

Index

A

ABANDONMENT OF SECURITY

IRS audit program: compliance, reporting, and penalty provisions, **17:123**

ABA PASSIVE LOSS COMMENTS

Passive activity losses and credits generally, **6:140 to 6:146**
for detailed treatment see index heading **PASSIVE ACTIVITY LOSSES AND CREDITS**

ABA STANDARDS OF PRACTICE

Ethical standards. See index heading **ETHICAL STANDARDS**

ABSENCE OR PRESENCE

Unrelated business taxable income (UBTI), **13:14**

ABUSIVE TAX SHELTERS

See index heading **TAX SHELTERS**

ACCELERATED COST RECOVERY SYSTEM

Depreciation and tax credits generally, **7:3 to 7:9**
for detailed treatment see index heading **DEPRECIATION AND TAX CREDITS**

ACCOUNTING METHODS

Generally, **11:1 to 11:89**
Accounting treatment, **11:85**
Accrual accounting, **11:8, 11:9**
Act of 1984, generally, **11:2 to 11:7**
Act of 1986, generally, **11:8, 11:9**
Advance payment for construction services, **11:48**
Affirmative use of stepped rents, **11:77**
Amended returns, **11:34**
Amortization, **11:70, 11:74**
Back-up section 444 election, **11:17**
Brain damage, **11:64, 11:83**
Built-in income and loss, **11:51**
Business and tax considerations in lease inducements, **11:59 to 11:87**
Business purpose exception, **11:14**
Cancellation of debt (COD) income, **11:37 to 11:43**
Cash/work letter incentives, **11:67**
Conclusion, **11:86**
Contributed contracts, basis in, **11:51**
Current income recognition by tenant, **11:78**
Debt substitutions, **11:41, 11:42**

ACCOUNTING METHODS—Cont'd

Deductions, economic value of lease incentives, **11:63**
Deferred payments for use of property or services, generally, **11:52 to 11:87**
De minimis ownership, tiered structures ineligible for section 444 election, **11:22**
Depreciable property, **11:71, 11:75**
Development of methods, **11:1 to 11:9**
Distribution of contract by partnership, **11:51**
Economic value of lease incentives, **11:60 to 11:64**
Escrow accounts, taxation of, **11:88, 11:89**
Estimated taxes, **11:36**
Exceptions to amortization of landlord's up-front expenditures, **11:71, 11:72**
Exemptions, percentage of completion accounting for long term construction contracts, **11:47**
Exhibit - practitioners' quick reference guide, **11:87**
Existing entities, section 444 election, **11:15**
Farms, **11:7**
Filing requirements, **11:31, 11:33**
Final economic performance regulations, **11:3**
Flow chart, **11:58**
Form 8716, **11:30**
Form 8752, **11:32**
Four year spread rule, section 444 election, **11:26, 11:27**
Home Affordable Modification program (HAMP), **11:40**
Income recognition, economic value of lease incentives, **11:62**
Inventory accounting, **3:26**
Landlord's up-front expenditures, **11:70 to 11:73**
Leases and leasing, generally, **11:52 to 11:87**
Lessee expenditures, generally, **11:74 to 11:76**
Limitations on miscellaneous itemized deductions, **11:10**
Long term construction contracts, **11:44 to 11:51**
Long-term lease provisions, **11:55**
Look back method, **11:51**
Loss of rental deduction, **11:79**
Loss recognition, economic value of lease incentives, **11:63**
Mid-contract change in taxpayer, **11:49**
Mortgage forgiveness, **11:42**
Newly-formed entities, section 444 election, **11:16**

ACCOUNTING METHODS—Cont'd

Nonrecourse leases, **11:66**
 Non uniform payment plans for rents, **11:65**
 Other tax considerations, **11:84**
 Ownership of partnership by tenant, benefits of, **11:82**
 Partnerships, taxable year rules, generally, **11:11 to 11:36**
 Passive loss recharacterization rules, **11:81**
 Percentage of completion accounting for long term construction contracts, **11:44 to 11:51**
 Personal service corporations, taxable year rules, generally, **11:11 to 11:36**
 Practitioners' quick reference guide, **11:87**
 Premature accrual, **11:3**
 Prepayments of expenses, **11:4**
 Prior law, **11:1**
 Procedures, generally, **11:30 to 11:36**
 Quick reference guide, **11:87**
 Recapture provisions, **11:57**
 Related party transactions, **11:5**
 Rental agreement, **11:54**
 Rent holidays, **11:73**
 Rent payment alternatives, **11:65**
 Residential construction, percentage of completion accounting for long term construction contracts, **11:47**
 Retainages payable, **11:50**
 Same taxable year exception, tiered structures ineligible for section 444 election, **11:21**
 S corporations, generally, **11:11 to 11:36**
 Section 444 election, generally, **11:15 to 11:29**
 Section 467, **11:54, 11:58**
 Special recapture provisions, **11:57**
 Special sale-leaseback, **11:55**
 Sublet by landlord, **11:72, 11:76**
 Substitutions of debt, **11:41, 11:42**
TAMRA
 escrow accounts, **11:89**
 four year spread rule, **11:27**
 payments, **11:25**
 required accrual accounting under 1986 act, **11:9**
 required taxable year, **11:13**
 section 444 election, generally, **11:18**
 terminating the section 444 election, **11:29**
 tiered structures, **11:23**
 Taxable year rules, generally, **11:11 to 11:36**
 Tax and financial accounting objectives, economic value of lease incentives, **11:61 to 11:64**
 Tax and financial accounting rules, generally, **11:69 to 11:85**
 Tax avoidance, **11:56**
 Taxpayer Relief Act of 1997, **23:1**

ACCOUNTING METHODS—Cont'd

Tenant equity participations, **11:68, 11:78 to 11:83**
 Terminating section 444 election, **11:28, 11:29**
 Tiered structures ineligible for section 444 election, **11:20 to 11:23**
 Transfer of partnership interest, **11:51**
 Types of lease incentives and concessions, **11:65 to 11:68**
 Unfunded deferred benefits, **11:6**
 Use of property or services, deferred payments for, generally, **11:52 to 11:87**
 Wineries, LIFO accounting, **3:27**

ACCOUNTS AND ACCOUNTING

Final 1994 regulations, **9:42 to 9:48**
 Interest deduction. See index heading **INTEREST DEDUCTION**
 Methods. See index heading **ACCOUNTING METHODS**
 Partnership taxation, account reduction items, **4:339**
 Tax shelters, **17:70**

ACCOUNTS PAYABLE

Partnership taxation, **4:283**

ACCRUAL ACCOUNTING

Accounting methods, **10:65, 11:8, 11:9**

ACCRUAL BASIS

Interest deduction, **8:4 to 8:7**

ACCRUAL OF INTEREST

Final 1994 regulations, **9:52**

ACCRUED BUT UNPAID ITEMS

Partnership taxation, **4:221, 4:466**

ACCRUED INTEREST

Allocation rules for, **8:56**

ACCUMULATED ADJUSTMENTS ACCOUNT

S corporations, **3:59**

ACCUMULATED EARNINGS TAX

Corporate tax rates, **1:30**
 Taxable corporations, **3:40**

ACCUMULATED PRODUCTION EXPENDITURES

Uniform capitalization rules, **10:21**

ACCURACY RELATED PENALTY

IRS audit program: compliance, reporting, and penalty provisions
 generally, **17:2 to 17:29**
 for detailed treatment see index heading **IRS AUDIT PROGRAM: COMPLIANCE, REPORTING, AND PENALTY PROVISIONS**
 Omnibus Budget Reconciliation Act of 1993, **22:45**

ACQUISITION INDEBTEDNESS

- Interest deduction, **8:32 to 8:36**
- Unrelated business taxable income (UBTI), **13:8 to 13:30**

ADJUSTED BASIS

- Low income housing credit, **7:89**

ADJUSTED GROSS INCOME (AGI)

- Passive activity losses and credits, **6:93**

ADJUSTED RATE OF RETURN METHOD

- Economics of real estate transactions, **1:8**

ADJUSTMENTS

- Alternative minimum tax. See index heading
ALTERNATIVE MINIMUM TAX
- Partnerships. See index heading PARTNERSHIP TAXATION

ADVANCE PAYMENTS

- Accounting methods, **11:48**

ADVANCE RULING REQUIREMENTS

- Partnership taxation
generally, **4:13 to 4:21**
for detailed treatment see index heading
PARTNERSHIP TAXATION

AFFILIATES

- Passive activity losses and credits, **6:216**
- Unrelated business taxable income (UBTI), **13:11**

AGGREGATION

- At risk rules, **5:15**
- Partnership taxation, **4:256, 4:286, 4:287**
- Passive activity losses and credits
generally, **6:226 to 6:237**
for detailed treatment see index heading PASSIVE
ACTIVITY LOSSES AND CREDITS

AGRICULTURE

- See index heading FARMS AND FARMING

AIDING AND ABETTING

- Tax shelters, **17:44**

ALIENABILITY

- Pooled investment vehicles, **13:44**

ALLOCATIONS

- Depreciation and tax credits, **7:35**
- Interest deduction. See index heading INTEREST
DEDUCTION
- IRS audit program: compliance, reporting, and
penalty provisions
generally, **17:152 to 17:162**
for detailed treatment see index heading IRS
AUDIT PROGRAM: COMPLIANCE, REPORTING, AND
PENALTY PROVISIONS
- Low income housing credit, **7:107**
- Original issue discount, **9:8**

ALLOCATIONS—Cont'd

- Partnership taxation
generally, **4:310 to 4:442**
for detailed treatment see index heading
PARTNERSHIP TAXATION
- Sections 704 and 752, allocations under
generally, **21:31 to 21:54**
for detailed treatment see index heading
ALLOCATIONS UNDER SECTIONS 704 AND 752

ALLOCATIONS UNDER SECTIONS 704 AND 752

- Generally, **21:31 to 21:54**
- Admission of new partner, generally, **21:45 to 21:53**
- Basis, **21:37, 21:41**
- Book-up of assets to avoid minimum gain
chargeback, **21:48**
- Capital gain resettlement, **21:36**
- COD income, effect on, **21:42, 21:43**
- Converting lender to partner, **21:53**
- Deemed distribution rules, **21:49 to 21:52**
- Distribution of debt to partner, **21:54**
- Income and loss, generally, **21:31 to 21:37**
- Mandatory allocations, **21:34, 21:35**
- Minimum gain chargeback, generally, **21:33, 21:48 to 21:52**
- Nonrecourse liabilities, **21:32, 21:39**
- Partnership debt
generally, **21:38 to 21:41**
restructuring, effect on, generally, **21:44 to 21:54**
- Recourse liabilities, **21:40**
- Shares of liabilities, increases and decreases in, **21:38**

ALTERNATE ECONOMIC TEST

- Partnerships. See index heading PARTNERSHIP TAXATION

ALTERNATIVE DEPRECIATION SYSTEM

- Generally, **7:42 to 7:49**

ALTERNATIVE MINIMUM TAX

- Generally, **12:1 to 12:45**
- Adjustments and preferences
corporate taxpayers, generally, **12:31 to 12:37**
non corporate taxpayers, generally, **12:6 to 12:24**
- Bad debts, **12:36**
- “Base erosion and anti-abuse” tax, **12:26**
- Basic structure, **12:4, 12:30**
- Book and tax differences, adjustments for, **12:32**
- Charitable contributions, **12:11**
- Circulation expenditures, **12:20**
- Corporate taxpayers, generally, **12:28 to 12:43**
- Credit, **12:25, 12:26**
- Current law, **12:34**

ALTERNATIVE MINIMUM TAX—Cont'd

- Depreciation, **12:7**
- Description, generally, **12:7 to 12:24**
- Development costs, **12:12**
- Estimated taxes, **12:43**
- Exemption amount, **12:39**
- Exhibits
 - alternative minimum tax preference and adjustment items, **12:45**
 - steps for determining whether taxpayer is subject to AMT, **12:44**
- Experimental expenditures, **12:20**
- Exploration costs, **12:12**
- Farm activity losses, **12:9**
- Foreign tax credit, **12:41**
- Home construction contracts, **12:37**
- Impact of post-1986 AMT, **12:27**
- Incentive stock options (ISOs), **12:21**
- Installment sales, **12:16**
- Intangible drilling costs (IDCs), **12:19**
- Interest, **12:10**
- Interest deduction, **8:65**
- Investment tax credit (ITC), **12:40**
- Itemized deductions, **12:17**
- Long-term contracts, **12:13**
- Merchant marine capital construction funds, **12:35**
- Minimum tax credit, **12:38**
- Mining costs, **12:12**
- Net operating loss (NOL), **12:14**
- Non corporate taxpayers, generally, **12:1 to 12:27**
- Omnibus Budget Reconciliation Act of 1993, **22:3**
- Passive activity losses (PALs), **12:8**
- Passive activity losses and credits, **6:118**
- Percentage depletion, **12:18**
- Pollution control facilities, **12:15**
- Post-1982 and pre-1987 AMT, **12:2**
- Post-1986 AMT, generally, **12:3 to 12:27**
- Preferences. Adjustments and preferences, above
- Prior law, **12:1, 12:22, 12:33**
- Research expenditures, **12:20**
- Revenue Act of 1987, simplified reporting and compliance requirements for widely-held partnerships, **20:93**
- Section 291 adjustments, **12:42**
- Small business stock, gain on, **12:24**
- Small corporation exception, **12:5**
- Tax credits, **12:23, 12:40, 12:41**
- Tax exempt interest, **12:10**
- Taxpayer Relief Act of 1997, **23:2 to 23:4**

AMENDMENTS

- Accounting methods, **11:34**
- IRS audit program: compliance, reporting, and penalty provisions, **17:14**

AMENDMENTS—Cont'd

- Partnership taxation, **4:314, 4:409**
- Passive activity losses and credits
 - generally, **6:246 to 6:253**
 - for detailed treatment see index heading **PASSIVE ACTIVITY LOSSES AND CREDITS**
- SEC rules for rollup transactions, amendments to rollup rules, **2:104 to 2:112**
- Tax shelters, **17:42, 17:56 to 17:58**

AMORTIZATION

- Accounting methods, **11:70, 11:74**
- Omnibus Budget Reconciliation Act of 1993, **22:24**

AMOUNT OR QUANTITY

- Debt-for-debt exchanges, **21:76 to 21:79**
- Debt restructurings, workouts, and bankruptcies of partnerships, **21:143**
- IRS audit program: compliance, reporting, and penalty provisions, **17:27**

ANIMALS

- Uniform capitalization rules, **10:55**

ANNUAL INCOME TESTS

- Real estate investment trusts, **3:90 to 3:93**

ANNUAL RETURN

- Foreign investment in US real estate: withholding obligations, **16:9**

ANTI ABUSE RULE

- Final 1994 regulations, **9:41**

ANTI CHURNING RULES

- Depreciation and tax credits, **7:8, 7:51**

ANTICIPATORY RELATIONSHIPS

- Debt restructurings, workouts, and bankruptcies of partnerships, **21:132**

ANTI DILUTION EXCEPTION

- Debt-for-debt exchanges, **21:89**

ANTI-FRAUD PENALTIES

- Securities laws. See index heading **SECURITIES LAWS AFFECTING REAL ESTATE SYNDICATIONS - OVERVIEW**

ANTI-MORRIS TRUST REGULATIONS

- Taxable corporations, **3:25**

APPEALS MANUAL OF IRS

- Tax shelters, **17:40**

APPORTIONMENT

- Passive activity losses and credits, **6:57**

APPRAISERS AND APPRAISALS

- Securities laws affecting real estate syndications, SEC rules for rollup transactions, **2:98, 2:112**

APPRAISERS AND APPRASALS

IRS audit program: compliance, reporting, and penalty provisions, **17:115**

APPRECIATION EXPECTATIONS

Deductions, **10:89**

ARBITRATION

Tax shelters, **17:30**

ARCHITECTURAL SERVICES

Domestic production deduction, **3:15**

A REORGANIZATIONS

Taxable corporations, **3:18**

ARTICLES OF ORGANIZATION

Limited liability companies, **4:27**

ASSESSMENTS

IRS audit program: compliance, reporting, and penalty provisions, **17:100**

ASSET SALES

Interest deduction, **8:62**

ASSET TESTS

Real estate investment trusts, **3:94 to 3:96**

Real estate mortgage investment conduits (REMICs), **19:7 to 19:12**

ASSOCIATION VERSUS PARTNERSHIP

Partnership taxation, **4:9 to 4:11**

ASSUMPTIONS

Original issue discount, **9:17**

AT RISK RULES

Generally, **5:1 to 5:19**

Activities of qualified nonrecourse financing exception, generally, **5:14, 5:15**

Act of 1986, generally, **5:4**

Aggregation, **5:15**

Convertible debt, **5:12**

Debt restructurings, workouts, and bankruptcies of partnerships

generally, **21:142 to 21:147**

for detailed treatment see index heading DEBT RESTRUCTURINGS, WORKOUTS AND BANKRUPTCIES OF PARTNERSHIPS

Definition of qualified nonrecourse financing exception, generally, **5:6 to 5:13**

Effective dates of Act of 1986, **5:5**

Government financing, **5:11**

Holding real property, **5:7, 5:14**

Investment tax credit at risk rules, **5:2**

Lending money, business of, **5:8**

Loss limitation rules, **5:1**

Low income housing credit, **7:110**

Partnerships, special rules for, **5:16, 5:17**

Passive loss rules, coordination with, **5:18**

AT RISK RULES—Cont'd

Pre 1986 Act exception, **5:3**

Qualified nonrecourse financing exception, generally, **5:6 to 5:19**

Real estate, at risk rules applied to, generally, **5:3 to 5:19**

Related party financing, **5:9**

Seller financing, **5:10**

Structuring considerations, **5:19**

Taxpayer, borrowed by, **5:13**

AUDITS

IRS audit program: compliance, reporting, and penalty provisions

generally, **17:1 to 17:190**

for detailed treatment see index heading IRS

AUDIT PROGRAM: COMPLIANCE, REPORTING, AND PENALTY PROVISIONS

Taxpayer Relief Act of 1997, **23:40**

AVERAGING CONVENTIONS

Depreciation and tax credits, **7:28**

AVOIDANCE OF PENALTIES

IRS audit. See index heading IRS AUDIT PROGRAM:

COMPLIANCE, REPORTING, AND PENALTY PROVISIONS

AVOIDED COST METHOD

Uniform capitalization rules, **10:18**

B

BACK-UP SECTION 444 ELECTION

Accounting methods, **11:17**

“BAD BOY” CLAUSES

Partnership taxation, **4:80**

BAD DEBTS

Alternative minimum tax, **12:36**

Debt restructurings, workouts, and bankruptcies of partnerships, **21:169**

Deductions, **10:5**

Taxpayer Relief Act of 1997, **23:28**

BANKRUPTCY AND INSOLVENCY

Accounting period changes, **3:35**

Cancellation of indebtedness. See index heading CANCELLATION OF DEBT (COD) INCOME

Cancellation of indebtedness income - section 108, **21:9 to 21:13**

IRS audit program: compliance, reporting, and penalty provisions, **17:101 to 17:107**

Omnibus Budget Reconciliation Act of 1993, **22:37 to 22:41**

Partnerships. See index heading DEBT RESTRUCTURINGS, WORKOUTS, AND BANKRUPTCIES OF PARTNERSHIPS

Partnership taxation, **4:464**

BANKRUPTCY TAX ACT

Debt-for-equity exchanges, **21:108 to 21:111**

“BASE EROSION AND ANTI-ABUSE” TAX

Alternative minimum tax, **12:26**

BASIS

Allocations under sections 704 and 752, **21:37, 21:41**

Debt assumptions to increase basis, **17:74**

Debt restructurings, workouts, and bankruptcies of partnerships, **21:170**

Dispositions of property, **14:45, 14:53**

Partnership taxation

generally, **4:52 to 4:164**

for detailed treatment see index heading

PARTNERSHIP TAXATION

Reorganizations, basis in distributed stock, **3:19**

Taxpayer Relief Act of 1997, **23:20**

BELOW-MARKET INTEREST RATES

Generally, **9:23 to 9:33**

Act of 1984, generally, **9:24 to 9:29**

Compensated related loans, **9:26**

Corporation-shareholder loans, **9:27**

Effective date, **9:33**

Exceptions, **9:31, 9:32**

Gift loans, **9:25**

Other loans, **9:29**

Public purpose loans, **9:32**

Tax avoidance loans, **9:28**

Tax consequences, **9:30 to 9:33**

BIDDERS

High yield discount obligations, **9:37**

BIFURCATION/WRAPAROUND MORTGAGES

Partnership taxation, **4:86**

BINDING CONTRACTS

Tax-exempt leasing, **15:46**

BIOENERGY PROGRAM PAYMENTS (BEP)

Uniform capitalization rules, **10:51**

BLUE SKY REGISTRATION REQUIREMENTS

Tax shelters, **17:60 to 17:64**

BONUSES

Omnibus Budget Reconciliation Act of 1993, **22:22**

BOOK AND TAX DIFFERENCES

Alternative minimum tax, **12:32**

BOOK ITEM VS TAX ITEMS

Partnership taxation, **4:382**

BOOK-TAX ALLOCATIONS

Partnership taxation, **4:365**

BOOK-UP OF ASSETS

Allocations under sections 704 and 752, **21:48**

BOOK VALUE CAPITAL

Partnership taxation, **4:325**

BOOT

Dispositions of property, **14:22**

BRAIN DAMAGE

Accounting methods, **11:64, 11:83**

BRANCH PROFITS TAX

Foreign investment in US real estate: withholding obligations, **16:29 to 16:31**

BROKER-DEALER PROBLEMS

Securities laws affecting real estate syndications - overview

generally, **2:57 to 2:75**

for detailed treatment see index heading SECURITIES LAWS AFFECTING REAL ESTATE SYNDICATIONS - OVERVIEW

BROTHER-SISTER PASSTHROUGH ENTITY LOANS

Passive activity losses and credits, **6:79**

BUILT-IN GAIN OR LOSS

Anti abuse rules for loss recognition, **3:32**

Partnership taxation, **4:238, 11:51**

BURDEN OF PROOF

Income tax return preparers: penalties, **17:178, 17:185**

IRS audit program: compliance, reporting, and penalty provisions, **17:114**

BUSINESS EXPENSE LIMITATIONS

Form of ownership, **3:120**

BUSINESS TAX CREDIT

Generally, **7:71**

C

CALIFORNIA BLUE SKY REGISTRATION REQUIREMENTS

Tax shelters, **17:60 to 17:63**

CALIFORNIA ROLLUP LEGISLATION

Securities laws affecting real estate syndications - overview

generally, **2:113 to 2:125**

for detailed treatment see index heading SECURITIES LAWS AFFECTING REAL ESTATE SYNDICATIONS - OVERVIEW

CAMPBELL DECISIONS

Partnership taxation, **4:189 to 4:194**

CANCELLATION OF DEBT (COD) INCOME

Accounting methods, **11:37 to 11:43**

CANCELLATION OF DEBT (COD) INCOME—Cont'd

- IRS audit program: compliance, reporting, and penalty provisions, **17:132, 17:133**
- Partnership debt restructurings, workouts, and bankruptcies
 - generally, **21:4 to 21:30**
 - bankruptcy exception to recognition of cancellation, generally, **21:6 to 21:8**
 - capital contribution exception, **21:26 to 21:29**
 - COD income, **21:30**
 - contingent liabilities, **21:11**
 - corporations, capital contribution exception applied to, **21:26**
 - definitions, **21:10 to 21:12**
 - exceptions to recognition of cancellation, generally, **21:5 to 21:30**
 - guarantees and COD income, **21:30**
 - insolvency exception to recognition of cancellation, generally, **21:9 to 21:13**
 - judicial and statutory framework, **21:4**
 - judicial purchase money debt reduction exception, **21:18, 21:20**
 - lost deduction exception, **21:24, 21:25**
 - nonrecourse debt in excess of fair market value, **21:12**
 - purchase money debt reduction exception, generally, **21:18 to 21:23**
 - Section 108, generally, **21:4 to 21:30**
 - Section 108(d)(6) applying bankruptcy and insolvency exceptions, **21:14 to 21:17**
 - Revenue Act of 1987, 90 percent passive-type income test, **20:57**

CAPITAL ACCOUNTS

- Partnerships. See index heading **PARTNERSHIP TAXATION**
- Tax-exempt leasing, **15:26**

CAPITAL CONTRIBUTIONS

- Cancellation of indebtedness income - section 108, **21:26 to 21:29**
- Partnership taxation, **4:69 to 4:71**

CAPITAL GAINS

- Allocations under sections 704 and 752, **21:36**
- Dispositions of property, **14:2, 14:3, 14:15**
- Economics of real estate transactions, **1:35 to 1:37**
- Real estate investment trusts, **3:79, 3:99, 3:108**
- Taxpayer Relief Act of 1997, **23:5, 23:43**

CAPITALIZATION

- Deductions, **10:6**
- Interest deduction, **8:60, 8:67**
- Passive activity losses and credits, **6:80**
- Uniform capitalization rules
 - generally, **10:15 to 10:55**

CAPITALIZATION—Cont'd

- Uniform capitalization rules—Cont'd
 - for detailed treatment see index heading **UNIFORM CAPITALIZATION RULES**

CARRY FORWARDS

- Passive activity losses and credits, **6:44, 6:45**

CARRYOVER OF DISALLOWED DEDUCTIONS

- Passive activity losses and credits, **6:249**

CASH BORROWINGS

- Interest deduction, **8:54**

CASH FLOW INVESTMENTS

- Real estate mortgage investment conduits (REMICs), **19:10**

CASH METHOD

- Interest deduction, **8:3**

CASH/WORK LETTER INCENTIVES

- Accounting methods, **11:67**

CASUALTY LOSSES

- Deductions, **10:78**
- Passive activity losses and credits, **6:255**

CATCH-UP REDUCTION

- Tax-exempt leasing, **15:29**

CEILING RULE ISSUES

- Partnership taxation, **4:236, 4:260 to 4:262, 4:274**

CENTRALIZED MANAGEMENT

- Partnership taxation, **4:16**

CERTIFICATES AND CERTIFICATION

- Foreign investment in US real estate: withholding obligations, **16:24**
- Passive activity losses and credits, **6:109**

CFCS

- Omnibus Budget Reconciliation Act of 1993, **22:54**

CHANGE OR MODIFICATION

- Amendments. See index heading **AMENDMENTS**
- Cancellation of debt (COD) income, debt modification, **11:39**
- Debt restructurings, workouts, and bankruptcies of partnerships, **21:167**
- Interest deduction, **8:63**
- Original issue discount. See index heading **ORIGINAL ISSUE DISCOUNT**
- Passive activity. See index heading **PASSIVE ACTIVITY LOSSES AND CREDITS**
- Real estate mortgage investment conduits, modification of mortgages, **19:9**
- Regulations. See index heading **FINAL 1994 REGULATIONS**

CHANGE OR MODIFICATION—Cont'd

Taxable corporations. See index heading **TAXABLE CORPORATIONS**

CHARACTERIZATION RULES

Passive activity losses and credits
generally, **6:179 to 6:208**
for detailed treatment see index heading **PASSIVE ACTIVITY LOSSES AND CREDITS**

CHARGEBACKS

Partnerships. See index heading **PARTNERSHIP TAXATION**

Unrelated business taxable income (UBTI),
13:18, 13:25

CHARITABLE CONTRIBUTIONS

Alternative minimum tax, **12:11**
Deductions, **10:64**
Omnibus Budget Reconciliation Act of 1993,
22:16 to 22:19

CIRCULATION EXPENDITURES

Alternative minimum tax, **12:20**

CIVIL PENALTIES

Securities laws. See index heading **SECURITIES LAWS AFFECTING REAL ESTATE SYNDICATIONS - OVERVIEW**

CLASSES OF PROPERTY

Depreciation and tax credits, **7:17 to 7:26**

CLEARING AGENCY

IRS audit program: compliance, reporting, and
penalty provisions, **17:129**

CLEAR REFLECTION OF INCOME

Interest deduction, **8:5**

CLOSELY HELD C CORPORATIONS

Passive activity. See index heading **PASSIVE ACTIVITY LOSSES AND CREDITS**

CLOSELY-HELD PARTNERSHIPS

Partnership taxation, **4:8**

CLUB DUES DEDUCTION

Omnibus Budget Reconciliation Act of 1993,
22:12

COD INCOME

Allocations under sections 704 and 752, **21:42, 21:43**
Cancellation of indebtedness income - section
108, **21:30**

COLLATERAL

Debt-for-debt exchanges, **21:62, 21:83**

COMMON LAW EXCEPTION

Debt-for-equity exchanges, **21:105, 21:106**

COMMON TRUST FUNDS

Pooled investment vehicles, **13:35**

COMMUNITY PROPERTY

IRS audit program: compliance, reporting, and
penalty provisions, **17:110**

COMMUNITY RENEWAL CREDITS

Depreciation and tax credits, **7:123**

COMPARISONS

Depreciation. See index heading **DEPRECIATION AND TAX CREDITS**

Securities laws affecting real estate syndications,
SEC rules for rollup transactions, **2:93**

COMPENSATED RELATED LOANS

Below-market interest rates, **9:26**

COMPENSATING SERVICE PARTNERS

Partnership taxation
generally, **4:181 to 4:194**
for detailed treatment see index heading
PARTNERSHIP TAXATION

COMPENSATION

Partnership taxation, **4:182**

COMPLIANCE

IRS audit program: compliance, reporting, and
penalty provisions
generally, **17:1 to 17:190**
for detailed treatment see index heading **IRS AUDIT PROGRAM: COMPLIANCE, REPORTING, AND PENALTY PROVISIONS**
Low income housing credit, **7:102**

COMPONENTS

Depreciation. See index heading **DEPRECIATION AND TAX CREDITS**

COMPROMISE

See index heading **SETTLEMENT AND COMPROMISE**

COMPUTATION OF CREDIT

Low income housing credit, **7:82, 7:83, 7:108**

CONDEMNATION

Installment payment interest, **14:49**

CONDISCO CASE

Securities laws affecting real estate syndications -
overview, **2:22**

CONDOMINIUM HOTELS

Passive activity losses and credits, **6:133**

CONFIDENTIALITY

Client identity, **17:35**

CONFLICTS OF INTEREST

Rollup legislation, **2:96**

INDEX

CONGRESSIONAL REACTION

Partnership taxation, **4:62**

CONSENT

Final 1994 regulations, **9:45, 9:46**

CONSERVATION EASEMENT

Taxpayer Relief Act of 1997, **23:6**

Tax shelters, identifying, **17:73**

CONSERVATION EXPENDITURES

Deductions, **10:63**

CONSISTENCY REQUIREMENT

Partnership taxation, **4:280**

CONSOLIDATED GROUPS

Cross-chain sale of subsidiaries, **3:20**

Passive activity losses and credits, **6:18, 6:243**

CONSOLIDATED RETURNS

Passive activity losses and credits, **6:144**

CONSTRUCTION COMPLETION

GUARANTEES

Partnership taxation, **4:84**

CONSTRUCTION LOAN GUARANTEE FEE

Deductions, **10:70**

CONSTRUCTION PERIOD

Interest deduction, **8:11, 8:67 to 8:70**

CONTESTED LIABILITY TRUSTS

Tax shelters, **17:72**

CONTINGENT INDEMNIFICATION AGREEMENTS

Partnership taxation, **4:79**

CONTINGENT LIABILITIES

Cancellation of indebtedness income - section
108, **21:11**

CONTINGENT LOSS ALLOCATION

Unrelated business taxable income (UBTI), **13:17**

CONTINGENT PAYMENTS

IRS audit program: compliance, reporting, and
penalty provisions, **17:148**

Original issue discount, **9:12 to 9:16**

CONTINGENT PURCHASE PRICE

Partnership taxation, **4:159**

CONTINUING CARE RETIREMENT HOMES

Deductions, **10:79**

CONTINUITY OF LIFE CHARACTERISTIC

Partnership taxation, **4:15**

CONTRACTS

Uniform capitalization rules, **10:23**

CONTRIBUTIONS

Charitable. See index heading CHARITABLE
CONTRIBUTIONS

Dispositions of property, **14:16**

Partnership taxation, **4:47, 4:263 to 4:265, 4:423**

Passive activity losses and credits, **6:157**

Taxable corporations, **3:29**

CONTROLLED ENTITIES

Tax-exempt leasing, **15:20 to 15:23**

CONTROLLED FOREIGN CORPORATIONS

Omnibus Budget Reconciliation Act of 1993,
22:50 to 22:56

CONTROLLED SUBSIDIARIES

Liquidations of, **3:20**

CONVERSION OR EXCHANGE RIGHTS

Debt-for-debt exchanges, **21:87 to 21:89**

CONVERSION TRANSACTIONS

Omnibus Budget Reconciliation Act of 1993,
22:5

CONVERTIBLE DEBT

At risk rules, **5:12**

COOPERATIVE HOUSING CORPORATIONS

Generally, **3:41 to 3:46**

Basis, increase in adjusted basis by nondeductible
maintenance payments, **3:44**

Definition of tenant-shareholder, **3:41**

Depreciation, **3:42**

Proportionate share, **3:45**

Real property taxes, **3:43**

Section 277, **3:45**

CORPORATE EQUITY REDUCTION TRANSACTIONS (CERTs)

