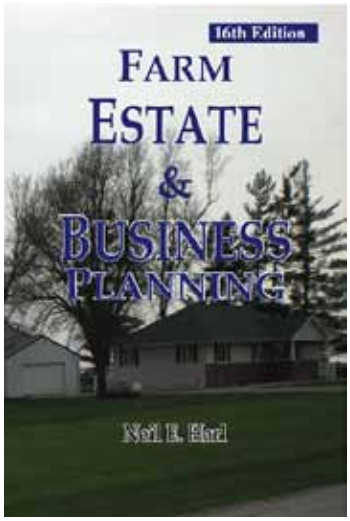

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