Taxable corporations, **3:38**

CORPORATE GENERAL PARTNERS

Partnership taxation, **4:12**

CORPORATE INVERSIONS

Taxable corporations, **3:39**

CORPORATE TAX RATES

Economics of real estate transactions, **1:28 to
1:30**

CORPORATIONS

Alternative minimum tax

generally, **12:28 to 12:43**

for detailed treatment see index heading

ALTERNATIVE MINIMUM TAX

Cancellation of indebtedness income - section
108, **21:26**

Cooperative housing corporations. See index
heading COOPERATIVE HOUSING CORPORATIONS

CORPORATIONS—Cont'd

Foreign corporations. See index heading FOREIGN CORPORATIONS

Loss corporations, **3:31**

Omnibus Budget Reconciliation Act of 1993, **22:19 to 22:28**

Passive activity. See index heading PASSIVE ACTIVITY LOSSES AND CREDITS

Personal service corporations. See index heading PERSONAL SERVICE CORPORATIONS

S corporations

generally, **3:47 to 3:60**

for detailed treatment see index heading s CORPORATIONS

Small corporations. See index heading SMALL CORPORATIONS

Taxable corporations

generally, **3:3 to 3:46**

for detailed treatment see index heading TAX-ABLE CORPORATIONS

CORPORATION-SHAREHOLDER LOANS

Below-market interest rates, **9:27**

COST OF LIVING BRACKET INCREASES

Economics of real estate transactions, **1:27**

COURT OF APPEAL

Partnership taxation, **4:192**

COVENANTS NOT TO COMPETE

Deductions, **10:57**

IRS audit program: compliance, reporting, and penalty provisions, **17:159**

CREDIT CARRYOVERS

Taxpayer Relief Act of 1997, **23:7**

CREDIT ENHANCEMENT

Debt-for-debt exchanges, **21:82**

CRIMINAL LAW

IRS audit program: compliance, reporting, and penalty provisions, **17:111**

Securities laws. See index heading SECURITIES LAWS AFFECTING REAL ESTATE SYNDICATIONS - OVERVIEW

CROP INSURANCE PROCEEDS

Uniform capitalization rules, **10:52**

CROSS-BORDER TRANSACTIONS

Omnibus Budget Act. See index heading OMNIBUS BUDGET RECONCILIATION ACT OF 1993

CROWD FUNDING

Securities laws affecting real estate syndications, intrastate offering exemption, **2:45**

CUMULATIVE RETURN

Passive activity losses and credits, **6:136**

Tax-exempt leasing, **15:35, 15:37**

CUT-OFF DATES

Final 1994 regulations, **9:43**

D**DEALERS AND DEALER PROPERTY**

Dispositions of property, **14:4, 14:10**

Partnership taxation, **4:269**

Passive activity losses and credits, **6:25, 6:181, 6:251**

DEBT-FINANCED INCOME FROM REAL ESTATE

Omnibus Budget Reconciliation Act of 1993, **22:35**

DEBT-FOR-DEBT EXCHANGES

Generally, **21:55 to 21:102**

Amounts of payments, changes in, generally, **21:76 to 21:79**

Anti dilution exception, **21:89**

Collateral, **21:62, 21:83**

Conversion or exchange rights, **21:87 to 21:89**

Co-obligor, addition of, **21:81**

Credit enhancement, **21:82**

Deferral of payments, **21:76**

Definitions, original issue discount rules, **21:95 to 21:99**

Exercise of right, **21:68**

Extension of final maturity, **21:77**

Final regulations, **21:93**

Inability to perform, **21:70**

Interest rate, change in, **21:59**

Material modification law, generally, **21:56 to 21:63**

Maturity of debt, change in, **21:57**

Multiple changes, **21:91, 21:92**

Multiple terms of debt instrument, change in, **21:63**

Nature of instrument, change in, **21:85 to 21:90**

Nonrecourse debt, **21:99**

Obligor or security, change in, **21:61, 21:80 to 21:84**

Original issue discount rules

generally, **21:94 to 21:102**

definitions, **21:95 to 21:99**

impact of, **21:101, 21:102**

issue price defined, **21:97 to 21:99**

mechanics of rule, **21:100**

nonrecourse debt, **21:99**

potentially abusive situations, **21:98**

SRPM defined, **21:96**

Original terms, alterations pursuant to, **21:67 to 21:70**

Partial prepayments, **21:78**

Potentially abusive situations, **21:98**

Principal amount, change in, **21:60**

DEBT-FOR-DEBT EXCHANGES—Cont'd

- Puts and calls, **21:79**
- Recourse nature, change in, **21:90**
- Significant modification rule, generally, **21:64 to 21:93**
- Simultaneous changes, **21:91**
- SRPM defined, **21:96**
- Subordination, **21:84**
- Timing
 - changes in, generally, **21:76 to 21:79**
 - debt service payments, change in timing, **21:58**
- Types of payment, change in, **21:86**
- Typical restructuring, tax consequences of, **21:55**
- Variable rate instruments, **21:74**
- Waiver, **21:69**
- Yield, change in, **21:73 to 21:75**

DEBT-FOR-EQUITY EXCHANGES

- Generally, **21:103 to 21:124**
- Bankruptcy Tax Act, generally, **21:108 to 21:111**
- Common law exception, **21:105, 21:106**
- De minimis test, **21:109**
- Exceptions
 - section 752 issues raised by partnership interest-for-debt exception, generally, **21:118 to 21:124**
 - stock-for-debt exception, analogy to, **21:105 to 21:114**
- Legislative limitations, **21:114**
- Minimum gain chargeback, **21:124**
- Nonrecourse debt, **21:124**
- Overview, **21:103**
- Partnership equity-for-debt exchanges, analogy to, **21:115 to 21:117**
- Proportionality test, **21:110**
- Revenue Reconciliation Act of 1990, **21:113**
- Section 752 issues raised by partnership interest-for-debt exception, generally, **21:118 to 21:124**
- Stock-for-debt exception analogy to, **21:105 to 21:114**
- Tax reform Act of 1984, **21:112**
- Theories, generally, **21:104 to 21:117**

DEBT IN OUTSIDE BASIS

- Partnership taxation
 - generally, **4:59 to 4:160**
 - for detailed treatment see index heading **PARTNERSHIP TAXATION**

DEBT INSTRUMENT

- Cancellation of debt (COD) income, reacquired debt instruments, **11:38**
- ERISA plan asset regulation, **13:62**

DEBT RESTRUCTURINGS, WORKOUTS, AND BANKRUPTCIES OF PARTNERSHIPS

- Generally, **21:1 to 21:171**
- Acquisition of debt from lender, generally, **21:125 to 21:137**
- Allocations under sections 704 and 752
 - generally, **21:31 to 21:54**
 - for detailed treatment see index heading **ALLOCATIONS UNDER SECTIONS 704 AND 752**
- Amount of risk, determination of, **21:143**
- Anticipatory relationships, **21:132**
- At risk rules
 - generally, **21:142 to 21:147**
 - amount of risk, determination of, **21:143**
 - disallowed loss, treatment of, **21:145**
 - excluded amounts, **21:144**
 - real property activities, extension to, **21:147**
 - recapture of prior losses, **21:146**
- Bad debt deduction, **21:169**
- Bankruptcy. Failure to restructure, below
- Basis, reacquisition of real property by seller, **21:170**
- Cancellation of indebtedness income
 - generally, **21:4 to 21:30**
 - for detailed treatment see index heading **CANCELLATION OF DEBT (COD) INCOME**
- Debt-for-debt exchanges
 - generally, **21:55 to 21:102**
 - for detailed treatment see index heading **DEBT-FOR-DEBT EXCHANGES**
- Debt-for-equity exchanges
 - generally, **21:103 to 21:124**
 - for detailed treatment see index heading **DEBT-FOR-EQUITY EXCHANGES**
- Deemed new issuance, related party rule, **21:133**
- Disallowed loss, treatment of, **21:145**
- Doubtful interest deductions, accrual of, **21:138 to 21:141**
- Effective date, related party rule, **21:134**
- Exceptions, related party rule, **21:128 to 21:130**
- Excluded amounts, at risk rules, **21:144**
- Failure to restructure
 - generally, **21:148 to 21:160**
 - bankruptcy, generally, **21:152 to 21:160**
 - foreclosure, generally, **21:148 to 21:151**
 - income cancellation by bankruptcy, **21:155**
 - like-kind exchanges, foreclosure, **21:151**
 - nonrecourse debt, foreclosure, **21:150**
 - partner bankruptcy, generally, **21:156 to 21:160**
 - recourse debt, foreclosure, **21:149**
 - separate taxable estate, bankruptcy, **21:153**
 - termination, partner bankruptcy, **21:160**
- Finding list for post-1991 developments, **21:171**
- Foreclosure, generally, **21:148 to 21:151**

DEBT RESTRUCTURINGS, WORKOUTS, AND BANKRUPTCIES OF PARTNERSHIPS—Cont'd

- Holding period, reacquisition of real property by seller, **21:170**
- Improvements by purchaser, **21:166**
- Like-kind exchanges, foreclosure, **21:151**
- Market discount rules, application of doubtful interest deductions to, **21:141**
- Modification of indebtedness, **21:167**
- Nonrecourse debt, foreclosure, **21:150**
- Non-tax considerations, **21:3**
- OID rules, application of doubtful interest deductions to, **21:140**
- Omnibus Budget Reconciliation Act of 1993, **22:37 to 22:41**
- Overview, **21:1 to 21:3**
- Reacquisition of real property by seller
 - generally, **21:161 to 21:170**
 - bad debt deduction, **21:169**
 - basis, **21:170**
 - gain upon reacquisition, **21:168**
 - holding period, **21:170**
 - improvements by purchaser, **21:166**
 - method, **21:165**
 - modification of indebtedness, **21:167**
 - original sale, generally, **21:162 to 21:164**
- Real property activities, extension of at risk rules to, **21:147**
- Recapture of prior losses, **21:146**
- Recourse debt, foreclosure, **21:149**
- Related party rule
 - generally, **21:127 to 21:135**
 - anticipatory relationships, **21:132**
 - deemed new issuance, **21:133**
 - direct vs indirect acquisitions, **21:131**
 - effective date, **21:134**
 - exceptions, **21:128 to 21:130**
 - securities dealer exception, **21:130**
 - short-term debt exception, **21:129**
 - substance over form, **21:135**
- Securities dealer exception to related party rule, **21:130**
- Short-term debt exception to related party rule, **21:129**
- Subsequent debt restructuring, tax consequences, **21:136, 21:137**
- Termination, partner bankruptcy, **21:160**
- Typical scenarios requiring, **21:2**

DEBT SUBSTITUTIONS

- Accounting methods, **11:41, 11:42**

DECEASED PARTNER

- Partnership taxation, **4:175, 4:176**

DECEIT

- See index heading **FRAUD AND DECEIT**

DEDUCTION EQUIVALENCE

- Passive activity losses and credits, **6:103**

DEDUCTIONS

- Generally, **10:1 to 10:100**
- Accounting methods, **11:63**
- Another person's expenses, paying of, **10:4**
- Appreciation expectations, **10:89**
- Assets not acquired, deductible expenses for, **10:13**
- Bad debts, **10:5**
- Capitalization of deduction, **10:6**
- Casualty losses, **10:78**
- Charitable donation of appreciated property, **10:64**
- Conservation expenditures, **10:63**
- Construction loan guarantee fee, **10:70**
- Continuing care retirement homes, **10:79**
- Covenant not to compete, **10:57**
- Environmental remediation, **10:77**
- Exempt bond interest, **10:81**
- Expertise of taxpayer or adviser, **10:87**
- Facts and circumstances test. Nonprofit activities, below
- Fees and expenses, generally, **10:56 to 10:66**
- FHA fees, **10:74**
- Financial status of taxpayer, **10:93**
- Financing deductions, generally, **10:67 to 10:74**
- Foster care, **10:80**
- Fraud, home repair fraud, **10:84**
- General rules, **10:2 to 10:82**
- Guarantee fees. Loan commitment-standby fees and guarantee fees, below
- Home office expense, **10:62**
- Home repair fraud, **10:84**
- Interest deduction
 - generally, **8:1 to 8:71**
 - for detailed treatment see index heading **INTEREST DEDUCTION**
- Investment advisory fees, **10:56**
- Land leases and land rent, **10:61**
- Leasing fees, **10:58**
- Loan commitment-standby fees and guarantee fees
 - generally, **10:68 to 10:74**
 - commitment or standby fees, generally, **10:73**
 - construction loan guarantee fee, **10:70**
 - FHA fees, **10:74**
 - negative cash flow, fee for guarantee against, **10:72**
 - overview, **10:68**
 - permanent loan guarantee fee, **10:71**
- Local payroll and sales taxes, **10:76**

DEDUCTIONS—Cont'd

- Low-income housing, special rules for, **10:96**
- Miscellaneous capitalized or amortized deductions, **10:14**
- Miscellaneous fees and expenses, **10:56 to 10:66**
- Natural disasters, **10:78**
- Negative cash flow, fee for guarantee against, **10:72**
- New rental and marketing structure, development of, **10:59**
- Nonprofit activities
 - generally, **10:83 to 10:100**
 - appreciation expectations, **10:89**
 - examples, **10:95**
 - expertise of taxpayer or adviser, **10:87**
 - facts and circumstances test, generally, **10:85 to 10:94**
 - financial status of taxpayer, **10:93**
 - history of income or loss, **10:91**
 - low-income housing, special rules for, **10:96**
 - method of operations, **10:86**
 - occasional profits, **10:92**
 - overview, **10:83**
 - part time rentals, **10:100**
 - personal pleasure elements, **10:94**
 - recreation elements, **10:94**
 - section 166, **10:99**
 - section 183, **10:83 to 10:94**
 - section 212, **10:98**
 - section 280A, **10:100**
 - sham transactions, **10:97**
 - success in similar activities, **10:90**
 - time and effort, **10:88**
- Ordinary and necessary, **10:3**
- Organization and syndication expenses, **10:9 to 10:12**
- Other real estate owned (OREO) property
 - acquired by foreclosure, **10:25**
- Overview, **10:2 to 10:6**
- Part time rentals, **10:100**
- Payroll and sales taxes, **10:76**
- Permanent loan guarantee fee, **10:71**
- Personal pleasure elements, **10:94**
- Pre-opening expenses, **10:7, 10:8**
- Real property taxes, **10:75**
- Recreation elements, **10:94**
- Removal costs, **10:66**
- Rent-up fee, **10:60**
- Repairs, **10:24, 10:84**
- Resale, property held for, **10:25**
- Residential care facilities, **10:79 to 10:81**
- Residential rental projects, **10:81**
- Restrictive covenant not to compete, **10:57**
- Retirement homes, **10:79**
- Sales taxes, **10:76**

DEDUCTIONS—Cont'd

- Section 166, **10:99**
- Section 179 expense election, **10:82**
- Section 183, **10:83 to 10:94**
- Section 212, **10:98**
- Section 280A, **10:100**
- Service providers, **10:65**
- Sham transactions, **10:97**
- Start-up expenses, **10:7, 10:8**
- Success in similar nonprofit activities, **10:90**
- Syndication expenses, **10:9 to 10:12**
- Taxes, **10:75, 10:76**
- Tax-exempt leasing, **15:40**
- Theft loss, **10:84**
- Time and effort in nonprofit activities, **10:88**
- Uniform capitalization rules
 - generally, **10:15 to 10:55**
 - for detailed treatment see index heading

UNIFORM CAPITALIZATION RULES

DEEMED DISTRIBUTION RULES

- Allocations under sections 704 and 752, **21:49 to 21:52**

DEEMED NEW ISSUANCE

- Debt restructurings, workouts, and bankruptcies of partnerships, **21:133**

DEEMED SALE RULE

- Passive activity losses and credits, **6:202**

DEFERRAL

- Debt-for-debt exchanges, **21:76**
- Partnerships. See index heading **PARTNERSHIP TAXATION**

DEFERRED ASSET METHOD

- Uniform capitalization rules, **10:41**

DEFERRED LIKE-KIND EXCHANGES

- Dispositions of property, **14:26 to 14:34**

DEFERRED PAYMENTS

- Accounting methods. See index heading **ACCOUNTING METHODS**

DEFICIENCY DIVIDENDS

- Real estate investment trusts, **3:81, 3:102**

DEFICIT ACCOUNT CAPITAL BALANCES

- Unrelated business taxable income (UBTI), **13:24**

DEFICIT CAPITAL ACCOUNT

RESTORATION OBLIGATIONS

- Partnership taxation, **4:138, 4:147**

DEFICIT REPAYMENT OBLIGATIONS

- Partnership taxation, **4:332 to 4:334, 4:381, 4:440**

DEFICIT RESTORATION OBLIGATIONS

- Partnership taxation, **4:74, 4:427**

DEFINITIONS

A reorganization, **3:18**
 At risk rules. See index heading **AT RISK RULES**
 Cancellation of indebtedness income - section 108, **21:10 to 21:12**
 Combining entity, **3:18**
 Combining unit, **3:18**
 Debt-for-debt exchanges, **21:95 to 21:99**
 Dispositions of property, **14:52**
 E reorganization, **3:18**
 ERISA plan asset regulation, **13:58**
 Ethical standards, **18:14, 18:18, 18:23**
 F reorganization, **3:18**
 High yield discount obligations, **9:35**
 Income tax return preparers: penalties, **17:165 to 17:168**
 IRS audit program: compliance, reporting, and penalty provisions, **17:4, 17:155, 17:156**
 Leasing. See index heading **TAX-EXEMPT LEASING**
 Omnibus Budget Reconciliation Act of 1993, **22:6, 22:26**
 Original issue discount, **9:4 to 9:9, 21:95 to 21:99**
 Partnership taxation, **4:66, 4:105, 4:400, 4:412**
 Passive activity. See index heading **PASSIVE ACTIVITY LOSSES AND CREDITS**
 Personal interest, **8:27**
 Price level adjusted mortgage (PLAM), **9:50**
 Related party, **10:39**
 REMICs. See index heading **REAL ESTATE MORTGAGE CONDUITS (REMICs)**
 Securities laws. See index heading **SECURITIES LAWS AFFECTING REAL ESTATE SYNDICATIONS - OVERVIEW**
 "Series" LLC organizations, **4:23**
 Tax-exempt leasing, **15:2, 15:3, 15:18 to 15:23**
 Taxpayer Relief Act of 1997, **23:23**
 Tax shelters, **17:53**
 Tenant-stockholder of taxable corporation, **3:41**
 Uniform capitalization rules, **10:39**
 Unrelated business taxable income (UBTI), **13:2**

DE MINIMIS RULE

California rollout legislation, **2:123**
 Debt-for-equity exchanges, **21:109**
 Partnerships. See index heading **PARTNERSHIP TAXATION**
 Special rules for any change in accounting method for, **9:47**
 Tiered structures ineligible for section 444 election, **11:22**

DEPARTMENT OF LABOR

ERISA plan asset regulation, **13:56**

DEPRECIATION AND TAX CREDITS

Generally, **7:1 to 7:129**

DEPRECIATION AND TAX CREDITS**—Cont'd**

Accelerated cost recovery system
 generally, **7:3 to 7:9**
 anti churning rules, **7:8**
 components and substantial improvements, **7:5**
 effective dates of 1984 and 1985 Acts, **7:4**
 foreign real property, **7:7**
 partnerships, **7:6**
 sale leasebacks, **7:9**
 Accounting methods, **11:71, 11:75**
 Act of 1986, generally, **7:16 to 7:57**
 Adjustment of class lives, **7:26**
 Allocation method, **7:35**
 Allowance for depreciation, short taxable year, **7:34 to 7:36**
 Alternative depreciation system, generally, **7:42 to 7:49**
 Alternative minimum tax, **12:7**
 Anti churning rules, **7:8, 7:51**
 Averaging conventions, generally, **7:28**
 Binding contracts, effective dates, **7:60**
 Business tax credit, **7:71**
 Classes of property, generally, **7:17 to 7:26**
 Community renewal credits, **7:123**
 Comparisons
 pre-1986 Act personal property ACRS, exhibit 2, **7:69**
 real property depreciation, exhibit 1, **7:68**
 Component method, **7:38**
 Components and substantial improvements, accelerated cost recovery system, **7:5**
 Computing earnings and profits, **7:48**
 Cooperative housing corporations, **3:42**
 Depreciation recapture, **7:10 to 7:14, 7:52**
 Disposition convention, **7:30**
 Dispositions of property, **14:38**
 Effective dates
 generally, **7:58 to 7:67**
 accelerated cost recovery system, **7:4**
 short taxable year, **7:37**
 Elections, **7:47, 7:59**
 Empowerment zone credits, **7:123**
 Energy production credits, **7:72**
 Energy savings credits
 generally, **7:73**
 residential properties, **7:74**
 Equipped buildings, effective dates, **7:62**
 Exhibits, **7:68, 7:69**
 Expensing in lieu of ACRS, **7:41**
 Fifteen year class of property, **7:22**
 Five year class of property, **7:19**
 Foreign real property, **7:7**
 Foreign use property, **7:43**
 General asset accounts, **7:53**

DEPRECIATION AND TAX CREDITS

—Cont'd

General transition rules, **7:60 to 7:67**
 Half year convention, **7:32**
 Imported property, **7:46**
 Improvements, **7:39, 7:40**
 Income reservation, **14:79**
 Inflation Reduction Act, **7:127**
 energy efficient purchases, **7:129**
 low income communities, **7:128**
 Infrastructure Investment and Jobs Act, **7:125**
 low income maintenance, **7:126**
 ITC, special rules applicable to, **7:66, 7:67**
 Leasehold improvements, **7:40**
 Low income housing credit
 generally, **7:80 to 7:122**
 for detailed treatment see index heading LOW
 INCOME HOUSING CREDIT
 Luxury cars, **7:50**
 Mid-quarter convention, **7:33**
 Miscellaneous special rules, **7:50 to 7:57**
 Modified ACRS, election to use, **7:59**
 Natural resource property, depreciation recapture,
 7:14
 New markets tax credit, **7:124**
 Nonresidential real property, depreciation
 recapture, **7:13**
 Omnibus Budget Reconciliation Act of 1993,
 22:32
 Partnerships, accelerated cost recovery system,
 7:6
 Personal property, **7:15**
 Placed-in-service rules, **7:30, 7:64**
 Plant facilities, effective dates, **7:63**
 Pre-1986 Act methods of depreciation, generally,
 7:2 to 7:15
 Prescribed depreciation methods, **7:27**
 Recovery year vs taxable year, **7:31**
 Rehabilitation tax credit
 generally, **7:75 to 7:79**
 for detailed treatment see index heading REHA-
 BILITATION TAX CREDIT
 Residential real property, depreciation recapture,
 7:12
 Restaurants, **7:57**
 Retail outlets, **7:57**
 Sale leasebacks, **7:9, 7:65**
 Salvage value, **7:38**
 S corporations, depreciation recapture, **7:14**
 Self-constructed property, effective dates, **7:61**
 Seven year class of property, **7:20**
 Short taxable years, generally, **7:29 to 7:37**
 Simplified method, **7:36**
 Tax exempt bond financed property, **7:45**
 Tax exempt entity leasing, **7:70**
 Tax-exempt leasing, **15:13, 15:14**

DEPRECIATION AND TAX CREDITS

—Cont'd

Tax exempt use property, **7:44**
 Tax free exchanges, **7:56**
 Taxpayer Relief Act of 1997, **23:2**
 Ten year class of property, **7:21**
 Thirty-one and one-half year class of property,
 7:25
 Three year class of property, **7:18**
 Time. Effective dates, above
 Twenty-seven and one-half year class of property,
 7:24
 Twenty year class of property, **7:23**
 Useful life, **7:54, 7:55**

DEPRECIATION METHOD

Tax shelters, **17:55**

DEPRECIATION RECAPTURE

Depreciation and tax credits, **7:10 to 7:14, 7:52**
 Partnership taxation, **4:442**

DEREGISTRATION

Tax shelters, **17:58**

DEVELOPMENT BASIS

Low income housing credit, **7:95**

DEVELOPMENT COSTS

Alternative minimum tax, **12:12**

DIGITAL TRANSACTION

Reports and reporting, **1:40**

DIPLOMAT LETTER

Securities laws affecting real estate syndications -
 overview, **2:42**

DISASTER AREAS

Government disaster relief, generally, **14:50**
 Taxpayer Relief Act of 1997, **23:8**

DISCHARGE OF INDEBTEDNESS

Partnership taxation, **4:463 to 4:466**

DISCHARGE OF TAX LIABILITY

IRS audit program: compliance, reporting, and
 penalty provisions, **17:103**

DISCIPLINARY STANDARDS

Ethical standards, **18:25**

DISCLOSURE

Omnibus Budget Reconciliation Act of 1993,
 22:17, 22:18
 Partnership taxation, **4:214, 4:229**
 Preparers' penalties. See index heading INCOME
 TAX RETURN PREPARERS' PENALTIES
 Securities laws affecting real estate syndications -
 overview, **2:26, 2:91 to 2:102, 2:112**
 Tax shelters, **17:46, 17:69**

DISGUISED SALES

Partnership taxation
generally, **4:195 to 4:231**
for detailed treatment see index heading
PARTNERSHIP TAXATION

DISMISSAL OF INVESTMENT ADVISOR

Pooled investment vehicles, **13:43**

DISPOSITION CONVENTION

Depreciation and tax credits, **7:30**

DISPOSITIONS OF PROPERTY

Generally, **14:1 to 14:60**
Basis, **14:45, 14:53**
Boot, **14:22**
Capital gain provisions, **14:2, 14:3, 14:15**
Computation of gain, **14:5, 14:59**
Constructive receipt of money or property, **14:30 to 14:33**
Contributed property, **14:16**
Dealers, **14:4, 14:10**
Deferred like-kind exchanges, **14:26 to 14:34**
Definitions, low-income housing projects, **14:52**
Depreciable tangible property, exchanges of, **14:38**
Disallowance of loss, partners and partnerships, **14:18**
Early resale of principal residence, **14:57**
Effective dates
 identification and receipt, **14:34**
 installment sale provisions, **14:14**
 multiple property exchanges, **14:46**
Eminent domain/condemnation awards installment payment interest, **14:49**
Employer facilitated relocation sales, **14:58**
Escrow accounts, **14:32**
“Forced” resale of principal residence, **14:57**
Foreclosure, **14:6**
Frequency of sale of principal residence, **14:56, 14:57**
Government disaster relief, **14:50**
Held for investment requirement, **14:35**
Identification and receipt, **14:27 to 14:34**
Installment sale provisions, generally, **14:8 to 14:15**
Involuntary conversions, **14:47 to 14:50**
Liabilities, **14:36**
Like-kind property, exchange of, generally, **14:21 to 14:46**
Low-income housing projects, **14:51 to 14:53**
Multiple properties, exchanges of, **14:40 to 14:45**
Non dealer transactions, **14:11**
Non-US property, **14:24**
Ordinary income treatment, **14:19**
Partners and partnerships, **14:17 to 14:20**

DISPOSITIONS OF PROPERTY—Cont’d

Passive activity. See index heading PASSIVE ACTIVITY LOSSES AND CREDITS
Personal property exchanges, **14:37 to 14:46**
Principal residence, **14:25, 14:54 to 14:57, 14:60**
Reacquisition of realty by seller, computation of gain, **14:59**
Receipt and identification, **14:27 to 14:34**
Related party exchanges, **14:23**
Relocation assistance payments, **14:48**
Reporting rules, **14:60**
Section 1031, **14:21**
Section 1239, **14:20**
Security or guaranty arrangements, **14:31**
Services, property acquired for, **14:7**
Tax benefit rule, **14:6**
Use requirements, sale of principal residence, **14:55**
Water rights, capital gain provisions, **14:3**

DISPROPORTIONATE ALLOCATION RULES

Unrelated business taxable income (UBTI), **13:16**

DISSENTER’S RIGHTS

Securities laws affecting real estate syndications - overview, **2:86, 2:118**

DISSOLUTION

Limited liability companies, **4:32**

DISTORTIONS

Partnership taxation, **4:261, 4:289**

DISTRESSED ASSET-DEBT TRANSACTIONS

Tax shelters, **17:75**

DISTRIBUTION GUARANTY

Passive activity losses and credits, **6:139**

DISTRIBUTIONS

Allocations under sections 704 and 752, **21:54**
Partnerships. See index heading PARTNERSHIP TAXATION
REITs. See index heading REAL ESTATE INVESTMENT TRUSTS
S corporations, liquidation distribution, **3:61**

DISTRIBUTIVE SHARE OF INCOME AND LOSS

Partnership taxation, **4:44**

DIVIDEND EXCLUSION

Unrelated business taxable income (UBTI), **13:3**

DIVIDENDS

Economics of real estate transactions, **1:38**
Jobs and Growth Tax Relief Reconciliation Act, **1:38, 3:84**

DIVORCE

Interest deduction, **8:36**

DIVORCE—Cont'd

- Non liquidating distribution, **3:33**
- Revenue Act of 1987, debt incurred incident to divorce, **20:73**

DOMESTIC PRODUCTION DEDUCTION

- Taxable corporations, **3:12 to 3:16**

DOUBTFUL INTEREST DEDUCTIONS

- Debt restructurings, workouts, and bankruptcies of partnerships, **21:138 to 21:141**

DUE DILIGENCE

- Ethical standards, **18:12, 18:13**
- Income tax return preparers: penalties, **17:174**

E

EARLY RESALE OF PRINCIPAL RESIDENCE

- Dispositions of property, **14:57**

EASEMENTS

- Conservation easement. See index heading CONSERVATION EASEMENT

ECONOMIC EFFECT EQUIVALENCE

- Partnership taxation, **4:337**

ECONOMIC RISK OF LOSS

- Partnership taxation, **4:68 to 4:74, 4:399**

ECONOMICS OF REAL ESTATE

TRANSACTIONS

- Generally, **1:1 to 1:40**
- Adjusted rate of return method, **1:8**
- Capital gains, **1:35 to 1:37**
- Comparison of pre and post-1986 Act leveraging, **1:14**
- Compilations versus examinations of projections and financial forecasts, **1:18**
- Corporate tax rates, **1:28 to 1:30**
- Cost of living bracket increases, **1:27**
- Dividends, **1:38**
- Estates and trusts tax rates, **1:31 to 1:34**
- Financial forecasts, **1:15 to 1:20**
- General versus limited use of projections and financial forecasts, **1:17**
- Impact of guide for forecasts, **1:20**
- Individual tax rates, **1:22 to 1:27**
- Internal rate of return method, **1:9**
- Leverage, **1:12 to 1:14**
- Maximum credit benefit, **1:39**
- New projection and forecasting standards adopted, **1:15**
- Overview
 - 1986 Act changes, **1:4**
 - rate changes, **1:21**
- Pass-through entities, **1:37**
- Post-1986 Act return examples, **1:11**
- Pre-1986 Act considerations, **1:5**

ECONOMICS OF REAL ESTATE

TRANSACTIONS—Cont'd

- Pre-1986 Act return examples, **1:6 to 1:10**
- Presentation requirements for financial forecasts, **1:19**
- Projections and financial forecasts, **1:15 to 1:20**
- Rate of return example 1, **1:10**
- Rates of tax. Tax rates, below
- Reporting requirements, **1:40**
- Return on realty investments
 - generally, **1:2 to 1:14**
 - comparison of pre and post-1986 Act leveraging, **1:14**
 - leverage, **1:12 to 1:14**
 - traditional methods of calculating return, below
- Scope of projections and financial forecasts, **1:16**
- Tax rates
 - generally, **1:21 to 1:38**
 - capital gains, **1:35 to 1:37**
 - corporate tax rates, **1:28 to 1:30**
 - cost of living bracket increases, **1:27**
 - estates and trusts tax rates, **1:31 to 1:34**
 - individual tax rates, **1:22 to 1:27**
 - maximum credit benefit, **1:39**
 - overview of rate changes, **1:21**
 - pass-through entities, **1:37**
 - trusts and estates tax rates, **1:31 to 1:34**
- Time value of money, **1:7**
- Traditional methods of calculating return
 - generally, **1:3 to 1:11**
 - adjusted rate of return method, **1:8**
 - internal rate of return method, **1:9**
 - overview of 1986 Act changes, **1:4**
 - post-1986 Act return examples, **1:11**
 - pre-1986 Act considerations, **1:5**
 - pre-1986 Act return examples, **1:6 to 1:10**
 - rate or return example 1, **1:10**
 - time value of money, **1:7**
- Trusts and estates tax rates, **1:31 to 1:34**

EFFECTIVE DATES

- At risk rules, **5:5**
- Debt restructurings, workouts, and bankruptcies of partnerships, **21:134**
- Dispositions. See index heading DISPOSITIONS OF PROPERTY
- High yield discount obligations, **9:39**
- Interest deduction, **8:37 to 8:40**
- Leasing. See index heading TAX-EXEMPT LEASING
- Limited Partnership Rollup Reform Act of 1993, **2:87**
- Omnibus Budget Reconciliation Act of 1993, **22:56**
- Partnerships. See index heading PARTNERSHIP TAXATION

EFFECTIVE DATES—Cont'd

Passive activity. See index heading **PASSIVE ACTIVITY LOSSES AND CREDITS**

Real estate mortgage investment conduits (REMICs), **19:34**

Rehabilitation tax credit, **7:79**

Tax-exempt leasing. See index heading **TAX-EXEMPT LEASING**

Uniform capitalization rules, **10:47**

Unrelated business taxable income (UBTI), **13:28**

ELECTIONS

Depreciation and tax credits, **7:47, 7:59**

Interest deduction, **8:24**

Low income housing credit, **7:99**

Partnerships. See index heading **PARTNERSHIP TAXATION**

Passive activity losses and credits, **6:22, 6:82, 6:239 to 6:241**

Purchase options. See index heading **OPTIONS TO PURCHASE**

Real estate investment trusts (REITs), **3:89**

Real estate mortgage investment conduits (REMICs), **19:4**

S corporations, **3:53 to 3:55**

Tax-exempt leasing, **15:23**

Uniform capitalization rules, **10:33**

ELECTRONIC FILING

Generally, **17:93**

ELIGIBLE BASIS

Low income housing. See index heading **LOW INCOME HOUSING CREDIT**

ELLISON

Income reservation, **14:77**

EMINENT DOMAIN

Installment payment interest, **14:49**

EMPLOYEE STOCK OWNERSHIP PLANS (ESOPs)

S corporations, **3:50, 3:51, 17:76 to 17:78**

EMPLOYMENT RETIREMENT INCOME SECURITY ACT

See index heading **ERISA**

EMPLOYMENT TAX

IRS audit program: compliance, reporting, and penalty provisions, **17:92**

Limited liability companies, **4:26**

EMPOWERMENT ZONE CREDITS

Depreciation and tax credits, **7:123**

ENERGY PRODUCTION CREDITS

Generally, **7:72**

ENERGY SAVINGS CREDITS

Generally, **7:73**

ENERGY SAVINGS CREDITS—Cont'd

Residential properties, **7:74**

ENGINEERING SERVICES

Domestic production deduction, **3:15**

ENTERTAINMENT EXPENSES DEDUCTION

Omnibus Budget Reconciliation Act of 1993, **22:13**

ENVIRONMENTAL CLEANUP COSTS

Taxpayer Relief Act of 1997, **23:9**

ENVIRONMENTAL REMEDIATION

Deductions, **10:77**

EQUITY-BASED COMPROMISES

IRS audit program: compliance, reporting, and penalty provisions, **17:135**

EQUITY INTERESTS

Partnership taxation, **4:160**

EQUITY REDUCTION

Taxable corporations, corporate equity reduction transactions (CERTs), **3:38**

E REORGANIZATIONS

Taxable corporations, **3:18**

ERISA

Revenue Act of 1987, impact on ERISA exemption for public programs, **20:53**

ERISA PLAN ASSET REGULATION

Generally, **13:52 to 13:66**

Additional requirements, **13:59**

Consequences of recharacterization of debt as equity, **13:50**

Debt instrument, **13:62**

Definition of real estate entity, **13:58**

Department of Labor transition rule, **13:56**

Entities deemed always to hold plan assets, **13:66**

Exemptions, generally, **13:56 to 13:65**

Final plan asset regulations, generally, **13:54 to 13:66**

Free transferability, **13:60**

Grandfather provisions, **13:56**

Guaranteed governmental mortgage pool certificates, **13:65**

Importance of plan assets, **13:52**

Insignificant participation by employee, **13:63**

Operating companies, **13:64**

Prior law, **13:53**

Publicly offered securities, **13:61**

Summary of final plan asset regulations, generally, **13:55 to 13:65**

Transition legislation, **13:57 to 13:60**

ESCROWS

Accounting methods, **11:88, 11:89**

INDEX

ESCROWS—Cont'd

- Dispositions of property, **14:32**
- Qualified escrows. See index heading **QUALIFIED SETTLEMENT FUNDS AND ESCROWS**

ESOPs (EMPLOYEE STOCK OWNERSHIP PLANS)

- S corporations, **3:50, 3:51, 17:76 to 17:78**

ESTATES AND TRUSTS

- Economics of real estate transactions, **1:31 to 1:34**
- IRS audit program: compliance, reporting, and penalty provisions, intercompany sharing of tax information required, **17:139 to 17:141**
- Passive activity. See index heading **PASSIVE ACTIVITY LOSSES AND CREDITS**
- Tax. See index heading **ESTATE TAX**
- Tax shelters, contested liability trusts, **17:72**

ESTATE TAX

- Economics of real estate transactions, **1:31 to 1:34**
- Omnibus Budget Reconciliation Act of 1993, **22:15**
- Partnership taxation, **4:175, 4:176**
- Tax rates, **1:31 to 1:34**

ESTIMATED TAXES

- Accounting methods, **11:36**
- Alternative minimum tax, **12:43**
- Omnibus Budget Reconciliation Act of 1993, **22:4, 22:20**

ESTOPPEL

- See index heading **WAIVER AND ESTOPPEL**

ETHICAL STANDARDS

- Generally, **18:1 to 18:31**
- ABA Standards of Practice, generally, **18:2 to 18:29**
- Conclusion, **18:31**
- Definitions, **18:14, 18:18, 18:23**
- Disciplinary standards, **18:25**
- Due diligence, **18:12, 18:13**
- Final Circular 230 amendments, **18:19 to 18:25**
- Firm opinions, **18:24**
- Formal ABA opinion 352, **18:27**
- Form of tax opinion, **18:26**
- Law firms, **18:17**
- Material issue, definition of, **18:14**
- Negative opinions, **18:11**
- Opinion 346 of ABA, **18:5 to 18:9**
- Original Circular 230 amendments, **18:3, 18:4**
- Original opinion 346 of ABA, **18:5**
- Overall evaluation, **18:15, 18:21**
- Overview, **18:2**
- Partial opinions, **18:22**
- Proposed 2001 regulations, **18:29**

ETHICAL STANDARDS—Cont'd

- Revised Circular 230 amendments, **18:10 to 18:18**
- Revised opinion 346 of ABA, **18:6 to 18:9**
- Securities and Exchange Commission standards, **18:30**
- Tax shelter defined, **18:7, 18:18**
- Treasury Department Rules of Practice, generally, **18:2 to 18:29**
- Willfulness, **18:16**
- Year 1992 Circular 230 amendments, **18:28**
- Year 2002 Circular 230 amendments, **18:4**
- Year 2006 Circular 230 amendments, **18:4**

EVALUATIONS

- Economics of real estate transactions generally, **1:1 to 1:38**
- for detailed treatment see index heading **ECONOMICS OF REAL ESTATE TRANSACTIONS**

EXAMINATION HANDBOOK OF IRS

- Tax shelters, **17:39**

EXCEPTIONS

- Amortization of landlord's up-front expenditures, **11:71, 11:72**
- Below-market interest rates, **9:31, 9:32**
- Cancellation of indebtedness. See index heading **CANCELLATION OF DEBT (COD) INCOME**
- Debt-for-equity exchanges. See index heading **DEBT-FOR-EQUITY EXCHANGES**
- Debt restructurings, workouts, and bankruptcies of partnerships, **21:128 to 21:130**
- IRS audit program: compliance, reporting, and penalty provisions, **17:145**
- Omnibus Budget Reconciliation Act of 1993, **22:27**
- Original issue discount, **9:20**
- Partnership taxation, **4:254 to 4:259**
- Preparers' penalties. See index heading **INCOME TAX RETURN PREPARERS: PENALTIES**
- Tax-exempt leasing, **15:11 to 15:15**

EXCESS NONCASH INCOME

- Taxpayer Relief Act of 1997, **23:45**

EXCESS PASSIVE ASSETS

- Omnibus Budget Reconciliation Act of 1993, **22:51**

EXCISE TAX

- Real estate investment trusts, **3:82, 3:103**

EXCLUSIONS

- Interest deduction, **8:22, 8:23**
- Unrelated business taxable income (UBTI), **13:3 to 13:7**

EXECUTIVE COMPENSATION DEDUCTION

Omnibus Budget Reconciliation Act of 1993,
22:21

EXECUTIVE STOCK OPTIONS

Tax shelters, **17:77**

EXEMPTIONS

Alternative minimum tax, exemption amount,
12:39

Deductions, exempt bond interest, **10:81**

ERISA. See index heading ERISA PLAN ASSET
REGULATION

Foreign investment. See index heading FOREIGN
INVESTMENT IN US REAL ESTATE: WITHHOLDING
OBLIGATIONS

Passive activity. See index heading PASSIVE ACTIV-
ITY LOSSES AND CREDITS

Securities laws. See index heading SECURITIES
LAWS AFFECTING REAL ESTATE SYNDICATIONS -
OVERVIEW

Taxpayer Relief Act of 1997, **23:11**

Tax shelters. See index heading TAX SHELTERS

EXHIBITS

Alternative minimum tax. See index heading
ALTERNATIVE MINIMUM TAX

Depreciation and tax credits, **7:68, 7:69**

EXPENSE TEST

Interest deduction, **8:21**

EXPERIMENTAL EXPENDITURES

Alternative minimum tax, **12:20**

EXPERTISE OF TAXPAYER OR ADVISER

Deductions, **10:87**

EXPLORATION COSTS

Alternative minimum tax, **12:12**

EXTENSION OF CREDIT

Securities laws affecting real estate syndications -
overview, **2:65 to 2:74**

EXTRAORDINARY SERVICES RULE

Passive activity losses and credits, **6:154**

F

FACTS AND CIRCUMSTANCES RULE

Deductions. See index heading DEDUCTIONS

Passive activity losses and credits, **6:167**

FAIR MARKET VALUE CAPITAL ACCOUNTS

Partnership taxation, **4:358 to 4:366, 4:376**

FALSE STATEMENT OR OMISSION

Securities laws affecting real estate syndications -
overview, **2:49**

FARMS AND FARMING

Accounting methods, **11:7**

Alternative minimum tax, farm activity losses,
12:9

Cost-sharing programs, **10:63**

Form of ownership, farming cooperatives, **3:127**

Self-employment tax, **11:7**

Taxpayer Relief Act of 1997, **23:3, 23:12**

Uniform capitalization rules, **10:50 to 10:55**

FAST-PAY STOCK

Income tax return preparers: penalties, **17:187**

FEDERAL AND STATE LAW

Securities laws affecting real estate syndications -
overview, **2:1**

FEDERAL GRANTS

Low income housing credit, **7:88**

FEDERAL RATE

Original issue discount, **9:11**

FEDERAL RESERVE BOARD RULING

Securities laws affecting real estate syndications -
overview, **2:68**

FEDERAL TAXES

Limited liability companies, **4:34 to 4:40**

FEES

Deductions. See index heading DEDUCTIONS

Passive activity losses and credits, **6:81, 6:85**

Real estate mortgage investment conduits,
inducement fees, **19:27**

FHA FEES

Deductions, **10:74**

FICA

Limited liability companies, **4:26**

FIFTEEN YEAR CLASS OF PROPERTY

Depreciation and tax credits, **7:22**

FILING REQUIREMENTS

Accounting methods, **11:31, 11:33**

Electronic filing, **17:93, 17:142**

FINAL 1994 REGULATIONS

Generally, **9:40 to 9:53**

Accounting method, change in, **9:42 to 9:48**

Accrual of interest, **9:52**

Anti abuse rule, **9:41**

Application of revenue procedure, **9:44**

Change in accounting method, **9:42 to 9:48**

Consent, generally, **9:45, 9:46**

Cut-off dates, **9:43**

Definition of PLAM, **9:50**

De minimis OID, special rules for any change in
accounting method for, **9:47**

Effective date, **9:48**

FINAL 1994 REGULATIONS—Cont'd

- Expeditious consent, procedure to obtain, **9:45**
- Original issue discount, **9:47, 9:53**
- Price level adjusted mortgages, **9:49 to 9:53**
- Service of notice of proposed rule making, **9:49**
- Variable rate of interest, **9:51**

FINAL CIRCULAR 230 AMENDMENTS

- Ethical standards, **18:19 to 18:25**

FINAL REGULATIONS

- 1994 regulations. See index heading FINAL 1994 REGULATIONS
- Original issue discount rules, final regulations on contingent payments, **9:15**
- Uniform capitalization rules, **10:47 to 10:49**

FINANCIAL ASSET SECURITIZATION INVESTMENT TRUSTS (FASITs)

- Form of ownership, **3:126**

FINANCIAL FORECASTS

- Economics of real estate transactions, **1:15 to 1:20**

FINDING LIST FOR POST-1991 DEVELOPMENTS

- Debt restructurings, workouts, and bankruptcies of partnerships, **21:171**

FINRA (FINANCIAL INDUSTRY REGULATORY AUTHORITY)

- Securities laws affecting real estate syndications - overview, **2:63, 2:125 to 2:128**

FIRM OPINIONS

- Ethical standards, **18:24**

FISCAL YEAR ENTITIES

- Passive activity losses and credits, **6:80, 6:207**

FIVE HUNDRED HOURS TEST

- Passive activity losses and credits, **6:161**

FIVE YEAR CLASS OF PROPERTY

- Depreciation and tax credits, **7:19**

FIVE YEAR DISTRIBUTION RULE

- Partnership taxation, **4:308**

FLIP PERCENTAGES

- Tax-exempt leasing, **15:34**

FLOW CHART

- Accounting methods, **11:58**

FLOW-THROUGH ENTITY RULES

- Uniform capitalization rules, **10:30, 10:43 to 10:45**

FORECLOSURE

- Debt restructurings, workouts, and bankruptcies of partnerships, **21:148 to 21:151**

FORECLOSURE—Cont'd

- Dispositions of property, **14:6**
- IRS audit program: compliance, reporting, and penalty provisions, **17:123**
- Real estate investment trusts (REITs), **3:105**
- Real estate mortgage investment conduits (REMICs), **19:12, 19:17**
- Taxpayer Relief Act of 1997, **23:46**

FOREIGN CORPORATIONS

- Controlled foreign corporations, Omnibus Budget Reconciliation Act of 1993, **22:50 to 22:56**
- Dividends, **1:38**
- Taxable corporations, **3:37, 3:39**

FOREIGN CURRENCY STRADDLES

- Tax shelters, **17:78**

FOREIGN INVESTMENT IN US REAL ESTATE: WITHHOLDING OBLIGATIONS

- Generally, **16:1 to 16:31**
- Alternative methods of withholding, **16:15**
- Amount of effectively connected income, determination of, **16:7**
- Annual return, **16:9**
- Branch profits tax, **16:29 to 16:31**
- Certificate of withholding, **16:24**
- Coordination with withholding under sections 1441, 1442, and 1445, **16:12**
- Enforcement of tax on dispositions, **16:17 to 16:28**
- Exemptions from withholding obligation, **16:20 to 16:28**
- Foreign person, determination of partner as, **16:6**
- Foreign status, determination of, **16:14**
- Imposition of tax on dispositions, **16:17**
- Liability of foreign partners, **16:11**
- Nonforeign certification, **16:20**
- Nonrecognition transactions, **16:22**
- Non-USRPHC affidavit, **16:21**
- Operating income, generally, **16:1 to 16:16**
- Partnerships
 - generally, **16:27, 16:28**
 - operating income of, generally, **16:4 to 16:16**
- Payment and reporting of withholding tax, **16:8 to 16:10**
- Publicly traded partnerships, withholding by, **16:13 to 16:15**
- Publicly traded stock, **16:23**
- REITs, **16:27, 16:28**
- Reporting of withholding tax, **16:8 to 16:10**
- Sale of residence, **16:25**
- Section 1446, **16:26**
- Taxation of gains from dispositions, generally, **16:17 to 16:28**
- Taxpayer identification number (TIN), **16:28**

FOREIGN INVESTMENT IN US REAL ESTATE: WITHHOLDING OBLIGATIONS—Cont'd

Tiered partnerships, withholding by, **16:16**

FOREIGN LOSS IMPORTATION

Tax shelters, **17:79, 17:80**

FOREIGN PARTNERSHIPS

Partnership taxation, **4:7**

FOREIGN PERSONS

Tax-exempt leasing, **15:49**

FOREIGN REAL PROPERTY

Depreciation and tax credits, **7:7**

FOREIGN RESIDUAL HOLDERS

Real estate mortgage investment conduits (REMICs), **19:25**

FOREIGN SHAREHOLDERS

Real estate investment trusts, **3:110, 3:111**

FOREIGN TAX CHANGES

Form of ownership, **3:123**

FOREIGN TAX CREDIT

Alternative minimum tax, **12:41**

Partnerships, investment tax credit, **4:435**

FOREIGN TRANSACTIONS

Omnibus Budget Act. See index heading OMNIBUS BUDGET RECONCILIATION ACT OF 1993

FOREIGN USE PROPERTY

Depreciation and tax credits, **7:43**

FORFEITURE TERMINATION

Partnership taxation, **4:177, 4:178**

FORMAL ABA OPINION 352

Ethical standards, **18:27**

FORM OF OWNERSHIP

Generally, **3:1 to 3:127**

Business expense limitations, **3:120**

Farming cooperatives, **3:127**

Financial asset securitization investment trusts (FASITs), **3:126**

Foreign tax changes, **3:123**

Marketing (farming) cooperatives, **3:127**

Miscellaneous forms of ownership, **3:124 to 3:127**

Nominee corporations, **3:124**

Non REIT provisions, **3:118 to 3:123**

Passive activity loss limitations, **3:119**

Personal residence trusts, **3:125**

Publicly traded partnerships, **3:2**

Real estate investment trusts

generally, **3:62 to 3:117**

FORM OF OWNERSHIP—Cont'd

Real estate investment trusts—Cont'd

for detailed treatment see index heading REAL ESTATE INVESTMENT TRUSTS

REMIC rules, **3:121**

S corporations

generally, **3:47 to 3:60**

for detailed treatment see index heading s CORPORATIONS

Selecting an appropriate entity, **3:1, 3:2**

Taxable corporations

generally, **3:3 to 3:46**

for detailed treatment see index heading TAX-ABLE CORPORATIONS

Tax exempt controlled entity, **3:122**

FORM OF TAX OPINION

Ethical standards, **18:26**

FOSTER CARE

Deductions, **10:80**

FOUR YEAR SPREAD RULE

Accounting methods, **11:26, 11:27**

FRACTIONS RULE

Unrelated business taxable income (UBTI), **13:16, 13:21 to 13:28**

FRAUD AND DECEIT

Anti-fraud penalties, securities laws. See index heading SECURITIES LAWS AFFECTING REAL ESTATE SYNDICATIONS - OVERVIEW

Deductions, home repair fraud, **10:84**

IRS audit program: compliance, reporting, and penalty provisions, **17:82, 17:83**

“Obstruction,” **17:83**

FREE TRANSFERABILITY

ERISA plan asset regulation, **13:60**

F REORGANIZATIONS

Taxable corporations, **3:18**

FREQUENCY OF RECOMPUTING

Tax-exempt leasing, **15:31**

FUTA

Limited liability companies, **4:26**

G

GAIN CHARGEBACKS

Tax-exempt leasing, **15:36 to 15:40**

GENERAL UTILITIES RULE

Taxable corporations, **3:4**

GIFT LOANS

Below-market interest rates, **9:25**

GIFTS

Passive activity losses and credits, **6:52**

GIFT TAX RATES

Omnibus Budget Reconciliation Act of 1993, **22:15**

GOOD FAITH EXCEPTION

Income tax return preparers: penalties, **17:177**

GOODWILL

IRS audit program: compliance, reporting, and penalty provisions, **17:157**

GOVERNMENT DISASTER RELIEF

Dispositions of property, **14:50**

GOVERNMENT FINANCING

At risk rules, **5:11**

GRANDFATHERING

ERISA plan asset regulation, **13:56**

Partnerships. See index heading **PARTNERSHIP TAXATION**

Revenue Act of 1987, qualified residence interest, **20:74**

GROSS RENT LIMITATION

Low income housing credit, **7:117**

GROUND LEASE

Passive activity losses and credits, **6:28**

GROUPING RULES

Passive activity losses and credits, **6:258 to 6:260**

GUARANTEED GOVERNMENTAL MORTGAGE POOL CERTIFICATES

ERISA plan asset regulation, **13:65**

GUARANTEES

Cancellation of indebtedness income - section 108, **21:30**

Partnership taxation, **4:72**

H

HALF YEAR CONVENTION

Depreciation and tax credits, **7:32**

HAMP (HOME AFFORDABLE MODIFICATION PROGRAM)

Accounting methods, **11:40**

HEALTH INSURANCE DEDUCTION

Omnibus Budget Reconciliation Act of 1993, **22:14**

HEDGING INCOME

Taxpayer Relief Act of 1997, **23:47**

HELD FOR INVESTMENT REQUIREMENT

Dispositions of property, **14:35**

HIGH YIELD DISCOUNT OBLIGATIONS

Generally, **9:34 to 9:39**

Bidder, treatment of, **9:37**

Definition, **9:35**

Effective dates, **9:39**

Example and planning considerations, **9:38**

Issuer, treatment of, **9:36**

HOLDING PERIOD

Debt restructurings, workouts, and bankruptcies of partnerships, **21:170**

HOLDING REAL PROPERTY

At risk rules, **5:7, 5:14**

HOLSCHUH CASE

Securities laws affecting real estate syndications - overview, **2:21**

HOME AFFORDABLE MODIFICATION PROGRAM (HAMP)

Accounting methods, **11:40**

HOME CONSTRUCTION CONTRACTS

Alternative minimum tax, **12:37**

HOME OFFICE EXPENSE

Deductions, **10:62**

Taxpayer Relief Act of 1997, **23:13**

HOME REPAIR FRAUD

Deductions, **10:84**

HYBRID OFFERINGS

Passive activity losses and credits, **6:124**

I

IDENTIFICATION

Dispositions. See index heading **DISPOSITIONS OF PROPERTY**

Tax shelters, **17:37, 17:71 et seq.**

IDENTIFICATION NUMBER

Income tax return preparers: penalties, **17:175**

ILLUSORY DISPOSITIONS

Passive activity losses and credits, **6:55**

IMPACT (IMPROVED PENALTY ADMINISTRATION AND COMPLAINT TAX ACT)

Income tax return preparers: penalties, **17:163, 17:164**

IMPORTED PROPERTY

Depreciation and tax credits, **7:46**

IMPROVED PENALTY ADMINISTRATION AND COMPLAINT TAX ACT

Income tax return preparers: penalties, **17:163, 17:164**

IMPROVEMENTS

- Debt restructurings, workouts, and bankruptcies of partnerships, **21:166**
- Depreciation and tax credits, **7:39, 7:40**
- Tax-exempt leasing, **15:11**

IMPUTED INTEREST: SECTION 483

- Generally, **9:22**

INADVERTENT TERMINATION AND ELECTION

- S corporations, **3:53, 3:54**

INCENTIVE STOCK OPTIONS (ISOs)

- Alternative minimum tax, **12:21**

INCOME IN RESPECT OF A DECEDENT

- Partnership taxation, **4:176**

INCOME RESERVATION

- Generally, **14:76 to 14:79**
- Depreciation, **14:79**
- Ellison, **14:77**
- Overview, **14:76**

INCOME TAX RETURN PREPARERS' PENALTIES

- Generally, **17:163 to 17:190**
- Additional disclosure excused, **17:173**
- Application of penalty, **17:187 to 17:190**
- Background, **17:163**
- Burden of proof, **17:178, 17:185**
- Business purpose and economic substance, **17:188**
- Collection period, extension of, **17:186**
- Definitions, **17:165 to 17:168**
- Disclosure, generally, **17:170 to 17:176, 17:183**
- Due diligence requirement, **17:174**
- Exceptions
 - adequate disclosure of non frivolous positions, **17:170 to 17:176**
 - reasonable cause and good faith, **17:177**
 - reckless or intentional disregard penalty, **17:182**
 - "unrealistic position," penalty for understatement due to, **17:170 to 17:177**
- Extension of period of collection of penalty, **17:186**
- Fast-pay stock, **17:187**
- Final regulations, **17:165 to 17:186**
- Good faith exception, **17:177**
- Identification number, **17:175**
- IMPACT, effect of, **17:163, 17:164**
- Levy, **17:190**
- Liens, **17:189**
- Nonsigning preparers, rules for, **17:172**
- Reasonable cause exception, **17:177**
- Reckless or intentional disregard, **17:181 to 17:183**

INCOME TAX RETURN PREPARERS'

PENALTIES—Cont'd

- Reduction of penalty for willful or reckless conduct, **17:184**
- Signature rules, **17:176**
- Signing preparers, rules for, **17:171**
- Tax liens, **17:189**
- "Unrealistic position," penalty due to, **17:169 to 17:178**
- Verification of information furnished by taxpayer, **17:168**
- Willful attempt to understate penalty, **17:180**

INDEMNITY

- Passive activity losses and credits, **6:212**

INDEPENDENT CONTRACTOR (IK) RULES

- Real estate investment trusts, **3:73**

INDIVIDUAL TAX RATES

- Economics of real estate transactions, **1:22 to 1:27**

INDUCEMENT FEES

- Real estate mortgage investment conduits, **19:27**

INFORMATION REPORTING

- IRS audit program: compliance, reporting, and penalty provisions, **17:131**
- Omnibus Budget Reconciliation Act of 1993, **22:41**

INSIDE BASIS

- Partnerships. See index heading **PARTNERSHIP TAXATION**

INSOLVENCY

- See index heading **BANKRUPTCY AND INSOLVENCY**

INSTALLMENT SALES OR PAYMENTS

- Alternative minimum tax, **12:16**
- Dispositions. See index heading **DISPOSITIONS OF PROPERTY**
- IRS audit program: compliance, reporting, and penalty provisions, **17:134 to 17:137**
- Original issue discount, **9:19**
- Partnership taxation, **4:363**
- Passive activity losses and credits, **6:51, 6:66, 6:134, 6:200**
- Revenue Act of 1987, **20:65**
- Securities laws affecting real estate syndications - overview, **2:41, 2:53, 2:65 to 2:74**

INSURANCE COMPANY SEPARATE ACCOUNTS

- Pooled investment vehicles, **13:36**

INTANGIBLE DRILLING COSTS (IDCs)

- Alternative minimum tax, **12:19**

INTANGIBLE PROPERTY DISTRIBUTIONS

- Partnership taxation, **4:51**

INTANGIBLES

Omnibus Budget Reconciliation Act of 1993, **22:24**

INTEREST AND USURY

Alternative minimum tax, **12:10**

Below market. See index heading **BELOW MARKET**
INTEREST RATES

Debt-for-debt exchanges, **21:59**

Deduction for interest payments
generally, **8:1 to 8:71**

for detailed treatment see index heading **INTEREST DEDUCTION**

Deposit to prevent underpayment interest, **17:88 to 17:90**

Eminent domain/condemnation awards installment payment interest, **14:49**

IRS audit program: compliance, reporting, and penalty provisions
generally, **17:84 to 17:91**

for detailed treatment see index heading **IRS**
AUDIT PROGRAM: COMPLIANCE, REPORTING, AND
PENALTY PROVISIONS

Omnibus Budget Reconciliation Act of 1993, **22:58**

Partnership taxation. See index heading **PARTNERSHIP TAXATION**

Passive activity. See index heading **PASSIVE ACTIVITY LOSSES AND CREDITS**

Taxpayer Relief Act of 1997, **23:29**

Unrelated business taxable income (UBTI), interest exclusion, **13:3**

INTEREST DEDUCTION

Generally, **8:1 to 8:71**

“Abuse” cases, **8:46**

Account deposits rules, **8:48 to 8:53**

Accounting for interest, generally, **8:3 to 8:70**

Accrual basis, **8:4 to 8:7**

Accrued interest, allocation rules for, **8:56**

Acquisition indebtedness, **8:32 to 8:36**

Act of 1987, generally, **8:31 to 8:37**

Allocation of interest expense among expenditures, proposed regulations of IRS on, **8:41 to 8:64**

Alternative minimum tax limitations, **8:65**

Asset sales, **8:62**

Borrowing costs, allocation rules for, **8:57**

Capitalization rules, **8:60, 8:67**

Cash borrowings, **8:54**

Cash method, **8:3**

Change in use of debt financed asset, **8:63**

Clear reflection of income, **8:5**

Construction period, **8:11, 8:67 to 8:70**

Corporations, **8:12**

Definition of personal interest, **8:27**

Divorce, debt incurred incident to, **8:36**

INTEREST DEDUCTION—Cont’d

Effective dates, **8:37 to 8:40**

Elections, **8:24**

Exclusions, **8:22, 8:23**

Expense test, **8:21**

Genuine indebtedness, **8:2**

Grandfathering 1987 Act, **8:37**

Investment interest

limitation, generally, **8:14 to 8:26**

phase in, effective dates, **8:39**

Limitations on deductibility of interest, generally, **8:8 to 8:70**

Modification of investment interest limitation, **8:9**

Monthly convenience rule, **8:53**

Mortgage assumptions, **8:55**

Net investment interest, **8:17**

Net leases, generally, **8:20 to 8:26**

Ninety day rule, **8:34**

Nonrecourse indebtedness, **8:6**

Out-of-pocket expenses, **8:26**

Overview Act of 1986 restrictions, generally, **8:8 to 8:13**

Partial home equity indebtedness, **8:35**

Partnership context, section 189 in, **8:70**

Passive loss rules, **8:10**

Pass through entities, allocation rules for, **8:59**

Personal interest, generally, **8:13, 8:27 to 8:37, 8:40**

Pre-1986 Act limitations, **8:18 to 8:26**

Prior law, **8:68 to 8:70**

Proposed regulations of IRS on allocation of interest expense among expenditures, generally, **8:41 to 8:64**

Qualified residence interest, generally, **8:28 to 8:37, 8:44**

Reallocation rules, **8:61 to 8:63**

Refinancing, allocation rules for, **8:58**

Reimbursements, **8:23**

Repayment ordering rules, **8:64**

Return test, **8:25**

Rule of 78s, **8:7**

Segregated accounts, **8:50**

Single loan arrangement vs multiple debts, **8:51**

Specific allocation rules, **8:47 to 8:55**

Tax-exempt entities, transactions with, **13:48**

Tax exempt obligations, **8:45, 8:66**

Thirty day rule, **8:49**

Tracing and allocation rules, **8:33, 8:43 to 8:46**

Transition rule for pre-1987 borrowings, **8:52**

INTERNAL RATE OF RETURN METHOD

Economics of real estate transactions, **1:9**

INTERNAL REVENUE SERVICE

See index headings beginning with **IRS**

INTRASTATE OFFERING EXEMPTION

Securities laws affecting real estate syndications - overview

generally, **2:35 to 2:45**

for detailed treatment see index heading SECURITIES LAWS AFFECTING REAL ESTATE SYNDICATIONS - OVERVIEW

INVESTMENT ADVISORS ACT OF 1940

Securities laws affecting real estate syndications - overview, **2:79 to 2:81**

INVESTMENT ADVISORY FEES

Deductions, **10:56**

INVESTMENT BASE

Tax shelters, **17:54**

INVESTMENT COMPANY ACT OF 1940

Securities laws affecting real estate syndications - overview, **2:76 to 2:78**

INVESTMENT INCENTIVE PROVISIONS

Omnibus Budget Reconciliation Act of 1993, **22:29, 22:30**

INVESTMENT INCOME TAX

Passive activity losses and credits, **6:3**

INVESTMENT INTEREST

Interest deduction. See index heading INTEREST DEDUCTION

INVESTMENT TAX CREDIT (ITC)

Alternative minimum tax, **12:40**

At risk rules, **5:2**

Foreign tax credits, **4:435**

Partnership taxation, **4:434 to 4:436**

Tax credits, generally, **4:436**

INVOLUNTARY CONVERSIONS

Dispositions of property, **14:47 to 14:50**

Taxpayer Relief Act of 1997, **23:14**

IRS AUDIT PROGRAM: COMPLIANCE, REPORTING, AND PENALTY PROVISIONS

Generally, **17:1 to 17:190**

Abandonment of security, returns relating to, **17:123**

Accuracy related penalty

generally, **17:2 to 17:29**

amended return, effect of, **17:14**

amount of substantial valuation misstatement penalty, **17:27**

avoidance of penalties

negligence penalty, **17:9**

substantial understatement penalty, **17:11 to 17:13, 17:20 to 17:22**

substantial valuation misstatement penalty, **17:28**

IRS AUDIT PROGRAM: COMPLIANCE, REPORTING, AND PENALTY PROVISIONS—Cont'd

Accuracy related penalty—Cont'd

background, **17:2 to 17:5**

current law

negligence penalty, **17:7 to 17:9**

substantial understatement of income tax penalty, **17:16 to 17:23**

substantial valuation misstatement penalty, **17:25 to 17:29**

definition of underpayment, **17:4**

expanded list of authorities, **17:18**

extended limitations period, **17:23**

final regulations, **17:3, 17:22, 17:29**

interest on penalty, **17:15**

negligence penalty, **17:6 to 17:9**

non-tax shelter items, **17:11, 17:12**

notice 90-20, **17:21**

position lacking substantial authority, **17:19**

prior law

negligence penalty, **17:6**

substantial understatement of income tax penalty, **17:10 to 17:15**

substantial valuation misstatement penalty, **17:24**

reasonable cause/good faith exception, **17:5**

reduction in penalty rate, **17:17**

substantial understatement of income tax, generally, **17:10 to 17:23**

substantial valuation misstatement, generally, **17:24 to 17:29**

tax shelter items, **17:13**

underpayment, definition of, **17:4**

Additional compliance provisions, **17:113 to 17:141**

Allocation rules for asset acquisitions

generally, **17:152 to 17:162**

covenants not to compete, **17:159**

definitions, **17:155, 17:156**

goodwill or going concern value, **17:157**

IRS regulations, **17:153**

penalties, **17:154**

purchase price, **17:158**

real estate, issues involving, **17:161**

reporting requirements, **17:160**

transfers of interests in entities, **17:162**

Amended return, effect of, **17:14**

Amount of substantial valuation misstatement penalty, **17:27**

Appraisers, **17:115**

Assessments, partnerships audit provisions, **17:100**

Avoidance of penalties. Accuracy related penalty, above

Bankruptcy, **17:101 to 17:107**

**IRS AUDIT PROGRAM: COMPLIANCE,
REPORTING, AND PENALTY
PROVISIONS—Cont’d**

- Burden of proof, **17:114**
- Business trusts, intercompany sharing of tax information required, **17:139 to 17:141**
- Cancellation of debt, reporting of, **17:132, 17:133**
- Clearing agency exception to nominee reporting, **17:129**
- Community property, **17:110**
- Compromises and installment agreements, **17:134 to 17:137**
- Contingent payment transactions, **17:148**
- Covenants not to compete, **17:159**
- Criminal investigations, **17:111**
- Definitions, **17:4, 17:155, 17:156**
- Deposit to prevent underpayment interest, **17:88 to 17:90**
- Discharge of tax liability, **17:103**
- Electronic filing, **17:93**
- Employment tax, failure to pay over, **17:92**
- Equitable considerations, compromises, **17:135**
- Exceptions to reporting on real estate transactions, **17:145**
- Extended limitations period for accuracy related penalty, **17:23**
- Extension of time to file, **17:94**
- Failure to file, penalties for, **17:86, 17:92 to 17:95**
- Final regulations
 - accuracy related penalty, **17:3, 17:22, 17:29**
 - real estate transactions, reporting on, **17:143 to 17:149**
- Foreclosures, returns relating to, **17:123**
- Form 1099, **17:150**
- Fraud penalty, **17:82, 17:83**
- Goodwill or going concern value, **17:157**
- Government, interest paid by, **17:87**
- “Gross proceeds,” **17:147 to 17:149**
- Income tax return preparers: penalties
 - generally, **17:163 to 17:190**
 - for detailed treatment see index heading **INCOME TAX RETURN PREPARERS: PENALTIES**
- Information reporting by partnerships with tax-exempt partners, **17:131**
- Installment agreements and compromises, **17:134 to 17:137**
- Intercompany sharing of tax information required, business trusts, **17:139 to 17:141**
- Interest provisions
 - generally, **17:84 to 17:91**
 - accuracy related penalty, **17:15**
 - advance payment, **17:89**
 - failure to file, interest on, **17:86**
 - government, interest paid by, **17:87**

**IRS AUDIT PROGRAM: COMPLIANCE,
REPORTING, AND PENALTY
PROVISIONS—Cont’d**

- Interest provisions—Cont’d
 - increase in underpayment interest rate for large corporate underpayments, **17:91**
 - notice requirements, **17:89, 17:90**
 - post-notice payment, **17:90**
 - taxpayer, interest paid by, **17:84**
 - tax shelter items, interest rate on, **17:85**
- Internal revenue service and the investor, generally, **17:96**
- Limitations period, partnerships audit provisions, **17:100**
- Miscellaneous provisions, **17:82 to 17:95**
- Mortgage interest received, report of, **17:117 to 17:120**
- Multiple transferors, real estate transactions, **17:149**
- Negligence penalty, **17:6 to 17:9**
- Net operating losses (NOLs), **17:102**
- Nominee reporting, generally, **17:124 to 17:130**
- Non-tax shelter items, **17:11, 17:12**
- Notice
 - accuracy related penalty, notice 90-20, **17:21**
 - interest provisions, **17:89**
 - partnerships audit provisions, **17:99**
- Partnership interests involving unrealized receivables, **17:121, 17:122**
- Partnerships audit provisions
 - generally, **17:97 to 17:112**
 - assessments, **17:100**
 - bankruptcy, **17:101 to 17:107**
 - community property, **17:110**
 - criminal investigations, **17:111**
 - current law, **17:98**
 - discharge of tax liability, **17:103**
 - limitations period, **17:100**
 - net operating losses (NOLs), **17:102**
 - notice, **17:99**
 - penalties, **17:108**
 - pension and retirement arrangements, **17:105**
 - prior law, **17:97**
 - request for determination of tax liability, **17:104**
- S corporations, **17:106**
- S corporation unified audit procedure, **17:112**
- settlements, **17:100**
- small partnerships, **17:109**
- stay of proceedings, **17:107**
- TEFRA, prior law, **17:97**
- Pension and retirement arrangements, partnerships audit provisions, **17:105**
- Points and mortgage bonds, **17:118 to 17:120**
- Private contractors, IRS use of, **17:116**

IRS AUDIT PROGRAM: COMPLIANCE, REPORTING, AND PENALTY PROVISIONS—Cont'd

Purchase price, allocation rules for asset acquisitions, **17:158**

Qualified mortgage bonds, **17:120**

Real estate transactions

generally, **17:142 to 17:151**

allocation rules for asset acquisitions, **17:161**

background, **17:142**

contingent payment transactions, **17:148**

exceptions, **17:145**

final regulations, **17:143 to 17:149**

form 1099, **17:150**

“gross proceeds,” **17:147 to 17:149**

multiple transferors, **17:149**

payments to attorneys, **17:144**

penalties, **17:151**

reportable transactions, **17:143**

reporting. Real estate transactions, reporting on, below

“reporting person,” **17:146**

Reasonable cause/good faith exception, **17:5**

Reduction in penalty rate, **17:17**

REMICs, nominee reporting, **17:130**

Reports. Real estate transactions reporting on, above

Return of levied property, **17:138**

S corporations

partnership audit provisions, bankruptcy, **17:112**

unified audit procedure, **17:112**

Section 6662. Accuracy related penalty, above

Settlements, partnerships audit provisions, **17:100**

Small partnerships, **17:109**

Stay of proceedings, partnerships audit provisions, **17:107**

Substantial understatement of income tax penalty. Accuracy related penalty, above

Substantial valuation misstatement penalty. Accuracy related penalty, above

Substituted debt, reporting of, **17:133**

Tax shelters

generally, **17:30 et seq.**

for detailed treatment see index heading TAX SHELTERS

TEFRA, prior law, **17:97**

Timing of nominee reporting, **17:128**

Transfers of interests in entities, **17:162**

Underpayment, definition of, **17:4**

Unrealized receivables, partnership interests involving, **17:121, 17:122**

Widely held fixed investment trusts (WHFITs), intercompany sharing of tax information required, **17:140**

IRS AUDIT PROGRAM: COMPLIANCE, REPORTING, AND PENALTY PROVISIONS—Cont'd

Widely held mortgage trusts (WHMTs), intercompany sharing of tax information required, **17:141**

IRS DISCRETIONARY WAIVER

Partnership taxation, **4:424**

IRS GUIDELINES AND PRONOUNCEMENTS

Sale-leaseback transactions, **14:70, 14:71, 14:73, 14:74**

IRS REQUEST FOR COMMENTS , PRE CONTRIBUTION GAIN OR LOSS

Partnership taxation, **4:259**

ISSUERS

High yield discount obligations, **9:36**

ITEMIZED DEDUCTIONS

Alternative minimum tax, **12:17**

J**JOBS ACT 2012**

Securities laws affecting real estate syndications, **2:47**

JOBS AND GROWTH TAX RELIEF RECONCILIATION ACT

Generally, **1:33**

Accumulated earnings, **3:40**

Bonus depreciation, **7:1**

Capital gains, **1:35**

Dividends, **1:38, 3:84**

Joint filers, **12:4**

Partnership dividend income, **4:44**

JOBS CREATION ACT OF 2004

Section 409A, deferred compensation, **4:188**

L**LAND LEASES AND LAND RENT**

Deductions, **10:61**

LAW FIRMS

Ethical standards, **18:17**

LAYERING RULES

Partnership taxation, **4:123, 4:155**

LEASE-IN/LEASE-OUT (LILO) TRANSACTIONS

Sale-leaseback transactions, **14:63**

LEASES AND LEASING

Accounting methods. See index heading ACCOUNTING METHODS

Deductions, leasing fees, **10:58**

LEASES AND LEASING—Cont'd

Depreciation and tax credits, leasehold improvements, **7:40**

Sale leaseback transactions

generally, **14:61 to 14:68**

for detailed treatment see index heading **SALE**

LEASEBACK TRANSACTIONS

Subleases. See index heading **SUBLEASES**

Tax-exempt leasing

generally, **15:1 to 15:49**

for detailed treatment see index heading **TAX-**

EXEMPT LEASING

Taxpayer Relief Act of 1997, lease improvements, **23:15**

LEASE STRIPPING

Generally, **14:80**

LEVERAGE

Economics of real estate transactions, **1:12 to 1:14**

LEVY

Income tax return preparers' penalties, **17:190**

LICENSES AND LICENSING

Passive activity losses and credits, **6:186**

LIENS

Income tax return preparers: penalties, **17:189**

LIFO BENEFITS RECAPTURE

S corporations, **3:60**

LIKE-KIND EXCHANGES

Debt restructurings, workouts, and bankruptcies of partnerships, **21:151**

Dispositions. See index heading **DISPOSITIONS OF PROPERTY**

Revenue Act of 1987, **20:81**

Straddling two years, **4:45**

Tax-exempt leasing, **15:9**

Taxpayer Relief Act of 1997, **23:16**

LIMITATIONS AND RESTRICTIONS

Interest deduction. See index heading **INTEREST DEDUCTION**

Low income housing credit, **7:106, 7:120**

Passive activity losses and credits

generally, **6:91 to 6:122**

for detailed treatment see index heading **PASSIVE ACTIVITY LOSSES AND CREDITS**

Real estate mortgage investment conduits (REMICs), **19:13**

S corporations, **3:58**

LIMITATIONS PERIOD

IRS audit program: compliance, reporting, and penalty provisions, **17:100**

LIMITATIONS PERIOD—Cont'd

Revenue Act of 1987, simplified reporting and compliance requirements for widely-held partnerships, **20:106**

Taxpayer Relief Act of 1997, **23:30**

LIMITED LIABILITY

Passive activity losses and credits, **6:211 to 6:215**

LIMITED LIABILITY COMPANIES

Generally, **4:22 to 4:43**

Articles of organization, **4:27**

Basic characteristics, **4:27 to 4:32**

Centralized management, **4:36**

Continuity of life, **4:37**

Conversion of limited partnership to LLC, **4:40**

Criteria for achieving partnership status, **4:34 to 4:38**

Dissolution, **4:32**

Employment tax liability, generally, **4:26**

Entity comparison, **4:33**

Federal tax treatment as a partnership, generally, **4:34 to 4:40**

FICA, **4:26**

FUTA, **4:26**

Income tax matters, generally, **4:39, 4:41**

Legislation among states, status of, **4:42**

Limited liability, **4:30, 4:35**

Management, **4:31**

Membership, **4:28**

Net worth, **4:14**

Overview, **4:22 to 4:26**

Self-employment tax, **4:25**

"Series" LLC organizations, **4:23**

State income tax consequences, **4:41**

Survey of legislation, **4:43**

Tax matters partner, **4:24**

Transferability of interests, **4:29, 4:38**

LIMITED PARTNERSHIPS

Partnership taxation, **4:71**

Passive activity. See index heading **PASSIVE ACTIVITY LOSSES AND CREDITS**

Securities laws. See index heading **SECURITIES LAWS AFFECTING REAL ESTATE SYNDICATIONS - OVERVIEW**

Taxpayer Relief Act of 1997, **23:23**

LIQUIDATING DISTRIBUTIONS

Real estate investment trusts, **3:85**

S corporations, **3:61**

Taxable corporations, **3:17 et seq.**

LIQUIDATION

Partnership taxation

generally, **4:168 to 4:178**

for detailed treatment see index heading

PARTNERSHIP TAXATION

LIQUIDATION—Cont'd

Passive activity losses and credits, **6:141, 6:252**
S corporations, **3:34, 3:61**

LISTS

Tax shelter investors, **17:65 to 17:68**

LOAN COMMITMENT-STANDBY FEES AND GUARANTEE FEES

Deductions
generally, **10:68 to 10:74**
for detailed treatment see index heading DEDUCTIONS

LOAN MINIMUM GAIN CHARGEBACK

Partnership taxation, **4:392**

LOBBYING EXPENSES

Omnibus Budget Reconciliation Act of 1993, **22:23**

LOCAL PAYROLL AND SALES TAXES

Deductions, **10:76**

LOCATION

Passive activity losses and credits, **6:223**

LONG-TERM CONTRACTS

Accounting methods, **11:44 to 11:51**
Alternative minimum tax, **12:13**

LONG-TERM LEASE PROVISIONS

Accounting methods, **11:55**

LOSS CORPORATIONS

Generally, **3:31**

LOSS LIMITATION RULES

At risk rules, **5:1**

LOSS RECOGNITION

Accounting methods, **11:63**

LOST DEDUCTION EXCEPTION

Cancellation of indebtedness income - section 108, **21:24, 21:25**

LOW INCOME HOUSING

Generally, **7:80 to 7:122**
Act of 1986, generally, **7:81 to 7:112**
Act of 1989, generally, **7:114 to 7:121**
Act of 1990 changes, **7:122**
Additions to basis, **7:94**
Adjusted basis, **7:89**
Allocation of credit authority, **7:107**
Allowable credit authority, **7:104 to 7:107, 7:119**
Applicable fraction, **7:85**
At risk limitation, **7:110**
Comparability, eligible basis, **7:91**
Compliance period, **7:102**
Computation of credit, **7:82, 7:83, 7:108**

LOW INCOME HOUSING—Cont'd

Coordination with other 1986 Act provisions, **7:111, 7:112**
Credit amount under Act of 1989, **7:115**
Deductions, special rules for, **10:96**
Development basis, **7:95**
Dispositions of property, **14:51 to 14:53**
Election, qualified low-income housing projects, **7:99**
Eligible basis
generally, **7:86 to 7:95**
Act of 1989, **7:116**
Existing building eligible basis, **7:87**
Federal grants reduction, eligible basis, **7:88**
Gross rent limitation, **7:117**
Limitation on credit authority, **7:106, 7:120**
Limitations on qualified low-income housing projects, **7:98**
Low-income unit, **7:96**
Market study, qualified low-income housing projects, **7:101**
Mixed use property, **7:92**
Partnership taxation, **4:459**
Passive activity losses and credits
generally, **6:108 to 6:114**
for detailed treatment see index heading PASSIVE ACTIVITY LOSSES AND CREDITS
Percentages, **7:83**
Prior law, **7:80**
Qualified basis, **7:84, 7:85**
Qualified low-income housing projects, **7:97 to 7:101**
Recapture, **7:102**
Rehabilitation expenditures, **7:93**
Special set aside for nonprofit organizations, **7:105**
State low-income housing credit authority, **7:103 to 7:109**
Subsequent legislation, generally, **7:113 to 7:122**
TAMRA, **7:113**
Tenant qualification, **7:100, 7:118**
Time of determination of eligible basis, **7:90**
Transferability of credit amount, **7:109**

LUXURY CARS

Depreciation and tax credits, **7:50**

M**MANAGEMENT FEES**

California rollup legislation, **2:120 to 2:122**
Partnership taxation, **4:185**
Passive activity losses and credits, **6:85**

MANDATORY CHARGEBACKS

Partnership taxation, **4:403**

INDEX

MARITAL PROPERTY SETTLEMENT

Non liquidating distribution, **3:33**

MARKET DISCOUNT BONDS

Omnibus Budget Reconciliation Act of 1993, **22:7**

MARKET DISCOUNT RULES

Debt restructurings, workouts, and bankruptcies of partnerships, **21:141**
Revenue Act of 1987, **20:79**

MARKETING (FARMING) COOPERATIVES

Form of ownership, **3:127**

MARKET STUDY

Low income housing credit, **7:101**

MARKET VALUE ADJUSTMENT

Partnership taxation, **4:364 to 4:366**

MARK-TO-MARKET RULES

Omnibus Budget Reconciliation Act of 1993, **22:25 to 22:28**

MASTER LEASE ARRANGEMENTS

Partnership taxation, **4:82**

MASTER LIMITED PARTNERSHIPS (MLPs)

Passive activity losses and credits, **6:88, 6:131**

MATERIAL ISSUE

Ethical standards, **18:14**

MATERIAL PARTICIPATION

Passive activity losses and credits generally, **6:159 to 6:178**
for detailed treatment see index heading **PASSIVE ACTIVITY LOSSES AND CREDITS**

MATURITY

Debt-for-debt exchanges, **21:57**

MAXIMUM CREDIT BENEFIT

Economics of real estate transactions, **1:39**

MECHANICS OF INTEREST CAPITALIZATION

Uniform capitalization rules, **10:34 to 10:36**

MEDICAL INSURANCE

Taxpayer Relief Act of 1997, **23:17**

MEMBERSHIP

Limited liability companies, **4:28**

MERCHANT MARINE CAPITAL CONSTRUCTION FUNDS

Alternative minimum tax, **12:35**

MERGERS

Partnership taxation, **4:179**
Taxable corporations, **3:26**

MID-QUARTER CONVENTION

Depreciation and tax credits, **7:33**

MINERAL EXTRACTION

Domestic production deduction, **3:16**

MINIMUM GAIN AND MINIMUM GAIN CHARGEBACKS

Allocations under sections 704 and 752, **21:33, 21:48 to 21:52**

Debt-for-equity exchanges, **21:124**

Partnerships. See index heading **PARTNERSHIP TAXATION**

MINIMUM TAX CREDIT

Alternative minimum tax, **12:38**

MINING COSTS

Alternative minimum tax, **12:12**

MIXED USE PROJECTS

Low income housing credit, **7:92**

Passive activity losses and credits, **6:113**

MODIFICATION

See index heading **CHANGE OR MODIFICATION**

MONTHLY CONVENIENCE RULE

Interest deduction, **8:53**

MORTGAGE REVENUE BONDS

Pooled investment vehicles, **13:34**

MORTGAGES

Bifurcation/wraparound mortgages, **4:86**

Cancellation of debt income, mortgage forgiveness, **11:42**

Interest deduction, mortgage assumptions, **8:55**
IRS audit program: compliance, reporting, and penalty provisions, mortgage interest, **17:117 to 17:120**

REMICs

generally, **19:1 to 19:34**

for detailed treatment see index heading **REAL ESTATE MORTGAGE INVESTMENT CONDUITS (REMICs)**

Shared appreciation. See index heading **SHARED APPRECIATION MORTGAGES (SAMs)**

MOVING EXPENSES DEDUCTION

Omnibus Budget Reconciliation Act of 1993, **22:11**

MULTIPARTY FINANCING ARRANGEMENTS

Omnibus Budget Reconciliation Act of 1993, **22:48**

MULTIPLE ACTIVITIES

Passive activity losses and credits, **6:74, 6:197, 6:198**

MULTIPLE CHANGES

Debt-for-debt exchanges, **21:91, 21:92**

MULTIPLE PROPERTIES

Dispositions. See index heading DISPOSITIONS OF PROPERTY

MUNICIPAL PLANS

Pooled investment vehicles, **13:38**

MURPHY CASE

Securities laws affecting real estate syndications - overview, **2:20**

N

NASAA GUIDELINES

Securities laws affecting real estate syndications - overview, **2:73**

NATIONAL SECURITIES MARKETS IMPROVEMENT ACT

California rollout legislation, **2:124**

NATIVE AMERICANS

Tax-exempt entities, transactions with, **13:67**

NATURAL DISASTERS

Deductions, **10:78**

NATURAL RESOURCE PROPERTY

Depreciation recapture, **7:14**

NEGATIVE CASH FLOW

Deductions, **10:72**

NEGATIVE OPINIONS

Ethical standards, **18:11**

NEGLIGENCE PENALTY

IRS audit program: compliance, reporting, and penalty provisions, **17:6 to 17:9**

NET INVESTMENT INTEREST

Interest deduction, **8:17**

NET LEASES

Interest deduction, **8:20 to 8:26**

NET OPERATING LOSSES (NOL)

Alternative minimum tax, **12:14**

Bankruptcy, **3:35**

Compromises and installment agreements, **17:136**

IRS audit program: compliance, reporting, and penalty provisions, **17:102**

Passive activity losses and credits, **6:101**

Taxable corporations, **3:35, 3:36**

Taxpayer Relief Act of 1997, **23:18**

NEW MARKETS TAX CREDIT

Generally, **7:124**

NEW REIT STRUCTURES

Real estate investment trusts, **3:113 to 3:117**

NINETY DAY RULE

Interest deduction, **8:34**

NINETY-FIVE PERCENT DISTRIBUTION REQUIREMENT

Real estate investment trusts, **3:98**

NINETY-FIVE PERCENT INCOME TEST

Real estate investment trusts, **3:91**

NINETY PERCENT TEST

Real estate investment trusts, **3:75**

NOMINEE CORPORATIONS

Form of ownership, **3:124**

NOMINEE REPORTING

IRS audit program: compliance, reporting, and penalty provisions, **17:124 to 17:130**

NONCORPORATE TAXPAYERS

Alternative minimum tax generally, **12:28 to 12:43**

for detailed treatment see index heading

ALTERNATIVE MINIMUM TAX

NONDEALER TRANSACTIONS

Dispositions of property, **14:11**

NON LIQUIDATING DISTRIBUTION

Taxable corporations, **3:33**

NONPASSIVE INCOME

Passive activity losses and credits generally, **6:63 to 6:68**

for detailed treatment see index heading PASSIVE

ACTIVITY LOSSES AND CREDITS

NON PORTFOLIO INCOME

Passive activity losses and credits, **6:68**

NONPROFIT ACTIVITIES

Deductions

generally, **10:83 to 10:100**

see index heading DEDUCTIONS

NON RECOGNITION TRANSACTIONS

Corporations, **3:11**

Foreign investment in US real estate: withholding obligations, **16:22**

Partnership taxation, **4:282**

NONRECOURSE LIABILITIES

Accounting methods, **11:66**

Allocations under sections 704 and 752, **21:32, 21:39**

Cancellation of indebtedness income - section 108, **21:12**

Debt-for-debt exchanges, **21:99**

Debt-for-equity exchanges, **21:124**

NONRECOURSE LIABILITIES—Cont'd

- Debt restructurings, workouts, and bankruptcies of partnerships, **21:150**
- Interest deduction, **8:6**
- Partnerships. See index heading **PARTNERSHIP TAXATION**
- Section 351 (organization) transactions, recourse vs nonrecourse, **3:9**

NON-USRPHC AFFIDAVIT

- Foreign investment in US real estate: withholding obligations, **16:21**

NOTICE OR KNOWLEDGE

- IRS audit program. See index heading **IRS AUDIT PROGRAM: COMPLIANCE, REPORTING, AND PENALTY PROVISIONS**
- Securities laws. See index heading **SECURITIES LAWS AFFECTING REAL ESTATE SYNDICATIONS - OVERVIEW**
- Taxpayer Relief Act of 1997, **23:38**
- Tax shelters, **17:38**
- Uniform capitalization rules
 - generally, **10:26 to 10:45**
 - for detailed treatment see index heading **UNIFORM CAPITALIZATION RULES**

O

OBRA AMENDMENTS

- Pooled investment vehicles, **13:46**

OBSTRUCTION

- Fraud penalty, **17:83**

OFFERING STAGE PARTNERSHIPS

- Partnership taxation, **4:369**

OFFSETS

- Unrelated business taxable income (UBTI), **13:25**

OFFSETTING ALLOCATION TEST

- Partnership taxation, **4:353**

OID

- See index heading **ORIGINAL ISSUE DISCOUNT (OID)**

OIL AND GAS

- Passive activity losses and credits
 - generally, **6:209 to 6:215**
 - for detailed treatment see index heading **PASSIVE ACTIVITY LOSSES AND CREDITS**
- Taxpayer Relief Act of 1997, **23:19**

OMNIBUS BUDGET RECONCILIATION ACT OF 1993

- Generally, **22:1 to 22:59**
- Accuracy related penalties, **22:45**
- Alternative minimum tax, **22:3**
- Amortization of intangibles, **22:24**

OMNIBUS BUDGET RECONCILIATION ACT OF 1993—Cont'd

- AMT treatment for contributions of appreciated property, **22:16**
- Bankruptcy, changes affecting, **22:37 to 22:41**
- Bonuses, withholding for, **22:22**
- Business-related provisions, changes affecting, generally, **22:19 to 22:28**
- CFCs, **22:54**
- Charitable contributions, changes affecting, generally, **22:16 to 22:19**
- Club dues deduction, **22:12**
- Compliance provisions, changes affecting, **22:58, 22:59**
- Controlled foreign corporations (Subpart B), generally, **22:50 to 22:56**
- Conversion transactions, **22:5**
- Corporations, changes affecting, generally, **22:19 to 22:28**
- Cross-border transactions, changes affecting, generally, **22:45 to 22:57**
- Debt-finance income from real estate, **22:35**
- Debt restructurings, changes affecting, **22:37 to 22:41**
- Deceased partner, payments to, **22:42**
- Definitions, **22:6, 22:26**
- Depreciation of nonresidential real estate, recovery period, **22:32**
- Disclosure requirements, **22:17, 22:18**
- Effective dates of CFCs, **22:56**
- Entertainment expenses deduction, **22:13**
- Estate tax rates, **22:15**
- Estimated tax payments, **22:4, 22:20**
- Exceptions to mark-to-market rules for dealers in securities, **22:27**
- Excess passive assets, **22:51**
- Executive compensation deduction, **22:21**
- Foreign transactions, changes affecting, generally, **22:45 to 22:57**
- Gift tax rates, **22:15**
- Health insurance deduction, **22:14**
- Individual taxpayers, changes affecting, generally, **22:2 to 22:15**
- Information reporting, **22:41**
- Intangibles, amortization of, **22:24**
- Interest on overpayment of tax, **22:58**
- Investment incentive provisions, **22:29, 22:30**
- Investment income defined, **22:6**
- Lobbying expenses, deduction for, **22:23**
- Market discount bonds, **22:7**
- Mark-to-market rules for dealers in securities, **22:25 to 22:28**
- Moving expenses deduction, **22:11**
- Multiparty financing arrangements, **22:48**
- Noncorporate taxpayers, changes affecting, generally, **22:2 to 22:15**

OMNIBUS BUDGET RECONCILIATION ACT OF 1993—Cont'd

Overpayment, interest on, **22:58**
 Partners and partnerships, changes affecting, generally, **22:42 to 22:44**
 Passive activity rules for real estate, **22:31**
 Pension trust investment in REITs, **22:33**
 PFIC rules, **22:54**
 Portfolio interest, withholding tax exemption for, **22:46**
 Possession corporation's tax credit, **22:49**
 Publicly traded partnerships, **22:43**
 Qualified retirement plans, annual limit on expenses, **22:10**
 Quid pro quo contributions, disclosure requirements, **22:18**
 Real estate, changes affecting, generally, **22:31 to 22:36, 22:38**
 Regular tax rates, **22:2, 22:19**
 REITs, pension trust investment in, **22:33**
 Related party guarantee of third party debt, **22:47**
 Research and experimental expenditures, allocation of, **22:57**
 Retired partner, payments to, **22:42**
 Same country exception rule, **22:53**
 Self-employed health insurance deduction, **22:14**
 Small businesses, **22:29, 22:30**
 Stock-for-debt exception, **22:39**
 Stripped preferred stock, **22:8**
 Substantially appreciated inventory, **22:44**
 Substantial understatement penalty, **22:59**
 Substantiation requirements, **22:17**
 Supplemental wages, withholding for, **22:22**
 Title holding companies, **22:34**
 Travel expenses of spouse, deductions for, **22:9**
 UBTI, exclusion of gain from, **22:36**

ONE HUNDRED HOURS/MOST PARTICIPATION

Passive activity losses and credits, **6:163**

ONE PERCENT INTEREST OF GENERAL PARTNERS

Partnership taxation, **4:18**

OPERATING COMPANIES

ERISA plan asset regulation, **13:64**

OPINION 346 OF ABA

Ethical standards, **18:5 to 18:9**

OPTIONAL ONE-TIME RESTATEMENT

Partnership taxation, **4:359**

OPTIONS TO PURCHASE

Sale-leaseback transactions, **14:75**
 Tax-exempt leasing, **15:6**

OREO (OTHER REAL ESTATE OWNED) PROPERTY

Deductions, property held for resale, **10:25**

ORIGINAL CIRCULAR 230 AMENDMENTS

Ethical standards, **18:3, 18:4**

ORIGINAL ISSUE DISCOUNT (OID)

Generally, **9:1 to 9:21**
 Allocating OID to an accrual period, **9:8**
 Applicable federal rate, **9:11**
 Assumptions, **9:17**
 Changes made by 1974 Act, generally, **9:3 to 9:21**
 Contingent payments, **9:12 to 9:16**
 Debt-for-debt exchanges
 generally, **21:94 to 21:102**
 for detailed treatment see index heading DEBT-FOR-DEBT EXCHANGES
 Debt restructurings, workouts, and bankruptcies of partnerships, **21:140**
 Definitions, **9:4 to 9:9**
 Determining accrual period, **9:9**
 Determining original issue discount, **9:10**
 Exceptions, **9:20**
 Federal rate, **9:11**
 Final 1994 regulations, **9:47, 9:53**
 Final regulations on contingent payments, **9:15**
 Installment obligations, **9:19**
 Issue price, **9:6**
 Miscellaneous rules, **9:21**
 Overview, **9:2**
 Partnership taxation, **4:231**
 Passive activity losses and credits, **6:83**
 Proposed regulations, **9:12 to 9:14**
 Real estate mortgage investment conduits (REMICs), **9:16, 19:30**
 Stated redemption price at maturity, **9:5**
 Variable rate debt instruments, **9:18**
 Yield to maturity, **9:7**

ORIGINAL OPINION 346 OF ABA

Ethical standards, **18:5**

OUT-OF-POCKET EXPENSES

Interest deduction, **8:26**

OVERPAYMENT

Omnibus Budget Reconciliation Act of 1993, **22:58**

P

PARTIAL HOME EQUITY INDEBTEDNESS

Interest deduction, **8:35**

PARTIAL OPINIONS

Ethical standards, **18:22**

PARTIAL PREPAYMENTS

Debt-for-debt exchanges, **21:78**

PARTIAL SALE DISTORTION

Partnership taxation, **4:429**

PARTNERS AND PARTNERSHIPS

Accelerated cost recovery system, **7:6**

Accounting methods. See index heading ACCOUNTING METHODS

At risk rules, **5:16, 5:17**

Audit provisions

IRS audit program: compliance, reporting, and penalty provisions

generally, **17:97 to 17:112**

for detailed treatment see index heading IRS AUDIT PROGRAM: COMPLIANCE, REPORTING, AND PENALTY PROVISIONS

Bankruptcy. Debt restructurings, workouts, and bankruptcies, below

Debt restructurings, workouts, and bankruptcies generally, **21:1 to 21:171**

for detailed treatment see index heading DEBT RESTRUCTURINGS, WORKOUTS, AND BANKRUPTCIES OF PARTNERSHIPS

Dispositions of property, **14:17 to 14:20**

Dividend income passed through by RICs, **4:44**

Foreign investment. See index heading FOREIGN INVESTMENT IN US REAL ESTATE: WITHHOLDING OBLIGATIONS

Interest deduction, **8:71**

Limited partnerships. See index heading LIMITED PARTNERSHIPS

Omnibus Budget Reconciliation Act of 1993, **22:42 to 22:44**

Passive activity. See index heading PASSIVE ACTIVITY LOSSES AND CREDITS

Pooled investment vehicles, **13:32, 13:33**

Small partnerships. See index heading SMALL PARTNERSHIPS

Taxation

generally, **4:1 to 4:466**

for detailed treatment see index heading PARTNERSHIP TAXATION

Tax-exempt bond partnerships, **13:33**

Tax-exempt leasing. See index heading TAX-EXEMPT LEASING

Taxpayer Relief Act of 1997

generally, **23:20 to 23:26**

for detailed treatment see index heading TAXPAYER RELIEF ACT OF 1997

Tax shelters, partnership straddles, **17:80**

Unrelated business taxable income (UBTI), **13:12**

Workouts. Debt restructurings, workouts, and bankruptcies, above

PARTNERSHIP TAXATION

Generally, **4:1 to 4:466**

PARTNERSHIP TAXATION—Cont'd

Account reduction items, **4:339**

Accounts payable, **4:283**

Accrued but unpaid items, **4:221, 4:466**

Adjustments

capital accounts, **4:358 to 4:366**

inside basis, **4:161 to 4:164**

Advance ruling requirements - revenue procedure 89-12

generally, **4:13 to 4:21**

centralized management, **4:16**

checklist, **4:20**

conditions required of all rulings, **4:17**

continuity of life characteristic, **4:15**

free transferability characteristic, **4:16**

limited liability characteristic, net worth, **4:14**

minimum capital, **4:19**

one percent interest of general partners, **4:18**

summary of changes, **4:21**

Aggregation, pre contribution gain or loss, **4:256, 4:286, 4:287**

Allocations

generally, **4:310 to 4:442**

account reduction items, **4:339**

adjustments of capital accounts maintenance rules, **4:358 to 4:366**

alternate economic effect test, generally, **4:322, 4:338 to 4:348**

amendments, **4:314, 4:409**

amount of partnership minimum gain, determining, **4:373 to 4:375**

applicable cases and rulings, **4:316, 4:318 to 4:320**

background to final 1991/1992 regulations, **4:411 to 4:413**

book item vs tax items, **4:382**

book-tax allocations, **4:365**

book value capital, **4:325**

calculating income reduction items, **4:346**

capital accounts, generally, **4:324, 4:355 to 4:366, 4:391, 4:430**

case law and rulings, **4:316**

chargebacks. Minimum gain chargebacks, below in this group

clarification of partners' interest in partnership, **4:323**

contributions repaying debt, **4:423**

debt, deductions attributable to, generally, **4:370 to 4:395**

deficit repayment obligations, **4:332 to 4:334, 4:381, 4:440**

deficit restoration obligations, qualified income effect, **4:427**

definitions, **4:400, 4:412**

depreciation recapture, **4:442**

PARTNERSHIP TAXATION—Cont'd

Allocations—Cont'd

detailed analysis

final 704(B) regulations, generally, **4:327 to 4:431**

final 1991 regulations, generally, **4:417 to 4:431**

determining existence of nonrecourse

liabilities, generally, **4:372 to 4:376**

drafting minimum gain chargeback, **4:388**

economic effect equivalence, **4:337**

economic effect of regulations of 1995, **4:311**

economic risk of loss, **4:399**

effective dates

chart/sections 752 and 704(b), **4:433**

final 704(B) regulations, **4:328**

final 1991 regulations, **4:414**

regulations of 1988, **4:401, 4:407**

executive summary of final 704(B) regulations

concerning economic effect, generally,

4:321 to 4:326

expansion of chargeback requirement, **4:425**

fair market value capital accounts, **4:358 to 4:366, 4:376**

final 704(B) regulations concerning economic effect, generally, **4:321 to 4:433**

final 1991/1992 regulations, generally, **4:410 to 4:433**

final debt regulations, **4:315**

final nonrecourse regulations, **4:344**

fully subscribed partnerships, **4:368**

funded or guaranteed liabilities, **4:390 to 4:392**

grandfathered related party debt, exemption for, **4:426**

historical background, **4:317**

income and gain items comprising minimum gain chargeback, **4:387**

installment sales, **4:363**

interplay with interests in partnership test, **4:348**

investment in nonbasis items, **4:343**

investment tax credit, **4:434**

IRS discretionary waiver, **4:424**

liquidation, **4:335, 4:362, 4:363**

loan minimum gain chargeback, **4:392**

mandatory chargebacks, **4:403**

mandatory market value adjustment, **4:364 to 4:366**

market value adjustment, **4:364 to 4:366**

minimum gain

generally, **4:341 to 4:344**

chargebacks. Minimum gain chargebacks, below in this group

decreases, generally, **4:384 to 4:389**

minimum gain chargebacks

decreases in minimum gain, **4:387, 4:388**

PARTNERSHIP TAXATION—Cont'd

Allocations—Cont'd

minimum gain chargebacks—Cont'd

final 1991/1992 regulations, **4:413**

mandatory chargebacks and exceptions, detailed analysis, generally, **4:418 to 4:425**

nonrecourse deduction allocation tests, **4:383**

partner funded or guaranteed liabilities, **4:392**

regulations of 1988, **4:402 to 4:404**

sample provisions, **4:431**

miscellaneous allocation rules, **4:441, 4:442**

net decrease in minimum gain, **4:419**

new investors, admission of, **4:361**

newly required minimum gain chargebacks, **4:415**

new partnerships, impact of final regulations on, **4:367 to 4:369**

nonrecourse regulations

debt regulations of 1986, **4:312**

deduction allocation tests, **4:378 to 4:383**

deductions, generally, **4:377**

determining existence of liabilities, **4:372 to 4:376**

final 1991/1992 regulations, **4:413**

significant features, **4:371**

offering stage partnerships, **4:369**

offsetting allocation test, **4:353**

open issues under alternate economic effect test, **4:345 to 4:348**

optional one-time restatement, **4:359**

other changes made to final regulations, **4:396**
overview, **4:310 to 4:317**

partial sale distortion, protection from, **4:429**

partner loan chargebacks, **4:392, 4:404**

partner's interests in partnership test, **4:349**

planning techniques, **4:428 to 4:431**

present value test, **4:352**

primary economic effect test, **4:331 to 4:336**

prior law, **4:311 to 4:316**

promissory notes, deficit repayment obligation, **4:333**

purchase of interest, **4:336**

qualified income offset, **4:340, 4:347**

reallocation examples, **4:350**

recourse, nonrecourse debt becoming, **4:421**

recourse debt becoming nonrecourse, **4:422**

refinancing problem cured, **4:389, 4:405**

regulations of 1988, generally, **4:397 to 4:408**

related party guarantees, deficit repayment obligation, **4:334**

related persons, loans by, **4:398 to 4:401**

relevance of prior law, **4:311 to 4:316**

PARTNERSHIP TAXATION—Cont'd

Allocations—Cont'd
 required language for all partnership agreements, **4:416**
 retroactive allocation of deductions, **4:437 to 4:440**
 retroactive vs prospective treatment, **4:395**
 revaluations, **4:386, 4:420**
 risk of loss, **4:399**
 safe harbor, **4:354**
 sample QIO/minimum gain chargeback clauses, **4:408**
 sample qualified income offset, **4:431**
 significant features of final nonrecourse regulations, **4:371**
 significant item consistency requirement, **4:380 to 4:382**
 staged admissions, **4:342**
 substantial economic effect
 generally, **4:329 to 4:354**
 flow chart, **4:432**
 substantiality, **4:351 to 4:354**
 summary of changes, final 704(B) regulations, **4:327**
 tax planning under final nonrecourse regulations, **4:393, 4:394**
 temporary regulations of 1988, **4:313**
 tiered partnerships, **4:406, 4:439**
 total payments between section 736(a) and 736(b), **4:170**
 varying interest rule, **4:438**
 voiding of qualified allocations by qualified income offset, **4:347**
 waiver by IRS, **4:424**
 Alternate economic effect test
 generally, **4:322, 4:338 to 4:348**
 allocations, above
 Amendments, **4:314, 4:409**
 Amount of partnership minimum gain, determining, **4:373 to 4:375**
 Anti abuse rule
 association versus partnership, **4:11**
 debt in outside basis, **4:110, 4:126, 4:139, 4:148**
 pre contribution gain or loss, **4:254, 4:279, 4:300**
 Applicable cases and rulings, **4:316, 4:318 to 4:320**
 Association versus partnership, **4:9 to 4:11**
 Background to final 1991/1992 regulations, **4:411 to 4:413**
 “Bad boy” clauses, **4:80**
 Basis
 generally, **4:52 to 4:164**
 adjustments to inside basis, **4:161 to 4:164**
 debt in outside basis, below

PARTNERSHIP TAXATION—Cont'd

Basis—Cont'd
 inside basis, **4:53, 4:161 to 4:164**
 outside basis
 generally, **4:54 to 4:58**
 death, effect of, **4:57**
 debt in outside basis, above
 elements, **4:54**
 loss limitation, **4:55**
 resyndication of partnership interests, **4:455**
 section 351 contributions, **4:58**
 tacking of holding period, **4:56**
 overview, **4:52, 4:53**
 pre contribution gain or loss, **4:268, 4:297**
 section 708 termination, **4:163**
 section 732(d) election, **4:164**
 section 754 election, **4:162**
 Bifurcation/wraparound mortgages, **4:86**
 Book item vs tax items, **4:382**
 Book-tax allocations, **4:365**
 Book value capital, **4:325**
 Built-in gain or loss, **4:238**
 Business considerations, **4:2**
 Calculating income reduction items, **4:346**
 Campbell decisions, **4:189 to 4:194**
 Capital accounts
 allocations, above
 maintenance rules, **4:324, 4:355 to 4:366**
 partner funded liabilities, **4:391**
 savings clause, **4:430**
 Capital contribution, obligation to make, **4:69 to 4:71**
 Capital interest vs profits interest, **4:194**
 Case law and rulings, **4:316**
 Ceiling rule issues, **4:236, 4:260 to 4:262, 4:274**
 Centralized management, **4:16**
 Chargebacks. Allocations, above
 Chart of section 704(b), **4:119**
 “Check the box” - 1996 final regulations, **4:10**
 Clarification of partners’ interest in partnership, **4:323**
 Closely-held businesses, **4:8**
 Closing of partnership year, **4:172**
 Compensating service partners, transactions
 between
 generally, **4:181 to 4:194**
 Campbell decisions, **4:189 to 4:194**
 capital interest vs profits interest, **4:194**
 compensation, partnership interest as, **4:182**
 court of appeal analysis of Campbell, **4:192**
 current income inclusion, benefits of, **4:183**
 legislative history, **4:186, 4:187**
 management fee as guaranteed payments, **4:185**

PARTNERSHIP TAXATION—Cont'd

Compensating service partners, transactions between—Cont'd
 property, payments to partners for, **4:186 to 4:188**
 receipt of an interest as taxable event, **4:191**
 services, payments to partners for, **4:186 to 4:188**
 valuation issue of Campbell, **4:193**
 valuation issues, **4:184**
 Compensation, partnership interest as, **4:182**
 Congressional reaction, **4:62**
 Consistency requirement, **4:280**
 Construction completion guarantees, **4:84**
 Contingent indemnification agreements, **4:79**
 Contingent purchase price, **4:159**
 Continuing partners, recognition of gain by, **4:168**
 Continuity of life characteristic, **4:15**
 Contributions, **4:47, 4:263 to 4:265, 4:423**
 Corporate general partners, **4:12**
 Court of appeal analysis of Campbell, **4:192**
 Criteria for characterization as sale or liquidation, **4:174**
 Cross references to post-1987 Act developments, **4:5**
 Curative allocations. Pre contribution gain or loss, below
 Current income inclusion, benefits of, **4:183**
 Dealer property, **4:269**
 Debt, deductions attributable to, generally, **4:370 to 4:395**
 Debt in outside basis
 generally, **4:59 to 4:160**
 anti abuse rule, **4:110, 4:126, 4:139, 4:148**
 “bad boy” clauses, **4:80**
 bifurcation/wraparound mortgages, **4:86**
 capital contribution, obligation to make, **4:69 to 4:71**
 chart of section 704(b), **4:119**
 Congressional reaction, **4:62**
 construction completion guarantees, **4:84**
 contingent indemnification agreements, **4:79**
 contingent purchase price, **4:159**
 December 1988 regulations, generally, **4:63 to 4:102**
 deferred payments, **4:73**
 deficit capital account restoration obligations, **4:138, 4:147**
 deficit restoration obligation, **4:74**
 definition of related person, **4:66, 4:105**
 de minimis rule, **4:107, 4:113, 4:129, 4:135, 4:143**
 detailed analysis, generally, **4:116 to 4:131**
 direct partner loans and guarantees, **4:98 to 4:102**

PARTNERSHIP TAXATION—Cont'd

Debt in outside basis—Cont'd
 disguised guarantees, **4:81 to 4:85**
 economic risk of loss, **4:68 to 4:74**
 effective date and transition rules
 generally, **4:93 to 4:102**
 direct partner loans and guarantees, **4:98 to 4:102**
 elections, **4:109**
 grandfathered loan basis, **4:95**
 modifying pre-January 30, 1989 related person loans, **4:97**
 nonrecourse characterization, effect of, **4:96**
 November 1989 amendments, **4:103 to 4:107**
 post-February 29, 1984 loans, **4:99**
 pre-March 1, 1984 loans, **4:100 to 4:102**
 related person loans, **4:94 to 4:97**
 reproposed section 752 regulations, below
 elections
 final regulations under section 752, **4:150, 4:152, 4:155, 4:156**
 reproposed section 752 regulations, **4:117, 4:120, 4:123, 4:124**
 equity interests, **4:160**
 final regulations under section 752
 generally, **4:133 to 4:158**
 alternative elections, **4:156**
 anti abuse rule, **4:139, 4:148**
 background, **4:133**
 conclusion, **4:158**
 deficit capital account restoration obligations, **4:138, 4:147**
 de minimis rule, **4:135, 4:143**
 detailed analysis, generally, **4:142 to 4:148**
 effective dates, **4:140, 4:141, 4:149 to 4:157**
 elections, **4:150, 4:152, 4:155, 4:156**
 interest guarantees, **4:136, 4:144**
 layering rules, **4:155**
 material modification, **4:157**
 nonrecourse liabilities, partners' share of, **4:134, 4:142**
 pledged or contributed property, **4:137, 4:145, 4:146**
 section 708 deemed termination, **4:151, 4:154**
 summary of changes, **4:134 to 4:141**
 temporary regulations, **4:141, 4:152 to 4:154**
 ten percent de minimis rule, **4:135, 4:143**
 transition rule, **4:152**
 grandfathered loan basis, **4:95**
 guarantees, **4:72**
 interest guarantee rule, **4:106**
 interest guarantees, **4:85, 4:111, 4:127, 4:136, 4:144**

PARTNERSHIP TAXATION—Cont'd

Debt in outside basis—Cont'd
 layering rules, **4:123, 4:155**
 limited partnership, obligation to make capital contribution, **4:71**
 master lease arrangements, **4:82**
 material modification, **4:125 to 4:131, 4:157**
 minimum gain basis layering, **4:88**
 modifying pre-January 30, 1989 related person loans, **4:97**
 net worth of guarantor, **4:78**
 nonrecourse liabilities
 characterization, effect of, **4:96**
 December 1988 regulations, **4:87 to 4:90**
 loans, **4:75**
 partners' shares of, **4:130, 4:134, 4:142**
 reproposed section 752 regulations, **4:114**
 November 1989 amendments, **4:103 to 4:107**
 participating mortgages, **4:160**
 pledged property
 assets or interests, **4:76, 4:77**
 contributed or pledged property, **4:137, 4:145, 4:146**
 valuation of, **4:112, 4:128**
 post-February 29, 1984 loans, **4:99**
 pre-1989 regulations, **4:60**
 pre-March 1, 1984 loans, **4:100 to 4:102**
 prior law, **4:59 to 4:62**
 Raphan, **4:61**
 recourse liabilities
 generally, **4:65 to 4:86**
 “bad boy” clauses, **4:80**
 bifurcation/wraparound mortgages, **4:86**
 capital contribution, obligation to make, **4:69 to 4:71**
 construction completion guarantees, **4:84**
 contingent indemnification agreements, **4:79**
 deferred payments, **4:73**
 deficit restoration obligation, **4:74**
 definition of related person, **4:66**
 disguised guarantees, **4:81 to 4:85**
 economic risk of loss, **4:68 to 4:74**
 guarantees, **4:72**
 interest, guarantees of, **4:85**
 limited partnership, obligation to make capital contribution, **4:71**
 master lease arrangements, **4:82**
 net worth of guarantor, **4:78**
 nonrecourse loans, **4:75**
 pledge of assets or interests, **4:76, 4:77**
 subrogation, **4:72**
 tenant equity participation, **4:83**
 zero value liquidation test, **4:67**
 related person loans, **4:94 to 4:97**

PARTNERSHIP TAXATION—Cont'd

Debt in outside basis—Cont'd
 reproposed section 752 regulations
 generally, **4:108 to 4:132**
 alternative elections, **4:124**
 anti abuse rule, **4:110, 4:126**
 background, **4:108**
 chart of section 704(b), **4:119**
 conclusion, **4:132**
 de minimis exception, **4:113, 4:129**
 detailed analysis, generally, **4:116 to 4:131**
 effective dates, generally, **4:109, 4:116 to 4:131**
 elections, **4:117, 4:120, 4:123, 4:124**
 interest guarantees, **4:111, 4:127**
 layering rules, **4:123**
 material modification of debt, effect of, **4:125 to 4:131**
 nonrecourse liabilities, share of, **4:114, 4:130**
 pledged property, valuation of, **4:112, 4:128**
 risk of loss, DRO as creating, **4:115, 4:131**
 section 708 deemed termination, **4:118, 4:122**
 summary of changes, **4:109 to 4:115**
 temporary regulations, **4:120 to 4:122**
 ten percent de minimis exception, **4:113, 4:129**
 transition rule, **4:121**
 residual basis layering, **4:90**
 risk of loss, DRO as creating, **4:115, 4:131**
 section 704(c) basis layering, **4:89**
 section 708 deemed termination, **4:118, 4:122, 4:151, 4:154**
 shifts between recourse and nonrecourse debt, **4:91**
 stacking, **4:87 to 4:90**
 subrogation, **4:72**
 summary of changes, **4:109 to 4:115, 4:134 to 4:141**
 temporary regulations, **4:120 to 4:122, 4:141, 4:152 to 4:154**
 tenant equity participation, **4:83**
 ten percent de minimis exception, **4:113, 4:129**
 ten percent de minimis rule, **4:135, 4:143**
 tiered partnerships, **4:92**
 transition rules. Effective date and transition rules, above in this group
 zero value liquidation test, **4:67**
 Deceased partner, estate tax consequences for, **4:175, 4:176**
 Deferral
 compensating service partners, deferred compensation, **4:188**
 debt in outside basis, **4:73**
 interest payments, **4:452**

PARTNERSHIP TAXATION—Cont'd

Deferral—Cont'd
 ordinary income, **4:171**
 pre contribution gain or loss, below
 Deficit capital account restoration obligations, **4:138, 4:147**
 Deficit repayment obligations, **4:332 to 4:334, 4:381, 4:440**
 Deficit restoration obligations, **4:74, 4:427**
 Definitions, **4:66, 4:105, 4:400, 4:412**
 De minimis rule
 debt in outside basis, **4:107, 4:113, 4:129, 4:135, 4:143**
 pre contribution gain or loss, **4:255**
 Depreciation recapture, **4:442**
 Determining existence of nonrecourse liabilities, generally, **4:372 to 4:376**
 Direct partner loans and guarantees, **4:98 to 4:102**
 Discharge of indebtedness, **4:463 to 4:466**
 Disclosure, disguised sales, **4:214, 4:229**
 Disguised guarantees, **4:81 to 4:85**
 Disguised sales
 generally, **4:195 to 4:231**
 accrued but unpaid items, **4:221**
 background, **4:195, 4:196**
 disclosure, **4:214, 4:229**
 distribution of operating cash flow, **4:206**
 distribution of post-contribution financing proceeds, **4:213**
 effective dates, **4:215, 4:230**
 effect of characterization as, **4:201 to 4:203**
 guaranteed payments for capital and preferred returns, presumptions, **4:205**
 liabilities, treatment of, generally, **4:208 to 4:213**
 net cash flow definition, **4:219**
 netting of qualified and non qualified liabilities, **4:226**
 non qualified liabilities, **4:210 to 4:212**
 nonrecourse liabilities, **4:212, 4:224**
 OID sale problem, **4:231**
 pre contribution borrowings, generally, **4:223 to 4:228**
 preformation expenditures, **4:222**
 present value rule, **4:202**
 presumptions, **4:204 to 4:207**
 prior law, **4:195**
 proposed and final regulations, generally, **4:197 to 4:203**
 “qualified liabilities,” **4:209**
 reasonable preferred returns, **4:220**
 recourse liabilities, **4:211**
 refinancing, **4:227**
 reimbursement of preformation expenditures, **4:207**

PARTNERSHIP TAXATION—Cont'd

Disguised sales—Cont'd
 section 707(a)(2)(B), generally, **4:196**
 special allocation of imputed interest deduction required, **4:203**
 summary of changes, **4:216 to 4:231**
 terminations of section 707(b)(1)(B), **4:217**
 tiered partnerships, **4:228**
 trade payables, **4:225**
 2004 proposed regulations, **4:199**
 2014 proposed regulations, **4:200**
 value rule in multiple property contributions, **4:218**
 Distortions, pre contribution gain or loss, **4:261, 4:289**
 Distributions
 generally, **4:48 to 4:51**
 disguised sales, **4:206, 4:213**
 pre contribution gain or loss, **4:270, 4:271**
 Distributive share of income and loss, **4:44**
 Drafting minimum gain chargeback, **4:388**
 Economic effect equivalence, **4:337**
 Economic effect of regulations of 1995, **4:311**
 Economic risk of loss, **4:68 to 4:74, 4:399**
 Effective dates
 allocations, above
 debt in outside basis, above
 disguised sales, **4:215, 4:230**
 pre contribution gain or loss, **4:258**
 Elections
 debt in outside basis, above
 large partnerships (ELPs), electing, **4:6**
 partnership provisions, electing out of, **4:4**
 Equity interests, debt in outside basis, **4:160**
 Estate tax consequences for deceased partner, **4:175, 4:176**
 Exceptions and special rules, pre contribution gain or loss, **4:254 to 4:259**
 Exchanges of partnership interest, **4:167**
 Executive summary of final 704(B) regulations concerning economic effect, generally, **4:321 to 4:326**
 Expansion of chargeback requirement, **4:425**
 Fair market value capital accounts, **4:358 to 4:366, 4:376**
 Final 704(B) regulations concerning economic effect, generally, **4:321 to 4:433**
 Final 1991/1992 regulations, generally, **4:410 to 4:433**
 Final debt regulations, **4:315**
 Final nonrecourse regulations, **4:344**
 Final regulations under section 752
 Five year distribution rule, **4:308**
 Foreign partnerships, **4:7**
 Forfeiture termination, tax consequences, **4:177, 4:178**

PARTNERSHIP TAXATION—Cont'd

- Free transferability characteristic, advance ruling requirements - revenue procedure 89-12, **4:16**
- Fully subscribed partnerships, **4:368**
- Funded or guaranteed liabilities, **4:390 to 4:392**
- Gain allocation on sale, pre contribution gain or loss, **4:243**
- Grandfathered provisions
 - debt in outside basis, **4:95**
 - related party debt, exemption for, **4:426**
- Guaranteed payments for capital and preferred returns, presumptions, **4:205**
- Guarantees, debt in outside basis, **4:72**
- Income and gain items comprising minimum gain chargeback, **4:387**
- Income in respect of a decedent, **4:176**
- Inside basis
 - generally, **4:53, 4:161 to 4:164**
 - resyndication of partnership interests, **4:454**
- Insolvency of partnership, discharge of indebtedness on, **4:464**
- Installment sales, **4:363**
- Intangible property distributions, **4:51**
- Interest. Debt in outside basis, above
- Interests of partnership, resyndication of, **4:456, 4:460**
- Interplay with interests in partnership test, **4:348**
- Investment in nonbasis items, **4:343**
- Investment tax credit, **4:434 to 4:436**
- IRS discretionary waiver, **4:424**
- IRS request for comments , pre contribution gain or loss, **4:259**
- Layering rules, **4:123, 4:155**
- Liabilities, treatment of, generally, **4:208 to 4:213**
- Limited liability companies
 - generally, **4:22 to 4:43**
 - for detailed treatment see index heading
- LIMITED LIABILITY COMPANIES
- Limited partnership, obligation to make capital contribution, **4:71**
- Liquidation of partnership interest
 - generally, **4:168 to 4:178**
 - allocation of total payments between section 736(a) and 736(b), **4:170**
 - closing of partnership year, **4:172**
 - continuing partners, recognition of gain by, **4:168**
 - criteria for characterization as sale or liquidation, **4:174**
 - deceased partner, estate tax consequences for, **4:175, 4:176**
 - deferral of ordinary income, **4:171**
 - estate tax consequences for deceased partner, **4:175, 4:176**

PARTNERSHIP TAXATION—Cont'd

- Liquidation of partnership interest—Cont'd
 - final 704(B) regulations, **4:335, 4:362, 4:363**
 - forfeiture termination, tax consequences, **4:177, 4:178**
 - income in respect of a decedent, **4:176**
 - pre contribution gain or loss, **4:244**
 - recap of differing income tax consequences of sale and liquidation, **4:173**
 - recognition of gain, **4:168 to 4:171**
 - retiring partners, recognition of gain by, **4:169 to 4:171**
- Loan minimum gain chargeback, **4:392**
- Low income housing, resyndication of partnership interests, **4:459**
- Management fee as guaranteed payments, **4:185**
- Mandatory chargebacks, **4:403**
- Mandatory market value adjustment, **4:364 to 4:366**
- Market value adjustment, **4:364 to 4:366**
- Master lease arrangements, **4:82**
- Material modification, debt in outside basis, **4:125 to 4:131, 4:157**
- Mergers and acquisitions, **4:179**
- Minimum gain
 - allocations, above
 - debt in outside basis, **4:88**
- Miscellaneous allocation rules, **4:441, 4:442**
- Net cash flow definition, **4:219**
- Net decrease in minimum gain, **4:419**
- Netting of qualified and non qualified liabilities, **4:226**
- Net worth of guarantor, **4:78**
- New investors, admission of, **4:361**
- Newly required minimum gain chargebacks, **4:415**
- New partnerships, impact of final regulations on, **4:367 to 4:369**
- Non qualified liabilities, disguised sales, **4:210 to 4:212**
- Non recognition transactions, **4:282**
- Nonrecourse liabilities
 - allocations, above
 - debt in outside basis, above
 - disguised sales, **4:212, 4:224**
 - pre contribution gain or loss, **4:301**
- November 1989 amendments, debt in outside basis, **4:103 to 4:107**
- Offering stage partnerships, **4:369**
- Offsetting allocation test, **4:353**
- OID sale problem, **4:231**
- One percent interest of general partners, **4:18**
- Open issues under alternate economic effect test, **4:345 to 4:348**
- Optional one-time restatement, **4:359**
- Other changes made to final regulations, **4:396**

PARTNERSHIP TAXATION—Cont'd

Outside basis. Basis, above
 Overview, **4:1, 4:310 to 4:317**
 Partial sale distortion, protection from, **4:429**
 Partner loan chargebacks, **4:392, 4:404**
 Partner's interests in partnership test, **4:349**
 Pitfalls, **4:3**
 Planning techniques, **4:428 to 4:431**
 Pledged property. Debt in outside basis, above
 Pre contribution gain or loss
 generally, **4:232 to 4:309**
 accounts payable, **4:283**
 aggregation, **4:256, 4:286, 4:287**
 amount of curative allocation permitted, **4:291**
 amount of remedial allocation, **4:298**
 anti abuse rule, **4:254, 4:279, 4:300**
 applicable property, **4:237**
 background to 1993 regulations, **4:273, 4:274**
 basis bifurcation, **4:268, 4:297**
 built-in gain or loss, **4:238**
 ceiling rule issues, **4:236, 4:260 to 4:262, 4:274**
 character of deferred sale or gain, **4:252**
 comparison of methods, **4:302**
 conclusion, **4:303**
 consistency requirement, **4:280**
 contributions of multiple properties, **4:263 to 4:265**
 curative allocations
 ceiling rule issues, **4:262**
 final 1993 section 704(c) regulations, **4:288 to 4:295**
 reasonable method, **4:277**
 traditional method, **4:246 to 4:248**
 current law, **4:234**
 dealer property, **4:269**
 deferred sale method issues, generally, **4:249 to 4:253, 4:266 to 4:271**
 de minimis rule, **4:255**
 disguised sales, **4:223 to 4:228**
 distortions, **4:261, 4:289**
 distributions to contributing partner, **4:309**
 distribution triggering rules, **4:270, 4:271**
 drafting of curative allocation, **4:294**
 effective date, **4:258**
 exceptions and special rules, **4:254 to 4:259**
 final 1993 regulations, generally, **4:272 to 4:303**
 final 1995 regulations, **4:305 to 4:307**
 five year distribution rule, **4:308**
 gain allocation on sale, **4:243**
 IRS request for comments, **4:259**
 liquidation of partnership, **4:244**
 multiple properties, contributions of, **4:263 to 4:265**

PARTNERSHIP TAXATION—Cont'd

Pre contribution gain or loss—Cont'd
 non recognition transactions, **4:282**
 nonrecourse liability rules, **4:301**
 overview, **4:232**
 pre-1984 Act law, **4:233**
 proposed 1992 regulations, generally, **4:235 to 4:271**
 proposed 1995 regulations, **4:304**
 reasonable curative allocations, **4:247**
 reasonable methods, **4:239, 4:275 to 4:278**
 remedial allocation method, generally, **4:278, 4:296 to 4:302**
 securities partnership aggregation, **4:287**
 small disparities, **4:285**
 tax depreciation allocations, **4:242**
 tax planning opportunities, **4:295**
 tiered partnerships, **4:257, 4:284**
 timing of curative allocation, **4:292**
 traditional method, generally, **4:240 to 4:245, 4:276, 4:277**
 traditional method vs deferred sale method, **4:267**
 transferees, effect on, **4:281**
 triggering rules, **4:250, 4:251, 4:270, 4:271**
 type of curative allocation, **4:293**
 type of income, remedial allocation, **4:299**
 unreasonable curative allocations, **4:248**
 unreasonable use of traditional method, **4:245**
 Preformation expenditures, **4:222**
 Present value rule, **4:202, 4:352**
 Presumptions, disguised sales, **4:204 to 4:207**
 Primary economic effect test, **4:331 to 4:336**
 Prior law, **4:311 to 4:316**
 Promissory notes, deficit repayment obligation, **4:333**
 Property, payments to partners for, **4:186 to 4:188**
 Purchase of interest, **4:336**
 Qualified income offset, **4:340, 4:347**
 "Qualified liabilities," **4:209**
 Raphan, debt in outside basis, **4:61**
 Reallocation examples, **4:350**
 Reasonable methods, pre contribution gain or loss, **4:239, 4:275 to 4:278**
 Reasonable preferred returns, disguised sales, **4:220**
 Recap of differing income tax consequences of sale and liquidation, **4:173**
 Receipt of an interest as taxable event, **4:191**
 Recognition of gain, **4:168 to 4:171**
 Recourse liabilities
 debt in outside basis, above
 disguised sales, **4:211**
 nonrecourse debt becoming, **4:421**
 Refinancing, **4:227, 4:389, 4:405**

PARTNERSHIP TAXATION—Cont'd

- Regulations of 1988, generally, **4:397 to 4:408**
- Reimbursement of preformation expenditures, **4:207**
- REIT foreclosures, discharge of indebtedness on, **4:465**
- Related party guarantees, deficit repayment obligation, **4:334**
- Related person loans, **4:94 to 4:97, 4:398 to 4:401**
- Relevance of prior law, **4:311 to 4:316**
- Remedial allocation method. Pre contribution gain or loss, above
- Reporting requirements, foreign partnerships, **4:7**
- Reproposed section 752 regulations. Debt in outside basis, above
- Required language for all partnership agreements, **4:416**
- Residual basis layering, **4:90**
- Resyndication of partnership interests
 - generally, **4:444 to 4:462**
 - basis step-up, **4:456 to 4:459**
 - cash payment at closing, **4:448, 4:449**
 - deferral of interest payments, **4:452**
 - format, **4:444 to 4:447**
 - form of entity, **4:446**
 - inside basis, debt in, **4:454**
 - interest purchase, **4:456, 4:460**
 - low income housing, **4:459**
 - outside basis, debt in, **4:455**
 - overview, **4:444**
 - participating mortgages, **4:450**
 - preexisting liabilities, **4:460**
 - retroactive allocation of deductions, **4:461, 4:462**
 - section 708 termination, **4:458**
 - section 754 election, **4:457**
 - seller and buyer objectives, generally, **4:448 to 4:462**
 - tiered partnerships, **4:447**
 - tiered partnerships, retroactive allocation of deductions, **4:462**
 - types of resyndications, **4:445**
 - wraparound mortgages, **4:451**
- Retiring partners, recognition of gain by, **4:169 to 4:171**
- Retroactive allocation of deductions
 - generally, **4:437 to 4:440**
 - resyndication of partnership interests, **4:461, 4:462**
- Retroactive vs prospective treatment, **4:395**
- Revaluations, **4:386, 4:420**
- Risk of loss, **4:68 to 4:74, 4:115, 4:131, 4:399**
- Safe harbor, **4:354**
- Sales of partnership interest, **4:166**

PARTNERSHIP TAXATION—Cont'd

- Sample QIO/minimum gain chargeback clauses, **4:408**
- Sample qualified income offset, **4:431**
- S corporations distinction from, **3:47**
- Section 83 election, **4:187**
- Section 409A, deferred compensation, **4:188**
- Section 704(C). Pre contribution gain or loss, above
- Section 704(c) basis layering, **4:89**
- Section 707(a)(2)(B), generally, **4:196**
- Section 708 deemed termination, **4:118, 4:122, 4:151, 4:154**
- Section 708 termination, **4:163, 4:458**
- Section 732(d) election, **4:164**
- Section 754 election, **4:162, 4:457**
- Services, payments to partners for, **4:186 to 4:188**
- Shifts between recourse and nonrecourse debt, **4:91**
- Significant features of final nonrecourse regulations, **4:371**
- Significant item consistency requirement, **4:380 to 4:382**
- Small disparities, pre contribution gain or loss, **4:285**
- Small partnerships, **4:8**
- Special allocation of imputed interest deduction required, **4:203**
- Stacking, debt in outside basis, **4:87 to 4:90**
- Staged admissions, **4:342**
- Status of partnership, generally, **4:9 to 4:43**
- Subchapter K, generally, **4:44 to 4:179**
- Subrogation, debt in outside basis, **4:72**
- Substantial economic effect. Allocations, above
- Substantiality, **4:351 to 4:354**
- Summary of changes, final 704(B) regulations, **4:327**
- Taxable year, **4:45**
- Tax depreciation allocations, **4:242**
- Tax planning, **4:295, 4:393, 4:394**
- Temporary regulations
 - debt in outside basis, **4:120 to 4:122, 4:141, 4:152 to 4:154**
 - regulations of 1988, **4:313**
- Tenant equity participation, **4:83**
- Ten percent de minimis rule, **4:113, 4:129, 4:135, 4:143**
- Termination of partnership, **4:46**
- Terminations of section 707(b)(1)(B), **4:217**
- Tiered partnerships
 - debt in outside basis, **4:92**
 - disguised sales, **4:228**
 - final regulations of 1991/1992, **4:439**
 - foreign investment in US real estate: withholding obligations, **16:16**

PARTNERSHIP TAXATION—Cont'd

- Tiered partnerships—Cont'd
 - pre contribution gain or loss, **4:257, 4:284**
 - regulations of 1988, **4:406**
 - resyndication of partnership interests, **4:447, 4:462**
 - tax shelters, **17:59**
 - two-tier partnerships, Investment Company Act of 1940, **2:78**
 - unrelated business taxable income (UBTI), **13:27**
- Timing of curative allocation, **4:292**
- Trade payables, disguised sales, **4:225**
- Traditional method, pre contribution gain or loss, above, **4:276**
- Transactions between partners and partnership, generally, **4:180 to 4:309**
- Transfers of partnership interest, **4:165 to 4:167**
- Transition rules. Debt in outside basis, above
- Triggering rules, pre contribution gain or loss, **4:250, 4:251, 4:270, 4:271**
- Two-tier partnerships, Investment Company Act of 1940, **2:78**
- Unreasonable curative allocations, **4:248**
- Unreasonable use of traditional method, **4:245**
- Value and valuation, **4:184, 4:193, 4:218**
- Varying interest rule, **4:438**
- Voiding of qualified allocations by qualified income offset, **4:347**
- Waiver by IRS, **4:424**
- Wraparound mortgages, **4:451**
- Zero value liquidation test, **4:67**

PART TIME RENTALS

- Deductions, **10:100**

PASSIVE ACTIVITY LOSSES AND CREDITS

- Generally, **6:1 to 6:268**
- ABA passive loss comments
 - generally, **6:140 to 6:146**
- C corporation electing S corporation status, **6:143**
- consolidated returns, **6:144**
- liquidations, **6:141**
- PALs as corporate attributes, **6:142**
- personal service corporations, **6:145**
- S corporation status, C corporation electing, **6:143**
- working capital reserves, **6:146**
- Active participation requirement. Rental real estate activities \$25,000 exemption
- Activities as passive activities, determination of, generally, **6:20 to 6:43**
- Adjusted gross income (AGI) phase-out, **6:93**
- Affiliated corporations filing consolidated returns, **6:216**

PASSIVE ACTIVITY LOSSES AND CREDITS—Cont'd

- Aggregation and integration
 - generally, **6:226 to 6:237**
 - aggregation, generally, **6:227 to 6:231**
 - common control, **6:234, 6:236**
 - integration, generally, **6:232 to 6:234**
 - lines of business, **6:230**
 - overview, **6:226**
 - professional service undertakings, aggregation of, **6:235 to 6:237**
 - same interests, control by, **6:228**
 - significant interests, **6:237**
 - similar undertakings, **6:229**
 - trade or business activities, **6:233**
 - vertical integration, **6:231**
- Alternative minimum tax, **6:118, 12:8**
- Alternative tests. Material participation defined, below
- Amendments to 1988 regulation
 - generally, **6:246 to 6:253**
 - carryover of disallowed deductions, **6:249**
 - dealer property, **6:251**
 - disposition of property, **6:250**
 - liquidation of partnership interest, **6:252**
 - material participation rule, **6:253**
 - partnership interest, liquidation of, **6:252**
 - rental activity, **6:248**
 - self-developed property recharacterization rule, **6:247**
- Analysis of passive loss rules, generally, **6:13 to 6:122**
- Applicability of rules to taxpayer, determining, **6:14 to 6:19**
- Apportioning suspended losses, **6:57**
- At risk rules, **5:18**
- Borrowing to make self-charged loans, **6:73**
- Brother-sister passthrough entity loans, **6:79**
- Business. Trade or business, below
- Capitalized interest, **6:80**
- Carry forwards, **6:44, 6:45**
- Carryover of disallowed deductions, **6:249**
- Casualty losses, exemption for, **6:255**
- C corporations. Closely held C corporations, below
- Certification requirement for low-income housing, **6:109**
- Change or modification
 - amendments, above
 - determining applicability or rules, change in status, **6:19**
 - limited liability status, **6:214**
 - rental real estate activities \$25,000 exemption, change in involvement, **6:100**
 - trade or business with no material participation, change in status, **6:40**

PASSIVE ACTIVITY LOSSES AND CREDITS

—Cont'd

Characterization rules
 generally, **6:179 to 6:208**
 dealer investment property, **6:181**
 deemed sale rule, **6:202**
 fiscal year entities, **6:207**
 income recharacterization rules, **6:188 to 6:193**
 installment sales pre-1987, **6:200**
 lending business/equity financed lending rule, **6:193**
 licensing by passthrough entity, **6:186**
 limited partners, **6:208**
 multiple activities, **6:197, 6:198**
 non-depreciable property rents, **6:192**
 overview, **6:179**
 owner development services, **6:187**
 partners, generally, **6:201 to 6:208**
 portfolio and service income, **6:180 to 6:183**
 preferred and guaranteed returns, **6:194**
 rental of self-developed property, **6:190**
 retirement payments and distributions, **6:183, 6:206**
 royalties from intangibles, **6:185 to 6:187**
 sales
 interest by partners and S corporation
 shareholders, generally, **6:201 to 6:205**
 passive activity, **6:196 to 6:199**
 S corporation shareholders, generally, **6:201 to 6:208**
 self-acquired property, **6:191**
 significant participation activities, **6:189**
 special disposition rules, **6:195 to 6:200**
 substantially appreciated interest in property, **6:199**
 ten percent rule, **6:203**
 tiered entities, **6:205**
 trading personal property (securities), **6:184**
 transition rule, **6:204**
 twelve month rule, **6:198**
 Closely held C corporations
 ABA passive loss comments, **6:143**
 determining applicability of rules, **6:17**
 nonpassive income, **6:67**
 rules in a nutshell, **6:10**
 third installment of IRS passive loss regulations, **6:265**
 Common control, aggregation and integration, **6:234, 6:236**
 Computation. Rental real estate activities \$25,000 exemption, below
 Condominium hotels, **6:133**
 Consolidated groups, **6:18, 6:243**
 Consolidated returns, **6:144**
 Contributed use property, **6:157**

PASSIVE ACTIVITY LOSSES AND CREDITS

—Cont'd

Control by same interests, **6:228**
 Coordination of PACs with other credit limitations, **6:62**
 Corporations
 closely held C corporations, above
 material participation by, **6:36**
 S corporations, below
 structuring considerations, **6:125**
 Cumulative return, **6:136**
 Dealers, **6:25, 6:181, 6:251**
 Deduction equivalence, **6:103**
 Deemed sale rule, **6:202**
 Deferring deduction of losses, **6:5**
 Definitions
 generally, **6:150 to 6:178**
 material participation defined, below
 rental activity defined, below
 third installment of IRS passive loss regulations, **6:257**
 trade or business, **6:31, 6:158**
 Disallowance of credit, low-income housing, **6:112**
 Disposition of property
 amendments to 1988 regulation, **6:250**
 passive activity losses (PALs), **6:50 to 6:58**
 third installment of IRS passive loss regulations, **6:264**
 Distribution guaranty vs guaranteed profit, **6:139**
 Effective dates and transitional rules
 characterization rules, **6:204**
 passive loss regulations, **6:217**
 second installment of IRS passive loss regulations, **6:245**
 self-charged interest, **6:84**
 Election or option, **6:22, 6:82, 6:239 to 6:241**
 Estates and trusts
 low-income housing, delayed application of limitations and exemptions to, **6:111**
 passive activity losses (PALs), **6:52**
 rental real estate activities \$25,000 exemption, **6:98**
 rules in a nutshell, **6:10**
 trade or business with no material participation, **6:39**
 Exceeding passive income, **6:8**
 Exceptions. Rental activity defined, below
 Exemptions. Limitations and exemptions, application of, below
 Extraordinary services rule, **6:154**
 Facts and circumstances rule, **6:167**
 Fees, self-charged interest, **6:81, 6:85**
 Final 1995 regulations, **6:268**
 Fiscal year entities, **6:80, 6:207**
 Fiscal year limited partnerships, **6:176**

PASSIVE ACTIVITY LOSSES AND CREDITS**—Cont'd**

Five hundred hours test, material participation defined, **6:161**
 Form of ownership, **3:119**
 “For profit” activities, **6:38**
 Gifts, special rules for, **6:52**
 Gross receipts vs guarantee of profit, **6:138**
 Ground lease, **6:28**
 Grouping rules, **6:258 to 6:260**
 Guaranteed cash return, **6:135 to 6:139**
 Hybrid offerings, structuring considerations, **6:124**
 Illusory dispositions, **6:55**
 Income recharacterization rules, **6:188 to 6:193**
 Indemnity, effect of, **6:212**
 Installment sales, **6:51, 6:66, 6:134, 6:200**
 Interest and usury
 allocation regulations, **6:129**
 passive activity losses (PALs), **6:49**
 rental activities as passive, **6:26**
 Interest deduction, **8:10**
 Investment income, **6:119**
 Investor, participation as, **6:169**
 IRS regulatory action, generally, **6:130 to 6:132**
 Lending business/equity financed lending rule, **6:193**
 Licensing by passthrough entity, **6:186**
 Limitations and exemptions, application of
 generally, **6:91 to 6:122**
 casualty losses, exemption for, **6:255**
 grouping rules, limitations on, **6:260**
 low-income housing, delayed application of
 limitations and exemptions to, below
 overview, **6:91**
 passive activity losses (PALs), **6:58**
 phase-in percentages for “pre-enactment
 interests,” below
 rental real estate activities \$25,000 exemption,
 below
 rules in a nutshell, **6:11**
 Limited liability, oil and gas issues, **6:211 to 6:215**
 Limited partnerships
 characterization rules, **6:208**
 master limited partnerships (MLPs), **6:88, 6:131**
 material participation by, **6:37, 6:173 to 6:175**
 passive activity losses (PALs), **6:56**
 regulatory authority, **6:88**
 rental real estate activities \$25,000 exemption, **6:95**
 Lines of business, **6:230, 6:254**
 Liquidations, **6:141, 6:252**
 Location, undertaking rules, **6:223**
 Long-standing participation (five year) test, **6:165**

PASSIVE ACTIVITY LOSSES AND CREDITS**—Cont'd**

Low-income housing, delayed application of limitations and exemptions to
 generally, **6:108 to 6:114**
 Act of 1989, **7:121**
 certification requirement, **6:109**
 disallowance of credit, **6:112**
 estates, **6:111**
 mixed use projects, **6:113**
 multiple building, **6:114**
 relief period, **6:110**
 Management fees, self-charged interest, **6:85**
 Master limited partnerships (MLPs), **6:88, 6:131**
 Material participation/blue book, **6:128**
 Material participation defined
 generally, **6:159 to 6:178**
 alternative tests, generally, **6:160 to 6:167**
 amendments to 1988 regulation, **6:253**
 facts and circumstances, **6:167**
 fiscal year limited partnerships, **6:176**
 five hundred hours test, **6:161**
 investor, participation as, **6:169**
 limited partners, **6:173 to 6:175**
 long-standing participation (five year) test, **6:165**
 non-customary owner services, **6:170**
 one hundred hours/most participation, **6:163**
 overview, **6:159**
 participation, defining of, **6:168 to 6:171**
 partners, material participation of, **6:172 to 6:176**
 personal service activity (three year) test, **6:166**
 pre-1987 material participation, **6:177**
 record keeping, **6:178**
 significant participation test, **6:164**
 spousal participation, **6:171**
 substantially all participation test, **6:162**
 Mixed use projects, **6:113**
 Modification. Change or modification, above
 Multiple activities, **6:74, 6:197, 6:198**
 Multiple building, **6:114**
 Net investment income tax, **6:3**
 Net rental realty income (loss), **6:104**
 NOL treatment, **6:101**
 Non-customary owner services, **6:170**
 Non-depreciable property rents, **6:192**
 Non-exclusive use, **6:156**
 Nonexempt portion excluded, **6:117**
 Nonpassive income
 generally, **6:63 to 6:68**
 closely held corporation, **6:67**
 installment sales, **6:66**
 non portfolio income, **6:68**

PASSIVE ACTIVITY LOSSES AND CREDITS

—Cont'd

- Nonpassive income—Cont'd
 - ordinary course of business exception to portfolio income, **6:65**
 - portfolio income, **6:64 to 6:67**
- Non portfolio income, **6:68**
- Oil and gas issues
 - generally, **6:209 to 6:215**
 - change of limited liability status, **6:214**
 - indemnity, effect of, **6:212**
 - interests as both general and limited partner, **6:213**
 - limited liability, **6:211 to 6:215**
 - rules of application, **6:210 to 6:215**
 - second installment of IRS passive loss regulations, **6:242**
 - spouse rule, **6:215**
 - well-by-well determination, **6:210**
 - working interests, **6:42, 6:209**
- Omnibus Budget Reconciliation Act of 1993, **22:31**
- One hundred hours/most participation, **6:163**
- Operating business, structuring considerations, **6:126**
- Ordering rules for credits, **6:107**
- Original issue discount, **6:83**
- Overview
 - generally, **6:1**
 - activities as passive activities, determination of, **6:20**
 - aggregation and integration, **6:226**
 - analysis of passive loss rules, **6:13**
 - characterization rules, **6:179**
 - limitations and exemptions, application of, **6:91**
 - material participation defined, **6:159**
 - passive activity losses (PALs), **6:48**
 - rental real estate activities \$25,000 exemption, **6:92**
 - second installment of IRS passive loss regulations, **6:220**
 - third installment of IRS passive loss regulations, **6:256**
- Partners and partnerships
 - amendments to 1988 regulation, **6:252**
 - characterization rules, above
 - determining applicability or rules, **6:15**
 - material participation defined, **6:172 to 6:176**
 - personal service of, **6:86**
 - rental activities as passive, **6:26**
 - third installment of IRS passive loss regulations, **6:263**
- Passive activity credits (PACs), **6:59 to 6:62**
- Passive activity income, **6:46, 6:47**

PASSIVE ACTIVITY LOSSES AND CREDITS

—Cont'd

- Passive activity losses (PALs)
 - generally, **6:48 to 6:58**
 - ABA passive loss comments, **6:142**
 - apportioning suspended losses, **6:57**
 - character of PALs, **6:53**
 - disposition rules, **6:50 to 6:58**
 - estates, special rules for, **6:52**
 - gifts, special rules for, **6:52**
 - illusory dispositions, **6:55**
 - installment sales, **6:51**
 - interest expense, **6:49**
 - limitation of benefit to economic loss, **6:58**
 - limited partnership interests, **6:56**
 - overview, **6:48**
 - scope of rule, **6:55**
 - unusable disposition losses, **6:54**
- Passive loss rules in a nutshell, **6:4 to 6:12**
- Passthrough entity, loans by, **6:72, 6:76**
- Personal service activity (three year) test, **6:166**
- Personal service corporations, **6:10, 6:16, 6:145**
- Phase-in percentages for “pre-enactment interests”
 - generally, **6:115 to 6:122**
 - alternative minimum tax, **6:118**
 - applicable percentage, **6:116**
 - coordination with \$25,000 exemption, **6:122**
 - investment income, **6:119**
 - nonexempt portion excluded, **6:117**
 - preenactment interests, **6:120**
 - preenactment lost-post-enactment income, **6:121**
- Portfolio income, **6:64 to 6:67, 6:180 to 6:183**
- Post-1986 passive loss developments, generally, **6:2, 6:127 to 6:147**
- Preenactment interests. Phase-in percentages for “pre-enactment interests,” above
- Preferred and guaranteed returns, **6:194**
- Professional service undertakings, aggregation of, **6:235 to 6:237**
- Proposed 1995 regulations, **6:267**
- Proposed legislation allowing deductibility of cash losses, **6:147**
- Proration, rental real estate activities \$25,000 exemption, **6:106**
- Publicly traded partnerships, **6:244**
- Recharacterization rules, accounting methods, **11:81**
- Record keeping, **6:178**
- Regulatory authority, **6:27 to 6:29, 6:87 to 6:90**
- Rehabilitation tax credit, **7:78**
- Rental activities as passive
 - generally, **6:21 to 6:29**
 - amendments to 1988 regulation, **6:248**
 - dealer issues, **6:25**

PASSIVE ACTIVITY LOSSES AND CREDITS**—Cont'd****Rental activities as passive—Cont'd**

ground lease, **6:28**
 importance of, **6:23**
 interest, **6:26**
 partnership payments for services, **6:26**
 regulatory authority, **6:27 to 6:29**
 related party leases, **6:29**
 service vs rental activity, **6:24**
 single activity election, **6:22**
 third installment of IRS passive loss regulations, **6:259**

Rental activity defined

generally, **6:150 to 6:157**
 contributed use property, **6:157**
 exceptions to rental activity status, generally, **6:151 to 6:157**
 extraordinary services rule, **6:154**
 incidental rentals, **6:155**
 non-exclusive use, **6:156**
 seven day rule, **6:152**
 tangible property requirement, **6:150**
 thirty day/significant services rule, **6:153**

Rental real estate activities \$25,000 exemption

generally, **6:92 to 6:107**
 active participation requirement, **6:94 to 6:100**
 adjusted gross income (AGI) phase-out, **6:93**
 change in involvement, **6:100**
 combining other passive activities, **6:105**
 computation, generally, **6:102 to 6:107**
 deduction equivalence, **6:103**
 estates and trusts, **6:98**
 limited partners, **6:95**
 net rental realty income (loss), **6:104**
 NOL treatment, **6:101**
 no participation requirement for certain credits, **6:99**
 ordering rules for credits, **6:107**
 overview, **6:92**
 phase-in percentages for pre-enactment interests, coordination with \$25,000 exemption, **6:122**
 proration, **6:106**
 separate returns, **6:97**
 ten percent requirement, **6:96**

Rent and rentals

defined. Rental activity defined, below
 exemption. Rental real estate activities \$25,000 exemption, below
 passive. Rental activities as passive, below
 real estate elections, second installment of IRS passive loss regulations, **6:241**
 self-charged interest, **6:81**
 self-developed property, characterization rules, **6:190**

PASSIVE ACTIVITY LOSSES AND CREDITS**—Cont'd****Rent and rentals—Cont'd**

undertakings, second installment of IRS passive loss regulations, **6:238**

Research and development, 6:43**Retirement payments and earned income, 6:206****Retirement plan distributions, 6:183****Review of limitations, second installment of IRS passive loss regulations, 6:219****Royalties from intangibles, 6:185 to 6:187****Sales. Characterization rules, above****Scope of passive loss regulations, generally, 6:148 to 6:217****S corporations****ABA passive loss comments, 6:143****characterization rules, 6:201 to 6:208****determining applicability of rules, 6:15****third installment of IRS passive loss regulations, 6:263****Second installment of IRS passive loss regulations****generally, 6:218 to 6:255**

aggregation and integration, above
 amendments to 1988 regulation, above
 background, **6:218**

business and rental operations, 6:221**casualty losses, exemption for, 6:255****consolidated groups, 6:243****elections, 6:239 to 6:241****exemption for casualty losses, 6:255****income producing vs support operations, 6:225****lines of business, 6:254****location, undertaking rules, 6:223****oil and gas operations, 6:242****overview, 6:220****publicly traded partnerships, 6:244****rental real estate elections, 6:241****rental undertakings, 6:238****review of limitations, 6:219****same person, ownership by, 6:224****special rules, 6:243, 6:244****undertaking rules, 6:222 to 6:225****Self-acquired property, 6:191****Self-charged interest****generally, 6:69 to 6:85****borrowing to make self-charged loans, 6:73****brother-sister passthrough entity loans, 6:79****capitalized interest, 6:80****circumstances preventing application of rules, 6:75 to 6:82****effective dates, 6:84****election out, 6:82****fees, 6:81, 6:85****fiscal year entities, 6:80**

PASSIVE ACTIVITY LOSSES AND CREDITS

—Cont'd

- Self-charged interest—Cont'd
 - management fees, **6:85**
 - multiple activities, loans involving, **6:74**
 - original issue discount, **6:83**
 - owner, loans by, **6:71**
 - owner's share limitation, **6:77**
 - passthrough entity, loans by, **6:72, 6:76**
 - problem, **6:69**
 - rents, **6:81**
 - solution, **6:70 to 6:72**
 - tiered entities, **6:78**
- Self-developed property recharacterization rule, **6:247**
- Separate returns, **6:97**
- Service partnerships, **6:89**
- Service vs rental activity, **6:24**
- Seven day rule, **6:152**
- Significant participation activities, **6:189**
- Significant participation test, **6:164**
- Similar undertakings, **6:229**
- Special rules
 - disposition rules, **6:61, 6:195 to 6:200**
 - second installment of IRS passive loss regulations, **6:243, 6:244**
 - trade or business with no material participation, **6:35**
- Spousal participation, **6:41, 6:171, 6:215**
- Structuring considerations, **6:123 to 6:126**
- Substantially all participation test, **6:162**
- Tangible property requirement, **6:150**
- Tax credits from passive activities, **6:12**
- Tax items of passive activity, determination of, generally, **6:44 to 6:90**
- Ten percent requirement, rental real estate activities \$25,000 exemption, **6:96**
- Ten percent rule, characterization rules, **6:203**
- Third installment of IRS passive loss regulations
 - generally, **6:256 to 6:268**
 - C corporation activities, **6:265**
 - consistency requirement, **6:261**
 - definition of activity, **6:257**
 - dispositions, **6:264**
 - final 1995 regulations, **6:268**
 - grouping rules, **6:258 to 6:260**
 - limitations on grouping rules, **6:260**
 - overview, **6:256**
 - partnership activities, **6:263**
 - prevention of tax avoidance, **6:262**
 - proposed 1995 regulations, **6:267**
 - rental activities, grouping rules, **6:259**
 - rental real estate, section 469(c)(7) exception, **6:266**
 - S corporation activities, **6:263**
- Thirty day/significant services rule, **6:153**

PASSIVE ACTIVITY LOSSES AND CREDITS

—Cont'd

- Tiered entities, **6:78, 6:205**
- Time or date. Effective dates and transitional rules, above
- Trade or business
 - aggregation and integration, **6:233**
 - IRS regulatory action, **6:132**
 - no material participation. Trade or business with no material participation, below
 - regulatory authority, **6:90**
 - rental operations, **6:221**
- Trade or business with no material participation
 - generally, **6:30 to 6:41**
 - change in status, **6:40**
 - corporations, material participation by, **6:36**
 - definition, **6:31**
 - estates and trusts, **6:39**
 - "for profit" activities, **6:38**
 - helpful factors, **6:34**
 - limited partners, material participation by, **6:37**
 - recap of significant considerations, **6:32 to 6:35**
 - special rules, **6:35**
 - spouse participation, **6:41**
- Trading personal property (securities), **6:184**
- Transition rule. Effective dates and transitional rules, above
- Trusts. Estates and trusts, above
- Twelve month rule, characterization rules, **6:198**
- Undertaking rules, **6:222 to 6:225**
- Unusable disposition losses, **6:54**
- Vertical integration, **6:231**
- Well-by-well determination, oil and gas issues, **6:210**
- Working capital reserves, **6:146**
- Working interests, **6:209**

PASS-THROUGH ENTITIES

- Economics of real estate transactions, **1:37**
- Interest deduction, **8:59**
- Passive activity losses and credits, **6:72, 6:76**
- Real estate mortgage investment conduits (REMICs), **19:14, 19:24**
- Tax-exempt leasing. See index heading TAX-EXEMPT LEASING

PAYROLL TAXES

- Deductions, **10:76**

PENALTIES

- IRS audit program: compliance, reporting, and penalty provisions
 - Generally, **17:1 to 17:190**
 - for detailed treatment see index heading IRS AUDIT PROGRAM: COMPLIANCE, REPORTING, AND PENALTY PROVISIONS

PENALTIES—Cont'd

Securities laws. See index heading SECURITIES
LAWS AFFECTING REAL ESTATE SYNDICATIONS -
OVERVIEW

Taxpayer Relief Act of 1997, **23:31**

Tax shelters, abusive tax shelters, **17:36**

PENSIONS AND PENSION PLANS

IRS audit program: compliance, reporting, and
penalty provisions, **17:105**

Omnibus Budget Reconciliation Act of 1993,
22:33

Passive activity losses and credits, **6:183, 6:206**

UBTI consequences of, **13:50**

Unrelated business taxable income (UBTI), **13:50**

PERCENTAGE DEPLETION

Alternative minimum tax, **12:18**

PERCENTAGES

Low income housing credit, **7:83**

PERMANENT LOAN GUARANTEE FEE

Deductions, **10:71**

PERSONAL HOLDING COMPANY TAX

Generally, **1:30**

PERSONAL INTEREST

Interest deduction, **8:13, 8:27 to 8:37, 8:40**

PERSONAL PROPERTY

Depreciation and tax credits, **7:15**

Dispositions. See index heading DISPOSITIONS OF
PROPERTY

PERSONAL SERVICE ACTIVITY (THREE YEAR) TEST

Passive activity losses and credits, **6:166**

PERSONAL SERVICE CORPORATIONS

Accounting methods. See index heading ACCOUNT-
ING METHODS

Passive activity losses and credits, **6:10, 6:16,
6:145**

PFIC RULES

Omnibus Budget Reconciliation Act of 1993,
22:54

PHASE-IN PERCENTAGES

Passive activity losses and credits

generally, **6:115 to 6:122**

for detailed treatment see index heading PASSIVE
ACTIVITY LOSSES AND CREDITS

PLACED-IN-SERVICE RULES

Depreciation and tax credits, **7:30, 7:64**

PLANNING TECHNIQUES

Partnership taxation, **4:428 to 4:431**

PLANT FACILITIES

Depreciation and tax credits, **7:63**

PLANTS

Uniform capitalization rules, **10:53**

PLEDGED PROPERTY

Partnership taxation. See index heading PARTNER-
SHIP TAXATION

POINTS AND MORTGAGE BONDS

IRS audit program: compliance, reporting, and
penalty provisions, **17:118 to 17:120**

POLLUTION CONTROL FACILITIES

Alternative minimum tax, **12:15**

POOLED INVESTMENT VEHICLES

Generally, **13:31 to 13:46**

Alienability, **13:44**

Bonds

mortgage revenue bonds, **13:34**

private activity bonds, **13:35**

tax-exempt bond partnerships, **13:33**

Common trust funds, **13:35**

Dismissal of investment advisor, **13:43**

Eligible shareholders, **13:42**

Insurance company separate accounts, **13:36**

Investment through group trust, **13:37**

Mortgage revenue bonds, **13:34**

Municipal plans, **13:38**

OBRA amendments, **13:46**

Partnerships, **13:32, 13:33**

Private activity bonds, **13:35**

Real estate investment trusts (REITs), **13:34**

Section 501(c)(2) title holding corporations,
13:39

Section 501(c)(25) title holding corporations,
generally, **13:40 to 13:46**

State or municipal plans, **13:38**

TAMRA amendments, **13:45**

PORTFOLIO INCOME

Omnibus Budget Reconciliation Act of 1993,
22:46

Passive activity losses and credits, **6:64 to 6:67,
6:180 to 6:183**

Real estate investment trusts, **3:107**

PRE CONTRIBUTION GAIN OR LOSS

Partnership taxation

generally, **4:232 to 4:309**

for detailed treatment see index heading
PARTNERSHIP TAXATION

Taxpayer Relief Act of 1997, **23:24**

PREEMPTION

Rollup legislation, **2:114**

PREFERENCES

Alternative minimum tax. See index heading
ALTERNATIVE MINIMUM TAX

PREFERRED STOCK

Omnibus Budget Reconciliation Act of 1993,
stripped preferred stock, **22:8**
Section 351 (organization) transactions, **3:7**

PREFORMATION EXPENDITURES

Partnership taxation, **4:222**

PREMATURE ACCRUAL

Accounting methods, **11:3**

PREPARERS

Income tax return preparers: penalties
generally, **17:163 to 17:190**
for detailed treatment see index heading INCOME
TAX RETURN PREPARERS: PENALTIES

PRESENT VALUE RULE

Partnership taxation, **4:202, 4:352**

PRESUMPTIONS

Partnership taxation, **4:204 to 4:207**

PRICE LEVEL ADJUSTED MORTGAGES (PLAM)

Final 1994 regulations, **9:49 to 9:53**

PRIMARY ECONOMIC EFFECT TEST

Partnership taxation, **4:331 to 4:336**

PRINCIPAL AMOUNT

Debt-for-debt exchanges, **21:60**

PRINCIPAL RESIDENCE

Dispositions of property, **14:25, 14:54 to 14:57,**
14:60

PRIVATE ACTIVITY BONDS

Pooled investment vehicles, **13:35**

PRIVILEGED INFORMATION

Client identity, **17:35**

PROFESSIONAL SERVICE UNDERTAKINGS

Passive activity losses and credits, **6:235 to 6:237**

PROHIBITED TRANSACTIONS

Real estate investment trusts (REITs), **3:80,**
3:106, 23:49
Real estate mortgage investment conduits
(REMICs), **19:15**

PROJECTIONS AND FINANCIAL FORECASTS

Economics of real estate transactions, **1:15 to**
1:20

PROMISSORY NOTES

Partnership taxation, **4:333**

PROMOTER LISTS

Tax shelter investors, **17:65 to 17:68**

PROPORTIONALITY TEST

Debt-for-equity exchanges, **21:110**

PRORATION

Passive activity losses and credits, **6:106**

PUBLICLY OFFERED SECURITIES

ERISA plan asset regulation, **13:61**

PUBLICLY TRADED PARTNERSHIPS

Foreign investment in US real estate: withholding
obligations, **16:13 to 16:15**
Form of ownership, **3:2**
Omnibus Budget Reconciliation Act of 1993,
22:43
Passive activity losses and credits, **6:244**
Taxpayer Relief Act of 1997, **23:25**
Unrelated business taxable income (UBTI), **13:6**

PUBLICLY TRADED STOCK

Foreign investment in US real estate: withholding
obligations, **16:23**
Tax-exempt leasing, **15:21**

PUBLIC OFFERINGS

Securities laws affecting real estate syndications -
overview, **2:70 to 2:73**

PUBLIC PURPOSE LOANS

Below-market interest rates, **9:32**

PURCHASE MONEY DEBT REDUCTION EXCEPTION

Cancellation of indebtedness income - section
108, **21:18 to 21:23**

PUTS AND CALLS

Debt-for-debt exchanges, **21:79**

Q

QUALIFICATION REQUIREMENTS

Real estate investment trusts, **3:63 to 3:77**
REMICs. See index heading REAL ESTATE MORTGAGE
CONDUITS (REMICs)
S corporations, **3:50 to 3:60**

QUALIFIED ALLOCATIONS

Tax-exempt leasing. See index heading TAX-
EXEMPT LEASING

QUALIFIED BASIS

Low income housing credit, **7:84, 7:85**

QUALIFIED INCOME OFFSET

Partnership taxation, **4:340, 4:347**

QUALIFIED NONRECOURSE FINANCING EXCEPTION

At risk rules. See index heading AT RISK RULES

QUALIFIED RESERVE ASSETS

Real estate mortgage investment conduits (REMICs), **19:11**

QUALIFIED RESIDENCE INTEREST

Interest deduction. See index heading **INTEREST DEDUCTION**

QUALIFIED RETIREMENT PLANS

Omnibus Budget Reconciliation Act of 1993, **22:10**

QUALIFIED SETTLEMENT FUNDS AND ESCROWS

Generally, **14:81 to 14:86**
 Contingent-at-closing escrows, **14:84**
 Disputed ownership funds, **14:85**
 Pre-closing escrows, **14:83**
 Section 1031, **14:82**

QUANTITY

See index heading **AMOUNT OR QUANTITY**

R**REACQUISITION OF PROPERTY BY SELLER**

Computation of gain, **14:59**
 Debt restructurings, workouts, and bankruptcies of partnerships
 generally, **21:161 to 21:170**
 for detailed treatment see index heading **DEBT RESTRUCTURINGS, WORKOUTS AND BANKRUPTCIES OF PARTNERSHIPS**

REAL ESTATE INVESTMENT TRUSTS (REITs)

Generally, **3:62 to 3:117**
 Annual income tests, **3:90 to 3:93**
 Asset tests, **3:94 to 3:96**
 Capital gains, **3:79, 3:99, 3:108**
 Deductible distributions, **3:97**
 Deficiency dividends, **3:81, 3:102**
 Distributions
 generally, **3:65**
 test. Distribution test, above
 Distribution test
 generally, **3:97 to 3:103**
 capital gains, **3:99**
 deductible distributions, **3:97**
 deficiency dividends, **3:102**
 excise tax, **3:103**
 ninety-five percent distribution requirement, **3:98**
 relation back of dividends paid deduction, **3:100**
 special timing of dividend rule, **3:101**
 Election for REIT, **3:89**
 Excise tax, **3:82, 3:103**

REAL ESTATE INVESTMENT TRUSTS (REITs)—Cont'd

Executive summary of REIT taxation rules, generally, **3:86 to 3:117**
 Foreclosure property, **3:105**
 Foreign investment in US real estate: withholding obligations, **16:27, 16:28**
 Foreign shareholders, **3:110, 3:111**
 Independent contractor (IK) rules, **3:73**
 Liquidating distributions, **3:85**
 Nature of assets, **3:66 to 3:68**
 New REIT structures, **3:113 to 3:117**
 Ninety-five percent distribution requirement, **3:98**
 Ninety-five percent income test, **3:91**
 Ninety percent test, **3:75**
 Omnibus Budget Reconciliation Act of 1993, **22:33**
 Partnership taxation, REIT foreclosures, **4:465**
 Pooled investment vehicles, **13:34**
 Portfolio income, **3:107**
 Pre-REIT years, no earning or profits from, **3:83**
 Prohibited transactions, **3:80, 3:106**
 Qualification requirements, generally, **3:63 to 3:77**
 Qualified REIT subsidiary, **3:68**
 Real estate mortgage investment conduits (REMICs), **19:32**
 Record keeping requirements, **3:112**
 Relation back of dividends paid deduction, **3:100**
 Rules for qualifying income, **3:77**
 Seventy-five percent assets test, **3:95**
 Seventy-five percent income test
 generally, **3:69 to 3:74, 3:90**
 independent contractor (IK) rules, **3:73**
 shared appreciation mortgages (SAMs), **3:74**
 taxable REIT subsidiary (TRS), **3:72**
 tenant services income, **3:70, 3:71**
 Shareholders of REITs, generally, **3:84, 3:107 to 3:111**
 Sources of income, **3:69 to 3:77**
 Special rules for REIT qualifying income, **3:93**
 Special timing of dividend rule, **3:101**
 Structure of REIT, **3:88**
 Subsidiary, taxable REIT subsidiary (TRS), **3:72**
 Taxation
 capital gain dividends, **3:108**
 foreclosure property, **3:105**
 foreign shareholders, **3:110, 3:111**
 liquidating distributions, **3:85**
 new REIT structures, **3:113 to 3:117**
 portfolio income, **3:107**
 prohibited transactions, **3:106**
 REITs, generally, **3:78 to 3:83, 3:104 to 3:106**
 shareholders of REITs, generally, **3:84, 3:107 to 3:111**

REAL ESTATE INVESTMENT TRUSTS (REITs)—Cont'd

- Taxation—Cont'd
 - tax-exempt shareholders, **3:109**
 - Tax-exempt shareholders, **3:109**
 - Taxpayer Relief Act of 1997
 - generally, **23:41 to 23:53**
 - for detailed treatment see index heading TAXPAYER RELIEF ACT OF 1997
 - Temporary investments, **3:67**
 - Tests for nature of assets, **3:66**
 - Thirty percent income test, **3:76, 3:92, 23:42**
 - Twenty-five percent assets test, **3:96**
 - Up-REITs, **3:113, 3:117**

REAL ESTATE MORTGAGE INVESTMENT CONDUITS (REMICs)

- Generally, **19:1 to 19:34**
- Asset test, **19:7 to 19:12**
- Cash flow investments, **19:10**
- Compliance provisions, **19:33**
- Definition and taxation, generally, **19:2 to 19:29**
- Dispositions of residual interests, **19:29**
- Effective dates, **19:34**
- Election, **19:4**
- Foreclosure property, **19:12, 19:17**
- Foreign residual holders, **19:25**
- Form of ownership, **3:121**
- Inducement fees, **19:27**
- IRS audit program: compliance, reporting, and penalty provisions, **17:130**
- Modification of mortgages, **19:9**
- Original issue discount (OID) rules, **9:16, 19:30**
- Pass-through entities, **19:14, 19:24**
- Permitted investments, asset test, **19:10 to 19:12**
- Post-start-up day contributions, tax on, **19:16**
- Prohibited transactions, **19:15**
- Qualification requirements, **19:2 to 19:4**
- Qualified reserve assets, **19:11**
- Regular interests, **19:5, 19:18 to 19:20**
- REITs, special rules for, **19:32**
- Residual interests
 - restrictions on ownership of, **19:13**
 - taxation of holders of, generally, **19:21 to 19:29**
 - types of interests, **19:6**
- Restrictions on ownership of residual interests, **19:13**
- Special treatment of portion of residual income, **19:23**
- Taxable mortgage pools, **19:31, 19:32**
- Tax treatment, generally, **19:14 to 19:17**
- Transfers of property to REMICs, **19:28**
- Types of interests, **19:5, 19:6**

REALLOCATION

- Interest deduction, **8:61 to 8:63**

REALLOCATION—Cont'd

- Partnership taxation, **4:350**

REAL PROPERTY TAXES

- Deductions, **10:75**

REASONABLE CAUSE

- Income tax return preparers: penalties, **17:177**
- Tax shelters, **17:63**

RECAPTURE PROVISIONS

- Accounting methods, **11:57**
- Debt restructurings, workouts, and bankruptcies of partnerships, **21:146**
- Low income housing credit, **7:102**

RECEIPT

- Dispositions. See index heading DISPOSITIONS OF PROPERTY

RECHARACTERIZATION OF DEBT AS EQUITY

- Tax-exempt entities, transactions with, **13:47 to 13:51**

RECKLESS OR INTENTIONAL DISREGARD

- Income tax return preparers: penalties, **17:181 to 17:183**

RECOGNITION OF GAIN

- Partnership taxation, **4:168 to 4:171**

RECORD KEEPING

- Passive activity losses and credits, **6:178**
- Real estate investment trusts, **3:112**

RECOURSE DEBTS

- Allocations under sections 704 and 752, **21:40**
- Debt-for-debt exchanges, **21:90**
- Debt restructurings, workouts, and bankruptcies of partnerships, **21:149**
- Partnerships. See index heading PARTNERSHIP TAXATION
- Section 351 (organization) transactions, recourse vs nonrecourse, **3:9**

REDUCTION IN PENALTY RATE

- IRS audit program: compliance, reporting, and penalty provisions, **17:17**

REFINANCING

- Interest deduction, **8:58**
- Partnership taxation, **4:227, 4:389, 4:405**
- Revenue Act of 1987, refinancing of acquisition indebtedness, **20:71**

REFUND CLAIMS

- Taxpayer Relief Act of 1997, **23:32**

REGISTRATION

- Securities laws. See index heading SECURITIES LAWS AFFECTING REAL ESTATE SYNDICATIONS - OVERVIEW

REGISTRATION—Cont'd

Tax shelters. See index heading TAX SHELTERS

REGISTRATION NUMBER

Tax shelters, **17:60**

REGULAR INTERESTS

Real estate mortgage investment conduits (REMICs), **19:5, 19:18 to 19:20**

REGULATORY AUTHORITY

Passive activity losses and credits, **6:27 to 6:29, 6:87 to 6:90**

REHABILITATION EXPENDITURES

Low income housing credit, **7:93**

REHABILITATION TAX CREDIT

Generally, **7:75 to 7:79**
Act of 1986, **7:77 to 7:79**
Basic rules, **7:77**
Effective dates, **7:79**
Passive loss rules, **7:78**
Prior law, **7:76**

REIMBURSEMENT

Interest deduction, **8:23**
Partnership taxation, **4:207**

REITs

See index heading REAL ESTATE INVESTMENT TRUSTS (REITs)

RELATED ENTITY INCOME

Taxpayer Relief Act of 1997, **23:50**

RELATED PARTY RULES

Accounting methods, **11:5**
At risk rules, **5:9**
Debt restructurings, workouts, and bankruptcies of partnerships
generally, **21:127 to 21:135**
for detailed treatment see index heading DEBT RESTRUCTURINGS, WORKOUTS AND BANKRUPTCIES OF PARTNERSHIPS
Dispositions of property, **14:23**
Lease-stripping transactions, **14:80**
Omnibus Budget Reconciliation Act of 1993, **22:47**
Partnership taxation, **4:334**
Uniform capitalization rules, **10:29, 10:38 to 10:42**

RELATED PERSON LOANS

Partnership taxation, **4:94 to 4:97, 4:398 to 4:401**

RELOCATION ASSISTANCE

Employer facilitated relocation sales, **14:58**
Involuntary conversions, **14:48**

REMEDIAL ALLOCATION METHOD

Partnership taxation. See index heading PARTNERSHIP TAXATION

REMICs

Generally, **19:1 to 19:34**
For detailed treatment see index heading REAL ESTATE MORTGAGE INVESTMENT CONDUITS (REMICs)

REMOVAL COSTS

Uniform capitalization rules, **10:66**

RENEWALS

Tax-exempt leasing, **15:45**

RENT HOLIDAYS

Accounting methods, **11:73**

RENTS AND RENTALS

Passive activity. See index heading PASSIVE ACTIVITY LOSSES AND CREDITS
Unrelated business taxable income (UBTI), **13:5**

RENT-UP FEE

Deductions, **10:60**

REORGANIZATIONS

Cancellation of debt income, **11:43**
Taxable corporations, **3:18, 3:19**

REPAIRS

Deductions, **10:24, 10:84**

REPORTS AND REPORTING

Digital transaction, **1:40**
Foreign investment in US real estate: withholding obligations, **16:8 to 16:10**
IRS audit program: compliance, reporting, and penalty provisions
generally, **17:1 to 17:190**
for detailed treatment see index heading IRS AUDIT PROGRAM: COMPLIANCE, REPORTING, AND PENALTY PROVISIONS
Partnership taxation, **4:7**
Sale of principal residence, **14:60**
S corporations, **3:56 to 3:60**
Securities laws affecting real estate syndications, SEC rules for rollup transactions, **2:98, 2:112**
Tax shelters, **17:69**

RESALES

Deductions, property held for resale, **10:25**
Securities laws affecting real estate syndications - overview, **2:30, 2:38**

RESEARCH AND DEVELOPMENT

Alternative minimum tax, **12:20**
Omnibus Budget Reconciliation Act of 1993, **22:57**
Passive activity losses and credits, **6:43**

RESIDENCY REQUIREMENTS

Securities laws affecting real estate syndications - overview, **2:37, 2:38, 2:41 to 2:43**

RESIDENTIAL CARE FACILITIES

Deductions, **10:79 to 10:81**

RESIDENTIAL PROPERTY

Deductions, **10:81**

Depreciation recapture, **7:12**

Foreign investment in US real estate: withholding obligations, **16:25**

Form of ownership, personal residence trusts, **3:125**

Home office expense. See index heading HOME OFFICE EXPENSE

Levy, income tax return preparers' penalties, **17:190**

Sales of, **16:25, 23:54**

Taxpayer Relief Act of 1997, **23:54**

RESIDUAL BASIS LAYERING

Partnership taxation, **4:90**

RESIDUAL INTERESTS

REMICs. See index heading REAL ESTATE MORTGAGE CONDUITS (REMICs)

RESTAURANTS

Depreciation and tax credits, **7:57**

RESTRICTIONS

See index heading LIMITATIONS AND RESTRICTIONS

RESTRICTIVE COVENANT NOT TO COMPETE

Deductions, **10:57**

RESYNDICATION OF PARTNERSHIP INTERESTS

Partnership taxation

generally, **4:444 to 4:462**

for detailed treatment see index heading PARTNERSHIP TAXATION

RETAIL OUTLETS

Depreciation and tax credits, **7:57**

RETAINAGES PAYABLE

Accounting methods, **11:50**

RETIRED PARTNER

Omnibus Budget Reconciliation Act of 1993, **22:42**

RETIREMENT HOMES

Deductions, **10:79**

RETIREMENT PLANS OR PENSIONS

See index heading PENSIONS AND PENSION PLANS

RETIRING PARTNERS

Partnership taxation, **4:169 to 4:171**

RETURN ON REALTY INVESTMENTS

Economics of real estate transactions generally, **1:2 to 1:14**

for detailed treatment see index heading ECONOMICS OF REAL ESTATE TRANSACTIONS

RETURN TEST

Interest deduction, **8:25**

REVALUATIONS

Partnership taxation, **4:386, 4:420**

REVENUE ACT OF 1987

Generally, **20:1 to 20:106**

Alternative minimum tax, simplified reporting and compliance requirements for widely-held partnerships, **20:93**

Completed contract method, **20:78**

Delay of 2 percent floor for RICs, **20:77**

Divorce, debt incurred incident to, **20:73**

ERISA exemption for public programs, impact on, **20:53**

Fiscal taxable years, **20:75**

Foreign taxes, simplified reporting and compliance requirements for widely-held partnerships, **20:89**

Grandfathering, qualified residence interest, **20:74**

Installment sales rules, **20:65**

Like-kind exchanges, **20:81**

Market discount on bonds, **20:79**

Partnership tax collections, **20:80**

Passive losses, **20:14, 20:92**

Publicly traded partnerships

generally, **20:2 to 20:64**

background, **20:16**

corporate taxation

generally, **20:3 to 20:13**

ceasing to be publicly traded, **20:13**

definition of existing partnership, **20:4**

existing partnerships, **20:12**

new line of business exclusion, **20:5 to 20:11**

Notice 88-75 safe harbors, **20:7 to 20:11**

definitions

existing partnership, **20:4**

publicly traded partnership, **20:16 to 20:53**

distribution reinvestment plans, effect of, **20:36**

effective dates for publicly traded partnerships, **20:60 to 20:63**

ERISA exemption for public programs, impact on, **20:53**

legislative history, **20:17**

new line of business exclusion, **20:5 to 20:11**

90 percent passive-type income test generally, **20:54 to 20:59**

REVENUE ACT OF 1987—Cont'd

Publicly traded partnerships—Cont'd

- 90 percent passive-type income test—Cont'd
 - cancellation of debt (COD) income, **20:57**
 - inadvertent terminations, **20:59**
 - interest exceptions, **20:55**
 - rent exceptions, **20:56**
 - years in which test must be satisfied, **20:58**
- Notice 88-75 safe harbors, generally, **20:7 to 20:11, 20:18 to 20:51**
- passive loss rule, **20:14**
- private placement safe harbor, **20:19**
- qualified matching service transfers, **20:22 to 20:27**
- qualified open-end redemptions, **20:28 to 20:31**
- recommendations for public programs, **20:52**
- secondary market safe harbors of Notice 88-77
 - generally, **20:18 to 20:51**
 - distribution reinvestment plans, effect of, **20:36**
 - effective date for modifying existing transactions, **20:33**
 - established securities market definition, **20:42**
 - exemptions
 - limitation on exemptions for private placements and lack of actual trading, **20:47**
 - private transfers, **20:44**
 - qualified matching service transfers, **20:46**
 - qualified redemptions, **20:45**
 - 5 percent safe harbor, **20:20, 20:34 to 20:37**
 - interplay of 5 percent and 2 percent computations, **20:34 to 20:36**
 - limitation on exemptions for private placements and lack of actual trading, **20:47**
 - 1995 proposed regulations, **20:38 to 20:51**
 - private placement safe harbor, **20:19**
 - qualified matching service transfers, **20:22 to 20:27**
 - qualified open-end redemptions, **20:28 to 20:31**
 - reference chart, **20:32**
 - “secondary market” and “secondary market equivalence” tests, **20:43**
 - transfer definitions, **20:41**
 - 2 percent safe harbor, **20:21 to 20:31, 20:34 to 20:37**
 - study of tax treatment of publicly traded partnerships, **20:64**
 - tax-exempt partners, **20:15**
- Qualified allocation issues, **20:76**
- Qualified residence interest
 - generally, **20:66 to 20:74**

REVENUE ACT OF 1987—Cont'd

Qualified residence interest—Cont'd

- acquisition indebtedness, **20:68 to 20:71**
- debt qualifying under the 90-day rule, **20:70**
- divorce, debt incurred incident to, **20:73**
- effective date, **20:74**
- grandfathering, **20:74**
- partial acquisition indebtedness and partial home equity indebtedness, **20:72**
- prior law, **20:66**
- refinancing of acquisition indebtedness, **20:71**
- tracing rules, **20:69**

Refinancing of acquisition indebtedness, **20:71**

Simplified reporting and compliance requirements for widely-held partnerships

- generally, **20:82 to 20:106**
- adjudication of disputes, **20:105**
- administrative proceedings, **20:102**
- allocation issues, **20:96**
- alternative minimum tax, **20:93**
- capital transactions, **20:86**
- changes in treatment of items reported to partners, **20:86 to 20:95**
- computation of taxable income, **20:85**
- credits, **20:88**
- deductions, **20:87**
- discharge of indebtedness income, **20:94**
- foreign taxes, **20:89**
- fungibility issues, **20:97 to 20:100**
- large partnership audit system, **20:101 to 20:106**
- notice requirements, **20:104**
- partnership representative, **20:103**
- passive losses, **20:92**
- reduction in items reported to partners, **20:83**

REMICs, **20:95**

reporting income and loss, provisions concerning, **20:82 to 20:106**

Section 754 election, **20:100**

shortened reporting period, **20:84**

statute of limitations, **20:106**

tax-exempt interest, **20:90**

unrelated business taxable income, **20:91**

Statute of limitations, simplified reporting and compliance requirements for widely-held partnerships, **20:106**

Tracing rules, qualified residence interest, **20:69**

REVENUE RECONCILIATION ACT OF 1990

Debt-for-equity exchanges, **21:113**

REVISED CIRCULAR 230 AMENDMENTS

Ethical standards, **18:10 to 18:18**

REVISED OPINION 346 OF ABA

Ethical standards, **18:6 to 18:9**

RISK OF LOSS

- At risk rules
 - generally, **5:1 to 5:19**
 - for detailed treatment see index heading **AT RISK RULES**
- Partnership taxation, **4:68 to 4:74, 4:115, 4:131, 4:399**

ROLLUP LEGISLATION

- Securities laws affecting real estate syndications - overview
 - generally, **2:82 to 2:129**
 - for detailed treatment see index heading **SECURITIES LAWS AFFECTING REAL ESTATE SYNDICATIONS - OVERVIEW**

ROYALTIES

- Passive activity losses and credits, **6:185 to 6:187**

RULE OF 78S

- Interest deduction, **8:7**

S

SAFE HARBOR

- Partnership taxation, **4:354**
- Taxpayer Relief Act of 1997, **23:49**

SALE-IN/LEASE-OUT (SILO) TRANSACTIONS

- Sale-leaseback transactions, **14:64**

SALE-LEASEBACK TRANSACTIONS

- Generally, **14:61 to 14:68**
- Basic structure, **14:62**
- Business considerations, **14:66 to 14:68**
- Criteria for characterization, generally, **14:69 to 14:75**
- Depreciation and tax credits, **7:9, 7:65**
- IRS guidelines and pronouncements, **14:70, 14:71, 14:73, 14:74**
- Lease-in/lease-out (LILO) transactions, **14:63**
- Options to purchase, **14:75**
- Sale-in/lease-out (SILO) transactions, **14:64**
- Secured loan vs sale leaseback, **14:65**
- True lease checklist, **14:72**

SALES OR TRANSFERS

- Foreign investment in US real estate: withholding obligations, **16:25**
- Leasebacks. See index heading **SALE-LEASEBACK TRANSACTIONS**
- Partnership interest, sales of, **4:166**
- Real estate mortgage investment conduits (REMICs), **19:28**
- Resales. See index heading **RESALES**
- Residential property, **16:25, 23:54**
- Tax-exempt leasing. See index heading **TAX EXEMPT LEASING, 15:42**

SALES TAXES

- Deductions, **10:76**

SALVAGE VALUE

- Depreciation and tax credits, **7:38**

SAMs

- See index heading **SHARED APPRECIATION MORTGAGES (SAMs)**

S CORPORATIONS

- Generally, **3:47 to 3:60**
- Accounting methods. See index heading **ACCOUNTING METHODS**
- Accumulated adjustments account, **3:59**
- Basis and borrowings, **3:49**
- Character of income, reporting, **3:57**
- Depreciation recapture, **7:14**
- Elections, **3:53 to 3:55**
- Employee stock ownership plans (ESOPs), **3:50, 3:51, 17:76**
- Improper S election, **3:54**
- Inadvertent termination and election, **3:53, 3:54**
- IRS audit program: compliance, reporting, and penalty provisions, **17:106, 17:112**
- LIFO benefits recapture, **3:60**
- Limitation on losses and deductions, **3:58**
- Liquidation, **3:34, 3:61**
- Partnership taxation, distinction from, **3:47**
- Passive activity. See index heading **PASSIVE ACTIVITY LOSSES AND CREDITS**
- President, **3:48**
- Qualification rules, **3:50 to 3:60**
- Reporting income, **3:56 to 3:60**
- Self-employment tax, **3:48**
- Separately stated items, reporting, **3:56**
- Single class of stock regulations, **3:52**
- Small business trust, electing, **3:55**

SECOND INSTALLMENT OF IRS PASSIVE LOSS REGULATIONS

- Passive activity losses and credits
 - generally, **6:218 to 6:255**
 - for detailed treatment see index heading **PASSIVE ACTIVITY LOSSES AND CREDITS**

SECURED LOANS

- Sale-leaseback transactions, **14:65**

SECURITIES AND EXCHANGE COMMISSION STANDARDS

- Ethical standards, **18:30**

SECURITIES DEALER EXCEPTION

- Debt restructurings, workouts, and bankruptcies of partnerships, **21:130**

SECURITIES LAWS AFFECTING REAL ESTATE SYNDICATIONS - OVERVIEW

- Generally, **2:1 to 2:129**

SECURITIES LAWS AFFECTING REAL ESTATE SYNDICATIONS - OVERVIEW —Cont'd

American Stock Exchange rollup rules, **2:125, 2:129**
 Anti-fraud. Civil, anti-fraud, and criminal penalties, below
 Basic principles, **2:1, 2:2**
 Broker-dealer problems
 generally, **2:57 to 2:75**
 definitions, **2:58**
 engaged in “regular” business, **2:59**
 extension of credit, **2:65 to 2:74**
 federal reserve board ruling, Regulation T, **2:68**
 FINRA membership and guidelines, **2:63**
 independent sales force, **2:61**
 installment payments, **2:65 to 2:74**
 “issuer exemption,” **2:60**
 NASAA guidelines, **2:73**
 public offerings, Regulation T, **2:70 to 2:73**
 registration with SEC, generally, **2:57 to 2:62**
 Regulation D offerings, Regulation T, **2:69**
 Regulation T, generally, **2:67 to 2:74**
 Rule 3a4-1, **2:62**
 Rule 15c2-5, **2:74**
 Rule 2310, **2:64**
 scope of Rule 3a12-9, **2:71**
 Section 7(c), **2:65**
 Section 11(d)(1), **2:66**
 state requirements for registration as broker-dealer, **2:75**
 California rollup legislation
 generally, **2:113 to 2:125**
 allocation of solicitation and transaction costs, **2:121**
 background, **2:114**
 compensation and fees, **2:120 to 2:122**
 coordination with federal regulation, FINRA rules, and NY and American stock exchange rules, **2:125**
 definitions
 rollup participant, **2:115**
 rollup transaction, **2:116**
 de minimis exemption, **2:123**
 dissenter’s rights, **2:118**
 eligible rollup transactions, **2:117 to 2:119**
 equity ownership, **2:120 to 2:122**
 management, **2:120 to 2:122**
 National Securities Markets Improvement Act, effect of, **2:124**
 notice to general partners and sponsors, **2:122**
 voting rights, **2:119**
 Civil, anti-fraud, and criminal penalties
 generally, **2:48 to 2:53**
 Act of 1933, **2:48 to 2:50**

SECURITIES LAWS AFFECTING REAL ESTATE SYNDICATIONS - OVERVIEW —Cont'd

Civil, anti-fraud, and criminal penalties—Cont'd
 Act of 1943, **2:51 to 2:53**
 failure to register, **2:48**
 false statement or omission, **2:49**
 installment sales, **2:53**
 Rule 10b-5, **2:52**
 Section 10(b), **2:51**
 willful violation, **2:50**
 Compensation and fees, California rollup legislation, **2:120 to 2:122**
 Condisco case, **2:22**
 Criminal penalties. Civil, anti-fraud, and criminal penalties, above
 Crowd funding, **2:45**
 Dealers. Broker-dealer problems, above
 Decisional law apart from Regulation D, **2:23 to 2:29**
 Definitions
 broker-dealer problems, **2:58**
 California rollup legislation, **2:115, 2:116**
 integration of “separate” private or intrastate offerings, **2:31**
 Investment Advisors Act of 1940, **2:80**
 Investment Company Act of 1940, **2:76**
 Limited Partnership Rollup Reform Act of 1993, **2:84**
 rollup legislation, **2:84, 2:105 to 2:108, 2:115, 2:116**
 “security,” **2:4**
 De minimis exemption, California rollup legislation, **2:123**
 Diplomat letter, residency requirements, **2:42**
 Disclosure, **2:26, 2:91 to 2:102, 2:112**
 Dissenter’s rights, **2:86, 2:118**
 Effective date of Limited Partnership Rollup Reform Act of 1993, **2:87**
 Equity ownership, **2:120 to 2:122**
 Exemptions
 intrastate offering exemption, below
 Investment Advisors Act of 1940, **2:81**
 liability despite exemption, **2:2**
 Regulation A: limited exemption for maximum offering of \$50,000,000, **2:46, 2:47**
 state registration of securities, **2:55**
 transaction exemptions, below
 Extension of credit, **2:65 to 2:74**
 Failure to register, **2:48**
 False statement or omission, **2:49**
 Federal and state law, **2:1**
 Federal reserve board ruling, Regulation T, **2:68**
 Fifth circuit, transaction exemptions, **2:28**
 FINRA (Financial Industry Regulatory Authority), **2:63, 2:125 to 2:128**

SECURITIES LAWS AFFECTING REAL ESTATE SYNDICATIONS - OVERVIEW
—Cont'd

Holschuh case, **2:21**
 Independent sales force, **2:61**
 Information requirements of Rule D, **2:16**
 Installment sales or payments, **2:41, 2:53, 2:65 to 2:74**
 Integration of “separate” private or intrastate offerings, **2:31 to 2:34**
 Intrastate offering exemption
 generally, **2:35 to 2:45**
 crowd funding, **2:45**
 diplomat letter, residency requirements, **2:42**
 doing business in state, issuer must be, **2:37**
 existing law apart from rule 147, **2:40**
 facilitating intrastate and regional securities offerings, **2:45**
 installment sales, residency requirements, **2:41**
 nonexclusive, rule as, **2:39**
 offerees, residence of, **2:38**
 resales, residence of, **2:38**
 residency requirements, **2:37, 2:38, 2:41 to 2:43**
 response of SEC, **2:43**
 Rule 147 and Rule 147A, **2:36, 2:41, 2:44**
 Section 3(a)(11), **2:35**
 substantial penalties test, **2:43**
 Investment Advisors Act of 1940, **2:79 to 2:81**
 Investment Company Act of 1940, **2:76 to 2:78**
 Investment participations as “securities,” **2:3, 2:4**
 “Issuer exemption,” **2:60**
 JOBS Act 2012, **2:47**
 Liability despite exemption, **2:2**
 Liability provisions of state registration of securities, **2:56**
 Murphy case, **2:20**
 NASAA guidelines, **2:73**
 New York Stock Exchange rollup rules, **2:125, 2:129**
 Ninth circuit, transaction exemptions, **2:29**
 Notice requirements
 rollup legislation, below
 sales under Rule D, **2:17**
 Number of offerees, **2:24**
 NY Stock Exchange rollup rules, **2:125, 2:129**
 Preemption, rollup legislation, **2:114**
 Private offering exemption, **2:5, 2:6**
 Proxy rules. Rollup legislation, below
 Public offerings, Regulation T, **2:70 to 2:73**
 Registration
 broker-dealer problems, **2:57 to 2:62**
 requirements of 1933 Act, exemptions from.
 Transaction exemptions, below
 state registration of securities, **2:54 to 2:56**

SECURITIES LAWS AFFECTING REAL ESTATE SYNDICATIONS - OVERVIEW
—Cont'd

Regulation A: limited exemption for maximum offering of \$50,000,000, **2:46, 2:47**
 Regulation D
 broker-dealer problems, **2:69**
 transaction exemptions, below
 Regulation T. Broker-dealer problems, above
 Resales, **2:30, 2:38**
 Residency requirements, **2:37, 2:38, 2:41 to 2:43**
 Response of SEC, intrastate offering exemption, **2:43**
 Rollup legislation
 generally, **2:82 to 2:129**
 American Stock Exchange rollup rules, **2:125, 2:129**
 California rollup legislation, above
 conflicts of interest, **2:96**
 definitions, **2:84, 2:105 to 2:108**
 FINRA rollup rules, **2:125 to 2:128**
 Limited Partnership Rollup Reform Act of 1993
 generally, **2:83 to 2:87**
 definition of rollup, **2:84**
 dissenters’ rights in rollup transactions, **2:86**
 effective date, **2:87**
 proxy rules, **2:85**
 National Securities Markets Improvement Act, effect of, **2:124**
 notice provisions
 California rollup legislation, **2:122**
 SEC rules for rollup transactions, proxy and tender offer rules revisions, **2:110**
 NY Stock Exchange rollup rules, **2:125, 2:129**
 proxy rules
 Limited Partnership Rollup Reform Act of 1993, **2:85**
 SEC rules for rollup transactions, **2:109, 2:110**
 SEC rules for rollup transactions
 generally, **2:88 to 2:112**
 allocation of rollup consideration, **2:94**
 amendments to rollup rules, generally, **2:104 to 2:112**
 application of the rules, **2:90**
 appraisals and reports, **2:98, 2:112**
 background of, reasons for, and alternatives to the rollup transaction, **2:95**
 California coordination with federal regulation of rollup transactions, **2:125**
 comparative information, **2:93**
 conflicts of interest, **2:96**
 definitions, **2:105 to 2:108**
 differential or contingent compensation, **2:111**

SECURITIES LAWS AFFECTING REAL ESTATE SYNDICATIONS - OVERVIEW —Cont'd

- Rollup legislation—Cont'd
 - SEC rules for rollup transactions—Cont'd
 - disclosure requirements, generally, **2:91 to 2:102, 2:112**
 - excluded/nonexcluded transactions, **2:106 to 2:108**
 - fairness of the rollup transaction, **2:97, 2:112**
 - fairness options, **2:112**
 - income tax consequences, **2:101**
 - notice provisions, proxy and tender offer rules revisions, **2:110**
 - preliminary communications, exemption for, **2:109**
 - pro forma financial statements and selected financial data, **2:100**
 - proxy and tender offer rules revisions, **2:109, 2:110**
 - “regularly traded” defined for purposes of rollup rules exclusion, **2:108**
 - reports, opinions and appraisals, **2:98, 2:112**
 - risk factors and effects of transaction, **2:92**
 - source and amount of funds and transactional expenses, **2:99**
 - supplemental disclosure documents, **2:103**
 - Rule 2310, **2:64**
 - SEC five factor test, **2:32**
 - Size of offering, **2:27**
 - State registration of securities, **2:54 to 2:56**
 - Substantial penalties test, **2:43**
 - Time lapses, Investment Company Act of 1940, **2:77**
- Transaction exemptions
 - generally, **2:5 to 2:30**
 - access to information, **2:26**
 - alternative, **2:23**
 - Condisco, who is an “issuer,” **2:22**
 - decisional law apart from Regulation D, **2:23 to 2:29**
 - disclosure of information, **2:26**
 - fifth circuit, **2:28**
 - general conditions of Rule D, **2:15**
 - Holschuh, who is an “issuer,” **2:21**
 - information requirements of Rule D, **2:16**
 - Murphy, who is an “issuer,” **2:20**
 - nature of offerees, **2:25**
 - ninth circuit, **2:29**
 - notice of sales under Rule D, **2:17**
 - number of offerees, **2:24**
 - preventing resale, **2:30**
 - private offering exemption, **2:5, 2:6**
 - Regulation, who is an “issuer,” **2:19**
 - Regulation D, generally, **2:7 to 2:17**

SECURITIES LAWS AFFECTING REAL ESTATE SYNDICATIONS - OVERVIEW —Cont'd

- Transaction exemptions—Cont'd
 - resale, prevention of, **2:30**
 - Rule 504, **2:9**
 - Rule 505, **2:10**
 - Rule 506, **2:11**
 - Rule 507, **2:12**
 - Rule 508, **2:13**
 - scope of Regulation D, **2:8**
 - Section 4(6), **2:18**
 - size of offering, **2:27**
 - who is an “issuer,” **2:19 to 2:22**
- Two-tier partnerships, Investment Company Act of 1940, **2:78**
- Voting rights, California rollup legislation, **2:119**
- Willful violations, **2:50**

SEGREGATED ACCOUNTS

- Interest deduction, **8:50**

SEIZURE OF ASSETS

- Tax shelters, **17:43**

SELF-ACQUIRED PROPERTY

- Passive activity losses and credits, **6:191**

SELF-CHARGED INTEREST

- Passive activity losses and credits
 - generally, **6:69 to 6:85**
 - for detailed treatment see index heading PASSIVE ACTIVITY LOSSES AND CREDITS

SELF-CONSTRUCTED PROPERTY

- Depreciation and tax credits, **7:61**

SELF-EMPLOYED HEALTH INSURANCE DEDUCTION

- Omnibus Budget Reconciliation Act of 1993, **22:14**

SELF-EMPLOYMENT TAX

- Cost-sharing programs, **10:63**
- Farming activities, **11:7**
- Limited liability companies, **4:25**
- S corporations, **3:48**

SELLER FINANCING

- At risk rules, **5:10**

SERVICE CONTRACTS

- Tax-exempt leasing, **15:15**

SERVICE OF PROCESS AND PAPERS

- Final 1994 regulations, **9:49**

SERVICE PARTNERSHIPS

- Passive activity losses and credits, **6:89**

SETTLEMENT AND COMPROMISE

- Closing agreements, **17:137**

SETTLEMENT AND COMPROMISE—Cont'd

Installment agreements, **17:134 to 17:137**
 IRS audit program: compliance, reporting, and penalty provisions, **17:100, 17:134**
 NOLs, application to “settled” cases, **17:136**
 Piggyback agreements, **17:134**
 Qualified funds. See index heading QUALIFIED SETTLEMENT FUNDS AND ESCROWS
 Taxpayer Relief Act of 1997, **23:33**
 Tax shelters, **17:41**

SEVEN DAY RULE

Passive activity losses and credits, **6:152**

SEVENTY-FIVE PERCENT ASSETS TEST

Real estate investment trusts, **3:95**

SEVENTY-FIVE PERCENT INCOME TEST

See index heading REAL ESTATE INVESTMENT TRUSTS (REITS)

SEVEN YEAR CLASS OF PROPERTY

Depreciation and tax credits, **7:20**

SHAM TRANSACTIONS

Deductions, **10:97**

SHARED APPRECIATION MORTGAGES (SAMs)

Real estate investment trusts, **3:74**
 Taxpayer Relief Act of 1997, **23:51**

SHARE OF OWNERSHIP REQUIREMENT

Real estate investment trusts, **3:64**

SHELTERS

See index heading TAX SHELTERS

SHORT TAXABLE YEARS

Depreciation and tax credits, **7:29 to 7:37**

SHORT-TERM DEBT

Debt restructurings, workouts, and bankruptcies of partnerships, **21:129**

SIGNATURE RULES

Income tax return preparers: penalties, **17:176**

SIMULTANEOUS CHANGES

Debt-for-debt exchanges, **21:91**

SINGLE CLASS OF STOCK REGULATIONS

S corporations, **3:52**

SIZE OF OFFERING

Securities laws affecting real estate syndications - overview, **2:27**

SMALL BUSINESSES

Corporations. See index heading SMALL CORPORATIONS
 Investment incentive provisions, **22:29, 22:30**

SMALL BUSINESSES—Cont'd

Partnerships. See index heading SMALL PARTNERSHIPS

SMALL BUSINESS STOCK, GAIN ON

Alternative minimum tax, **12:24**

SMALL BUSINESS TRUSTS

S corporations, **3:55**

SMALL CORPORATIONS

Alternative minimum tax, **12:5**
 Taxable corporations, **3:21**
 Taxpayer Relief Act of 1997, **23:4**

SMALL PARTNERSHIPS

Generally, **4:8**
 IRS audit program: compliance, reporting, and penalty provisions, **17:109**
 Taxpayer Relief Act of 1997, **23:35**

SPECIAL RECAPTURE PROVISIONS

Accounting methods, **11:57**

SPECIAL RULES

Passive activity. See index heading PASSIVE ACTIVITY LOSSES AND CREDITS

SPECIAL SALE-LEASEBACK

Accounting methods, **11:55**

SPECIAL USE VALUATION

Taxpayer Relief Act of 1997, **23:10**

SPIN OFFS

See index heading TAXABLE CORPORATIONS, **3:25**

SPOUSAL PARTICIPATION

Passive activity losses and credits, **6:41, 6:171, 6:215**

SRPM

Defined, **21:96**

STACKING

Partnership taxation, **4:87 to 4:90**

STAGED ADMISSIONS

Partnership taxation, **4:342**

STARS (STRUCTURED TRUST ADVANTAGED REPACKAGED SECURITIES)

Tax shelters, **17:81**

START-UP EXPENSES

Deductions, **10:7, 10:8**

STATE INCOME TAX

Limited liability companies, **4:41**

**STATE LOW INCOME HOUSING
AUTHORITY**

Low income housing. See index heading LOW
INCOME HOUSING CREDIT

STATE OR MUNICIPAL PLANS

Pooled investment vehicles, **13:38**

STATUTE OF LIMITATIONS

See index heading LIMITATIONS PERIOD

STAY OF PROCEEDINGS

Partnerships audit provisions, **17:107**

STOCK-FOR-DEBT EXCEPTION

Omnibus Budget Reconciliation Act of 1993,
22:39

STOCK OPTIONS

Tax shelters, **17:77**

STRIPPED PREFERRED STOCK

Omnibus Budget Reconciliation Act of 1993,
22:8

**STRUCTURED TRUST ADVANTAGED
REPACKAGED SECURITIES (STARS)**

Tax shelters, **17:81**

STRUCTURING CONSIDERATIONS

Passive activity losses and credits, **6:123 to 6:126**

SUBLEASES

Accounting methods, **11:72, 11:76**
Tax-exempt leasing, **15:45**

SUBORDINATION

Debt-for-debt exchanges, **21:84**

SUBROGATION

Partnership taxation, **4:72**

SUBSIDIARIES

Taxpayer Relief Act of 1997, **23:52**

**SUBSTANTIALLY APPRECIATED
PROPERTY**

Omnibus Budget Reconciliation Act of 1993,
22:44

Taxpayer Relief Act of 1997, **23:26**

SUBSTANTIAL PENALTIES TEST

Securities laws affecting real estate syndications -
overview, **2:43**

**SUBSTANTIAL UNDERSTATEMENT
PENALTY**

Omnibus Budget Reconciliation Act of 1993,
22:59

SUBSTANTIATION REQUIREMENTS

Omnibus Budget Reconciliation Act of 1993,
22:17

SUBSTITUTED COST METHOD

Uniform capitalization rules, **10:42**

SUB SUBSIDIARIES

Unrelated business taxable income (UBTI), **13:7**

SUPPLEMENTAL WAGES

Omnibus Budget Reconciliation Act of 1993,
22:22

SYNDICATION EXPENSES

Deductions, **10:9 to 10:12**

T

TAMRA

Accounting methods. See index heading ACCOUNT-
ING METHODS

Low income housing credit, **7:113**

Pooled investment vehicles, **13:45**

UBTI. See index heading UNRELATED BUSINESS TAX-
ABLE INCOME (UBTI), **13:13 to 13:29**

Uniform capitalization rules, **10:46**

TANGIBLE PROPERTY REQUIREMENT

Passive activity losses and credits, **6:150**

TAXABLE CORPORATIONS

Generally, **3:3 to 3:46**

Accumulated earnings tax, **3:40**

Act of 1986, taxation after, generally, **3:3 to 3:40**

Anti-Morris trust regulations, **3:25**

Architectural services, domestic production
deduction, **3:15**

Built-in loss, anti abuse rules for loss recognition,
3:32

Contribution of loss property, **3:29**

Controlled subsidiaries, liquidations of, **3:20**

Control requirement, Section 351 (organization)
transactions, **3:6**

Cooperative housing corporations. See index
heading COOPERATIVE HOUSING CORPORATIONS

Corporate equity reduction transactions (CERTs),
3:38

Corporate inversions, **3:39**

Definition of tenant-stockholder, **3:41**

Depreciation cooperative housing corporations,
3:42

Domestic production deduction, **3:12 to 3:16**

Engineering services, domestic production
deduction, **3:15**

Equity reduction, corporate equity reduction
transactions (CERTs), **3:38**

Foreign corporations, transfers to, **3:37**

General utilities rule, **3:4**

Loss limitation rules, **3:28 to 3:32**

Merger and acquisitions, **3:26**

Mineral extraction, domestic production deduc-
tion, **3:16**

TAXABLE CORPORATIONS—Cont'd

- Net operating losses, **3:35, 3:36**
- Nondeductible maintenance payments, increase in adjusted basis by, **3:44**
- Non liquidating distribution, **3:33**
- Nonrecognition transaction, generally, **3:11**
- Preferred stock, Section 351 (organization) transactions, **3:7**
- Proportionate share, cooperative housing corporations, **3:45**
- Related parties, loss limitation rules, **3:28**
- Reorganizations, **3:18, 3:19**
- S corporations, liquidation of, **3:34**
- Section 277, application of, **3:46**
- Section 338 elections, **3:30**
- Section 351 (organization) transactions
 - generally, **3:5**
 - control requirement, **3:6**
 - liabilities assumed, **3:8, 3:9**
 - preferred stock, **3:7**
 - recourse vs nonrecourse, **3:9**
 - treasury stock, **3:10**
- Small corporations, **3:21**
- Spin offs
 - generally, **3:22**
 - active business requirement, **3:23**
 - anti-Morris trust regulations, **3:25**
 - valid business purpose, **3:24**
- Treasury stock, section 351 (organization) transactions, **3:10**
- Wineries, **3:27**

TAXABLE MORTGAGE POOLS

- Real estate mortgage investment conduits (REMICs), **19:31, 19:32**

TAXABLE YEAR

- Partnership taxation, **4:45**

TAX AVOIDANCE LOANS

- Below-market interest rates, **9:28**

TAX BENEFIT RULE

- Dispositions of property, **14:6**

TAX CREDITS

- Generally, **7:1 to 7:124**
- For detailed treatment see index heading
DEPRECIATION AND TAX CREDITS

TAX CUTS AND JOBS ACT

- Cancellation of debt income, **11:40**

TAX DEPRECIATION ALLOCATIONS

- Partnership taxation, **4:242**

TAX-EXEMPT ENTITIES

- Generally, **13:1 to 13:67**
- Bond financed property, **7:45**
- Depreciation and tax credits, **7:44, 7:45**

TAX-EXEMPT ENTITIES—Cont'd

- ERISA plan asset regulation
 - generally, **13:52 to 13:66**
 - for detailed treatment see index heading ERISA
PLAN ASSET REGULATION
- Form of ownership, **3:122**
- Interest deduction, loss of, **13:48**
- Leasing
 - generally, **15:1 to 15:49**
 - for detailed treatment see index heading TAX-
EXEMPT LEASING
- Native Americans, **13:67**
- Other tax benefits, loss of, **13:49**
- Pension plan, UBTI consequences of, **13:50**
- Pooled investment vehicles
 - generally, **13:31 to 13:46**
 - for detailed treatment see index heading POOLED
INVESTMENT VEHICLES
- Recharacterization of debt as equity, generally, **13:47 to 13:51**
- Unrelated business taxable income (UBTI)
 - generally, **13:2 to 13:30**
 - for detailed treatment see index heading UNRE-
LATED BUSINESS TAXABLE (UBTI)
- Use property, **7:44**

TAX-EXEMPT LEASING

- Generally, **15:1 to 15:49**
- Alternatives to qualified allocations, **15:43**
- Binding contracts, **15:46**
- Capital account restatement, **15:26**
- Catch-up reduction, **15:29**
- Computation issues, generally, **15:29 to 15:31**
- Controlled entities defined, **15:20 to 15:23**
- Cumulative return, **15:35, 15:37**
- Decrease in use property, **15:30**
- Deductions allocated to contributing partners, **15:40**
- Definitions, **15:2, 15:3, 15:18 to 15:23**
- Depreciation, **7:70, 15:13**
- Effective dates
 - generally, **15:44 to 15:49**
 - binding contracts, **15:46**
 - controlled entities, **15:22**
 - foreign persons, special rules for, **15:49**
 - leased property, **15:47**
 - leases and subleases, **15:45**
 - partnerships, **15:48**
 - renewals, **15:45**
- Election out, **15:23**
- Exceptions, **15:11 to 15:15**
- Flip percentages, **15:34**
- Foreign persons, special rules for, **15:49**
- Frequency of recomputing, **15:31**
- Gain chargebacks, **15:36 to 15:40**
- Improvements, **15:11**

TAX-EXEMPT LEASING—Cont'd

- Like-kind exchanges, **15:9**
- No 35 percent threshold, **15:27**
- Open issues, generally, **15:28 to 15:42**
- Options for purchase or sale, **15:6**
- Participation of tax-exempt entity, **15:5**
- Partnerships, treatment of, generally, **15:16 to 15:43, 15:48**
- Pass-through entities, treatment of, generally, **15:16 to 15:43**
- Prior depreciation, **15:38**
- Proportionate share defined, **15:18**
- Publicly traded stock, exception, **15:21**
- Qualified allocations, generally, **15:17, 15:32 to 15:42**
- Qualified income effect, **15:25**
- Renewals, **15:45**
- Required special allocations, **15:39**
- Service contracts vs leases, **15:15**
- Shifts in tax items per economics, **15:34, 15:35**
- Special rules and exceptions, **15:11 to 15:15**
- Subleases, **15:45**
- Substantial economic effect, **15:24 to 15:26**
- Tax credits, **15:14**
- Term of lease exceeding twenty years, **15:7 to 15:9**
- Transfer, use after, **15:10**
- Transfer of interests, other allocations involving, **15:41, 15:42**
- Use property, generally, **15:4 to 15:10**

TAX EXEMPT OBLIGATIONS

- Interest deduction, **8:45, 8:66**

TAX EXEMPT USE PROPERTY

- Depreciation and tax credits, **7:44**

TAX FREE EXCHANGES

- Depreciation and tax credits, **7:56**

TAX LIENS

- Income tax return preparers: penalties, **17:189**

TAXPAYER RELIEF ACT OF 1997

- Generally, **23:1 to 23:54**
- Accounting methods, **23:1**
- Alternative minimum tax, **23:2 to 23:4**
- Audits, electing large partnerships, **23:40**
- Bad debts, **23:28**
- Basis, allocation of, **23:20**
- Capital gains, **23:5, 23:43**
- Conservation easement, **23:6**
- Credit carryovers, **23:7**
- Deceased partner's tax year, **23:21**
- Definitions, **23:23**
- Depreciation adjustment, alternative minimum tax, **23:2**
- Disaster areas, **23:8**

TAXPAYER RELIEF ACT OF 1997—Cont'd

- Earnings and profits, **23:44**
- Electing large partnerships, generally, **23:37 to 23:40**
- Environmental cleanup costs, **23:9**
- Estate use valuation, **23:10**
- Excess noncash income, **23:45**
- Exempt organizations, **23:11**
- Farmers, **23:3, 23:12**
- Foreclosure property, **23:46**
- Hedging income, **23:47**
- Home office deduction, **23:13**
- Innocent spouse, partnerships, **23:22**
- Interest on a deficiency, **23:29**
- Involuntary conversions, **23:14**
- IRS audit program: compliance, reporting, and penalty provisions, **17:97**
- Lease improvements, **23:15**
- Like-kind exchanges, **23:16**
- Limitations period challenge, TEFRA audit procedures, **23:30**
- Limited partner definition, **23:23**
- Medical insurance, **23:17**
- Net operating losses, **23:18**
- Notification rules, electing large partnerships, **23:38**
- Oil and gas, **23:19**
- Partnerships
 - generally, **23:20 to 23:26**
 - audits, electing large partnerships, **23:40**
 - basis, allocation of, **23:20**
 - deceased partner's tax year, **23:21**
 - definition, **23:23**
 - electing large partnerships, generally, **23:37 to 23:40**
 - innocent spouse, **23:22**
 - limited partner definition, **23:23**
 - notification rules, electing large partnerships, **23:38**
 - pre contribution gain, **23:24**
 - publicly traded partnerships, **23:25**
 - return filing, electing large partnerships, **23:39**
 - simplified reporting, electing large partnerships, **23:37**
 - substantially appreciated property, **23:26**
- Penalties, TEFRA audit procedures, **23:31**
- Pre contribution gain, partnerships, **23:24**
- Prohibited transactions, real estate investment trusts (REITs), **23:49**
- Publicly traded partnerships, **23:25**
- Real estate investment trusts (REITs)
 - generally, **23:41 to 23:53**
 - capital gains, **23:43**
 - earnings and profits, **23:44**
 - excess noncash income, **23:45**
 - foreclosure property, **23:46**

TAXPAYER RELIEF ACT OF 1997—Cont'd

- Real estate investment trusts (REITs)—Cont'd
 - hedging income, **23:47**
 - ownership determination, **23:48**
 - prohibited transactions, **23:49**
 - related entity income, **23:50**
 - safe harbor, **23:49**
 - shared appreciation mortgages, **23:51**
 - subsidiaries, **23:52**
 - tenant services income, **23:53**
 - thirty percent income test, **23:42**
- Refund claims, **23:32**
- Related entity income, **23:50**
- Residence sales, **23:54**
- Return filing, electing large partnerships, **23:39**
- Safe harbor, **23:49**
- Settlement with IRS, **23:33**
- Shared appreciation mortgages, **23:51**
- Simplified reporting, electing large partnerships, **23:37**
- Small corporations, alternative minimum tax, **23:4**
- Small partnerships, **23:35**
- Special use valuation, **23:10**
- Subsidiaries, **23:52**
- Substantially appreciated property, **23:26**
- TEFRA audit procedures
 - generally, **23:27 to 23:36**
 - bad debts, **23:28**
 - interest on a deficiency, **23:29**
 - limitations period challenge, **23:30**
 - penalties, **23:31**
 - refund claims, **23:32**
 - service's discretion, **23:34**
 - settlement with IRS, **23:33**
 - small partnerships, **23:35**
 - tolling limitations period, **23:36**
 - worthless securities, **23:28**
- Tenant services income, **23:53**
- Thirty percent income test, real estate investment trusts (REITs), **23:42**
- Tolling limitations period, **23:36**
- Worthless securities, **23:28**

TAX PLANNING

- Partnership taxation, **4:295, 4:393, 4:394**

TAX RATES

- Economics of real estate transactions
 - generally, **1:21 to 1:38**
 - for detailed treatment see index heading ECO-
NOMICS OF REAL ESTATE TRANSACTIONS

TAX REFORM ACT OF 1984

- Debt-for-equity exchanges, **21:112**

TAX SHELTERS

- Generally, **17:30 et seq.**
- Abusive tax shelters, generally, **17:30 to 17:36**
- Accounting rules, **17:70**
- Accuracy related penalty, **17:13**
- Aiding abetting provision, **17:44**
- Amended returns, **17:42**
- Amendments, **17:42, 17:56 to 17:58**
- Appeals manual of IRS, **17:40**
- Attorney practice rules, **17:33**
- Audit considerations, generally, **17:37 to 17:43**
- Blue Sky registration requirements, **17:60 to 17:64**
- California Blue Sky registration requirements, **17:60 to 17:63**
- Circular 230, attorney practice rules, **17:33**
- Clarification of promoter lists of tax shelter investors, **17:68**
- Conservation easement “deals,” **17:73**
- Contested liability trusts, **17:72**
- Continuing participation of tax shelter organizers, **17:57**
- Debt assumption to increase basis, **17:74, 17:76**
- Definitions, **17:53**
- Depreciation method, **17:55**
- Deregistration, **17:58**
- Disclosure and reporting rules, **17:69**
- Distressed asset-debt transactions, **17:75**
- ESOPs holding S corporation stock, **17:76 to 17:78**
- Ethical standards, **18:7, 18:18**
- Examination handbook of IRS, **17:39**
- Executive stock options, **17:77**
- Exempt bond opinions, **17:34**
- Exemptions
 - bond opinions, **17:34**
 - limited partner tax shelter ratio not exceeding 2 to 1, **17:50, 17:51**
 - promoter lists of tax shelter investors, **17:67**
 - publicly held limited partnerships, **17:52 to 17:55**
- Foreign currency straddles, **17:78**
- Foreign loss importation, **17:79, 17:80**
- Identifying abusive tax shelters, **17:37**
- Identifying particular tax shelters
 - generally, **17:72 et seq.**
 - conservation easement “deals,” **17:73**
 - contested liability trusts, **17:72**
 - debt assumption to increase basis, **17:74**
 - distressed asset-debt transactions, **17:75**
 - ESOPs holding S corporation stock, **17:76 to 17:78**
 - executive stock options, **17:77**
 - foreign currency straddles, **17:78**
 - foreign loss importation, **17:79, 17:80**
 - partnership straddles, **17:80**

TAX SHELTERS—Cont'd

- Identity of client, **17:35**
- Interest rate, **17:85**
- Investment base, **17:54**
- Investor reporting, **17:62**
- IRS measures aimed at, generally, **17:30 to 17:81**
- IRS real estate examination tax shelters handbook and appeals manual, **17:39, 17:40**
- List maintenance rules, **17:48, 17:49**
- Lists of tax shelter investors, **17:65 to 17:68**
- Maintenance of promoter lists of tax shelter investors, **17:66**
- Notification of investors, **17:38**
- Partnership straddles, **17:80**
- Penalties, specified penalties, **17:36**
- Prefiling notification of investors, **17:38**
- Problem issues, **17:50 to 17:58**
- Projected income investment defined, **17:53**
- Promoter lists of tax shelter investors, **17:65 to 17:68**
- Reasonable cause, **17:63**
- Registration number, **17:60**
- Registration requirements, generally, **17:45 to 17:68**
- Registration rules, **17:47**
- Registration rules/6111, **17:46**
- Reporting rules, **17:69**
- Revenue procedure 83-78 and IRS audit considerations, **17:37 to 17:43**
- Section 6700 promoting abusive tax shelters, **17:31**
- Section 6701 aiding abetting provision, **17:44**
- Section 7408 injunctions against promoters of abusive tax shelters, **17:32**
- Seizure of assets, **17:43**
- Settlement initiative, **17:41**
- Structured Trust Advantaged Repackaged Securities (STARS), **17:81**
- Technical correction, **17:56**
- Tiered partnership arrangements, **17:59**

TECHNICAL CORRECTIONS

- Tax shelters, **17:56**
- Unrelated business taxable income (UBTI), **13:29**

TEFRA

- Audit procedures
 - generally, **23:27 to 23:36**
 - for detailed treatment see index heading **TAXPAYER RELIEF ACT OF 1997**

TEMPORARY INVESTMENTS

- Real estate investment trusts, **3:67**

TEMPORARY REGULATIONS

- Partnerships. See index heading **PARTNERSHIP TAXATION**

TENANT EQUITY PARTICIPATION

- Accounting methods, **11:68, 11:78 to 11:83**
- Partnership taxation, **4:83**

TENANT QUALIFICATION

- Low income housing credit, **7:100, 7:118**

TENANT SERVICES INCOME

- REIT qualification requirements, **3:70, 3:71**
- Taxpayer Relief Act of 1997, **23:53**

TEN PERCENT DE MINIMIS RULE

- Partnership taxation, **4:113, 4:129, 4:135, 4:143**

TEN PERCENT REQUIREMENT

- Rental real estate activities \$25,000 exemption, **6:96**

TEN PERCENT RULE

- Passive activity losses and credits, **6:203**

TEN YEAR CLASS OF PROPERTY

- Depreciation and tax credits, **7:21**

TERMINATION

- Accounting methods, **11:28, 11:29**
- Debt restructurings, workouts, and bankruptcies of partnerships, **21:160**
- Partnership taxation. See index heading **PARTNERSHIP TAXATION**
- S corporations, **3:53, 3:54**

TERM OF LEASE

- Tax-exempt leasing, **15:7 to 15:9**

THEFT LOSS

- Deductions, **10:84**

THIRD INSTALLMENT OF IRS PASSIVE LOSS REGULATIONS

- Passive activity losses and credits generally, **6:256 to 6:268**
- for detailed treatment see index heading **PASSIVE ACTIVITY LOSSES AND CREDITS**

THIRTY DAY RULE

- Interest deduction, **8:49**

THIRTY DAY/SIGNIFICANT SERVICES RULE

- Passive activity losses and credits, **6:153**

THIRTY-ONE AND ONE-HALF YEAR CLASS OF PROPERTY

- Depreciation and tax credits, **7:25**

THIRTY PERCENT INCOME TEST

- Real estate investment trusts, **3:76, 3:92, 23:42**

THREE YEAR CLASS OF PROPERTY

- Depreciation and tax credits, **7:18**

TIERED ENTITIES

- Accounting methods, **11:20 to 11:23**

TIERED ENTITIES—Cont'd

Partnerships. See index heading **PARTNERSHIP TAXATION**

Passive activity losses and credits, **6:78, 6:205**

TIMBER

Uniform capitalization rules, **10:54**

TIME OR DATE

Debt-for-debt exchanges. See index heading **DEBT-FOR-DEBT EXCHANGES**

Deductions, **10:88**

Depreciation. See index heading **DEPRECIATION AND TAX CREDITS**

Effective dates. See index heading **EFFECTIVE DATES**

Extension of time to file, **17:94**

IRS audit program: compliance, reporting, and penalty provisions, **17:128**

Low income housing credit, **7:90**

Partnership taxation, **4:292**

Passive activity. See index heading **PASSIVE ACTIVITY LOSSES AND CREDITS**

Securities laws affecting real estate syndications - overview, **2:77**

Uniform capitalization rules, **10:28**

TIME VALUE OF MONEY

Economics of real estate transactions, **1:7**

TITLE AND OWNERSHIP

Accounting methods, **11:82**

TITLE HOLDING COMPANIES

Omnibus Budget Reconciliation Act of 1993, **22:34**

TOLLING LIMITATIONS PERIOD

Taxpayer Relief Act of 1997, **23:36**

TRACING RULES

Interest deduction, **8:33, 8:43 to 8:46**

Uniform capitalization rules, **10:27, 10:31 to 10:33**

TRADE OR BUSINESS

Passive activity. See index heading **PASSIVE ACTIVITY LOSSES AND CREDITS**

TRADE PAYABLES

Partnership taxation, **4:225**

TRANSACTION EXEMPTIONS

Securities laws affecting real estate syndications - overview

generally, **2:5 to 2:30**

for detailed treatment see index heading **SECURITIES LAWS AFFECTING REAL ESTATE SYNDICATIONS - OVERVIEW**

TRANSFERABILITY OF INTERESTS

Limited liability companies, **4:29, 4:38**

TRANSFERS

See index heading **SALES OR TRANSFERS**

TRAVEL EXPENSES

Omnibus Budget Reconciliation Act of 1993, **22:9**

TREASURY DEPARTMENT RULES OF PRACTICE

Ethical standards. See index heading **ETHICAL STANDARDS**

TRIGGERING RULES

Partnership taxation, **4:250, 4:251, 4:270, 4:271**

TRUE LEASE CHECKLIST

Sale-leaseback transactions, **14:72**

TRUSTS

See index heading **ESTATES AND TRUSTS**

TWELVE MONTH RULE

Passive activity losses and credits, **6:198**

TWENTY-FIVE PERCENT ASSETS TEST

Real estate investment trusts, **3:96**

TWENTY-SEVEN AND ONE-HALF YEAR CLASS OF PROPERTY

Depreciation and tax credits, **7:24**

TWENTY YEAR CLASS OF PROPERTY

Depreciation and tax credits, **7:23**

TWO-TIER PARTNERSHIPS

Investment Company Act of 1940, **2:78**

U

UBTI

See index heading **UNRELATED BUSINESS TAXABLE INCOME (UBTI)**

UNDERSTATEMENT PENALTY

Income tax return preparers: penalties

generally, **17:163 to 17:190**

for detailed treatment see index heading **INCOME TAX RETURN PREPARERS: PENALTIES**

UNDERTAKING RULES

Passive activity losses and credits, **6:222 to 6:225**

UNFUNDED DEFERRED BENEFITS

Accounting methods, **11:6**

UNIFORM CAPITALIZATION RULES

Generally, **10:15 to 10:55**

Accumulated production expenditures, **10:21**

Act of 1986, generally, **10:15**

Animals, **10:55**

Avoided cost method, **10:18**

Bioenergy program payments, **10:51**

Common features, **10:20**

UNIFORM CAPITALIZATION RULES**—Cont'd**

Consistency of interest capitalization, **10:36**
 Contract, property produced under, **10:23**
 Crop insurance proceeds, **10:52**
 Deferred asset method, **10:41**
 Definition of related party, **10:39**
 Effective dates, final regulations after, **10:47**
 Election to avoid tracing requirement, **10:33**
 Farming, **10:50 to 10:55**
 Final regulation, **10:47 to 10:49**
 Flow-through entity rules, **10:30, 10:43 to 10:45**
 Mechanics of interest capitalization, **10:34 to 10:36**
 Methods of determining amount of additional capitalization, **10:40 to 10:42**
 Notice 88-99
 generally, **10:26 to 10:45**
 consistency of interest capitalization, **10:36**
 deferred asset method, **10:41**
 definition of related party, **10:39**
 determination of when interest is paid or incurred, **10:37**
 election to avoid tracing requirement, **10:33**
 extent of interest capitalization, **10:35**
 flow-through entity rules, **10:30, 10:43 to 10:45**
 mechanics of interest capitalization, **10:34 to 10:36**
 methods of determining amount of additional capitalization, **10:40 to 10:42**
 related party avoided cost rules, **10:29, 10:38 to 10:42**
 related party rules, **10:29**
 substituted cost method, **10:42**
 summary, **10:26 to 10:30**
 timing of payment interest, **10:28**
 tracing and avoided cost rules, **10:27, 10:31 to 10:33**
 Ordering rules and contingent interest, **10:19**
 Plants, **10:53**
 Production of real property, **10:17**
 Production period, **10:22**
 Regulations, generally, **10:16 to 10:23**
 Related party avoided cost rules, **10:29, 10:38 to 10:42**
 Related party rules, **10:29**
 Removal costs, **10:66**
 Substituted cost method, **10:42**
 Summary
 regulations, **10:16**
 uniform capitalization rules, **10:26 to 10:30**
 TAMRA, **10:46**
 Timber, **10:54**
 Timing of payment interest, **10:28**

UNIFORM CAPITALIZATION RULES**—Cont'd**

Tracing and avoided cost rules, **10:27, 10:31 to 10:33**

UNRELATED BUSINESS TAXABLE INCOME (UBTI)

Generally, **13:2 to 13:30**
 Absence of qualified allocations, **13:14**
 Acquisition indebtedness, generally, **13:8 to 13:30**
 Affiliate debt, **13:11**
 Chargebacks, **13:18, 13:25**
 Contingent loss allocation problem, **13:17**
 Deficit account capital balances, provisions preventing, **13:24**
 Defined, **13:2**
 Disproportionate allocation rules, **13:16**
 Disregarding special allocations, **13:23**
 Dividend exclusion, **13:3**
 Effective dates, **13:28**
 Exclusions, **13:3 to 13:7**
 Excultating tax-exempt partners, **13:30**
 Fractions rule, generally, **13:16, 13:21 to 13:28**
 Interest exclusion, **13:3**
 Offsets, **13:25**
 Omnibus Budget Reconciliation Act of 1993, **22:36**
 Partnership transactions, **13:12**
 Pension plan, UBTI consequences of, **13:50**
 Preferred returns and guaranteed payment problem, **13:19, 13:22**
 Profit on sale exclusion, **13:4**
 Publicly Traded Partnership exception, **13:6**
 Relief from acquisition indebtedness, generally, **13:9 to 13:30**
 Rents, exclusions, **13:5**
 Special rules, **13:26**
 Subsidiaries, **13:7**
 TAMRA changes 1986 and 1987 Acts, generally, **13:13 to 13:29**
 Technical corrections act, **13:29**
 Tiered partnerships, **13:27**

UP-REITS

Real estate investment trusts, **3:113, 3:117**

USEFUL LIFE

Depreciation and tax credits, **7:54, 7:55**

USE OF PROPERTY

Accounting methods. See index heading ACCOUNTING METHODS
 Sale of principal residence, **14:55**
 Tax-exempt leasing. See index heading TAX-EXEMPT LEASING

INDEX

USURY

See index heading INTEREST AND USURY

V

VALUE AND VALUATION

Partnership taxation, **4:184, 4:193, 4:218**

VARIABLE RATE INSTRUMENTS

Debt-for-debt exchanges, **21:74**

Original issue discount, **9:18**

VARIABLE RATE OF INTEREST

Final 1994 regulations, **9:51**

VARYING INTEREST RULE

Partnership taxation, **4:438**

VERIFICATION

Income tax return preparers: penalties, **17:168**

VERTICAL INTEGRATION

Passive activity losses and credits, **6:231**

VOTING RIGHTS

California rollout legislation, **2:119**

W

WAIVER AND ESTOPPEL

Debt-for-debt exchanges, **21:69**

Partnership, **4:424**

WATER RIGHTS

Dispositions of property, **14:3**

WELL-BY-WELL DETERMINATION

Passive activity losses and credits, **6:210**

WIDELY HELD FIXED INVESTMENT TRUSTS (WHFITs)

IRS audit program: compliance, reporting, and penalty provisions, intercompany sharing of

WIDELY HELD FIXED INVESTMENT TRUSTS (WHFITs)—Cont'd

tax information required, **17:140**

WIDELY HELD MORTGAGE TRUSTS (WHMTs)

IRS audit program: compliance, reporting, and penalty provisions, intercompany sharing of tax information required, **17:141**

WILLFUL AND WILLFULNESS

Ethical standards, **18:16**

Income tax return preparers: penalties, **17:180**

Securities laws affecting real estate syndications - overview, **2:50**

WINERIES

Taxable corporations, **3:27**

WITHHOLDING

Foreign investment. See index heading FOREIGN INVESTMENT IN US REAL ESTATE: WITHHOLDING OBLIGATIONS

WORKOUTS

Partnerships. See index heading DEBT RESTRUCTURINGS, WORKOUTS, AND BANKRUPTCIES OF PARTNERSHIPS

WORTHLESS SECURITIES

Taxpayer Relief Act of 1997, **23:28**

WRAPAROUND MORTGAGES

Partnership taxation, **4:451**

Y

YIELD

Debt-for-debt exchanges, **21:73 to 21:75**

Original issue discount, **9:7**

Z

ZERO VALUE LIQUIDATION TEST

Partnership taxation, **4:67**